Cabinet

13 July 2022

Medium Term Financial Plan(13), 2023/24 – 2026/27 and Review of the Local Council Tax Reduction Scheme

CORP/R/22/01

Report of Corporate Management Team

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Purpose of the Report

1 To provide an update on the development of the 2023/24 budget and the Medium Term Financial Plan (MTFP(13)) covering the period 2023/24 to 2026/27. The report also considers a review of the Local Council Tax Reduction Scheme for 2023/24.

Executive Summary

2 The Council is continuing to operate in a period of significant financial uncertainty brought about by a combination of the ongoing impact of the pandemic, our inherent low tax raising capacity due to our low tax base, and significant budget pressures in social care brought about by National Living Wage increases and enduring demographic pressures in Childrens Social Care and in waste services alongside other unfunded pressures arising from the present high levels of inflation impacting on energy and fuel costs in particular plus uncertainties surrounding the pay award that will ultimately be agreed. The financial outlook for the Council will continue to be extremely challenging for the foreseeable future.

3 There continues to be significant uncertainty in terms of future financial settlements for local government and how available funding will be shared between local authorities. Local authorities continue to be provided with one year financial settlements, which provide little financial certainty and security and given the timing of these announcements in late December, provides little time to react for local authorities.

4 Local authorities desperately need early notification of how much, if any, additional government support will be provided in 2023/24 to offset the significant financial pressures faced by the sector due to the present high levels of inflation. It appears at this stage however that there will not be early notification of funding levels for 2023/24, leaving local authorities to plan for the worst i.e. no further funding being made available.

5 Although it was anticipated that in the 2022/23 local government finance settlement that the Fair Funding Review (FFR) would be implemented, it is now expected that the implementation of the findings from the FFR, may now be delayed until at least 2024/25. To date there has been no consultation documents released relating to the FFR, which would seem to confirm that it is now unlikely that this will be implemented in 2023/24. In addition, the government is presently reviewing Business Rates, the outcome of which could impact on the utilisation of business rates as a funding mechanism for local government.

6 The lack of clarity in relation to the quantum of future financial settlements and the FFR is exacerbated by uncertainties in relation to future council tax referendum levels, the distribution of the Improved Better Care Fund, the impact of the cost cap and fair cost of care requirements in adult social care, the future of short term funding provided to local authorities for adult and children social care pressures and the ongoing impact of the pandemic upon council services and especially council income.

7 This level of uncertainty is making financial planning extremely challenging and requires the council to be flexible and adaptable in its financial planning. In this regard the strong financial position of the council will ensure that the council is well placed to react effectively to any outcome.

8 At this stage, the council is prudently planning on the basis that the council will only receive additional core funding uplifts of £0.9 million in 2023/24 and that from 2024/25 the council will lose £8.8 million of funding due to the combined impact of the outcome of the FFR but also from the forecast impact of further government funding reductions for local government to contribute to the recovery required to the national finances.

9 As we start to consider the budget plans for 2023/24, in line with previous practice, the MTFP Model has been reviewed and the financial forecasts for the next four years updated. Financial plans have been updated to take into account the impact of inflation upon council costs with the consumer price index forecast to peak at 10% by the end of 2022 and also the Low Pay Commission's latest forecast for the 2023/24 increase in the National Living Wage of 8.6%.

10 The latest forecasts indicate a funding gap / savings requirement of £55.0 million will be required to balance the budget over the 2023/24 to 2026/27 period. Savings are forecast to be required in all years of MTFP(13) 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 forecasts assume the Council will apply the maximum increases in its Council Tax it is allowed to across each of the next four years, in line with government guidance.

11 The achievement of an additional £55.0 million of savings over the next four years will be extremely challenging and should not be under-estimated – more so given the savings that the council has been required to achieve in the last ten years. 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 and by targeting increased income from charging. 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 £250 million of savings up to 31 March 2023.

12 The total savings required at this stage for 2023/24 to balance the budget amount to £21.9 million, although it must be recognised that this figure could change significantly depending on whether the government provide much needed additional resources to the sector in 2023/24 and whether the council experiences further additional financial pressures due to demand, loss of income or due to the impact of inflation.

13 Savings of £0.275 million for 2023/24 were approved in MTFP(12) relating to the relocation of the council HQ. Regardless of the outcome of the business case to review the new building on The Sands, which ultimately led to the Cabinet decision to seek to sell the building and reprovide HQ facilities on Aykley Heads and in Stanley, this saving required reprofiling in line with the expected occupancy of the new History Centre. This saving has been deferred until 2026/27 in the latest MTFP(13) forecasts. This results in a savings shortfall over the MTFP(13) period of £54.7 million.

14 The MTFP(13) forecasts assume that there will be a 2.99% council tax increase in 2023/24 and 2024/25, in line with MTFP(12) planning assumptions, and 1.99% increases per annum thereafter. The 2.99% increases for the next two years include an assumed 1.99% council tax referendum limit core increase and 1% for the adult social care precept.

15 A challenging financial position is also forecast for the council in 2024/25, where the savings required to balance the budget in that year is forecast to be £16 million. The budget position for 2025/26 and beyond is also likely to require the council to continue to seek savings where increasing base budget pressures, especially in social care and waste, cannot be financed from increases in council tax and from business rate yields. This is a symptom of our low tax raising capacity and the flaws in the current funding mechanisms for local authorities like ourselves.

16 Savings plans will need to be developed for consideration for 2023/24 and in future years. Having plans in place will enable the council to react to the outcome of the 2023/24 local government finance settlement, which is expected to be announced in December 2022. If required, the council will be

able to utilise the MTFP Reserve to balance the budgets as required whilst savings proposals are implemented. The current available balance in the MTFP Reserve is £15.2 million. The use of reserves to balance the budget is not a sustainable position and is only recommended where there is a need to smooth in more sustainable budget solutions.

17 The council is the only local authority now 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. This policy has protected vulnerable residents at a time when welfare reform changes and more recently the pressure on household incomes from cost of living increases have had a significant adverse impact. This report recommends that the current LCTRS is again retained and remains unaltered for a further year into 2023/24. Should the Cabinet agree, the Council will need to formally adopt this policy at Full Council prior to 11 March 2023.

Recommendations

18 Cabinet is asked to:

(a) note the updated MTFP forecasts and the requirement to identify additional savings of £54.7 million for the period 2023/24 to 2026/27, but also note that this forecast could change significantly based upon outcome of future government funding settlements, the Fair Funding Review and the ongoing impact of the pandemic, demand for services and inflationary pressures upon the council;

(b) note that at this stage a forecast £21.9 million of savings are required to balance the 2023/24 budget;

(c) agree the high level MTFP(13) and 2023/24 budget setting timetable contained in the report;

(d) agree the approach outlined for consultation on the 2023/24 budget and MTFP(13);

(e) agree the proposals to build equalities considerations into decision making; and

(f) agree that Cabinet recommend to Full Council that the Local Council Tax Reduction Scheme should remain unchanged for 2023/24.

Background

19 To ensure the 2023/24 budget and MTFP(13) can be developed effectively and savings targets delivered in time to produce a balanced budget, it is important that a robust plan and timetable is agreed and followed.

20 The council is committed to strong financial governance and getting value for money whilst ensuring that any council tax increases are justified and affordable.

21 The current MTFP(12) forecast that the Council agreed on 23 February 2022 covers the four year period 2022/23 to 2025/26. This report covers the MTFP(13) four year planning period 2023/24 to 2026/27.

22 It is prudent that the council continues to plan across a four year timeframe. During this period the Council will continue to face significant and unavoidable budget pressures, especially relating to the inflationary impacts on energy and fuel impacts, the National Living Wage uplifts, Social Care and Waste pressures whilst facing the uncertainty over the impact of the FFR and future pay awards.

23 Planning across the medium term in this way ensures that decisions can be made in the knowledge of the likely financial position of the Council and provides a basis for effective decision making taking account of the best estimates of income and expenditure.

24 Savings plans will need to be developed for consideration for 2023/24 and in future years. Having plans in place will enable the council to react to the outcome of the 2023/24 local government finance settlement, which is expected to be announced in December 2022.

25 If required, the council will be able to utilise the MTFP Reserve to balance the budgets as required whilst savings proposals are implemented. The current available balance in the MTFP Reserve is £15.2 million. The use of reserves to balance the budget is not a sustainable position and is only recommended where there is a need to smooth in more sustainable budget solutions.

26 At this stage of the planning cycle for MTFP(13) the following areas are presented for consideration by Cabinet:

(a) an update on the development of the 2023/24 budget since the council agreed its MTFP(12) strategy on 23 February 2022;

(b) an update on the MTFP(13) savings forecast for the period 2023/24 to 2026/27;

(c) a draft MTFP(13) decision making timetable;

(d) proposed approach for consultation on the 2023/24 budget proposals and on MTFP(13);

(e) workforce implications;

(f) equality considerations;

(g) consideration of the proposed Local Council Tax Reduction Scheme (LCTRS) for 2023/24.

Review of MTFP Model

27 The financial outlook for the Council continues to be extremely challenging. Prior to the pandemic the national finances were in a reasonably healthy state for the first time in ten years. The impact of the pandemic upon the national finances however alongside the impact of the cost of living crisis is forecast to have long term impacts on the flexibility for increases in expenditure across the public sector.

28 Local authorities continue to lobby strongly for a long term sustainable financial settlement but it is becoming less likely that this will occur in the short term due to ongoing uncertainty in the national finances linked to the ongoing impacts of the pandemic, Brexit and the inflationary impact of the crisis in Ukraine. The council will need to continually review the MTFP(13) projections and savings requirements over the coming months in light of future announcements and as more information becomes available on the longer term impacts of the pandemic and inflation upon the councils budgets going forward.

29 In line with previous years, a thorough review of the council’s budget has taken place subsequent to the approval of MTFP (12) forecasts by County Council on 23 February 2022. This has resulted in significant changes to the core assumptions for 2023/24 and in future years as well as consideration of increased costs and demand increases specifically linked to the impact of high levels of inflation. The key adjustments and major areas for consideration are detailed below:

(a) **Revenue Support Grant (RSG) / Fair Funding Review**

MTFP(12) assumed that the FFR would be implemented from April 2023. To date there has been no consultation documents released relating to the FFR, which would seem to confirm that it is now unlikely that this will be implemented in 2023/24. In addition, the government is presently reviewing Business Rates, the outcome of which could impact on the utilisation of business rates as a funding mechanism for local government.

It now appears more likely that the FFR will not be implemented until at least April 2024. On that basis it has been assumed that the settlement the council received in 2022/23 will be ‘rolled over’ into 2023/24. This would result in the additional £8.067 million received by the council in 2022/23 continuing in 2023/24 as well as the assumed ‘one off’ Services Grant of £8.776 million.

For 2024/25 it has been assumed that the FFR is implemented then and at that time the council would lose the one off Services Grant of £8.778 million to assist the government in smoothing in the impact of the FFR. At this stage, the underlying assumptions built into MTFP(13) are as follows:

(i) The increase in the Social Care grant in 2022/23 of £8.067 million for adult and children's social care will become recurrent;

(ii) The one off Services Grant of £8.778 million received in 2022/23 will rolled over and be received in 2023/24 but will be lost as part of the FFR implementation in 2024/25;

(iii) There will be a 3% inflationary uplift in RSG in 2023/24. There is no certainty at this stage as to whether an increase will be received, however, this assumption is felt to be prudent;

(iv) There will be a 5% inflationary uplift in the Improved Better Care Fund. This uplift has been applied after consultation with NHS finance colleagues from the Integrated Care System;

(v) That the council tax referendum level will be held at 1.99% over the MTFP(13) period and that the council will take advantage of the expected 1% Adult Social Care precept raising capacity available in 2023/24 and 2024/25.

All of these financial planning assumptions could change in the coming months as a result of government announcements.

(b) **Business Rates, Section 31 Grant and Top Up Grant inflation uplift**

The business rate retention (BRR) system was introduced in 2013/14 with local authorities retaining 49% of business rates collected locally from that point forward.

Nationally, although business rates are uplifted every year by inflation based on the consumer price index (CPI) in the September previous to the year of application, the compensation the council receives for previous lost business rates due to government intervention e.g. capping business rate increases is still being paid at the retail price index (RPI). It is expected at some point that government will amend this approach and increase all elements by CPI. To be prudent at this stage a CPI uplift has been assumed.

In recent years government have sought to protect businesses from these increases and capped the actual increase in the business rate multiplier at 0%, but have reimbursed local authorities for the business rates lost by way of a section 31 grant. In 2022/23 £25 million of section 31 grant is being received in lieu of business rate income that would otherwise have been levied.

It has been forecast that business rates, section 31 grant and top up grants will be uplifted by CPI in 2023/24. Government may choose to cap increases again but it is forecast that local authorities will still receive the equivalent uplift through an increase . At this stage a forecast increase of 9% has been assumed.

(c) **Taxbase forecasts**

Reviews have been carried out into the foreast growth in both the council tax and business rate taxbase which would increase income generated in 2023/24. Based upon the reviews it is forecast that the council tax taxbase will increase in 2023/24 by £2.5 million alongside a £0.5 million increase in the business rate taxbase providing a total taxbase increase forecast of £3 million for 2023/24. This position will continue to be monitored over the coming months.

Forecast of taxbase growth of £2 million per annum have been included in each year of the MTFP. This position will be kept under review with any future slowdown in the economy likely to impact upon these forecasts.

(d) **Pay Inflation**

The 2021/22 base budget included 2% in the base for pay inflation but the actual increase was 1.75%. This has resulted in 0.25% being available to support the 2023/23 budget.

The 2022/23 base budget includes additional provision for a 3% pay increase in 2022/23, providing total budget coverage of 3.25%.

Local Government Employers pay negotiation representatives are advising however that it is likely that the pay settlement for 2022/23 will be at least 4% given the current levels of inflation and the forecast increases in National Living Wage levels.

To provide for this eventuality an additional 0.75% for pay has been built into 2023/24 plans to cover the possible 2022/23 shortfall in addition to an assumption of an additional 2023/24 pay increase of 2.5%. These assumptions will need to be tracked and updated as the pay negotiations progress and are finalised and are a source of significant uncertainty. The additional 0.75% pay inflation forecast results in a MTFP / budget pressure of circa £1.9 million.

(e) **Price Inflation**

The updated forecasts in this report identify a number of specific inflationary pressures which will need additional budget provision.

In terms of all other budgets, the price inflation assumption for 2023/24 has been increased from 2% to 3%, before reducing back to the previous assumptions of 1.5% per annum from 2024/25.

The increase in provision for price inflation has increased the budget pressures by circa £1 million in 2023/24.

(f) **National Living Wage/CPI Uplift impact upon adult care fees**

The government have previously committed a strategy for the NLW to reach 66% of national median wages by 2024/25.

The Low Pay Commission report published in November 2021 indicated that increases of circa 5% would be required in 2023/24 and 2024/25 to increase the NLW from £9.50 per hour to attain the 66% of national median wages target.

In March 2022 the Low Pay Commission published an update report due to the significant forecast increase in national wages in 2022/23 and what the impact would be for the NLW to reach the 2024/25 target. The updated forecasts would indicate that the increase required would be to £10.32 (8.6%) per hour in 2023/24 and to £10.95 (6.1%) per hour in 2024/25.

The contract uplifts paid to adult social care providers are heavily linked to the NLW uplifts. In addition fees are also uplifted partially based upon CPI levels. It has therefore been necessary to uplift our forecast of fee uplifts for adult social care from our MTFP(12) position from £7.9 million and £6.8 million for 2023/24 and 2024/25 respectively to £15.8 million and £10.4 million – adding additional budget pressures of £7.9 million in 2023/24 and £3.6 million in 2024/25, a further £11.5 million of additional budget pressures across the MTFP(13) planning period.

(g) **Employer Pension Contributions**

The results of the triennial valuation review of the Pension Fund will need to be applied from April 2023. This will set the employers' pension contribution rate for the following three years, as well as determining the annual contribution to eliminate the pension fund deficit.

Originally it was forecast that that the council would face a reduction of £2 million per annum from 2023/24. The most recent report from the Pension Fund actuaries has indicated that at this stage the fund investments have performed slightly above expectations although this position has been impacted by the recent reductions in international stock markets due to the Ukraine conflict.

At this stage however, it is felt prudent to increase the assumed reduction in contributions to £3.3 million per annum.

(h) **Energy Price Increases**

The 2022/23 base budget included a £3.1 million uplift in energy costs based upon forecasted increases in gas and electricity prices.

In recent months however, mainly as a result of the Ukraine conflict, prices have increased significantly again.

At this stage compared to 2021/22 prices it is forecast in 2023/24 that gas prices will be 88% more expensive whilst electricity will be 180% more expensive.

Although £3.1 million was included in the 22/23 base budget it is currently forecast that the Councils energy budgets will overspend by £3.8 million in 2022/23 and that an additional increase of £4.3 million need to be factored into the 2023/24 budgets, with mixed views in the sector about when (and even if) energy process will return to 2021/22 prices. The position in the current year is partially offset by forward purchasing of energy through the NEPO framework.

(i) **Cost of the Implementation of Adult Social Care Reform**

The 2022/23 local government finance settlement provided details on the first tranche of funding from the health and social care levy. The £12 billion to be made available nationally is being financed by the 1.25% increase in employers and employee’s national insurance rates from April 2022 and of this sum, £3.6 billion is to be paid to local government over the 2022/23 to 2024/25 period.

It is expected that this sum will be required for local authorities to cover the cost of implementing a fair cost of care exercise, the implementation of both revised means test arrangements and the introduction of a £86,000 cost cap for care charges from October 2023.

Revised forecasts have been made of the income the council will receive from the Market Sustainability and Fair Cost of Care grant element and of what the cost implications will be for the council.

In MTFP(12) it was forecast that the funding provided would be sufficient and fully offset the additional costs and loss of income the Council would face as a result of these reforms. Further information and understanding of the impact of these reforms and updated assumptions has resulted in revised assumptions.

It is now forecast that the costs the Council will face will exceed the funding provided in 2023/24 by £2.3 million and by £2.8 million across the whole MTFP(13) planning period.

(j) **Childrens Social Care Demographic Pressures**

In recent years the council has had to increase the base budget for childrens social care significantly.

The pressure on the budget in children's social care has been evident for a number of years, as the number of children in the care system has increased significantly and their needs have continued to become more complex.

This budget was increased by £5.5 million in 2018/19 and by a further £6.5 million in 2019/20 to cover the escalating care costs, as well as additional costs for staffing in order to meet the expected challenges and pressures identified in 2019/20. The 2020/21 budget included an additional increase for placement costs of £3.417 million

The 2022/23 base budget was increased by £8.9 million via a 2021/22 in year budget transfer of £4.5 million from Adult and Health Services and by a £4.4 million base budget uplift approved by Council on 23 February 2022.

Despite this, the Children's Services (Children's Social Care and Early Help & Intervention) outturn showed a net £2.232 million overspend for the year in 2021/22, including an overspend of £4.263 million in relation to looked after children's placements and £2.733 million in relation to Bespoke Placements.

The MTFP(12) assumption was for the need for a further £2 million uplift in the 2023/24 base budget. However, given the 2021/22 outturn, the 2023/24 forecast base budget uplift budget has been increased from £2 million to £3 million. This position will be kept under review based on the in-year forecast of outturn reports that will be presented to Cabinet in September and November.

(k) **Forecast increase in major contracts resulting from high levels of inflation**

A number of the councils major contracts have annual inflationary uplift calculations built into them linked to CPI or RPI uplifts and sometimes linked to key materials inflation e.g. diesel prices.

The Council faces significant unavoidable contract price uplifts in a number of major contracts in 2022/23 which will produce an overspend in the current year and which will require base budget increases in 2023/24 in order to ensure a balanced budget is set next year.

The main contracts affected relate to waste and refuse collection where a £1.3 million unavoidable increase is required, home to school transport and local bus subsidy contracts where a £3 million unavoidable increase is required and in some of the ICT contracts where a £0.193 million unavoidable increase is required.

(l) **Looked After Children Sufficiency Strategy: Preventative Strategies**

To seek to address the continuing increase in demand for childrens social care services a range of investments totalling £0.808 million are required to provide mainstream funding for initiatives to reduce demand for services.

PAUSE is a national initiative with a strong evidence base. It has been running in Durham for the last 18 months, funded through temporary and matched DFE funding. PAUSE is an invest to save project and aims to work with vulnerable woman who experience a high number of pregnancies and has been highly effective. Investment of £0.212 million is required to provide mainstream funding for this initiative.

The volume of children missing from home and care has grown significantly since the Covid-19 pandemic occurred. There is a need for additional capacity in the Missing from Home team, requiring investment of £0.320 million to meet the growth in service demand and to ensure that the Council continue to meet its statutory obligations and keep children safe and out of care.

Supporting Solutions service increased its reach throughout the pandemic to work with families with younger children who were also experiencing challenges and risks of these children coming into the care of the council. It is clear that these areas of high demand have not reduced as the pandemic impact has eased and the proposal is to fund these posts at a cost of £0.170 million on a permanent basis from 2023. This will assist in managing the sustained increases in demand across these areas of risk and reduce the need for children and young people to come into the care of the council

Finally, Mockingbird is a national evidence based initiative and provides wraparound support for existing carers so that they have an experienced mentor and support network. It has been adopted nationally as good practice by many local authorities and has proved highly effective in retaining foster carers and thereby helping to avoid placing children in more expensive external placements. The investment requirement is £0.106 million.

(m) **Investment in Fostering**

The Placement Sufficiency Strategy focuses on ensuring that the council continues to attract more high quality foster carers who can care for our children locally and within family based care.

The foster carer market is increasingly competitive and Durham needs to ensure it offers a competitive package of incentives to attract prospective carers to Durham and retain existing carers.

An investment of £1.380 million is required to increase the foster carer allowances (which have remained static for over five years) and provide additional pychology support so that Durham remains competitive and is one of the most attractive places to foster within the region.

In addition additional employee investment of £0.358 million is required. This investment will enable additional support to be provided for the wrap around support offer, for the family support team and to provide additional social worker support.

(n) **Childrens Social Workers**

The demand facing children's social care is at its highest ever level both in terms of volume of cases and complexity. There are now 950 looked after children, compared to an average of 877 in 2019/20.

An investment of £0.810 million is required to further invest in the social care establishment to ensure that social workers have manageable workloads and are able to deliver strong performance.

(o) **Neighbourhoods and Climate Change**

Additional investment of £0.243 million is required for tree inspections in open spaces, for humanitarian support and to ensure there is preparedness for future storms.

The council currently only has inspection regimes for trees close to highways, limited by the arborists capacity. Recent storms, including Storm Arwen and Storm Malik highlighted the vulnerability of the council's inspection regimes with investment of £0.090 million required.

In addition to this, an investment of £0.123 million is required for humanitarian support. The scale of the work in co-ordinating the Council's activity to the various humanitarian responses has increased exponentially over recent months and is expected to increase further with the recent announcement that Durham will be included in the governments widening dispersal scheme for asylum seekers going forward.

Finally £0.030 million is required for ‘Budget for community resilience and support to expand the community resilience offering across the county and Improve incident planning and preparedness through emergency planning, training and exercising processes.’

(p) **Regeneration, Economy and Growth**

A range of investments are required within the service. A sum of £0.220 million is required for the reprocurement of the Park and Ride bus contract, where the expanded provision is expected to open in late 2022, with the intention to replace the current diesel fleet, with a new electric bus contract consisting of fourteen buses.

An investment of £0.1 million is required for maintenance and operation of the new Durham Bus Station, whilst additional budget of £0.1 million is also required for the repairs and maintenance of council buildings.

It is expected that the Story at Mount Oswald facility will open in 2023/24. A full year investment of £0.148 million is required to provide a Front of House team to deliver a flexible team administered on a rota, always ensuring a sufficient presence on reception and in public spaces.

Finally a £0.206 million investment is required in the North East Screen Industries Partnership. This is a new vehicle, established to facilitate the strategic development of the television and screen industry in the region, including screen industries and other organisations building creative talent in the region. All twelve north east authorities are in the partnership arrangement.

(q) **Resources**

The council utilises barrister services to support child protection cases in relation to childrens social care. The contract has recently been reprocured after a seven year contract came to an end and costs have increased by 35%, which will produce an overspend in the current year. Allied with increasing demand due to caseloads in childrens social care increasing a base budget increase of £0.513 million is required in 2023/24.

In addition, increased demand for ICT services is resulting in an increased budget requirement of £0.085 million in relation to additional licence costs as the Council seeks to make more systems available to front line operatives as part of the digitisation agenda.

(r) **Reopening the Former DLI Building**

There is no revenue impact of the reopening of the former DLI building on the 2023/24 budget. It is forecast however that the full year revenue cost of reopening the DLI will be £0.6 million, whilst additional prudential borrowing of £0.4 million will be required to finance the unbudgeted element of the capital development. These investments were agreed by Cabinet in March as part of the business case. At this stage these sums are included in 2024/25 but this will be kept under review as the capital programme develops.

2023/24 Savings Forecast

30 Based upon the revised assumptions detailed in this report, the savings requirement for 2023/24 is forecast to be £21.9 million, £5.3 million higher than the MTFP(12) forecast position of a £16.6 million budget deficit. The adjusted position reflects the forecast delay in the implementation of the FFR alongside additional inflationary uplifts in IBCF and BRR funding and updated tax base forecasts, offset by additional base budget pressures often linked to high levels of inflation and a range of contractual and unavoidable budget pressures.

31 Savings of £0.275 million for 2023/24 were approved in MTFP(12) relating to the relocation of the council HQ. Regardless of the outcome of the business case to review the new building on The Sands, which ultimately led to the Cabinet decision to seek to sell the building and reprovide HQ facilities on Aykley Heads and in Stanley, this saving required reprofiling in line with the expected occupancy of the new History Centre. This saving has been deferred until 2026/27 in the latest MTFP(13) forecasts.

32 Although the budget deficit of £21.9 million in 2023/24 is the latest forecast, it should be recognised that this figure could significantly change before Council sets the budget on 22 February 2023. The final savings requirement will be influenced by announcements on the FFR and the local government finance settlement for 2023/24. Similarly the council is facing significant additional budget pressures at the present time which could impact upon the savings requirement and there may be a need to accommodate budget pressures as a result of the longer term impacts of the pandemic and inflation upon councils budgets.

33 At this stage, no additional budget growth or provisions have been made of any long term impacts arising from the pandemic, with activity assumed to return to pre-pandemic levels by 2023/24.

34 The MTFP(13) forecasts also assume a 2.99% council tax increase in council tax in 2023/24 and 2024/25, with 1.99% increases across the remainder if the MTFP(13) planning period. The forecast 2.99% increase in 2023/24 and 2024/25 includes the 1% adult social care precept flexibility announced in the 2022/23 local government finance settlement.

35 With this uncertainty in mind work will continue in the coming months to seek to identify additional savings to address any future shortfall. If there is still a shortfall in savings at the time Council agree the budget in February 2023, then the MTFP Reserve (BSR) will need to be utilised. The current balance on the MTFP reserve is £15.2 million. In utilising the MTFP Reserve Cabinet will need to be mindful of the significant budget deficit that is also forecast to exist in 2024/25 of £16 million. The use of reserves to balance the budget is not a sustainable position and is only recommended where there is a need to smooth in more sustainable budget solutions.

MTFP(13) – 2023/24 to 2026/27 Summary

36 The adjustments to MTFP(13) planning detailed in this report have impacted upon the forecast savings requirements for the 2023/24 to 2026/27 period. The current forecast of savings required for the period 2023/24 to 2026/27 are detailed below:

	Savings Requirement	**Less Savings Already Approved**	**Savings Shortfall**
	£m	**£m**	**£m**
2023/24	21.881	0	21.881
2024/25	16.043	0	16.043
2025/26	6.213	0	6.213
2026/27	10.883	0.275	10.608
TOTAL	**55.020**	**0.275**	**54.745**

37 As can be seen, the additional savings required to be developed to balance the budgets over the next four years is estimated to be £54.7 million. This estimate must be considered alongside the uncertainty facing local government at this time, especially in relation to future local government finance settlements, the Fair Funding review and the continuing impact of the pandemic and high levels of inflation upon the council.

38 It is likely that savings plans in the future will become more complex and potentially more front line and as such will require significant planning and consultation. It will be vital that timeframes for delivery are planned effectively to ensure the Council continues to balance the budget across the MTFP(13) period

39 The realisation of additional £54.7 million of savings will have resulted in the Council being required to save £304.7 million from 2011/12 to 2026/27. The updated MTFP(13) Model is attached at **Appendix 2.**

MTFP(13) Timetable

40 A high level timetable up to Budget setting in February 2023 is detailed below:

Date	Action
13 July 2022	MTFP(13) update and LCTRS Review report to Cabinet
September 2022	Corporate Overview and Scrutiny Management Board consider 13 July Cabinet Report
12 October 2022	MTFP update Report to Cabinet
October/November 2022	Corporate Overview and Scrutiny Management Board consider 12 October Cabinet Report Consultation on 2023/24 Budget and MTFP(13)
14 December 2022	MTFP report to Cabinet – outcome of Budget Consultation
December 2022	Corporate Overview and Scrutiny Management Board consider 14 December Cabinet Report
18 January 2023	MTFP report to Cabinet – analysis of provisional local government settlement
January 2023	Corporate Overview and Scrutiny Management Board consider 18 January Cabinet Report
8 February 2023	Budget Report to Cabinet
February 2023	Corporate Overview and Scrutiny Management Board consider 8 February Cabinet Report
22 February 2023	Council Budget and MTFP report

Proposed Consultation Programme

41 Based on the best practice that has developed over previous consultations, it is once again proposed that we consult using our existing County Durham Partnership networks during October and November. This will include the fourteen Area Action Partnerships (AAPs) and the thematic partnerships that support the County Durham Partnership. Additional work will be undertaken with special interest groups and there will be an opportunity for residents to respond electronically via the council's website which will be promoted through the council's presence on various social media platforms.

42 In addition, thematic Scrutiny Committees are being tasked with identifying options for efficiency savings and increased income in their service areas, the outcome of which will inform the Cabinets MTFP(13) deliberations. It is hoped any savings identified and supported by Cabinet will be able to support the 2023/24 and future years budgets. The Corporate Overview and Scrutiny Management Board will provide scrutiny of the MTFP(13) and budget setting process as usual.

Workforce Implications

43 If savings of the magnitude detailed in the report are ultimately required it is forecast that the number of post reductions will increase significantly over the coming four years as savings plans are developed, agreed and delivered to achieve the MTFP(13) required savings of £55.0 million. The exact number will not be known until proposals are fully developed and assessed.

44 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.

45 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.

46 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

47 Consideration of equality impact analysis and mitigation is an essential element that members must consider in their decision making. As in previous years, equality impact assessments will be key to capturing and utilising equality analysis throughout decision making processes, alongside the development of MTFP(13).

48 The aim of the equality impact assessment process is to:

(a) identify any disproportionate impact on service users or staff based on the protected characteristics of age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex and sexual orientation;

(b) identify any mitigating actions which can be taken to reduce negative impact where possible;

(c) ensure that we avoid unlawful discrimination as a result of MTFP decisions;

(d) ensure the effective discharge of the public sector equality duty.

49 As in previous years, equality impact assessment will be considered throughout the decision-making process, alongside the development of MTFP(13). This is required to ensure MTFP decisions 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.

50 In addition, the public sector equality duty (PSED), contained at section 149 of the Equality Act, requires us to pay ‘due regard’ to the need to:

(a) eliminate discrimination, harassment and victimisation and any other conduct that is prohibited under the Act;

(b) advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it;

(c) foster good relations between persons who share a relevant protected characteristic and persons who do not share it.

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

52 Throughout the period of MTFP planning through to setting of the 2023/24 budget and MTFP(13) in February 2023, the equality analysis for all savings proposals will be developed alongside emerging savings proposals. Any relevant consultation activity and/or feedback will be fed into assessments. Equality analysis and impact assessments will be considered in decision-making processes and at budget setting.

53 In terms of the ongoing programme of budget decisions the Council has taken steps to ensure that impact assessments:

(a) 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;

(b) are based on relevant evidence, including consultation where appropriate, to provide a robust assessment;

(c) objectively consider any negative impacts and alternatives or mitigation actions so that they support fair and lawful decision making;

(d) are closely linked to the wider MTFP decision-making process;

(e) build on previous assessments to provide an ongoing picture of cumulative impact.

Local Council Tax Reduction Scheme for 2023/24

54 Following the abolition of the national Council Tax Benefit (CTB) system on 31 March 2013, Local Authorities have been required to work with their precepting bodies to establish a Local Council Tax Reduction scheme (LCTRS); reviewed on an annual basis. The LCTRS provides a 'discount' against the council tax charge, rather than a benefit entitlement.

55 The Council Tax Reduction Scheme Grant is paid directly to the council and the major precepting bodies (Police and Fire) and forms part of the council's formula funding arrangements.

56 As this Government grant is a fixed amount, when there is growth in the numbers of council taxpayers becoming eligible for support with their council tax, there is a resulting risk to the Local Authority; this was seen in the early months of the pandemic in April/May 2020.

57 The council's formula grant includes an element relating to Town and Parish (T&P) Councils and whilst the council has previously passed the notional LCTRS grant on to the Town and Parish Councils, there is no statutory requirement to do so, with the majority of other Councils not doing so now.

58 Following discussions via 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, the Council again passed on the Town and Parish element of the formula grant in 2022/23.

59 Discussions will need to take place with the Town and Parish Councils' Working Group to inform decisions for 2023/24. At this stage it is assumed that payments will continue at the same level as in the current year, where payments total £1.393 million.

60 LCTR provides a 'discount' against the council tax charge, rather than crediting the account with a benefit payment and as such impacts on the council tax base and therefore the tax raising capacity of the council and its precepting bodies.

61 All local authorities are required to follow a national LCTR scheme for pension age applicants, which protects their entitlement at the same level as under the former national CTB regime. The pension age scheme can only be altered locally in ways which make it more generous to applicants.

62 There are no such restrictions on the level of support that can be given via working age LCTR schemes.

63 In the North East region, Durham are now the only authority whose scheme continues to mirror entitlement under the former CTB system for all claimants. The other eleven councils have schemes which offer an overall lower level of support to working age claimants.

64 The majority of councils who made changes to their schemes in the first few years of LCTR, did so to cap the overall amount that could be paid to working age households.

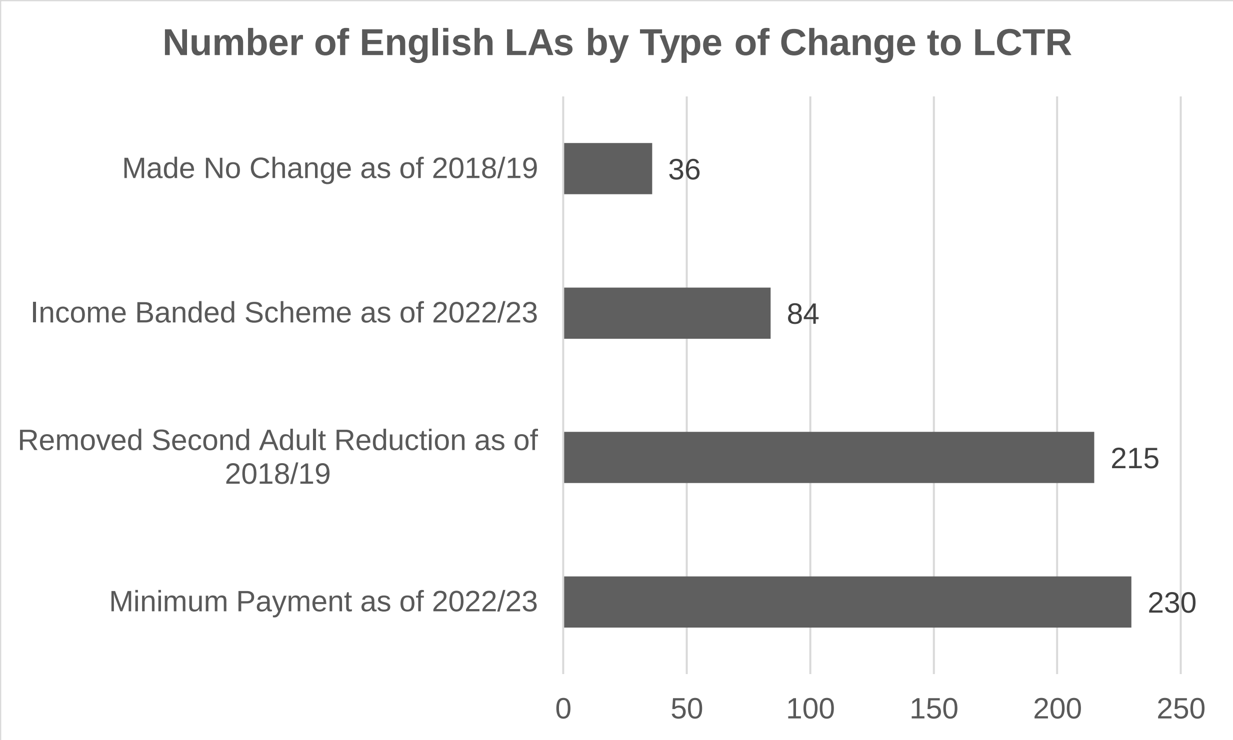
65 The most recent comprehensive national data was published in 2018/19 by the Joseph Rowntree Foundation, although some basic national data was recently published by Entitled To concerning 2022/23 schemes.

66 Over 80% of councils have made at least one significant change to their scheme since the original schemes were adopted in 2013/14.

67 Different councils have set their schemes at very different levels across the country. Combined with different choices about other aspects of scheme design, this means that similar households are treated very differently according to where they live.

68 More recently, local authorities have started to focus on making changes to simplify administration and reduce the number of award changes for in-work Universal Credit (UC) claimants, while maintaining a cap on the total amount that an applicant can receive.

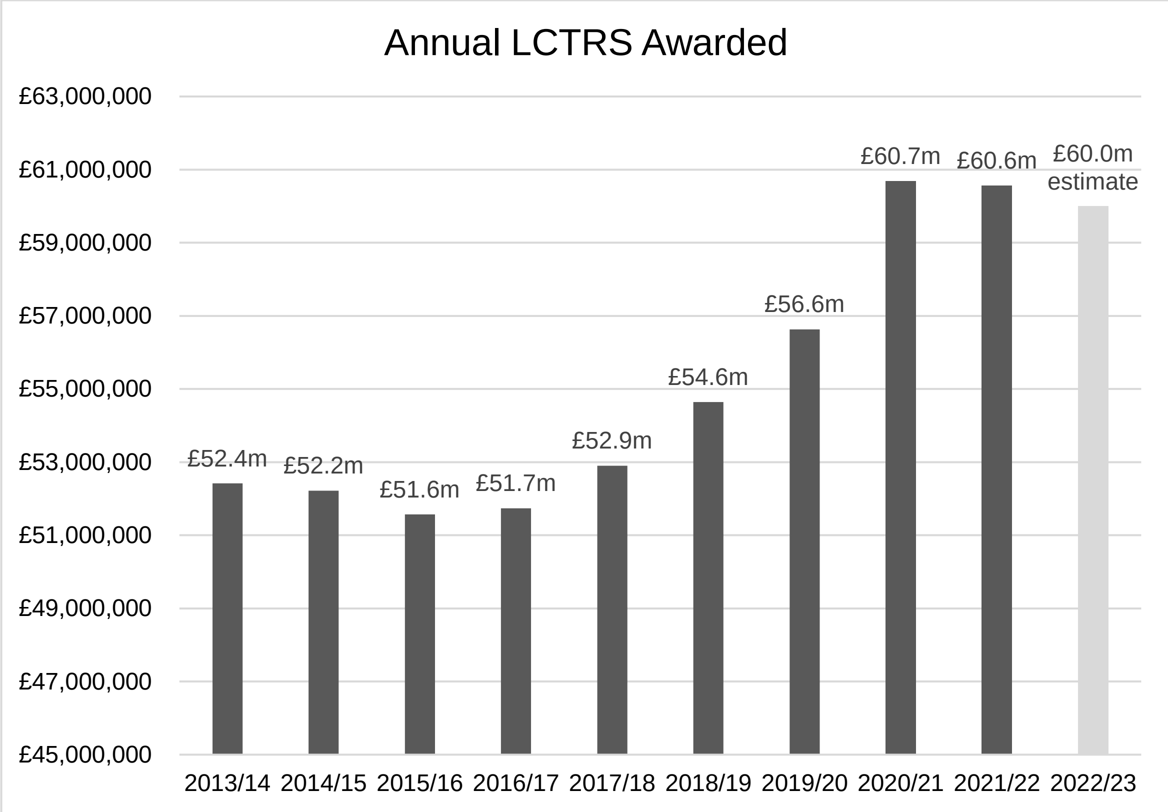
69 In England, 230 of 309 local authorities (74%) do not offer 100% reductions in liability to any working age residents and require a minimum payment instead regardless of the personal circumstances of the claimant.



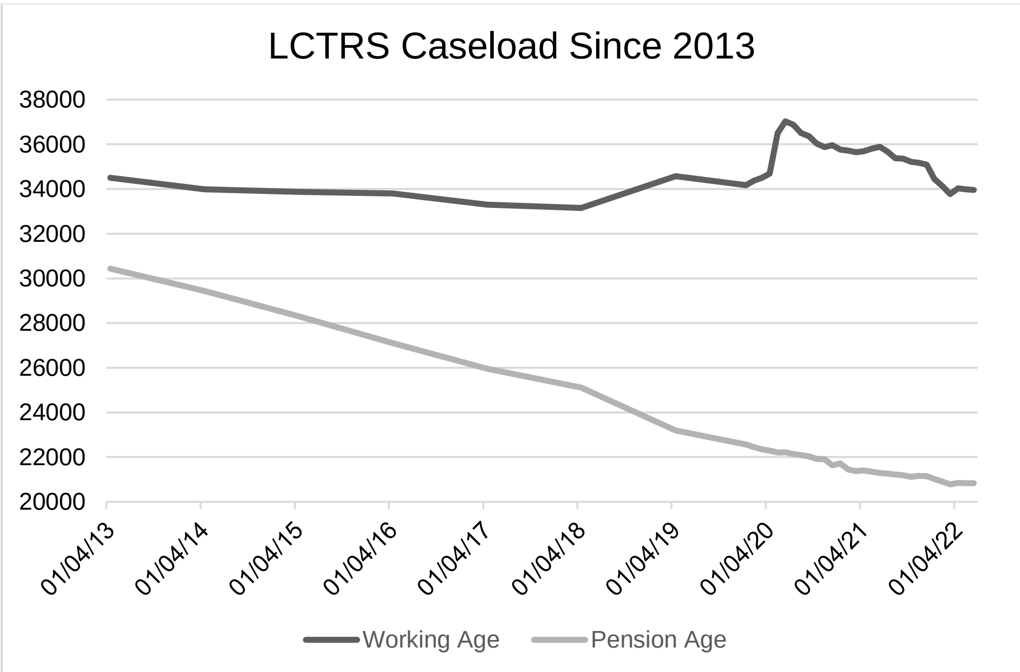
70 The roll-out of Universal Credit is currently scheduled to be completed by the end of 2024. As at 1 June 2022, there were circa 19,350 LCTR applicants in cCunty Durham receiving UC, around 57% of the current working age LCTR caseload.

71 There are currently 54,800 LCTR cases in County Durham, of which 20,800 (38%) are of pension age and 34,000 (62%) are of working age. Almost 80% of all working age applicants currently receive maximum LCTR, leaving them with no council tax to pay. Approximately 85% of working age LCTR applicants live in rented accommodation and 88% occupy Band A properties. LCTRS support is forecast to be circa £60 million in 2022/23.

72 The table below shows the year on year differences in LCTR scheme costs over the last nine years. Whilst it is important to note that the council tax charges have increased across this period also, there was a significant increase in both caseload and costs in 2020/21 that continued into 2021/22.

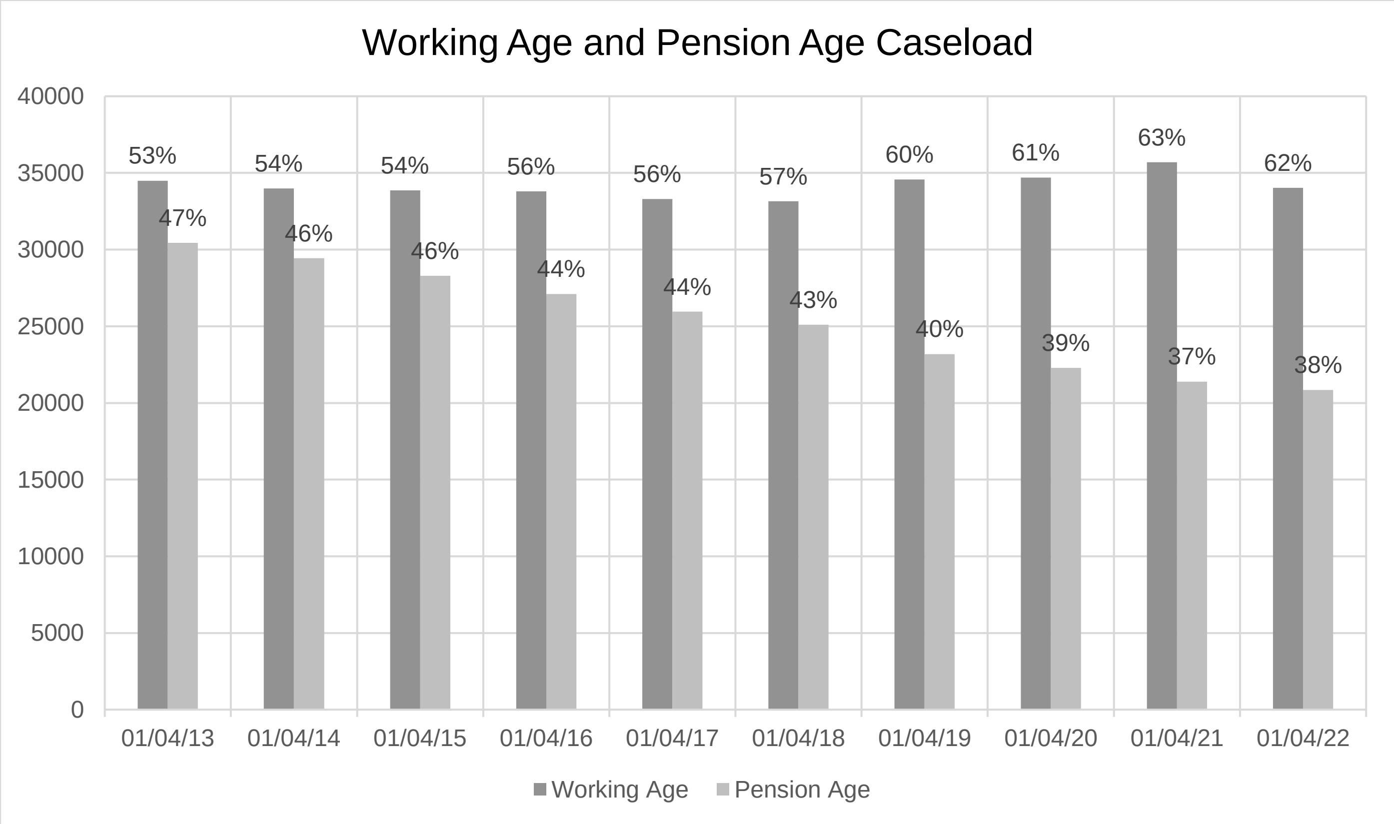


73 The council's LCTR scheme saw a significant increase in demand as a result of the Covid-19 pandemic. The pension age caseload has continued a trend of year on year reductions – primarily due to increases in the retirement age. The working age caseload, however, increased dramatically in the first quarter of 2020/21 as an unprecedented number of new claims were received by customers adversely affected by Covid-19. At the peak, in May 2020, the working age LCTRS caseload was almost 3,000 higher than in January of the same year. By March 2022, the number of working age LCTR claims had returned to pre-pandemic levels:



74 In Durham, there are now over 4,100 LCTR claimants currently classed as working age that would have been treated as pensionable age claimants prior to 2010, when the process of moving eligibility to state pension credit age from 60 to 66 began. There will then be a further move up to 67 between 2026 and 2028, then to 68 between 2044 and 2046.

75 Over the last nine years there has been a nine percentage point increase in the proportion of working age caseload in County Durham. This means a higher proportion of our caseload is coming under the part of the LCTRS scheme that the Council has control over. Working age claimants, particularly those on UC, carry a much greater administrative burden as they have more frequent changes in their circumstances that need to be processed, producing multiple bills across the year.



76 It is important to consider any impact on the collection rate for council tax, that changes to the LCTRS can have. The Institute for Fiscal Studies (IFS) estimate that a quarter of the additional council tax liability created by cuts to LCTR since 2013 has not being collected in year.

77 More significantly however, UC changes result in multiple reworking and changes to LCTRS entitlement throughout the year and multiple bills being issued to individual households resulting in numerous changes to their net liability and instalment plans for any council tax balance they are responsible for. After many years of continued improvement, our in-year council tax collection rate reduced slightly in 2018/19 to 96.65%, and further still in 2019/20 to 96.37%. Performance in 2020/21 (93.43%) was impacted significantly by the pandemic with recovery action largely suspended for the

whole of the year. In 2021/22 the in-year recovery rate improved to 95.46%, however this is still almost one and a half percentage points below the 2017/18 rate of 96.83%, in part reflecting the ongoing impact of the expanding UC rollout on LCTRS and council tax collection.

78 The regional picture in terms of the schemes currently in operation and comparison of in-year collection rates with that which existed pre LCTRS is shown below for the position to 31 March 2022. It is notable that until April 2022, Durham was the only authority which did not require a minimum payment from all working age LCTR applicants and it is alone in having improved its collect rate since council tax support was localised:

Local Authority	**Basis of Scheme**	**Minimum Payment**	**Second Adult Reduction Offered?**	**Change in in-year council tax collection rate between 2012/13 and 2021/22**
Durham	CTB	No	Yes	+0.46%points
Darlington	CTB	20%	No	-1.03%points
Gateshead	CTB	8.5%	No	-2.08%points
Hartlepool	CTB	12%	No	-5.39%points
Middlesbrough	Income Banded – since 2022/23	10%	No	-4.58%points
Newcastle	Income Banded – since 2018/19	No (was 15% but removed for 2022/23)	No	-0.34%points
North Tyneside	CTB	15%	No	-2.10%points
Northumberland	CTB	8%	Yes	-0.29%points
Redcar and Cleveland	CTB	17.5%	No	Not Available
South Tyneside	CTB	30% or 15% if vulnerable	Yes	-4.15%points
Stockton	Income Banded – since 2022/23	No (was 20% but removed for 2022/23)	No	-3.77%points
Sunderland	CTB	8.5%	No	-4.95%points

79 If any changes are to be made to the Councils LCTRS scheme, these must be consulted on and be subject to an equality impact assessment. Councils are required to review and approve their schemes annually and have this agreed by a Full Council meeting before 11 March each year. In reality, decisions are needed much earlier than this given the impact on tax base calculations and the need to firm up the tax base forecasts much earlier in the budget planning cycle.

80 Pensioners, have to be protected from any changes, with any reductions applied to working age claimants only.

81 Ten years after the government abolished the national CTB system the council continues to have a LCTR scheme which mirrors the previous entitlement under the CTB system for all claimants. No LCTR claimants have therefore been financially worse off in the last ten years (including the current year) than they would have been under the previous national scheme.

82 The council has been mindful of the continuing impacts of the wider welfare reforms and from the recent squeeze on household incomes from cost of living increases which are having a detrimental impact on many low income households. Additional council tax liabilities for working age households could have a significant impact on low income household budgets by around £100 to £350 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.

83 In approving the scheme for 2022/23, the council 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.

84 The reduction in Government Grant support towards maintaining these schemes in the first year (2013/14) was £5.1 million, after which the Local Council Tax Support Grant was subsumed into general formula grant, which was and subject to annual reductions up to 2019/20. To recover the full initial £5.1 million cost by reducing the benefit awarded to working age claimants, and factoring in a prudent collection rate of 80%, would require the maximum entitlement to be reduced from 100% to 84.9% based on current caseloads.

85 Should the Council review its scheme and reduce maximum entitlement to working age claimants, depending on the forecasted council tax collection from affected low income households, there would be scope to increase Council Tax revenues by between £3.4 million (based on a scheme that awarded maximum entitlement to working age households of 90% with a prudent collection rate of 80%) and £5.1 million (based on a scheme that awarded maximum entitlement of 84.9% with a prudent collection rate of 80%). This would impact circa 34,000 working age households across

County Durham, where 6,200 (18.2%) are actually in low paid jobs rather than being unemployed.

86 Following careful consideration of the current financial position of the council and in light of the continuing impact of the coronavirus pandemic, welfare reforms including the continued roll out of Universal Credit, which commenced in October 2017 in County Durham; and the current cost of living impacts it is proposed that Cabinet recommend to Council that the current scheme should be extended for a further year into 2023/24 and, therefore, that no additional council tax revenues or pressures are built into the MTFP projections from a review of the LCTRS at this stage.

87 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, 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 households.

88 The council will need to continue to review the national situation and track what is happening in local authorities that have introduced LCTR 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.

89 The council will also need to keep track of the continuing impact of the roll out of Universal Credit (UC). This presents continuing challenges for the administration of the LCTRS as it results in a much higher number of changes in circumstances and removes the administrative economies of scale currently achieved by administering Housing Benefit and LCTR claims side by side.

90 More significantly however, UC changes results in multiple reworking and changes to LCTR entitlement throughout the year and multiple bills being issued to individual households resulting in numerous changes to their net liability and instalment plans for any council tax balance they are responsible for.

Conclusion

91 The council continues to face significant financial uncertainty for the MTFP(13) planning period, coving the financial years 2023/24 to 2026/27. The uncertainty relating to future government financial settlements is exacerbated by the ongoing impact of the pandemic alongside increases in base budget pressures from inflation, national living wage, social care and waste disposal.

92 Planning will continue in relation to the identification of savings to enable future years budgets to be balanced. The MTFP Reserve of £15.2 million is available to support the protection of front line services although it is recognised that this reserve could be quickly exhausted if early decisions are not made and it must be recognised that .

Background papers

- Local Government Finance Act 1992
- Welfare Reform Act 2012
- The Council Tax Reduction Schemes (Prescribed Requirements) (England) Regulations (as amended)
- The Impacts of Localised Council Tax Support Schemes – Institute for Fiscal Studies Report January 2019

Other useful documents

- Medium Term Financial Plan (12), 2022/23 to 2025/26 – Report to Council 23 February 2022
- Local Council Tax Reduction Scheme 2022/23 – Report to Council 20 October 2021

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Appendix 1: Implications

Legal Implications

The council has a statutory responsibility to set a balanced budget for 2023/24. It also has a fiduciary duty not to waste public resources.

The Welfare Reform Act 2012 abolished the national council tax benefits system (CTB), paving the way for new Local Council Tax Reduction Schemes (LCTRS) to be introduced under the auspices of the Local Government Finance Act 1992. Section 13A of the Local Government Finance Act 1992 ("the 1992 Act") requires each billing authority in England to make a scheme specifying the reductions which are to apply to amounts of council tax payable by persons, or classes of person, whom the authority considers are in financial need ("a council tax reduction scheme").

The Council Tax Reduction Schemes (Prescribed Requirements) (England) Regulations 2012 ("the 2012 Regulations") prescribe matters which must be included in such a scheme in addition to matters set out in paragraph 2 of Schedule 1A to the 1992 Act.

Each year regulations amending the 2012 Regulations are made in November/December. The majority of the amendments are to ensure consistency with changes to social security legislation and these are subsequently included in our local scheme.

The LCTRS provides a 'discount' against the council tax charge, rather than a benefit entitlement and as such impacts on the council's tax base.

Regulations made under the Local Government Finance Act 1992 (The Local Authorities (Calculation of Council Tax Base) Regulations 1992 (as amended) the council to calculate a council tax base for each financial year.

The Local Authorities (Calculation of Council Tax Base) (England) Regulations 2012 which came into force on 30 November 2012 and applies to the financial years beginning 1 April 2013 onwards contains the rules which require the council to calculate the Council Tax Base.

A key element of the tax base calculation is the council's policy in terms of its LCTRS.

There is a statutory requirement for the Council to adopt a local council tax support scheme for the ensuing financial year by 11 March each year. Where the council is proposing any changes to its scheme, there is a statutory requirement to consult on these proposals in advance of making any changes. Pensioners have to be protected from any changes, with any reductions applied to working age claimants only.

Finance

The report highlights that at this stage additional £21.9 million of savings are required to balance the 2023/24 budget with £55.0 million across the next four years. A saving of £0.275 million has been previously approved by Cabinet in relation to the new HQ development. This results in a savings shortfall over the MTFP(13) period of £54.7 million. Work will continue over the coming months to identify savings to balance the budget across the MTFP(13) period.

The funding made available to support the Local Council Tax Reduction 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.

The Council has continued to pass on the Town and Parish element of its formula grant over the last five years but in doing so continues to apply pro-rata reductions in the Council Tax Support Grant paid to Town and Parish Councils. Local Council Tax Support Grant payments to Town and Parish Councils is forecast to be £1.393 million in 2023/24 should the Council decide to continue making these payments next year.

The Council is responsible for the costs of any increase in caseload as the level of Government support is fixed (and has been subject to reductions up to 2019/20) within formula grant.

Prudent estimates and provisions were built into the tax base forecasts for the current year at budget setting, and whilst the Council is subject to greater financial risk now, the current scheme remains within the budget provisions.

Should the Council review its scheme and reduce maximum entitlement to working age claimants, depending on the forecasted council tax collection from affected low income households, there would be scope to increase Council Tax revenues by between £3.4 million (based on a scheme that awarded maximum entitlement to working age households of 90% with a prudent collection rate of 80%) and £5.1 million (based on a scheme that awarded maximum entitlement of 84.9% with a prudent collection rate of 80%). This would impact circa 34,000 working age households across County Durham, where 6,200 (18.2%) are actually in low paid jobs rather than being unemployed.

Consultation

Consultation on the 2023/24 budget and MTFP(13) will include engagement via existing County Durham Partnership networks during October and November. This will include the fourteen Area Action Partnerships (AAPs) and the thematic partnerships that support the County Durham Partnership. Additional work will be undertaken with special interest groups and there will be an opportunity for residents to respond electronically via the council's website which will be promoted through the council's presence on various social media platforms.

The thematic Scrutiny Committees are also being tasked with identifying options for efficiency savings and increased income in their service areas, the outcome of which will inform the Cabinets MTFP(13) deliberations. The Corporate Overview and Scrutiny Management Board will provide scrutiny of the MTFP(13) and budget setting process.

If any changes are proposed to the LCTR scheme, these must not impact on pension age claimants, must be consulted on and be subject to an equality impact assessment. Councils are required to review and approve their schemes annually and have this agreed by a Full Council meeting before 11 March each year. In reality, decisions are needed much earlier than this given the impact on tax base calculations and the need to firm up the tax base forecasts much earlier in the budget planning cycle.

Equality and Diversity / Public Sector Equality Duty

Under section 149 of the Equality Act 2010 all public authorities must, in the exercise of their functions, "have due regard to the need to" eliminate conduct that is prohibited by the Act. Such conduct includes discrimination, harassment and victimisation related to protected characteristics but also requires public authorities to have due regard to the need to advance equality of opportunity and foster good relations between persons who share a "relevant protected characteristic" and persons who do not. This means consideration of equality analysis and impacts is an essential element that Members must take into account when considering these savings proposals.

Ten years after the Government abolished the national Council Tax Benefits System the council continues to have a LCTRS 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 nine years than they would have been under the previous national scheme and if the proposals set out in this report and ultimately agreed by Council in the autumn this will continue to be the case.

The Government EIA on the LCTRS was published in January 2012 and is relatively brief. It considered equality impacts in relation to age and disability, concluding that protection for pensioners would be a positive impact and the effects on disabled people would depend on how each local authority responded to the reduction in council tax support. No impacts were identified in relation to gender or ethnicity and no other protected characteristics were considered and it was left to individual councils to identify full local impacts, based on local implementation.

Given the proposals to extend the current LCTRS into 2023/24 thereby continuing to protect current entitlement, there will be no negative equalities impact, with the financial position of claimants protected in 2023/24.

Should the council decide against extending the current scheme into 2023/24 and elect instead to pass on reductions to working age claimants, there would be a range of potential negative equalities impacts. These include financial impact for working age claimants and possible additional impacts in relation to health and wellbeing, housing and the consequences of debt or legal action. These impacts are most likely in relation to gender, age and disability with limited impacts for race and sexual orientation and no evidence of impact on transgender status, religion or belief.

Climate Change

The council budget will be developed to provide resource to enable the council to meet the requirements set out in the council's Climate Change Emergency Response Plan.

Human Rights

Any human rights issues will be considered for all proposals agreed as part of MTFP(13).

Crime and Disorder

None

Staffing

The impact of the MTFP upon staffing is detailed within the report.

Accommodation

None

Risk

A robust approach to Risk Assessment across the MTFP process will be followed especially in relation to any individual risk assessments of savings plans.

The report outlines a range of financial risks surrounding the LCTRS. These are being effectively managed at this time. Given that the proposal is to extend the current arrangements into 2023/24 there are no system development issues or risk associated with these proposals.

The council will need to continue to keep track of the impact of the roll out of Universal Credit (UC). This presents challenges for the administration of LCTRS as it results in a much higher number of changes in circumstances (experience is that the UC earned income element changes frequently as the person moves through the claimant commitment with their Work Coach) and removes the administrative economies of scale currently achieved by administering Housing Benefit and LCTRS claims side by side.

More significantly however, UC changes result in multiple reworking and changes to LCTRS entitlement throughout the year and multiple bills being issued to individual households resulting in numerous changes to their net liability and instalment plans for any council tax balance they are responsible for. After many years of continued improvement, our in-year council tax collection rate reduced slightly in 2018/19 to 96.65%, and further still in 2019/20 to 96.37%. Performance in 2020/21 (93.43%) was impacted significantly by the pandemic with recovery action largely suspended for the whole of the year. In 2021/22 the in-year recovery rate improved to 95.46%, however this is still almost one and a half percentage points below the 2017/18 rate of 96.83%, in part reflecting the ongoing impact of the expanding UC rollout on LCTRS and council tax collection.

Procurement

None

Appendix 2: MTFP(13) 2023/24 – 2026/27 Model

	2023/24	2024/25	2025/26	2026/27
	£'000	£'000	£'000	£'000
Government Funding				
Revenue Support Grant (3% then 1.5%)	-870	-445	-450	-455
IBCF Uplift (5%)	-1,500	0	0	0
Services Grant	0	8,776	0	0
Social Care Levy Funding	-9,200	-3,000	0	0
B Rates/S31 - S31 Adj & CPI increase (9%/3%/1.5%/1.5%)	-6,800	-2,300	-1,100	-1,100
Top Up - CPI increase (9%/3%/1.5%/1.5%)	-6,400	-2,150	-1,050	-1,050
Other Funding Sources				
Council Tax Increase (2.99%/2.99%/1.99%/1.99%)	-7,200	-7,300	-5,000	-5,100
Council Tax Base increase	-3,000	-2,000	-2,000	-2,000
Business Rate Tax Base increase	-500	-500	-500	-250
Estimated Variance in Resource Base	**-35,470**	**-8,919**	**-10,100**	**-9,955**
Pay Inflation (2.5%/2%/2%/2%)	6,100	5,100	5,200	5,300
Pay Inflation 22/23 Shortfall (0.75%)	1,900	0	0	0
Price Inflation (3%/1.5%/1.5%/1.5%) - excludes social care fees	3,100	1,500	1,550	1,600
Base Budget Pressures				
Social Care Fee Inflation Uplift - includes NLW and CPI	15,800	10,400	3,300	3,500
National Living Wage Other Service Areas	350	400	50	50
Pension Fund Revaluation	-3,300	0	0	0
Energy Price Increases	4,300	0	0	0
Social Care System Licenses	100	0	0	0
Adults Demographic Pressures	1,000	1,000	1,500	1,500
Adults - costs associated with Social Care reform	11,500	1,750	0	1,750
Children's Demographic Pressures	3,000	2,000	2,000	2,000
Tees Valley SPV Set Up Costs	0	0	30	0
Low Carbon Team - staffing & partnership development	84	0	0	0
Vehicle Fleet - Transfer to electric vehicles	0	0	1,328	3,238
Community Protection Workforce Development	218	196	-200	0
Woodland Protection / Nature Reserves / Public Rights of Way	0	0	-145	0
Waste Inflation	1,300	0	0	0
Transport Inflation (Local Buses and School Transport)	3,000	0	0	0
Core ICT System Inflation	193	0	0	0
CYPS Social Care Preventative Strategies	808	0	0	0
CYPS Fostering Investment	1,738	0	-1,200	0
CYPS Social Workers	811	0	0	0
NCC Tree Inspections	90	0	0	0
NCC Humanitarian Support	123	0	0	0

NCC Civil Contingencies	30	0	0	0
REG Park and Ride Reprocurement	220	0	0	0
REG Durham Bus Station	100	0	0	0
REG Buildings Repair and Maintenance	100	0	0	0
REG History Centre Front of House Team	148	0	0	0
REG North East Screen Industries Partnership	206	0	0	0
RES Barrister Support for CYPS Social Care	513	0	0	0
RES ICT Licencing	85	0	0	0
Aykley Heads Cultural Venue (Former DLI Building)	0	600	0	0
Unfunded Superannuation	0	-100	-100	-100
Prudential Borrowing	3,000	3,400	3,000	2,000
Net Collection Fund Position after 75% Grant applied	834	-1,284	0	0
TOTAL PRESSURES	**57,451**	**24,962**	**16,313**	**20,838**
Use of One Off funds				
Adjustment for use of BSR in previous year	0	0	0	0
Use of Budget Support Reserve in year	0	0	0	0
Savings				
Savings Agreed in MTFP(10)	0	0	0	-275
MTFP(13) Savings	0	0	0	0
SAVINGS SHORTFALL	**21,981**	**16,043**	**6,213**	**10,608**
	TOTAL SHORTFALL			**54,845**