



RECORD OF EXECUTIVE DECISIONS

The following is a record of the decisions taken at the meeting of **CABINET** held on **Wednesday 13 December 2017**.

The decisions will come into force and may be implemented from Thursday 21 December 2017 unless the Corporate Overview and Scrutiny Management Committee or its Committees object to any such decision and call it in.

Mainstream Primary and Secondary Funding Formula 2018-19

Summary

The Cabinet considered a joint report of the Corporate Director of Children and Young People's Services and the Corporate Director of Resources which outlined the Council's approach to setting a funding formula for mainstream primary and secondary schools for 2018-19. This formula will apply to maintained schools from 1 April 2018 and academies from 1 September 2018.

The report outlined options for the mainstream primary and secondary school funding formula for 2018-19. Setting this formula is a local authority responsibility and this will be the first year that the Council will need to consider setting a local formula in the context of revised funding allocations and the National Funding Formula (NFF); the Government has announced that the latter will replace local formulas with effect from 2020-21. This will require primary legislation to implement the powers to direct funding to individual schools.

The local formula that will be adopted in County Durham in 2018/19 must be submitted to the Education and Skills Funding Agency by mid-January 2018 and it is a statutory requirement that the Council consults with the Schools Forum in advance of making its decision.

The options outlined in the report and which have been subject to consultation are:

- (a) a minimal change from the 2017-18 local formula, updated for changes in pupil numbers and funding;
- (b) a new formula based on the NFF;
- (c) a transitional option to reduce divergence between the NFF and the minimal change option by one-third, with a view to a further reduction in divergence in 2019-20.

The impact on individual schools from the options modelled is included within the appendices to the report, with a summary provided in Table 2 of the report.

The minimal change option risks schools suffering significant financial turbulence in 2020-21. This risk is likely to increase if most local authorities decide to either implement the NFF or a transitional version across the next two years. The DfE is sensitive to the impact of significant changes on individual schools and for this reason is encouraging local authorities to move their local formulas towards the NFF requirements across the next two years. There is a risk that if Durham has resisted any change to the local formula then the Council could be accused of failing to manage the change process effectively and of causing additional turbulence for schools when the NFF is implemented.

The argument that the minimal change option would allow schools more time to plan for the NFF does not take account of the potential impact of other changes in funding, notably from a significant change in pupil numbers, which schools would have to manage during the transitional period, which could lead to greater turbulence and disruption if schools are not already starting to adapt to the implications of the NFF.

The argument for moving to the NFF straight-away assumes that the existing local formula under-funds some schools and that the NFF will correct this. This is consistent with views expressed by the DfE during earlier consultations on the NFF, but it does not necessarily follow that the NFF is fairer than local formulas just because it is different. The differences between formulas reflect differences between Government policy and previous decisions made locally in response to local priorities, which in Durham take account of the large number of small schools serving relatively deprived communities and the extent of variations in deprivation across the County.

A single one-off change to the formula to match the NFF would not be appropriate for 2018-19, because the NFF is not due to replace local formulas until 2020-21 and the NFF formula factors could change before then, though there is no indication to suggest they will at this stage. As such any immediate move to implement the NFF in 2018-19 would be considered premature at this stage.

Feedback from the Schools Forum working groups, from individual schools and from DASH has been mixed. Further proposals to make changes designed to target funding to either primary or secondary schools or to protect KS4 funding would lead to distortions in the local formula compared to the NFF and would increase the areas of divergence, which would increase the likelihood of turbulence having a significant effect on schools when the NFF replaces local formulas in 2020-21.

The transitional option proposed in this report and subject to consultation is designed to be implemented over the next two years, with the last transition to the NFF taking place in 2020/21. Commencing this transition in 2018-19 does not remove the flexibility to make further changes to the formula in 2019-20; indeed, changes might be appropriate in the light of any further developments in respect of the NFF and both the detail of the formula and the timing of its implementation could be adjusted further.

At present there is a firm intention on the part of the DfE to implement the NFF in 2020-21 in line with the Governments announcements on 14 September, 2017 but this is dependent on time being made available for primary legislation to enable this to be implemented before then.

On the basis of these considerations the recommended option is that the transitional model is adopted in 2018/19. The formula factor values outlined in Appendix 2 will be finalised upon receipt of the final DSG allocations for 2018/19 and confirmation of final pupil numbers from the ESFA.

Decision

- (a) noted the content of the report;
- (b) approved the recommendation to adopt a local funding formula for mainstream primary and secondary schools for 2018-19 that is based on a one third transition from the current local formula towards the National Funding Formula.
- (c) noted that the position is reviewed in 12 months' time in advance of agreeing the local formula for 2019-20.

Enterprise Zone: Business Rate Growth Income Pooling Agreement

Summary

The Cabinet considered a joint report of the Corporate Director of Resources and the Corporate Director of Regeneration and Economic Development which sought approval to enter into the overarching Enterprise Zone Pooled Business Rate Income Agreement with the North East LEP and its accountable body NECA.

There are 20 Enterprise Zone (EZ) sites approved in the North East Local Enterprise Zone (North East LEP) area, with at least one site in each local authority area, as listed in Appendix 2. Ten Round 1 sites became operational in April 2013; nine Round 2 sites became operational in April 2017; and one will become operational in April 2018. The Council has one enterprise zone based at Jade Park Seaham (formerly Hawthorn).

The granting of Enterprise Zone status to these employment sites by the Government, means that businesses who occupy the sites can receive benefits of either discounted business rates or enterprise capital allowances for a limited period and within European state aid rules. The Government also allows 100% of Business Rate Growth Income (BRGI) to be kept to fund infrastructure and intervention costs needed to develop the sites over a 25 year period. Enterprise Zone bids have to be submitted to, and supported by, the Local Enterprise Partnership (LEP) to attract 100% business rates retention and other capital allowance incentives. Retained business rates are paid to the North East LEP as opposed to being retained by the local councils across the north east.

In most cases, infrastructure costs occur at the start of the period and this will require borrowing to fund the works. The North East LEP will approve the capital and financing costs to be funded from pooled Business Rates Growth Income (BRGI) and determine the use of any BRGI surplus after costs have been met.

Each of the seven Local Authorities in the North East LEP area have been asked to enter into an overarching agreement in order to provide a transparent and consistent approach for:

- (a) the treatment of pooled BRGI across the North East LEP area;
- (b) the financing of site intervention costs;
- (c) the funding of eligible revenue costs;
- (d) the operation of a performance incentive arrangement aimed at accelerating development, and maximising BRGI;
- (e) the treatment of any net surplus after all costs have been funded;
- (f) the treatment of any borrowing costs that cannot be funded from the BRGI pool in the unlikely event of a shortfall in total pooled income resulting in a net deficit.

The report sought approval to enter into an overarching BRGI Pooling Agreement with the North East Combined Authority (NECA) in its current role as the accountable body of the North East Local Enterprise Partnership (North East LEP). This BRGI Pooling Agreement sets out the BRGI pooling arrangements for Enterprise Zones in the NELEP area over the 25 year BRGI period for each site, with a final date of the agreement running to 31 March 2043. It is anticipated that this overarching agreement will enable the individual funding agreements required to implement each approval of funding to be simplified and thereby accelerate the process of approval and subsequent development of the sites.

A formal agreement is needed between the North East LEP; its accountable body NECA and each of the local authorities that can be operated over the whole life of the agreement by council officers over the next 25 years and is capable of dealing with any changes to the parties to the agreement over time through novation and residual body arrangements.

The Business Rates Pooling Agreement covers the following key elements:

- (a) Clarification of the arrangement for the payment of pooled Business Rate Income each year to the North East LEP or its accountable body, including the calculation of income to be paid and the timing of the payment in May after the year end;
- (b) The process for the approval of new interventions;
- (c) The treatment of existing funding arrangements for Round 1 sites;
- (d) The treatment of borrowing and the funding of borrowing costs;
- (e) Arrangement for utilising the pooled BRGI;
- (f) The treatment of any BRGI deficit, which will fall to be met proportionately by those councils that have not generated their expected income and have a deficit on their own account, in the event of any net deficit remaining over the whole period;
- (g) Reporting arrangements;
- (h) Standard terms to be included in the funding agreements that will sit below the pooled BRGI agreement.

Decision

The Cabinet:

- a) agreed to enter into the overarching Enterprise Zone Pooled Business Rate Income Agreement with the North East LEP and its accountable body NECA;
- b) delegated authority to the Corporate Director of Resources in consultation with the Portfolio Holder for Finance to complete the necessary legal documentation

Quarter Two 2017/18 Performance Management Report

Summary

The Cabinet considered a report of the Director of Transformation and Partnerships which presented progress against the council's corporate performance framework by Altogether priority theme for the second quarter of the 2017/18 financial year.

The council continues to make good progress in many key areas despite the ongoing financial pressures. The employment rate has continued to improve and remains better than the regional rate. Youth unemployment remains at a low level despite a slight increase observed this quarter and apprenticeship starts for 16 to 17 year olds have increased since last year. In 2016 there were more visitors to the area, benefitting the local economy by supporting more jobs and increasing overall visitor spending.

In relation to educational attainment, children in County Durham have performed well across three out of four different key stages. Early indications are that demand in relation to children's social care may be plateauing, including the number of looked after children and those with a child protection plan. More children in deprived areas have sustained contact with a children's centre. In relation to adult social care support, the reablement and rehabilitation service is improving with a higher percentage of older people still at home three months after discharge from hospital and fewer older adults admitted on a permanent basis to residential or nursing care. There have been fewer reported incidents of anti-social behaviour and first time entrants to the youth justice system remain low.

In other areas there are increasing needs or demands, and some performance challenges. Almost two thirds of schools are judged as good or outstanding and more than one third require improvement or are inadequate. The council's education service continues to support further improvement. Children's social care demand continues to be high and further improvement is needed in social worker caseload levels and quality of casework files. In relation to the health of the county, challenges are ongoing with the rate of mothers smoking at time of delivery and breastfeeding prevalence both worse than national levels. Crime levels show a significant increase, mainly due to changes in recording practice.

This year, the Sustainable Community Strategy, setting out the vision for the county, and supporting Council Plan and service plans are due for review. With a strong commitment to progressing the council's transformation programme, driven by a focus on delivering the best possible outcomes within available resources, Cabinet agreed that an outcome based approach to planning is adopted.

Decision

The Cabinet:

- (a) considered and comment on the council's performance at quarter two;
- (b) agreed the changes to the Council Plan outlined below:

Altogether Wealthier

- (i) Providing a new link road at Dragonville Industrial Estate in Durham City has been delayed from March 2018 to October 2018 while awaiting confirmation of land.
- (ii) The timescale for informing and supporting regional/national policy development across the North East Combined Authority and Local Enterprise Partnership has been revised in line with the re-profiling of the activity in relation to the development of policy to focus on specific projects/activity. The timescale has been re-profiled from September 2017 to March 2019.

Altogether Better Council

- (iii) The review of public conveniences to ascertain the distribution and standard of provision to inform future countywide proposals has been delayed from September 2017 to December 2017 due to wider consultation being required which has taken longer than anticipated.
- (iv) As part of the archive project within the accommodation programme to provide a 21st Century Archives and Record Office, Stage 1 funding applications were due to be submitted to the Heritage Lottery Fund by December 2017. This has been delayed to March 2018 awaiting Cabinet decision.
- (v) Following on from the Government's workplace pension reform, eligible employees were due to be re-enrolled onto the Pensions Scheme by October 2017 to ensure compliance with the auto-re-enrolment requirements set out by the Pensions Regulator. Due to a recent change in the regulations this action has been deferred until January 2019. A letter will be sent to those affected in the near future.
- (vi) A new Digital Strategy for the council will incorporate Customer First principles and replace the Customer First Strategy which was originally due to be reviewed by July 2017. The revised target completion date for this work is April 2018.

Oral Health Update

Summary

The Cabinet considered a joint report of Corporate Director of Adult and Health Services and Director of Public Health County Durham. The report requested Cabinet to consider plans to implement water fluoridation in response to the poor levels of oral health and associated harms locally.

Data from the last large scale dental survey (2012) of five year old children's oral health in County Durham shows wide variations in dental disease experience between different electoral divisions. The Oral Health Strategy was considered by the Health and Wellbeing Board on the 31st January 2017 and by Cabinet on 15th March 2017. Within the strategy is an ambition to reduce oral health inequalities using the most up to date evidence based interventions. There is a significant amount of evidence for the effectiveness and safety of water fluoridation in improving oral health. Community water fluoridation (CWF) ensures that, where the natural fluoride concentration is too low to provide dental health benefits, it is raised to and maintained at the optimum level (1mg/litre). The Derwentside area of County Durham has had a community fluoridation scheme in place since the 1960's. The Scheme is currently funded from the Public Health grant and the average annual charge is approximately £50,000 per annum. Appendix two of the report highlighted the evidence review demonstrating there are no known health risks to fluoridating water if delivered at the appropriate levels.

Within County Durham the preliminary scoping phase has been completed. The County Durham Oral Health Strategy included an assessment of need across County Durham as well as detailing an action plan to tackle the health inequalities. The desktop initial feasibility study indicated that it is technically feasible to fluoridate parts of, or the whole of County Durham. There are three main options.

- **Option 1.** According to Northumbrian Water the simplest and most economic method of fluoridating a water supply is to construct the fluoridation plant at all the water treatments works supplying County Durham. These Water Treatment Works also supply water to properties within Sunderland and South Tyneside Council boundaries. The capital cost is approximately £1,200,000.
- **Option 2.** An alternative approach is to fluoridate specific water quality zones in County Durham with the highest levels of decay experience. These water quality zones cover the majority of South West Durham and the Easington area. This would allow the fluoridated water to remain within County Durham's administrative boundaries however new water mains and water pumping stations would need to be built. The capital costs are estimated at £1,500,000, but it must be noted that this would not provide complete coverage for County Durham as some areas would not receive fluoridated water.

- **Option 3.** This approach involves the development of water fluoridation plants to deliver to specified water quality zones. This would allow the targeted zones to receive fluoridated water, but without the development of a new mains system. Fluoridated water would still leave County Durham into the neighbouring local authorities but as they would only receive fluoridated water from one water treatment works, then the rest of their supply would not be fluoridated. Therefore the levels of fluoride within the neighbouring authorities would be changeable and potentially unlikely to reach the desired levels of fluoride where the chances of reducing decay are optimal. Costs have not been provided for this option as it is not a viable option to explore going forward.

There are costs associated with the technical appraisal which Northumbrian Water would provide on instruction. NHS England agreed to jointly fund the initial feasibility study and are committed to support the technical appraisal fees. South Tyneside and Sunderland will also contribute to the costs of the technical appraisal. There are capital costs associated with establishing community water fluoridation (CWF) schemes, however these are anticipated to be met by Public Health England who have capital available specifically for the establishment of schemes.

Northumbrian Water has estimated the capital costs per property to understand the difference in cost effectiveness of the two costed options.

- Option 1: Fluoridation at the water treatments works would produce estimated capital costs of £3.85 per property.
- Option 2: The targeted approach to fluoridation would generate costs of between £100 and £114 per property.

When the Secretary of State reviews a proposal for water fluoridation they would consider the proposed costs and consider whether they are “operable and efficient”. The operating costs for the current delivery of a community water fluoridation scheme in Derwentside is approximately £50,000 per year. The costs above would therefore be based on an expansion of the current scheme operating in County Durham. The approximate operating costs are based on the PHE’s estimate of 50p per head of population benefitting within County Durham. These costs are indicative at this time based on best available information.

Option 1: To provide a community water fluoridation scheme for the whole of County Durham an approximate total would be £156,000 per annum.

Option 2: The geographically targeted options, based around specific areas of County Durham, would have reduced costs in line with a reduced number of properties.

Final costs would be assessed during a more detailed appraisal and may change with the involvement of other authorities. International evidence suggests that the cost-benefit ratio increased with the size of the population served.

It is clear that a combined approach with Sunderland and South Tyneside would bring the most effective improvement to the largest number of residents.

Discussions have therefore taken place with both Councils seeking their support to explore the feasibility of the recommended proposal.

All formal consideration of proposals for fluoridation arrangements covering more than one authority has to involve each of the affected local authorities. If unanimity cannot be achieved the proposal needs 67% support to be implemented. Voting power is based on the number of residents affected within each local authority area.

South Tyneside Health and Wellbeing Board have agreed to move forward with a technical appraisal and Sunderland are having informal discussions which are looking positive. Should full support be achieved the legislation defines the appropriate decision making structure of an inter-authority joint committee.

The requirements for public consultation and engagement are clearly stipulated within the statutory process, a summary of which is in appendix three of the report.

County Durham public health team continue to offer to assist the other two local authorities, with guidance from Public Health England, on the process and the evidence base for water fluoridation. South Tyneside have confirmed commitment to progress to technical appraisal and it is anticipated that Sunderland will also agree.

The report proposed that work should progress to complete a full technical appraisal by Northumbrian Water. This more detailed and specialist approach will provide a greater clarity on the engineering requirements and associated costs to deliver a scheme. This is required to allow all partners to reach agreement to progress towards an initial proposal to the Secretary of State and the commencement of the statutory process which would include a comprehensive public consultation.

Decision

The Cabinet:

- (a) agreed that option 1 involving the construction of a fluoridation plant at all water treatment works in County Durham be adopted as the preferred option
- (b) agreed the progression to a full technical appraisal of fluoridation of County Durham (the central supply area).
- (c) noted that a further report will be submitted to the Health and Wellbeing Board following completion of the technical appraisal.

Helen Lynch
Head of Legal & Democratic Services
13 December 2017