

## Cabinet

11 July 2012



### **Medium Term Financial Plan (3), Council Plan and Service Plans 2013/14 – 2016/17**

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#### **Report of Corporate Management Team Don McLure, Corporate Director Resources and Lorraine O'Donnell, Assistant Chief Executive Councillor Alan Napier, Cabinet Portfolio Holder for Resources**

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##### **Purpose of the Report**

- 1 The report aims to develop the planning frameworks which will enable the Council to develop the 2013/14 Budget, the 2013/14 – 2016/17 Medium Term Financial Plan (MTFP) and Council Plan/Service Plans.

##### **Background**

- 2 To ensure the next MTFP for 2013/14 to 2016/17, Council Plan and Service Plans can be developed effectively, it is important to agree a robust plan and timetable.
- 3 The Council's first MTFP was approved for the four year period 2011/12 – 2014/15. For reference purposes the Council's MTFP for 2011/12 – 2014/15 will be referred to as MTFP (1); MTFP for 2012/13 – 2015/16 will be referred to as MTFP (2) and MTFP for 2013/14 – 2016/17 will be referred to as MTFP (3). The County Council faced a major challenge in setting the 2011/12 budget. After taking into account estimated budget pressures faced, the Council was required to achieve £66.4m of savings in 2011/12 and £123.4m of savings over the whole of the MTFP(1) period 2011/12 to 2014/15. This is the equivalent to 30% of the Council's 2010/11 Net Revenue Expenditure Budget.
- 4 At this stage the following key areas need to be considered:
  - (i) uncertainty in relation to the 2013/14 Financial Settlement for the Council and the relationship in this regard with the major changes associated with the Business Rate Retention (BRR) scheme with effect from 1 April 2013;
  - (ii) the impact on the MTFP (3) process of the Local Council Tax Support Scheme (LCTSS) with effect from 1 April 2013;
  - (iii) options for addressing the £0.86m 2013/14 Budget shortfall where savings had not yet been identified when the 2012/13 – 2015/16 MTFP (2) was agreed by Full Council on 22 February 2012;
  - (iv) proposed approach to the Council Plan and Service Plans;

- (v) a draft MTFP (3) /Council Plan timetable;
- (vi) proposed approach for consultation on the MTFP (3) and Council Plan;
- (vii) equality considerations.

### Finance Settlement and Business Rate Retention

5 The Comprehensive Spending Review (CSR) published in October 2010 detailed the Government's overall spending control totals for the four year period 2011/12 to 2014/15. The control totals for the Department for Communities and Local Government (CLG) were also detailed which enabled the Council to model future years' settlements.

The CSR also identified the following:

- (i) in December 2010, Councils would receive details of their Finance Settlement for both 2011/12 and 2012/13;
- (ii) in December 2012, Councils would receive details of their Finance Settlement for both 2013/14 and 2014/15.

6 A two year settlement was received for 2011/12 and 2012/13 in December 2010. This made financial planning much clearer with the actual 2012/13 Finance Settlement being in line with the figure published in December 2010. The Council's 2012/13 Formula Grant announced in December 2011 is made up as follows;

	<b>£m</b>
Redistributed Business Rates	219.0
Revenue Support Grant	4.2
<b>TOTAL FORMULA GRANT</b>	<b>223.2</b>

7 At this stage however for 2013/14 and 2014/15 the Council is reliant upon estimated figures for the settlement based upon the initial CSR spending control totals. The current forecast reductions in Government funding for 2013/14 and 2014/15 for the Council are as follows:

Year	Grant Reduction
	<b>£m</b>
2013/14	7.03
2014/15	14.84

8 The baseline position for 2013/14 will also be impacted by the introduction of BRR. The Government carried out an initial consultation on BRR in Autumn 2011. The Government's response to this initial consultation process was published in December 2011 and contained the following commitments:

- (i) the Government confirmed the intention to introduce BRR from April 2013. The legislation would be contained within the Local Government Finance Bill, currently passing through Parliament and expected to be enacted in early Autumn;

- (ii) Councils from 2013/14 would be able to retain a percentage of business rates collected. This percentage would be the retained 'local share'. The remainder would be retained by the Government as a 'central share';
- (iii) no Council would be worse off at the outset of the scheme compared to the Formula Grant they would have received in 2013/14 under the former funding arrangements.
- (iv) Councils' baseline funding position would be determined by considering the following:
  - 2012/13 Formula Grant
  - A limited number of technical adjustments to the current relative needs formula e.g. utilisation of population data from the 2011 Census which could be significant.
  - The 2013/14 CSR grant reduction;
- (v) if a council's baseline funding is to be greater than the business rate income they can raise locally, a 'top up' would be paid to ensure councils would be financially no worse off. This will be the case in Durham. If a Council's baseline funding is to be less than their business rate income, they would have to pay the Government a 'tariff' to equalise their starting position;
- (vi) a number of Working Groups would be set up tasked with producing the BRR scheme which would form the next stage of the consultation process.

9 The Working Groups have been operational for a number of months now and are developing the scheme. The aim is for the next phase of consultation to begin in July 2012. In the meantime, in May 2012 the Government published a 'Statement of Intent' which included the following indications:

- (i) the 'local share' was recommended as being 50% i.e. the Council would retain 50% of business rates collected, with the Government retaining the remaining 50% as a 'central share';
- (ii) the retention of a 50% 'central share' by Government would result in Councils having to continue to receive Revenue Support Grant to ensure the initial baseline funding level is maintained;
- (iii) the Government would introduce a 'safety net' if Councils' baseline funding significantly reduced. At the present time the Government is expecting the safety net to be accessed if an authority's baseline funding reduces by around 10% due to a reduction in business rate income. It would be highly unlikely that Durham County Council would ever meet this criterion due to the low level of 'local share' rate retention compared to the baseline funding level;
- (iv) a number of other funding streams are to be included in the BRR in addition to the current level of Formula Grant. The funding streams in question and their value for the Council are detailed overleaf:

Type of Grant	2012/13 Grant
	<b>£m</b>
Early Intervention Grant	24.788
Homelessness Prevention Grant	0.510
Learning Disability and Health Reform Grant	10.009
Local Lead Flood Authorities Grant (part only)	0.200
Council Tax Support Grant (current estimate)	38.123
<b>TOTAL TRANSFER</b>	<b>73.630</b>

- 10 Based upon the above, the Council's estimated BRR baseline funding position for 2013/14 would be as follows:

	<b>£m</b>
Current Formula Grant	223.20
Add Funding Transfer	73.63
Less Forecast Funding Reduction	(7.03)
<b>BRR BASELINE FUNDING</b>	<b>289.80</b>

- 11 A great deal is still unknown in relation to the BRR scheme but it is hoped that the July 2012 consultation will provide further clarification. It is likely that the full picture will not be known until the Finance Settlement is received in December 2012.

### Local Council Tax Support Scheme (LCTSS)

- 12 The Government also included in the CSR 2010 a policy commitment to introduce a localised Council Tax support scheme from 2013/14 which was reported to Cabinet on 18 April 2012, reducing expenditure nationally by 10% (£500m). The Welfare Reform Act 2012 abolished Council Tax benefits, paving the way for new localised schemes to be introduced under the auspices of the Local Government Finance Bill.
- 13 The Government published a consultation paper in August 2011 and its response to the consultation in December 2011 which confirmed the following:
- (i) that the scheme would be implemented from April 2013;
  - (ii) that funding would be reduced by 10% (circa £4.6m for the Council, circa £0.55m for Police and circa £0.35m for Fire). The loss of benefit subsidy from the Government and replacement with a discount under the new scheme, would result in an estimated 20% reduction in the Council's Council Tax base. The consequential reduction in Council Tax income would be compensated by the receipt of the LCTSS grant funding (less the 10% loss), which is to be included within the BRR scheme.
  - (iii) that the new grant would be based on the Office of Budget Responsibility's (OBR) forecast of the level of council tax benefit that would have been awarded in 2013/14 under the current regime, taking into account the forecast for economic growth contained in the March 2012 Budget. Local authorities will be responsible for the costs of any increase in caseload or costs above the OBR forecasts as the level of Government support will be fixed

- 14 Cabinet received a report on progress on developing a LCTSS for Durham on 18 April 2012. To achieve a financially neutral position for the Council, a new scheme would need to reduce payments to Council Tax working age benefit recipients by circa £5.5m in total, taking into account the level of precepts levied by Police, Fire and local Town and Parish Councils. As pensioners in receipt of council tax benefit are to be protected under the new scheme and taking into account that pensioners account for 50% of current council tax benefit payments, working age claimant costs would need to reduce by circa 20% to achieve a cost neutral position. The proposed LCTSS for County Durham, to be subject to public consultation during the Autumn, will be considered by Cabinet in September.

### **Technical Reforms of Council Tax**

- 15 The Government is also proposing a range of technical changes to Council Tax discounts and exemptions, to be included in the Local Government Finance Bill. This will provide additional local discretion to introduce local schemes in a number of areas, where previously statutory limitations applied. The proposed technical reforms of council tax include:
- (i) the ability to charge 100% on second homes – the Council's current policy is that second homes receive a 10% discount;
  - (ii) the ability to amend the discount percentage for empty properties that are uninhabitable due to undergoing major repair – currently a 100% discount is awarded for a maximum of one year;
  - (iii) the ability to amend the discount percentage for empty unfurnished homes – currently a 100% discount is applied for a maximum of 6 months;
  - (iv) proposals for a three phased approach to discounts on long term empty properties, providing local discretion on the percentage discount allowed and the ability to charge a premium rate (most likely 150%) for properties empty for over two years;
  - (v) amendments to the statutory instalment periods, currently 10 months - April to January, with the requirement for local authorities to communicate this within the 2013/14 bill.
- 16 The statement of intent on the technical reforms of council tax notes that Government will 'make provision to ensure that any extra revenue generated if billing authorities set a discount of less than 100% is retained and does not affect the distribution of central government grant'. This would indicate that the Council may be able to benefit from the additional council tax generated as a result of the review of empty property discounts in 2012/13, plus any additional council tax generated by these legislative changes in 2013/14. Previously, the Government grant formula would have been adjusted in the following year.
- 17 The Government are publicly making links between the cost pressures that local government will face as a result of the LCTSS proposals and the increased flexibility afforded through the technical reforms of council tax. The options available to the Council in this regard will be factored into the report

on the LCTSS to Cabinet in September, with any proposed changes being subject to public consultation alongside the LCTSS consultation in the Autumn.

### **Changes to Public Health Service Delivery from 1 April 2013**

- 18 Members will be aware that local authorities are to assume responsibility for public health from April 2013. Previous reports to Cabinet have highlighted that an understanding of the resources that will transfer from the NHS to local government for public health is necessary to plan effective transition and to continue to improve health outcomes for local people. Since our expected baseline for 13/14 (calculated from current resourcing levels) is £42.9 million, it is clear that confirmation of this baseline is urgently required for the council to incorporate within our MTFP.
- 19 A consultation document, *Healthy Lives, Healthy People: Update on Public Health Funding* has just been published with a closing date for responses of 14 August. The paper developed by the Advisory Committee on Resource Allocations (ACRA) proposes a significant change to the way in which the national health budget is allocated to local authorities by focusing on a single deprivation measure. Initial analysis carried out by ANEC suggests that:
- a) The north east would lose £53.6 million if the proposals were accepted whilst the south east, east of England and south west would gain;
  - b) County Durham would lose £19.7 million i.e. 46% of current funding.
- 20 The paper states that no authority will see a real terms drop in funding in 13/14 other than in exceptional circumstances and has yet to propose how quickly allocations would be moved from the baseline to the new levels. Notice is provided of the Department of Health's intention to notify councils of their actual allocations by the end of 2012. Clearly this means that there will be considerable uncertainty within the development of MTFP3.
- 21 Given the scale of the funding reductions that the proposals would mean for the county and the region, work is underway through ANEC and with partners to develop robust responses to the consultation.

### **2013/14 Base Budget Shortfall**

- 22 The current MTFP (2) model (attached at Appendix 2) was included in the Budget report to Council on 23 February 2012. The model identified that additional savings were required over the 2013/14 – 2015/16 period of £23.28m. The shortfall in 2013/14 was £0.86m. Before identifying any additional savings for 2013/14 a thorough review of 2013/14 base budget pressures has been carried out. The table overleaf summarises the results of the review:

	£m	£m
<b>Current MTFP (2) Shortfall</b>		<b>0.860</b>
<b>Increase in Shortfall</b>		
1 <b>Council Tax Income</b> – the current MTFP (2) model assumes a 2.5% Council Tax increase in 2013/14. The introduction of the LCTSS will result in an estimated 20% reduction in the Council's tax base. This will result in the assumed 2.5% Council Tax increase generating less income than originally forecast.	0.984	
2 <b>Landfill Tax</b> – the latest estimate is for Landfill Tax to increase by £1.03m. This is £19k higher than the original estimate.	0.019	
3 <b>Car Mileage Saving</b> – the current MTFP (2) Model for 2013/14 assumes a £80k saving relating to the reduction in the current car mileage rate to 45p per mile. This saving will not be achieved as the Pay and Conditions Review is now recommending a mileage rate of 48p per mile following consultation and negotiation with the trade unions.	0.080	
<b>Total Increase in Shortfall</b>		<b>1.083</b>
<b>Reductions in Shortfall</b>		
1 <b>Staff Turnover Allowance</b> – current staffing budgets in 2012/13 include a 3% reduction to account for staff turnover. The current MTFP (2) model for 2013/14 includes a reduction to 2% due to financial pressures associated with reduced levels of staff turnover in recent years. This risk has been reassessed with the reduction being amended to 2.5%.	(1.200)	
2 <b>Concessionary Fares</b> – the current MTFP (2) model for 2013/14 includes an estimate of a £0.6m increase in the budget for Concessionary Fares. This pressure has been reassessed based upon current levels of demand. It is felt that the pressure can be reduced to £0.08m.	(0.520)	
<b>Total Reductions in Shortfall</b>		<b>(1.720)</b>
<b>REVISED SHORTFALL</b>		<b>0.223</b>

- 23 Further work is presently being carried out in relation to the financing of the capital budget and on investment income on cash balances. It is expected that this work will identify additional resources for the 2013/14 budget due to lower interest rates on borrowing than forecast and higher cash balances than forecast. At this stage, after taking into account estimated savings from the financing of the capital budget and investment income, it can therefore be assumed that the 2013/14 Budget is broadly in balance.
- 24 Service Groupings have been asked if there are any additional base budget pressures which cannot be accommodated within cash limits. At this stage

Service Groupings have confirmed that there are no new base budget pressures to include in the MTFP (3).

## 2013/14 – Risk Assessment

- 25 As outlined previously, it is recognised that Local Government funding arrangements will change fundamentally from April 2013. The full details of how these revised funding arrangements will work are yet to be fully determined. Although the Council expects to learn more via a summer consultation on BRR and via the Finance Settlement in December 2012, it will still be a period of time before the risks associated with the revised arrangements are fully understood.
- 26 A risk assessment has therefore been carried out in relation to the 2013/14 budget. Although the budget model for 2013/14 is broadly balanced at this stage the following risks have been identified which could impact upon this position.
- (i) **Forecast Grant Reduction** – the Council is presently forecasting a £7.03m reduction in Government funding in 2013/14. This forecast is based upon the CSR spending control totals for the Department for Communities and Local Government. This is the Council's best forecast at this stage but the Government has announced that a small number of technical adjustments (e.g. use of 2011 Census data) to formulae will be considered as part of the introduction of BRR. On that basis, it is possible that the actual Government grant reduction could vary from the £7.03m forecast.
  - (ii) **Council Tax Support Grant Baseline** – the Government has indicated that this funding stream will be absorbed into the BRR scheme. In addition to the fact that the level of support will be based on OBR forward forecasts, which may not be reflective of the position in County Durham, once the funding is received the sum provided will not vary based upon volume/activity i.e. if the number of council tax benefit payments increases either due to increased demand or increased take up, the Council will need to finance the cost. This is of particular concern when it is considered that approximately a third of people who are entitled to claim council tax benefit don't actually claim currently.
  - (iii) **Business Rates** – at this stage it is assumed that the Council will retain the 50% 'local share' of business rates collected locally. Based upon 2011/12 outturn for business rates, this figure is estimated to be £53m. If income collection reduced during 2013/14, the Council will need to finance the loss.
  - (iv) **Housing Benefit Admin Grant** – the Government reduced the Housing Benefit Admin Grant in 2012/13 by £0.52m to £4.8m. The position for 2013/14 will be impacted by the following:
    - Introduction of Universal Credit
    - Introduction of LCTSS



It is not clear what will happen to the grant received in 2013/14 but there is a risk that there will be a reduction without a commensurate reduction in the short term to the Council's costs.

- 27 Of the risks identified above the outcomes for (ii) and (iii) are very much associated with the local economy i.e. if unemployment increases there is likely to be an increase in council tax benefit claimants and a reduction in business rate income which could significantly impact upon the Council's budget. The Government's view is that Councils should build this risk into their MTFP (3) and budget planning processes, based on their own local circumstances and risk tolerances.
- 28 The outcome in relation to risks (i) and (iv) should be clarified as part of the Finance Settlement in December 2012, whilst the other risks will not manifest fully until during 2013/14. The Council will need to utilise budget flexibility to address these risks if they materialise. In future there will be an increased importance placed on monitoring the performance of the Collection Fund in year.
- 29 During this period of financial uncertainty prudent budget flexibilities will be developed during the MTFP (3) planning process.

### **MTFP (3) 2013/14 – 2016/17**

- 30 In line with current policy the Council continues annually to develop a four year MTFP. The current MTFP (2) identified that additional savings in excess of £23m were required. An early assessment has been carried out in relation to the new MTFP (3) for the period 2013/14 – 2016/17. The following issues have been identified which will result in a deteriorating position for the period.

(i) **Level of Government Grant Cuts for 2015/16 and 2016/17 Detailed in the March 2012 Budget**

The 2011 Autumn Statement had already identified that the Government intended to continue reducing public expenditure in 2015/16 and 2016/17 i.e. beyond the current CSR period. The March 2012 Budget confirmed the need to continue with reductions in 2015/16 and 2016/17 but also that the position had deteriorated since the 2011 Autumn Statement. Based on these revised Government forecasts, the impact on Durham is detailed below:

<b>Year</b>	<b>Current MTFP (3) Forecast Grant Reduction</b>	<b>Revised Forecast Based on March 2012 Budget</b>	<b>Increase in Forecast Grant Reductions</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>
2015/16	11.560	15.600	4.040
2016/17	7.100	9.530	2.430
<b>TOTAL REDUCTION</b>	<b>18.660</b>	<b>25.130</b>	<b>6.470</b>

- (ii) **Council Tax Increases** – the reduced level of Council Tax generated from a 2.5% increase in 2013/14 of £0.984m detailed earlier in the report due to the reductions in the tax base because of the LCTSS

process will detrimentally impact on every year of the new MTFP (3) period.

- 31 Once additional base budget pressures are taken in to account for 2016/17 e.g. pay and price inflation, the savings shortfall for the three year period 2014/15 – 2016/17 is forecast to be £48m (2013/14 assumed to produce a balanced budget but reliant upon delivery of the already planned £19.7m of savings).
- 32 The current approach to the identification of savings has been to ask each Service Grouping to achieve a set percentage reduction in budgets. To achieve further savings of £48m, it is felt that a fundamental strategic review should be carried out on all budgets from a cross cutting perspective as well as an in depth review of all service grouping budgets. This review has begun and will continue throughout 2012 and where necessary into 2013, with the aim of identifying the necessary savings for the period 2014/15 to 2016/17. In addition to the above, consideration will also be given to the following:
- (i) **Running Expenses** – all day to day running expenses will be reviewed with the view of making significant savings.
  - (ii) **Fees and Charges** – all Fees and Charges will be reviewed to determine if additional income could be reasonably raised.
  - (iii) **Procurement** – consideration will be given to how savings can be achieved from procurement processes and from effective price negotiation with existing contractors.
- 33 The exercises referred to above are expected to identify the savings required to assist in meeting the MTFP (3) forecasted model shortfall of £48m for 2014/15 – 2016/17.

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

- 34 The Council Plan is a 4 year rolling plan, setting out what the Council is aiming to achieve. The development of the current Council Plan was integral to deciding on the priorities for the MTFP (3). Investments and savings agreed as part of the MTFP (3) are targeted to achieving the objectives identified in the Council Plan as part of our strategic planning process.
- 35 A fundamental review of the Council's priorities was carried out in 2010/11 in light of the significant challenge of needing to reduce our spending following reductions to Government grant funding. A lighter touch review was conducted in 2011/12. Members formed a key part of these processes and were consulted through a number of seminars.
- 36 The priorities set out in the current Council Plan reflect our decision, backed up by consultation findings, to protect frontline services. Our spending plans and priorities for last year, this year and the forthcoming two years are based on these assumptions. It is therefore envisaged that there will be limited changes to the Council Plan for 2013/14, but the new plan will need to align to changes in national policy and our local delivery context. Locally changes in NHS structures, in particular the new joint Health and Wellbeing Strategy which is due for completion in November, and any changed priorities as a

consequence of the election of a Police and Crime Commissioner in November will need to be incorporated.

- 37 The review of the Council Plan objectives and outcomes will take place over the summer and autumn, alongside work on MTFP (3) proposals. This will allow the Council Plan to be updated to reflect relevant changes in Government policy, including welfare reform and localisation of council tax support, plus any changes in our local priorities for example arising from consideration of performance outcomes for the current year.
- 38 Draft Service Plans for each service grouping are scheduled for development during the autumn, based on the revised Council Plan framework agreed with Cabinet. The final draft Council Plan will be presented to Cabinet and Council for consideration alongside the final MTFP (3) proposals, early in 2013.
- 39 Work on a refresh of the Sustainable Community Strategy (SCS) is also scheduled from Summer 2012, with the update planned to be complete by September 2013. Work to review priorities and objectives will feed into the Council Plan for 2013/14 where possible, and be fully integrated for the 2014/15 plan.

#### **Draft MTFP (3)/Council Plan Timetable**

- 40 The development of the MTFP (3) is fundamental to ensuring that the Council can plan and prepare for the continuing reductions in government funding. The draft timetable for delivery of the MTFP (3)/Council Plan has taken the following into account:
- The need to make limited changes to Council priorities as part of the development of the Council Plan.
  - A review of progress during the current year.
  - Consultation requirements.
  - Equality considerations.
  - Government announcements.
  - The need to consider both revenue and capital.
- 41 A high level timetable is detailed below with a more detailed timetable attached at Appendix 3.

11 July 2012	Cabinet report on MTFP (3) scope, timetable and approach to consultation.
26 July 2012	Overview and Scrutiny Management Board considers Cabinet report of 11 July 2012.
14 September 2012	Corporate Issues Overview and Scrutiny Committee considers Cabinet report of 11 July 2012.
10 October 2012	Cabinet report on MTFP (3) proposals, Council Plan objectives and outcomes for consultation.

October – November	First phase of consultation on MTFP (3) outlook and scope.
12 November	Corporate Issues Overview and Scrutiny Committee considers Cabinet report of 10 October 2012
19 December 2012	Special Cabinet considers detailed proposals for MTFP (3) in light of Government Finance Settlement and outcome of initial consultation.
20 December – 11 January	Second phase of consultation on MTFP (3).
8 January 2013	Corporate Issues Overview and Scrutiny Committee considers 19 December 2012 Cabinet report.
6 February 2012	Special Cabinet recommends 2013/14 Budget and 2013/14 – 2016/17 MTFP (3), Council Plan and Service Plans.
20 February 2012	Full Council considers 2013/14 Budget and 2013/14 – 2016/17 MTFP (3), Council Plan and Service Plans

### **Proposed Option for Consultation on the MTFP (3) and 2013/14 Budget**

- 42 It is proposed that the consultation for the 2013/14 Budget and 2013/14 to 2016/17 MTFP (3) takes place in two phases.
- 43 The first phase is proposed to take place during October and November 2012 and would utilise a wide range of engagement mechanisms to seek the views of the wider community to inform the development of the Council's proposals. The second phase would take place in January 2013 and would focus on feedback to the wider community on the outcome of the consultation, as well as seeking targeted responses to the draft proposals from key partner agencies.
- 44 It is proposed that the wider public consultation held during October and November would use a wide range of mechanisms that have proved to be effective in earlier budget rounds. These will include:
- Presentations to Area Action Partnerships
  - Presentations to groups representing equality strands
  - A survey of the Citizens' Panel
  - Online Surveys
- 45 The key purpose of this phase of the consultation would be to:
- (i) Highlight that the proposed budget for 2013/14 is in line with the four year MTFP (1) that was agreed in 2011 and which reflected the findings of the extensive consultation with the public to inform a four year programme.

- (ii) Highlight the Council's commitment to carry out targeted consultations prior to reaching a final decision on potential service changes. This element of the consultation would outline how these consultations had impacted on decisions taken in the current financial year and would highlight a number of the consultations that would be carried out in 2013/14.
- (iii) Outline the likely scale of the longer term financial challenges facing the Council beyond the 2013/14 financial year.

46 Following the first phase of the consultation, once the results have been analysed and the financial settlement has been received, it is proposed phase two of the consultation would entail informing key partner agencies, the AAPs and equalities groups the outcome of the consultation and the final budget proposals prior to consideration by Cabinet in February 2013.

### **Equality Consideration**

47 Alongside the development of the MTFP (3), equality impact assessments will be considered throughout the decision making process. This is in line with the Equality 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 by or 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.

48 To ensure that equalities considerations are properly built into this year's MTFP (3) process, an updated overall summary of the cumulative impacts of the previous MTFP decisions in the 2011/12 and 2012/13 financial years was provided as part of the June 2012 Cabinet report on MTFP (2) delivery progress, and quarterly going forward. Equalities considerations will also be built into the MTFP (3) guidance to services, setting out an overall timetable and approach for completing Equalities Impact Assessments for any additional savings proposals identified to meet the additional budget shortfall.

49 In addition we will continue to ensure full Equalities Impact Assessments inform final decision-making on implementing MTFP (3) savings for 2013/14 and subsequent years. This is built into management arrangements to monitor delivery of all MTFP savings, and will help to ensure that any changes implemented take into account equality impacts of changes and that mitigating actions are taken where possible.

### **Recommendations**

50 Cabinet are asked to

- (i) note the broadly balanced budget position forecast at this stage for 2013/14

- (ii) note the risks identified in relation to the 2013/14 budget and the mitigating actions for consideration in this regard;
- (iii) note the £48m MTFP (3) Model shortfall for the period 2014/15 – 2016/17 and the proposed approach to identifying additional savings
- (iv) note the uncertainty in relation to the 2013/14 Finance Settlement. Total clarity in this regard will not be available until the Settlement is received in December 2012;
- (v) note the impact and risks of the introduction of the Business Rate Retention scheme;
- (vi) note the impact and risks of the introduction of the Local Council Tax Support Scheme;
- (vii) that the Council respond to the consultation on public health funding.
- (viii) agree the outlined approach to consulting on the MTFP (3);
- (ix) agree the MTFP (3)/Council Plan Timetable
- (x) agree the proposed approach to preparing the Council Plan and Service Plans;
- (xi) agree the proposals to build equalities considerations into decision making.

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## **Appendix 1: Implications**

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### **Finance**

The report highlights the current shortfall in the 2013/14 MTFP (3) Model and identifies how the review of base budget pressures has enabled a broadly balanced budget position to be achieved at this stage. The report also highlights a £48m budget shortfall for the period 2014/15 – 2016/17 and what processes are being put in place to address this position.

### **Staffing**

The savings proposals within the MTFP (3) and any additional savings identified could impact upon staff. Due HR processes will need to be followed.

### **Risk**

A risk assessment is included in the report in relation to 2013/14 and the mitigating actions being planned.

### **Equality and Diversity / Public Sector Equality Duty**

Equalities considerations are built into the proposed approach to developing the MTFP (3), Council Plan and Service Plans, as a key element of the process.

### **Accommodation**

None

### **Crime and Disorder**

None

### **Human Rights**

Any Human Rights issues will be considered for any detailed MTFP (3) and Council Plan proposals as they are developed and decision made to take these forward. There are no Human Rights implications from the information within this report.

### **Consultation**

The proposed consultation process is an integral element of this report and it is suggested will involve a series of deliberative discussions with the public throughout November 2012.

### **Procurement**

None

### **Disability issues**

All requirements will be considered as part of the equalities considerations outlined within the main body of the report.

### **Legal Implications**

None

APPENDIX 2				
<b>Medium Term Financial Plan (2) 2012/13 - 2015/16 Model</b>				
	2012/13	2013/14	2014/15	2015/16
	£'000	£'000	£'000	£'000
<b>Savings to Achieve Financial Balance in Current MTFP</b>	<b>24,976</b>	<b>14,919</b>	<b>17,144</b>	<b>0</b>
<b>Net Government Grant Reductions</b>	17,177	4,930	14,840	11,560
<b>Council Tax Increase (2.5% each year)</b>	0	-4,989	-5,117	-5,245
<b>Council Tax Freeze Grant</b>	-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 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
<b>Estimated Variance in Resource Base</b>	<b>5,440</b>	<b>5,030</b>	<b>12,873</b>	<b>7,315</b>
<b>Pay inflation (0% - 1% - 1% - 1.5% )</b>	0	2,330	2,270	3,400
<b>Price Inflation (2% - 2% - 1.5% - 1.5%)</b>	2,500	2,500	1,850	1,650
<b>Corporate Risk Contingency Budget</b>	3,200	0	0	0
<b>Staff Turnover Allowance - reduction from 3% to 2%</b>	0	2,400	0	0
<b>Base Budget Pressures</b>				
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
<b>Service Investment Priorities</b>				
Contaminated Land	100	0	0	0
Community Governance Reviews	100	-50	0	0
<b>Prudential Borrowing to fund new Capital Projects</b>	500	2,000	2,000	2,000
<b>Capital Financing for current programme</b>	3,027	1,500	1,000	1,500
<b>Investment Income</b>	0	-415	0	0
<b>TOTAL PRESSURES</b>	<b>21,180</b>	<b>15,876</b>	<b>11,584</b>	<b>13,467</b>
<b>SUM TO BE MET FROM SAVINGS</b>	<b>26,620</b>	<b>20,906</b>	<b>24,457</b>	<b>20,782</b>
<b>Savings</b>				
MTFP Savings	-18,419	-19,726	-15,744	0
Additional 2% Savings	-7,073	0	0	-7,073
ABG Saving	-893	0	0	0
Additional Savings to Identify as part of 2013/14 Budget	0	-880	-8,713	-13,709
<b>Sub Total</b>	<b>-26,385</b>	<b>-20,586</b>	<b>-24,457</b>	<b>-20,782</b>
<b>Other Savings</b>				
Essential Car User	-210	-240	0	0
Car Mileage saving	-25	-80	0	0
<b>TOTAL SAVINGS</b>	<b>-26,620</b>	<b>-20,906</b>	<b>-24,457</b>	<b>-20,782</b>



### Appendix 3: MTFP (3), Council Plan and Service Plan delivery timetable

DATE	TASK	LEAD	Cabinet / Council	Overview & Scrutiny	Members Seminar	Consultation
11 Jul	Cabinet considers report on outlook, MTFP (3) scope and timetable.	LO, DM				
26 Jul	Overview and Scrutiny Management Board consideration of 11 July Cabinet report on MTFP (3)/ Council Plan timetable.	FJ				
Sept- Nov	Development of Council Plan and Service Plans.	Service Groupings				
14 Sept	Corporate Issues Overview and Scrutiny Committee consideration of 11 July Cabinet report on MTFP (3) / Council Plan timetable.	FJ				
25 Sept	Members' Seminar on Council Plan, council budgets and scope of MTFP (3).	JG/LO				
10 Oct	Cabinet considers report on detailed scene-setting, MTFP (3) consultation and Council Plan objectives and outcomes.	LO, DM				
11 Oct-8 Nov	Consultation on MTFP (3) outlook and scope.	GE				
29 Oct- 30 Nov	Initial equality impact assessments of MTFP (3) proposals.	Service Groupings				

DATE	TASK	LEAD	Cabinet / Council	Overview & Scrutiny	Members Seminar	Consultation
12 Nov	Corporate Issues Overview and Scrutiny Committee consideration of 10 October Cabinet report on scene-setting, MTFP (3) consultation and Council Plan objectives and outcomes.	FJ				
Nov/Dec	Discussion with partners at County Durham Partnership Board.	LO				
3-17 Dec	Quality assurance and review of initial equality impact assessments.	JH				
19 Dec	Special Cabinet considers report on financial settlement, consultation responses and MTFP (3) proposals.	LO, DM				
20 Dec-11 Jan	Consultation on MTFP (3) proposals.	LO				
January	Finalisation of Council Plan and Service Plans and completion of quality assurance and equality impact assessments of MTFP (3) proposals.	Service Groupings				
1 Feb	Special Overview and Scrutiny Management Board meeting with Corporate Issues Overview and Scrutiny Management Board to consider report on 2013/14 Budget, 2013/14 to 2016/17 MTFP (3) and Council Plan and service plans for 2013/14.	FJ				

DATE	TASK	LEAD	Cabinet / Council	Overview & Scrutiny	Members Seminar	Consultation
6 Feb	Special Cabinet considers 2013/14 Budget, 2013/14 to 2016/17 MTFP (3) and Council Plan and service plans for 2013/14.	LO, DM				
20 Feb	Full Council considers 2013/14 Budget, 2013/14 to 2016/17 MTFP (3) and Council Plan and service plans for 2013/14.	LO, DM				

#### KEY

DM Don McLure  
LO Lorraine O'Donnell  
JG Jeff Garfoot  
JH Jenny Haworth  
GE Gordon Elliott  
FJ Feisal Jassat