RECORD OF EXECUTIVE DECISIONS

The following is a record of the decisions taken at the meeting of **CABINET** held on **Wednesday 11 July 2018**. The decisions will come into force and may be implemented from **Monday 23 July 2018** unless the Corporate Overview and Scrutiny Management Committee or its Committees object to any such decision and call it in.

Medium Term Financial Plan(9), 2019/20-2022/23 and Reviews of the Local Council Tax Reduction Scheme, Council Tax Discounts and Business Discretionary Rate Reliefs [Key Decision: CORP/R/18/01/01/18]

Summary

The Cabinet considered a joint report of the Corporate Director of Resources and the Director of Transformation and Partnerships which provided an update on the development of the 2019/20 budget and the Medium Term Financial Plan (MTFP(9)). The report included reviews of the Local Council Tax Reduction Scheme, Council Tax Discounts and Business Rates Discretionary Rate Relief.

The financial outlook for the Council will continue to be extremely challenging for the foreseeable future, with government funding reductions confirmed as continuing until at least 2020. The Fair Funding review is scheduled for implementation from April 2020 alongside a move to 75% Business Rates Retention (BRR). There is no certainty as to future local authority funding allocations beyond this point and there is no clarity on how funding will be distributed at this stage. It is clear however that there are significant risks to the Council's funding depending on the principles that are agreed for fair funding distribution and how the move to 75% BRR is implemented. It is also clear that the Council is likely to face further unfunded cost pressures in the future.

Early indications from the Fair Funding review discussions are that the government will adopt the Advisory Council for Resource Allocation (ACRA) methodology for apportioning Public Health Grant from April 2020, and from this date Public Health Grant will form part of BRR. This is a significant financial risk - the Council would be the biggest loser of Public Health funding of any authority in the country losing a forecast £19 million (circa 35%) of current public health funding based on the new ACRA formula.

It is likely that any variance in government grant allocations resulting from the Fair Funding review will be implemented across a five year transition period. If the Council were to lose funding therefore, it is expected this will be implemented across a five year time frame. Assumed losses of government funding resulting from the Fair Funding review have been included in the MTFP for the first time.

At this stage the Council is planning on the basis of a Revenue Support Grant (RSG) reduction of £14.24 million in 2019/20. This will be the final year of the current four year settlement. The Council has taken into account assumed government funding reductions, forecast increase in other income streams and assumed base budget pressures in developing a four year MTFP(9) plan.

Although the settlement from government is unchanged to that reported to Council in February 2017, in line with previous practice the MTFP Model has been reviewed. Savings of £35.3 million are forecast to be required to balance the budget over the 2019/20 to 2022/23 period. Savings are forecast to be required in all years of MTFP(9) as budget pressures and the impact of funding reductions outstrip the Council's ability to generate additional income from business rates and council tax.

The achievement of an additional £35.3 million of savings over the next four years will be extremely challenging – more so given the savings that have already been made. 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 is becoming exhausted following the delivery of £224 million of savings up to 31 March 2019.

The total savings required at this stage for 2019/20 to balance the budget amount to £8.8 million, which is 25% of the £35.3 million estimated to be required over the next four years. Savings plans have been developed for 2019/20 in addition to those agreed by Council on 21 February 2018. These savings were detailed in the report. A significant proportion of the savings identified for 2019/20 are generated from the Transformation Programme which aims to support the MTFP in the coming years and to protect front line services wherever possible. Savings plans will continue to be developed in the coming months to seek to balance the budget beyond 2019/20. The Council will also consider how best to utilise the Budget Support Reserve (BSR) across the MTFP(9) period to ensure the impact of all savings plans are carefully considered and consulted on. The current balance on the BSR as reported to Council on 21 February 2018 is £29.6 million.

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 recommended that the current LCTRS is retained for a further year into 2019/20. The Council will need to formally adopt this policy at Full Council prior to 11 March 2019.

The report included the annual review of the Council Tax Discretionary Discounts (Hardship Relief) Policy and the Council Tax Exemption for Care Leavers Policy, plus the updated Local Discretionary Rate Relief Policy.

Decision

The Cabinet:

(a) noted the requirement to identify additional savings of £35.3 million for the period 2019/20 to 2022/23;

(b) noted the £14.185 million of prospective savings detailed in Appendix 2 of the report, to support MTFP(9);

(c) noted that the £7.927 million of savings included for 2019/20 if agreed would result in a £0.918 million savings shortfall for 2019/20;

(d) agreed the high level MTFP(9) timetable;

(e) agreed the approach outlined for consultation;

(f) noted the workforce impact resulting from the need to realise additional savings of £35.3 million over the 2019/20 to 2022/23 period;

(g) agreed the proposals to build equalities considerations into decision making;

(h) agreed that Cabinet recommend to Full Council that the Local Council Tax Reduction Scheme should remain unchanged for 2019/20;

(i) noted the review of Council Tax Discretionary Reduction (Hardship Relief) Policy as attached at Appendix 5 of the report, and agreed the updates to the Policy as outlined in the report;

(j) noted the review of the Council Tax Discretionary Reduction (Relief) For Care Leavers Policy, as attached at Appendix 6 of the report and agreed that the policy remain unchanged;

(k) noted the changes to the Local Discretionary Rate Relief scheme, made under a delegated decision in line with delegations agreed by Cabinet in February 2018, which ensured that the full amount of Government funding for such schemes was awarded to local businesses in 2017/18 and again in 2018/19;

(l) noted that the Discretionary Rate Relief scheme will continue to be monitored and reviewed, with delegated approval continuing for the Corporate Director of Resources, in consultation with the Cabinet Member for Finance, to vary the percentage awards to small businesses retrospectively should we need to in order to maximise spend against the available grant in year and to vary the rates applied to new applications should the need arise.

Treasury Management Outturn 2017/18

Summary

The Cabinet considered a report of the Corporate Director of Resources which provided information on the Treasury Management Outturn position for the year ended 31 March 2019.

The Council operates a balanced budget, which broadly means that cash raised during the year will meet cash expenditure. Part of the treasury management operation is to ensure this cash flow is adequately planned, with surplus monies being invested in low risk counterparties, with a main aim of providing sufficient liquidity, ahead of the achievement of the best possible investment returns.

The second main function of treasury management is to secure the funding of the Council's capital programme. The capital programme provides a guide to the borrowing need of the Council, and there needs to be longer term cash flow planning to ensure capital spending requirements can be met. The management of longer term cash may involve arranging long or short term loans, utilising longer term cash flow surpluses and, occasionally, debt restructuring to meet Council risk or cost objectives.

The Council adopts the latest CIPFA Code of Practice on Treasury Management. This requires Members to agree the annual review following the end of the year describing the activity compared to the strategy for the 2017/18 financial year. The report provided a summary of the treasury position; borrowing activity; investment activity; treasury management indicators and prudential indicators.

Decision

The Cabinet noted the treasury management outturn position for 2017/18 and agreed to report to full Council on 19 September 2018.

2017/18 Final Outturn for the General Fund and Collection Fund

Summary

The Cabinet considered a report of the Corporate Director of Resources which provided an update on the following:

(a) final revenue and capital outturn for the General Fund for 2017/18;

(b) final outturn for the Council's Council Tax and Business Rates Collection Fund for 2017/18;

(c) use of and contributions to earmarked, cash limit and general reserves.

The financial outlook for the Council and the whole of local government remains extremely challenging. The Council has faced government funding reductions since 2010/11 and they will continue until at least 2019/20.

There is a risk that funding reductions continue beyond this point placing further pressure on the Medium Term Financial Plan (MTFP).

On 22 February 2017, County Council agreed a net revenue budget of £406.598 million for 2017/18. Factoring in cuts in Government grant, inflation and other budget pressures, the delivery of £23.397 million of savings was required in 2017/18 to deliver a balanced budget.

Quarterly forecast outturn reports have been considered by Cabinet throughout the 2017/18 financial year. Detailed reports on individual Service Groupings have also been considered by the various Overview and Scrutiny Committees.

This final outturn for 2017/18 has been prepared as part of the production of the Annual Statement of Accounts. During the process of finalising the Statement of Accounts, the Corporate Director of Resources is required to make a number of technical decisions in the best financial interests of the Council. Such decisions will be fully disclosed in the Statement of Accounts.

Decision

The Cabinet noted:

(a) the increase in the Cash Limit Reserves of £2.033 million during 2017/18 with closing Cash Limit Reserves of £18.287 million. These sums will continue be held as Earmarked Reserves and be available for Service Groupings to manage their budgets effectively;

(b) the closing General Reserve balance of £24.500 million;

(c) the closing balance on General Fund Earmarked Reserves (excluding Cash Limit Reserves) is £182.997 million;

(d) the closing balance on Schools Reserves is £23.149 million;

(a) the position for the Collection Funds in respect of Council Tax and Business Rates.

The Cabinet approved:

(a) the capital budget of £45.094 million is carried forward into 2018/19 and that service groupings regularly review capital profiles throughout 2018/19 reporting revisions to the Member Officer Working Group and Cabinet as necessary.

Stronger Families Phase 2 Progress Report

Summary

The Cabinet considered a report of the Corporate Director of Children and Young People's Services which updated on progress of the County Durham's Stronger (Troubled) Families Programme.

County Durham's phase 2 programme began in September 2014, as one of 50 'early starter' programmes. The programme will run until May 2020 and has a target to 'turn around' 4,360 families.

Key differences to the phase 1 programme include:

(a) An increasing focus on service transformation, introducing a Service Transformation Maturity Matrix and associated self-assessment for Local Authorities and partners to measure service transformation progress.

(b) Expanding the 3 mandatory 'core criteria' with 6 nationally set 'headline issues'.

(c) Introducing the requirement to develop a local Family Outcome Framework (FOF), defining eligibility criteria and significant and sustained outcomes for children and families.

The financial framework for the programme involved 'payments by results', with a payment of £1800 per 'turned around' family. On 11th October 2017, the Ministry for Housing, Communities and Local Government (MHCLG) announced optional changes to the funding arrangements for Local Authorities for the remainder of the programme, inviting those interested to submit proposal bids for 'earned autonomy'.

Following the successful delivery of the Troubled Families programme within County Durham, the MHCLG have awarded Durham 'Earned Autonomy' (EA). This results in all claimable Troubled Families grant being payed to DCC without the need for Payment by Results (PbR) returns and the associated potential risk of the grant not being 100% paid. Prior to the award of Earned Autonomy it was deemed prudent to budget for 80% of PbR income as there was a potential that some claims could be declined or activity levels may not be achieved. Earned Autonomy will provide an additional £697,600 over 18/19 and 19/20.

The MHCLG, will expect all LAs with EA to continue to demonstrate the impact of their work with families on the programme as outlined in the County Durham Family Outcome Framework. It is proposed County Durham will continue to submit this information to MHCLG three times per year.

Under the terms of Earned Autonomy, Durham County Council and key partner organisations have developed a Memorandum of Understanding (MOU) outlining how the additional investment will support the acceleration of service transformation. The MOU was outlined in the report.

The report detailed the progress and impact of the Stronger Families Programme and the findings of the National Troubled Families Annual Report

County Durham Stronger Families programme continues to drive the service transformation required to ensure children and families with a range of complex needs received coordinated, effective, whole family support to enable families to achieve significant and sustained change.

The number of County Durham families 'turned around' is below trajectory, however County Durham is ranked 37th nationally out of 141 LAs. Durham had previously been ranked 45th.

The programme has championed the whole family approach and the focus on the delivery of significant and sustained outcomes as outlined in County Durham Family Outcome Framework, both of which is intended to ensure the legacy of the programme beyond 2020. The early evidence form the Troubled Families National Impact Study is demonstrating a reduction in demand for high cost statutory services.

Earned Autonomy will provide DCC and key partners with additional funding to accelerate service transformation. The EA MOU provides a clear set of actions and intended outcomes to drive service transformation. Additional data analysis resource will also develop our understanding of the characteristics of County Durham's cohort of 'troubled' families, the impact of our work on achieving significant and sustained outcomes and the impact on demand for high cost statutory services.

Decision

The Cabinet agreed the Integrated Children's Board will provide governance for the delivery of the programme to 2020.

Children and Young People's Services Annual Reports and Plans

Summary

The Cabinet considered a report of the Corporate Director of Children and Young People's Services which presented the following annual reports and plans:

(a) The Youth Justice Plan 2018/19.

(b) The Annual Report of Fostering Panels and the Fostering Service 2017/18.

(c) The Durham Local Safeguarding Children Board Annual Report 2017/18 and Young People's Annual Report 2017/18.

The report provided details of the key achievements and priorities for 2018-19.

Decision

The Cabinet:

(a) endorsed the Youth Justice Plan 2018/19 and forward it to full Council for approval;

(b) received the Annual Report of Fostering Panels and the Fostering Service 2017/18; and

(c) received the Durham LSCB Annual Report and the LSCB Young People's Annual Report.

Lumiere Festival 2019 and 2021

Summary

The Cabinet considered a report of the Corporate Director of Regeneration and Local Services which provided information on the evaluation of the 2017 Lumiere festival, and sought approval for resources to stage a special 10th Anniversary Lumiere festival in 2019, with a further event in 2021.

Following the success of the previous four Lumiere events, the evaluation of the fifth event in 2017 sets out a compelling proposal to stage the event again in both 2019 and 2021.

The 2017 Evaluation Report concluded that Lumiere 2017 was a considerable success. It particularly highlights the significant economic impact, the substantial value of media coverage which delivered Durham a high national and international profile and the strong social value of the event.

In 2017 the total budget for the event was £1.8 million. Artichoke raised the funds from a wide range of sources. Essentially, the Council's investment (£600,000) in the programme acted as a catalyst which helped to secure funding, and which Artichoke was able to use as leverage to wider resources.

The strength of the consistently growing crowds and support from businesses for the event demonstrate there is an enthusiasm for the Council to deliver an equally high profile event again. To enable longer term planning and to capitalise on the success of the event, the report proposed that commitment be given to staging the event again in 2019 and 2021.

In July 2017, Durham County Council was successful in its bid to receive Arts Council England NPO funding for another four years, meaning that three key festivals (BRASS, Durham Book Festival and Lumiere) will receive Arts Council England support from April 2018 to March 2022. The total award across the four years is £1.6 million, broken down into BRASS (£140k pa), Durham Book Festival (£25k pa) and Lumiere (£250k pa).

It is anticipated that to stage the event in 2019 the cost will be an estimated £2 million. As the 10th anniversary of Lumiere, it is proposed that the festival be the most ambitious yet to include both newly commissioned works and a range of favourites from previous years. This will continue to raise Durham's profile nationally and internationally and attract further funding from external sources.

The Council has been a key contributor to the event in the past, and it is proposed this continues with commitment to a funding package of £1.8million over 4 years from the Council's Cultural Programme Reserve, recently established from VAT windfall in Culture & Sport. In addition, the Council would continue to provide £100k of in-kind assistance to each event.

The Council has already been in close discussion with Arts Council England in relation to support for 2019, based on 2017 outcomes, and they have expressed they are very pleased with the festival's development committing £1m NPO (National Portfolio Organisation) funding to events in 2019 and 2021.

This is encouraging and means a greater return on investment in relation to the Council's contribution. It is anticipated that the remaining funding would be raised from wider partners and sponsorship, and initial discussions with stakeholders suggest this would be easily achievable. However, the ability to get commitment from sponsors is dependent on there being a decision to host the event in 2019.

The further commitment to fund across the next 4 years of the NPO National Portfolio Organisation) grant period to 2021 would also allow for greater planning across the festivals, both artistically and also in developing relationships with potential partners and sponsors.

The report proposed that the Council's Cultural Programme Reserve be used to create legacy artworks in the non-Lumiere years (2018/19 and 2020/21), which will provide lasting pieces of public art for the county, and will help to keep the Lumiere brand alive through the biennial cycle.

In order to meet the growth in demand and increased expectations of the public and to fully maximise the economic benefit to the County, it is proposed that the Council commissions Lumiere events for both 2019 and 2021.

Decision

The Cabinet agreed:

a) That Artichoke be re-commissioned to plan and programme a Lumiere festival for delivery in 2019 and 2021, in consultation with relevant stakeholders.

b) That the Cultural Programme Reserve consisting of VAT windfall funds is utilised to fund Lumiere activities across the NPO funding period encompassing a significant 10th anniversary event in 2019 and a further event in 2021 together with supporting activities across the period 2018 – 2021.

c) That the approval of the terms of the contract be delegated to the Corporate Director of Regeneration and Local Services Services in consultation with the Cabinet Portfolio for Tourism, Culture, Leisure and Rural Issues.

d) That further updates on progress in relation to the 2019 project be presented to Cabinet.

Update on Rail Issues

Summary

The Cabinet considered a report of the Corporate Director of Regeneration of Local Services which provided an update on current rail issues; and requested that Cabinet agree a position for the Council on key rail infrastructure and service improvements to help boost the economy of County Durham.

The East Coast Mainline (ECML) serves both Durham and Chester-le-Street, with over 2.5 million passenger journeys made to/from Durham Station last year. The Bishop line (Bishop Auckland to Darlington) has recently benefited from the introduction of an hourly service, and plans for a new station at Horden on the Durham Coast line will complement the existing station at Seaham, providing access to jobs and services and acting as a regeneration initiative for East Durham communities.

The report highlights some of the current key developments across the rail industry and sets out a suggested position for the Council to adopt.

The East Coast Main Line is an important piece of national infrastructure. However, throughout its length it suffers from a lack of capacity, ageing infrastructure and poor resilience. Northern Powerhouse Rail (NPR) is the rail arm of Transport for the North (TfN). NPR are developing a strategic rail programme aimed at transforming the northern economy through improved rail connectivity between the key economic centres of the North. In addition, there are aspirations to bring High Speed 2 trains to the North East by running on from Leeds to York and joining the existing ECML. In the absence of investment, it will not be possible to introduce new train services without displacing existing ones. The ECML needs to be upgraded and expanded to four tracks. This could be done through reinstatement of the Leamside Line. A 2016 study by the East Coast Mainline Authorities (ECMA) group showed that investing £3 billion in the ECML would generate an addition £9 billion for the UK economy.

The Durham Coast line between Middlesbrough and Newcastle currently has an hourly service in each direction provided by Northern. The line provides important travel opportunities for local residents at Seaham Station, which generates approximately 145,000 passenger journeys per annum. Plans are well advanced for the construction of a new station at Horden, which will serve Peterlee and a wider East Durham catchment. A budget of £10.5 million has been secured. The new station is scheduled to open in 2020, and is forecast to generate in excess of 71,000 trips per year.

The Bishop Line between Darlington Bank Top station and Bishop Auckland was improved at the December 2017 timetable change with the introduction of an hourly passenger service, The service provided under the Northern franchise continues through Darlington to Middlesbrough and Saltburn. There are concerns that capacity constraints at Darlington Bank Top (where the Bishop Line crosses the East Coast Main Line) could lead to the Bishop Auckland to Saltburn service being severed. The commercial implications of this are not currently known but it is understood that up to 50% of journeys currently are across Darlington. The County Council needs to ensure through working with stakeholders that all options are explored and that if the service is severed, that interchange between the two new services minimises any inconvenience to passengers.

The East Coast franchise was taken back into public ownership on 24 June. It remains a profit making service, but has not delivered the level of growth in profits that Virgin/Stagecoach had predicted. This Council passed a motion in January 2014, following the collapse of the previous East Coast Franchise, calling on government to maintain the franchise in public ownership. However, the franchise was awarded to Virgin/Stagecoach in March 2015. Since June, the service has been rebranded as the London and North Eastern Railway and will remain in public ownership until 2020.

However, the Transport Secretary has announced the government's intention to put the service back out to tender in 2020, under a yet to be developed partnership franchise. This should not impact on the introduction of the new Azuma trains from Hitachi (Newton Aycliffe), which are due to come into operation on the East Coast route from December 2018. The Department for Transport (DfT) are currently developing the specification for the new partnership approach. The County Council will continue to work with colleagues with a view to seeking greater influence over the service specification for the new franchise and the management of the new partnership model.

Cross Country currently provide two trains per hour between Newcastle and York. As part of this service they deliver one evening peak hour commuting journey (at 17:32 hrs) to Chester-le-Street from Newcastle. The existing Cross Country franchise ends in 2019, and consultations are currently taking place on options for the replacement franchise service. Whilst overcrowding is not considered to be an issue on the 17:32 departure from Newcastle, it is a vital service for local residents making the daily commute to/from Tyneside. It is therefore important that the Authority makes a robust response to the consultation to ensure that the level of service at Chester-le-Street is retained or enhanced going forward. A further area of concern in DfT's consultation is a suggestion that the two Cross Country trains per hour between York and Newcastle could be reduced to one train per hour in the new franchise. The Authority must make a robust response to the Department for Transport to maintain the current level of service and bring forward investment in the East Coast Main Line to unlock additional capacity.

Decision

The Cabinet:

(a) Noted the contents of this report;

(b) Agreed to adopt the following key messages in order to guide discussions with stakeholders and ensure that the needs and aspirations of the County are considered:

- Continue to lobby for investment in the East Coast Main Line to improve capacity and resilience, including supporting the option of reopening the Leamside Line.

- Work with North East Combined Authority and Tees Valley Combined Authority; encouraging a partnership approach across the wider North East to strengthen collective influence over rail issues.

- Support the work of Transport for the North and the East Coast Mainline Authorities group in pursuing improvements to rail provision that will help boost the economy of County Durham.

- Continue the commitment to deliver a new station on the Durham Coast railway line at Horden.

- Work with Darlington Borough Council and the wider rail industry to ensure that any proposals brought forward for Bank Top Station consider the needs of passengers using the Bishop Line services.

- Seek to enhance the level of train service provision at Chester-le-Street.

(c) Consider whether to adopt any additional key messages

(d) Call on the government to give a commitment to publicly run the East Coast main line indefinitely, giving greater accountability and putting people before profits

The Cabinet resolved to exclude the press and public by virtue of paragraph 3 Part 1 of Schedule 12A of the Local Government Act 1972 during discussions on the following two agenda items.

Integra61 Financial Support [Key Decision: REAL/03/18]

Summary

The Cabinet considered a joint report of the Corporate Director of Regeneration and Local Services and the Corporate Director of Resources which sought approval for financial support for the Integra61 project.

Decision

The Cabinet approved the recommendations contained in the report.

Business Durham – Purchase of Additional Properties [Key Decision: REAL/04/18]

Summary

The Cabinet considered a report of the Corporate Director of Regeneration and Local Services regarding the purchase of additional properties.

Decision

The Cabinet approved the recommendations contained in the report.

Helen Lynch
Head of Legal and Democratic Services
13 July 2018