

Cabinet

14 December 2011



2012/13 General Fund, Budget, Medium Term Financial Plan 2012/13 – 2015/16 and Council Plan Update

Key Decision No. CORP/R/11/1

Report of Corporate Management Team

Joint Report of Don McLure, Corporate Director Resources and Lorraine O'Donnell, Assistant Chief Executive

Councillor Alan Napier, Cabinet Portfolio Holder for Resources

Purpose of the Report

- 1 To provide an update on the following:
 - (i) 2012/13 Budget
 - (ii) Development of the 2012/13 – 2015/16 MTFP Model
 - (iii) MTFP consultation process to date
 - (iv) Equality Impact Assessments

Background

- 2 The MTFP report to Cabinet on 27 October provided an update on both the 2012/13 Budget and the 2012/13 – 2015/16 MTFP Model. The reported shortfall in the 2012/13 budget was £0.42m after taking into account the additional £7.07m 2% savings target.

Finance Settlement

- 3 The Government provided Local Authorities with a two year Finance Settlement for 2011/12 and 2012/13 in December 2010. The Formula Grant allocations for 2011/12 and 2012/13 were as follows:

	£m
2011/12	235.3
2012/13	218.2

- 4 The reduction of £17.1m detailed above for 2012/13 has been included in the MTFP Model. It is expected that the Government will confirm the 2012/13 settlement week commencing 5 December 2011 and the forecasts included in this report assumes that the Council will receive £218.2m as outlined in the Government's Comprehensive Spending Review statement.

2012/13 Budget

- 5 Subsequent to the 27 October 2011 MTFP report to Cabinet further adjustments have been built into the MTFP Model for 2012/13 with the key changes detailed below:

- **Reduction in Council Tax Discount to nil on long term empty homes**

A report was approved at 16 November 2011 Cabinet in relation to Council Tax discounts on long term empty homes. Cabinet approved the reduction in the discount from 50% to nil. This policy is estimated to generate an additional £2.1m of Council Tax in 2012/13. The Council is expecting the Government to reduce Formula Grant in 2013/14 by the same amount due to the increase in the Council's tax base. This is reflected in the 2013/14 MTFP Model.

- **Council Tax Base**

In addition to the increased Council Tax yield in 2012/13 from the reduction in Council Tax discount on long term empty homes there will also be an increase in yield due to an increase in the Council Tax Base due to additional properties. This is estimated to result in a £0.8m increase in Council Tax for 2012/13. The total change in the Council Tax Base is reported to Cabinet on 14 December 2011.

- **New Homes Bonus**

The Council has received a New Homes Bonus grant of £1.3m in 2011/12. This grant is based upon the net change in dwellings in each council tax band from one year to the next, multiplied by the previous years National Average Council Tax for the band.

The Government have recently provided an indicative figure for 2012/13 of £2.55m, an increase of £1.25m. It must be remembered that this Grant is not new funding for Local Government. The sum the Government expected to pay was top-sliced from local authorities' Formula Grant as part of the Comprehensive Spending Review. The Government has recently confirmed that an additional £6m will need to be top-sliced from 2013/14 and 2014/15 Formula Grant as the sums being paid out are higher than forecast.

- **Corporate Risk Contingency Budget**

The MTFP Report to Cabinet on 27 October 2011 detailed a wide range of risks faced by the Council in developing the MTFP. It is felt prudent at this stage for a £3.50m Corporate Risk Contingency Budget be introduced for 2012/13

2012/13 - 2015/16 MTFP Model

- 6 An updated MTFP Finance Model is attached at Appendix 2. It is key to note at this point however that the Model identifies that there is a shortfall in 2014/15 and 2015/16 as follows:

	£m
2014/15	7.403
2015/16	2.149

Council Tax Freeze Grant

- 7 The MTFP report to 27 October 2011 Cabinet identified the Government announcement of a further Council Tax Freeze Grant for 2012/13. Notification has been received which confirms that this grant, which will be the equivalent of a 2.5% increase in Council Tax, will be a one-off grant, i.e. this sum will be received in 2012/13 but not 2013/14. The MTFP Model attached at Appendix 2 identifies the receipt of an estimated £5m in 2012/13 and the subsequent loss of this income in 2013/14.

Risk Assessment

- 8 There are a number of risks which need to be recognised at this stage in the development of the MTFP and especially the 2012/13 budget:
- (i) Pay Award – the current 2012/13 budget model assumes there will be no pay award.
 - (ii) National Non Domestic Rates (NNDR) Income – should the Coalition Government's plans to localise the NNDR system from April 2013, the MTFP Model assumes the outcome for the County Council will be cost neutral after receiving a 'top-up' payment.
 - (iii) Localisation of Council Tax Support from April 2013 – if implemented, the Government will top slice the Council Tax Benefit Transfer by 10% or circa £6m. The Model assumes this impact will be passported fully via a revised Council Tax Benefit Scheme.
 - (iv) The MTFP model builds in assumptions in relation to Concessionary Fares. There are still inherent risks however in relation to bus services due to inflationary pressures linked to fuel, further pressures due to withdrawn Government grants, and increases in demand.
 - (v) AWH relies heavily on the independent sector to provide adequate volumes of appropriate services for service users. Market pressures and increases in minimum wage levels will mean that the rates the Council pays will require careful consideration in the later years of the MTFP period.

Consultation

- 10 Throughout November 2010, the Council consulted extensively with over 8,000 members of the public and partner agencies to determine their views as to how it might set its four year budget, and in particular, address the unprecedented challenge of managing reductions in excess of £123 million.
- 11 The programme of consultation included a range of techniques including:
 - An extensive Residents Survey
 - A postal survey
 - An online survey
 - Deliberation at Area Action Partnership (AAP) Fora.
- 12 The results of the consultation formed a key element of the report to Full Council in February 2011 that approved the Authority's four year savings strategy. That report highlighted that although various methods were used, there was a great deal of consistency in the messages provided by the participants. These messages highlighted a preference to protect wherever possible the following services:
 - Winter maintenance
 - Repairs to roads and pavements
 - Adult care services
 - Community safety and tackling anti social behaviour
 - Child protection, adoption and fostering
- 13 There was also a clear message for the Council on applying a greater reduction to support services such as resources, policy, improvement, scrutiny and communications.
- 14 Members will be aware, these findings were used to develop the Council's current four year savings plan. Furthermore, the proposals developed by Service Groupings to meet the revised savings targets were developed in line with the key findings of the consultation. Consequently, the focus of this year's budget consultation has not been to duplicate the collection of preferences when these were comprehensively collected so recently. Instead, presentations, with the opportunity for questions, have been given to each AAP Forum by a member of the Council's Corporate Management Team to highlight the continued significance of the public preferences highlighted above in current saving plan proposals.
- 15 In addition to presentations to individual AAPs, the Leader of the Council also held an open question and answer session at the inaugural joint meeting of AAPs where those present were given the opportunity to ask Cllr Henig questions on any aspect of the budget.

- 16 The questions raised at these events fall into three broad categories. The largest category included queries raised by members of the public seeking clarification as to the approach being taken towards achieving the reductions as they relate to particular service areas. The second category was queries highlighting concerns that the changes were perceived to be having on a small number of service areas, these included benefits and planning. Although none of the questions raised have fundamentally disagreed with the approach being taken by the Council to managing the budget reductions, the third category of questions did highlight the need to monitor the impact when applying the reductions. In particular, a number of the questions have focussed on the need to be vigilant as to the potential impact of reductions on rural and deprived communities.
- 17 The questions raised by the public have reaffirmed partner agencies' responses to last year's consultation, namely that as the reductions are applied, the impact on the different localities of Durham need to be reviewed. This matter has been raised at the County Durham Partnership where work is ongoing to ensure a multi-agency approach is taken to addressing this issue given the need for reductions across the public sector.
- 18 Members should also note that in addition to the countywide consultation on the MTFP carried out in November, prior to any proposed saving being implemented, where this has a direct impact on service users, detailed service specific consultations will be carried out to inform the relevant decision making body. This continued commitment was reaffirmed at all the AAP forums.

Equality Impact Assessments (EIAs)

- 19 An essential element of the MTFP process is ensuring that equalities implications of all proposed budget reductions are built into the development of savings proposals and decision-making. The purpose of conducting EIAs on MTFP proposals is:
- To identify any disproportionate impact that proposed budget reductions may have 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 (in line with the Equalities Act 2010);
 - To identify and take mitigating actions to reduce impact where possible;
 - To ensure that unlawful discrimination does not take place as a consequence of MTFP decisions.
- 20 As explained in the July and October Cabinet reports on the MTFP, this is in line with the Equalities Act 2010 which under the public sector equality duty requires us to pay 'due regard' to the need to:
- Eliminate discrimination, harassment, victimisation and any other conduct that is prohibited under this Act;

- Advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it;
 - Foster good relations between persons who share a relevant protected characteristic and persons who do not share it.
- 21 Guidance on building equalities implications into financial decision-making was issued during the summer, and shared with all service areas. Training sessions to support staff in carrying out EIAs linked to budget reductions were provided to all services.
- 22 Prior to the October Cabinet report, Equality Impact Screenings were developed for all proposals to ensure that equalities considerations inform the development of the MTFP. Services are now working to further develop these screenings in line with the further development of savings proposals. For each savings area services are systematically considering:
- Whether there are service or staffing implications of proposed budget reductions which mean an EIA will be needed;
 - Whether a screening or full assessment will be needed to support members in setting the budget.
- 23 For the February Cabinet and February Council meeting which sets the budget, EIAs will be available for all savings proposals. Where a final decision on a proposal is being made then a full EIA will be provided, but in many instances work will be at too early a stage for a full EIA. In these instances, where an in principle decision is being made subject to further detailed development and consultation work, an equalities screening will be provided. The full EIA will be completed as part of the further proposal development, and provided to Cabinet or the delegated decision-maker to inform final decision making.
- 24 Members will also be provided with an overall assessment of the ongoing cumulative impact of MTFP decisions in relation to characteristics protected under the Equality Act 2010. This will give decision-makers the opportunity to adjust proposals if feasible to reduce any cumulative impacts that may occur. The Disability Partnership, LGBT Steering Group and Faith Network will also be updated on the Council's approach to its MTFP prior to February Council.

Recommendation

- 25 Cabinet is asked to:
- (i) Note the forecast 2012/13 Formula Grant of £218.2m.
 - (ii) Note the revised MTFP Model detailed in Appendix 2.
 - (iii) Note the confirmation that the 2012/13 Council Tax Freeze Grant will be a one-off grant.
 - (iv) Note the approach taken in relation to consultation on the MTFP and feedback received to date.

- (v) Note the continued underpinning of the MTFP process via a robust Equality Impact Assessment process.

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Appendix 1: Implications

Finance

The report updates the 2012/13 – 2015/16 MTFP Model. A shortfall in both 2014/15 and 2015/16 is identified.

Staffing

MTFP savings plans will impact upon staffing levels.

Risk

The report details the key risks across the MTFP period. In addition each individual saving will be risk assessed.

Equality and Diversity / Public Sector Equality Duty

Equality and Diversity Impact Assessments will be carried out on savings.

Accommodation

None.

Crime and Disorder

None.

Human Rights

None.

Consultation

Consultation on the MTFP will be via AAPs and Overview and Scrutiny.

Procurement

None.

Disability issues

None.

Legal Implications

None.

Medium Term Financial Plan 2012/13 - 2015/16 Model

	2012/13	2013/14	2014/15	2015/16
	£'000	£'000	£'000	£'000
Savings to Achieve Financial Balance in Current MTFP	24,976	14,919	17,144	0
Net Government Grant Reductions	17,177	2,650	12,400	0
Council Tax Increase (2.5% each year)	0	-4,989	-5,117	-5,245
Council Tax Freeze Grant	-4,989	4,989	0	0
Council Tax Freeze Grant 2011/12 Adjustment	38	0	0	0
Council Tax - Collection Fund Adjustment	814	0	0	0
Council Tax Base - Estimated 2012/13 Increase	-800	0	0	0
Reduction of C.Tax Discount to Nil on Long Term Empty Homes	-2,100	2,100	0	0
New Homes Bonus	-2,550	0	0	0
Variance in Business Rate Income	0	0	0	0
Use of Earmarked/Cash Limit Reserve in AWH	-2,150	-2,000	3,150	1,000
Estimated Variance in Resource Base	5,440	2,750	10,433	-4,245
Pay inflation (0% - 1.5% - 1.5% - 1.5%)	0	3,500	3,400	3,400
Price Inflation (2% - 2% - 1.5% - 1.5%)	2,500	2,500	1,650	1,650
Corporate Risk Contingency Budget	3,500	250	0	0
Staff Turnover Allowance - reduction from 3% to 2%	0	2,400	0	0
Base Budget Pressures				
Landfill Tax	1,070	1,011	964	917
Carbon Reduction Commitment - 'Carbon Tax'	0	200	0	0
Disturbance Allowances re Accommodation Strategy	0	0	-220	0
Additional Employer Pension Contributions	1,200	1,300	1,100	1,000
Concessionary Fares	850	600	600	600
Energy Price Increases	1,350	500	500	500
Fuel Price Increases	1,000	0	0	0
Pension Augmentation	1,850	0	0	0
Community Building running costs	180	0	-180	0
Housing Benefit Lost Admin Grant	520	-100	-100	-100
Animal Health Grant	83	0	0	0
Bank Compliance Software	0	100	0	0
Safeguarding Children - Increased volumes	1,500	0	0	0
AWH Demographic Pressures	2,150	2,000	2,000	2,000
Service Investment Priorities				
Contaminated Land	100	0	0	0
Community Governance Reviews	100	-50	0	0
Prudential Borrowing to fund new Capital Projects	500	2,000	2,000	2,000
Capital Financing for current programme	3,027	1,500	1,000	1,500
Investment Income	0	-415	0	0
TOTAL PRESSURES	21,480	17,296	12,714	13,467
SUM TO BE MET FROM SAVINGS	26,920	20,046	23,147	9,222
Savings				
MTFP Savings	-18,719	-19,726	-15,744	0
Additional 2% Savings	-7,073	0	0	-7,073
ABG Saving	-893	0	0	0
Sub Total	-26,685	-19,726	-15,744	-7,073
Other Savings				
Essential Car User	-210	-240	0	0
Car Mileage saving	-25	-80	0	0
TOTAL SAVINGS	-26,920	-20,046	-15,744	-7,073
Savings to be delivered in 2011/12 = £66.444m				
Savings target over 5 year MTFP period 2011 - 2016 including the In Year Gaps = £145.779m				
IN YEAR GAP	0	0	7,403	2,149