Cabinet

10 October 2012

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

Key Decision CORP/A/10/12/1

Report of Corporate Management Team

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Councillor Alan Napier, Cabinet Portfolio Holder for Resources

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Purpose of the Report

1 To provide Cabinet with an update on the following:

- (i) 2013/14 Budget Planning and Changes since 11 July Cabinet Report.
- (ii) The Government's proposed Business Rate Retention Scheme and its impact on Durham.
- (iii) Development of 2013/14 – 2016/17 MTFP (3) Model.
- (iv) Development of Council Plan and Service Plans.
- (v) Equality Impact Assessments.
- (vi) Consultation Process.

2 The report also seeks approval for Corporate Directors to continue to utilise delegated powers where relevant to action savings plans to ensure financial targets are met.

Executive Summary

3 The Government published its consultation on the Business Rate Retention (BRR) scheme on 17 July 2012. The consultation provides an indication of how baseline funding levels will be calculated and also how the BRR scheme will work in the future. The Government have indicated that they will not be publishing a response to the consultation which is disappointing and will mean the council will not receive certainty on the financial impact of BRR until the Finance Settlement is received in December.

4 The MTFP (3) report to Cabinet on 11 July 2012 identified that the council was forecasting a reduction in Government funding of £7.03m. The content of the consultation indicates that:

(i) The baseline position is likely to be worse than forecast and the reduction is forecast to now increase to £11.6m. Should this forecast be accurate, this will mean a cumulative forecasted reduction in Government Support for the six year period 2011/12 to 2016/17 of £131.5m which equates to a 34% reduction. After taking into account estimated base budget pressures and growth in some priority services, the cumulative level of cash savings to be delivered over this six year period is £182.4m which equates to a 42% net revenue budget reduction over this period.

(ii) There is likely to be significant uncertainty of funding streams well into 2013/14.

(iii) There will continue to be greater uncertainty of funding in the future and the government's incentive for local authorities to increase income from business rates through economic development and regeneration may not be as evident as initially thought.

5 It is concerning at this stage that the council's 2013/14 baseline funding position is unknown with complex assumptions having to be made to estimate the position. More concerning however is that the consultation would indicate that the council will be detrimentally impacted by BRR. Key areas for consideration in this regard are as follows:

(i) **'Damping'** – the council currently contributes £9.7m to the national 'damping' funding process in 2012/13, which is the system to protect other councils who would be significantly worse off financially under the local government formula grant system if the damping system was not in place. This sum was forecast to reduce to £8.7m in 2013/14 and over time this sum was expected to continue to reduce year on year and thereby gradually increasing the Government grant paid to the council to the level which the formula grant system calculates we should have.

A number of technical adjustments to baseline formula grant are recommended within the business rates retention consultation, which according to our early calculations will actually result in an estimated £4.3m increase in Government grant but unfortunately will also result in an increase in the council's damping contribution by £2.7m to an estimated £11.4m when compared to the forecasted £8.7m in 2013/14. The Council's forecasted grant increase because of these adjustments will be only £1.6m rather than the £4.3m.

It also appears that the government now has no intention to gradually reduce the effects of damping over time and will not review again until it next looks to revisit the business rates baseline which could be several years hence. The council should be lobbying strongly against this proposal in its respone to the BRR consultation.

(ii) **Retention of Business Rates Collected** - early Government correspondence about the new BRR system indicated that councils would be able to retain additional business rate income raised locally.

The key selling point of the BRR scheme was the incentive to retain additional business rate income to be able to invest in local services. The consultation document confirms however that councils will only be able to retain 50% of the total business rates it collects locally therefore diluting the incentive by 50%. Of greater concern however, is that Department of Communities and Local Government have indicated that any increase in business rates collected nationally may result in a corresponding reduction in Revenue Support Grant paid to councils in the future. Such a policy would re-distribute funding to areas where business rates significantly increase from areas where business rates either decrease, stay the same or increase slightly.

(iii) **New Homes Bonus** – from 2013/14 grant allocations, the Government intends to top slice funding from councils core grant to redistribute as New Homes Bonus. Previous MTFP reports to Cabinet have identified that the council has lost £1.69m in funding overall due to the introduction of New Homes Bonus for 2011/12 and 2012/13. The top slicing of New Homes Bonus from core council funding in the future will continue to redistribute funding to areas of significant house building growth from those where house building growth is more depressed and the loss of funding including 2013/14 is forecasted to increase to £3.3m.

(iv) **Other Adjustments** - a number of other recommendations in the consultation result in core funding being top sliced without any clarity on how/when and if the funding will be re-distributed.

6 It is recognised from the content of the consultation that the council's baseline position will not be favourable, that the re-distributional impact of the BRR scheme are unlikely to benefit the council and that the council will continue to face a significant period of uncertainty as regards the forecasting of funding streams in the medium term. The council should respond strongly against the unfair elements highlighted in the BRR consultation document and lobby alongside ANEC and SIGOMA.

7 The introduction of the BRR scheme is likely to result in more affluent areas having greater opportunity to benefit with core local authority funding no longer being linked to an assessment of need. It is apparent that the majority of government policies impacting upon local government finance have the similar impact of re-distributing funding from deprived areas to affluent areas. The examples detailed below all have this re-distributional effect.

(i) Original 2010 CSR - analysis produced by the Association of North East Councils (ANEC) of the CSR 2010 funding reductions illustrated that deprived areas faced significantly higher levels of government cuts than affluent areas

(ii) New Homes Bonus - core local authority funding has been cut to finance the New Homes Bonus. Affluent areas continue to experience greater levels of house building ensuring that these areas benefit from this funding at the expense of deprived areas.

(iii) Regional Development Fund (RDF) - although the north east received an allocation from the RDF the majority of this funding was targeted upon the south east and especially London

(iv) Local Council Tax Support Scheme (LCTSS) - in the future local authorities will be financially responsible for any uptake in the public accessing council tax benefit. This risk transfer from government to local authorities is likely to have a greater impact upon deprived areas.

(v) Public Health - the government has recommended a formula methodology to re-distribute the budgets Primary Care Trusts presently spend on Public Health. This methodology would result in a significant shift of funding from deprived areas to affluent areas. In the case of Durham the funding would be reduced by circa 40% - 50%.

Background

8 The MTFP (3) report to Cabinet on 11 July 2012 highlighted the following:

(i) There was significant uncertainty in relation to the 2013/14 Government grant settlement the council would receive due to the implementation of the BRR scheme from 1 April 2013.

(ii) The council would need to agree an approach to the Local Council Tax Support Scheme (LCTSS) from 1 April 2013.

(iii) Based upon an assumed reduction in Government grant of £7.03m at that time, a balanced position was possible if £19.97m of savings were approved.

(iv) The proposed approach to Council and Service planning, consultation and equality considerations.

(v) A timetable was agreed for the development and approval of the MTFP (3), Council Plans and Service Plans.

9 This report provides updates where additional information is now available.

Business Rate Retention Scheme

10 The Government published the BRR consultation on 17 July 2012. The consultation period ended on 24 September 2012, whilst the document itself is over 200 pages long and contains 83 consultation questions. Unfortunately the Government has already announced that they will not be publishing a response to the consultation. This will mean that no local authority will receive clarity as to the impact of the changes until the draft Local Government Finance Settlement is received, hopefully early in December 2012.

11 The MTFP report to Cabinet on 11 July provided detail of what was known at that time in relation to BRR. They key points highlighted are detailed overleaf:

(i) The council was still forecasting a reduction of Formula Grant in 2013/14 of £7.03m. Insufficient detail was available at that time to determine if this figure needed to be updated.

(ii) Councils would retain 50% of business rates collected locally (the local share) with the Government receiving 50% (the central share).

(iii) It was forecast that the council would definitely be a ‘top up’ authority i.e. the 50% local share of business rates would be lower than the ‘baseline funding level’ requiring the payment of a ‘top up’ from central government sources which would be funded by ‘tariff’ councils whose 50% local share of business rates would be higher than their baseline funding levels.

(iv) A safety net would be introduced if a council’s baseline funding reduced by around 10% due to a loss of business rate income in any one year.

(v) A number of other significant funding streams were to be included in BRR e.g. Early Intervention Grant, Learning Disability and Health Reform Grant and Council Tax Support Grant.

12 The consultation document received in July confirms a number of the points identified above but other issues raised in the consultation are likely to have a detrimental impact upon the council’s funding baseline and increase the Government grant reduction forecast for 2013/14. The key issues impacting upon the council’s baseline funding position are detailed below:

(i) **New Homes Bonus** – from 2013/14 the Government intends to deduct from the BRR scheme an annual sum for the New Homes Bonus. The Government is consulting on top slicing £2bn nationally from BRR in 2013/14 to fund the New Homes Bonus over the next four year period. If the full £2bn is not required the residual sum would be paid back to councils on a proportionate basis. The sum paid nationally for New Homes Bonus in the last two years is shown below:

	£m
2011/12	199
2012/13	231

Based on these figures it is forecast that the sum required in 2013/14 nationally will be around £300m.

In addition the government is consulting on top slicing £345m from the £2bn to finance capitalisation and safety net amounts (see below) leaving an estimated £1.355bn to be redistributed to councils in 2013/14. Using the council’s forecast 2013/14 share of Formula Grant nationally of 1.17%, the council would receive £15.95m of the redistributed sum. New Homes Bonus grant allocations for 2013/14 are likely to be confirmed in December 2012/January 2013.

The key impact on the council’s assumption for the reduction in overall Government grant for 2013/14 is that in the future any sum paid as

New Homes Bonus is being deducted from the national control total for local government. By introducing this policy the Government is taking funding from councils core grant and paying it back as New Homes Bonus. As a consequence, council areas with relatively high housing growth will be winners in this regard and councils with relatively low housing growth will be losers. Between 2011/12 and 2012/13 the council has lost £1.69m in funding due to the re-distributional effects of the New Homes Bonus. Based upon a forecast New Homes Bonus for the council in 2013/14 of £1.6m it is forecast that the loss in funding due to the re-distributional effect will increase to an estimated £3.3m in 2013/14.

(ii) **Capitalisation / Safety Net Top Slice** – the Government is recommending that in 2013/14 £345m is top sliced from the BRR scheme to provide budget for the following:

	£m
Capitalisation	100
BRR Safety Net	245

Every year councils ask for permission to capitalise excessive revenue costs e.g. equal pay settlements, redundancy payments etc. The recommendation is for the control total to be reduced by £100m to enable the Government to finance such requests. The council does not qualify for capitalisation at the present time due to the current level of reserves held. On that basis the council would lose circa £1.1m of funding and would receive nothing in return.

It is expected that the BRR Safety Net to cover significant in year reductions in business rates yield, would be financed by a levy which will be charged against authorities who see excessive increases in business rate income. The Government have identified however that the levy generated in 2013/14 will not be known until the end of 2013/14 i.e. if any Safety Net payments are required in 2013/14 the Government will have no budget available. On this basis, the Government is recommending that £245m is top sliced from the local government control total. If some or all of the £245m is not required this would be reimbursed to councils on a proportionate basis. This will not be confirmed however until the January/February of the financial year in question.

At this stage for modelling purposes it is felt prudent to assume that the council will not receive any of this funding back from the Government.

(iii) **Early Intervention Grant** – the Government is recommending a number of adjustments to the Early Intervention Grant (EIG) which is utilised extensively to provide services to support children across the county. In 2012/13 the council received £24.788m from the national total of £2.36bn. The following changes are recommended in the consultation.

- Funding will be removed from the EIG to create a new grant which will be paid as part of the Dedicated Schools Grant (DSG) from

2013/14 to support 2 year old nursery placements. The DfE has not identified how this funding, which was previously part of EIG will be distributed, but based upon the national total of £534m it is forecast that the council will receive circa £5.22m. Children and Adult Services will face an increase in demand for 2 year old nursery placements as part of this policy during 2013/14. At this point this additional pressure is forecast to cost an additional £1.5m. On that basis the councils baseline position for EIG in 2013/14 should have been an estimated £26.288m

- The Government is looking to top slice £150m from the national total for EIG and will retain this centrally to support early intervention and children's services without any commitment at this stage. At this stage it is prudently assumed that the council will not receive any of this retained funding as a non ring fenced grant.

- A sum nationally of £1.726bn will be added to the BRR total from EIG. The council's share of this will be circa £18.12m.

Overall the forecasted impact on Durham is as follows:

	£m	£m
Current EIG – 2012/13		24.788
Add new statutory pressure for two year olds		1.500
Standstill position		**26.288**
Less		
Sum added to BRR	18.125	
Sum received in DSG	5.220	
		23.345
Reduction in funding for the council		**2.943**

(iv) **Local Authority Central Spend Equivalent Grant (LACSEG**) – previous reports to Cabinet have detailed the funding top slice from Formula Grant for the Government to be able to transfer funds to Academy Schools to enable them to finance functions which were previously funded by local authorities. The sum top sliced from the council up to 2012/13 is £2.3m. A number of councils, including Durham, legally challenged this process and were successful. The DfE have already agreed to refund £0.64m in relation to 2011/12.

In an attempt to resolve their problem, the DfE have published a consultation on a process for the future. The key features of the consultation are as follows:

- DfE have utilised Local Authority 2011/12 Section 251 Statements (a Government return that details education spending for each council) to determine that £1.2bn is spent nationally on the functions which Academies will have to provide themselves. (It is likely that many councils will challenge this calculation.)

- The £1.2bn will be deducted from the BRR scheme and transferred to the DfE with the sum deducted from each council being determined by their number of pupils compared to the national total.

- In 2013/14 the DfE will pay grants to Academies and Councils based upon the percentage of pupils in Academies in the county. It is forecast that the sum deducted from the council's baseline funding position will be £11.6m, whilst the council would receive £8.7m from the DfE based upon 25% of pupils being in Academies. The £2.9m loss (£11.6m less £8.7m) exceeds the £2.3m currently top sliced. As such the revised arrangements for 2013/14 result in an increase in the LACSEG top slice of £0.6m. In addition the LACSEG position will continue to deteriorate as more schools in Durham convert to Academies.

(v) **Technical Adjustments to Baseline Formula Grant** – the Government is consulting upon making a number of amendments to data items which underpin the current formula grant system. The key changes relate to data for Concessionary Fares, Rurality and population changes resulting from the 2011 Census. The population for the county utilised in the 2012/13 formula grant calculation is slightly higher than the actual population from the 2011 census. It is likely therefore that the council's share of baseline formula grant will reduce slightly. It is forecast that the reduction could be circa £0.5m.

The council is expected to benefit however from the other data changes. Before 'damping' the increase in funding would be £4.3m. Unfortunately after damping is applied the council's funding would only increase by an estimated £1.6m. This is very much an estimate at this stage as the government has yet to confirm how damping will be applied in 2013/14.

These changes will benefit the council but not as significantly as would have been the case if damping had not been applied. The council will be contributing an estimated £11.4m to the damping process in 2013/14. The BRR consultation identifies however that this damping position will be frozen until at least 2020 i.e. the council's funding will not be increased to recover the £11.4m. The council should continue to lobby against this detrimental position for Durham by all means possible including direct feedback to the government's consultation, through our local MPS and SIGOMA.

(vi) **Estimated 2013/14 Baseline Formula Funding** - the Department for Communities and Local Government (DCLG) has recently circulated an analysis of councils estimated 2013/14 baseline formula funding position. The analysis indicates that the council's share of the national control total has increased slightly above the current baseline level after taking into account the technical adjustments identified above. This increase is forecast to attract an additional £3.8m of funding. Further analysis is being carried out in this regard but again it is unlikely that total clarity will be received until the draft settlement figure is announced for the council in December 2012.

(vii) **CSR Grant Reduction** - the DCLG analysis detailed above identified the likely local government national control totals for 2013/14. An analysis of these totals has indicated that the CSR grant reduction for the council in 2013/14 will be an estimated £5.7m. This is a reduction of £1.3m from the original estimate in July 2012.

13 The issues identified above will result in a deterioration in the council's forecast financial position for 2013/14.

14 The table below identifies that the forecast grant reduction is £11.612m, an increase of £4.582m from the current forecast of £7.03 in the July cabinet report. It should be recognised however that the council is prudently forecasting that top sliced grants in relation to capitalisation, safety net and EIG will not be returned to the council. In addition however it is also recognised that the assumptions in this report are based upon the BRR consultation paper and the final settlement will not be known until December 2012 at the earliest.

Adjustment	Reduction in Baseline £m	Returned via Grant £m	Into BRR £m	Net Position £m
Revised Forecast of Grant Reduction				5.730
Estimated impact of reduced proportion of national population				0.500
Technical Adjustments to Formula Grant				-1.600
Early Intervention Grant	26.288	5.220	18.125	2.943
LACSEG	11.605	8.700	2.300	0.605
New Homes Bonus – after top slice	23.400	15.950		7.450
Increase in value of transferred grants			0.193	-0.193
Increase of Council attracting larger proportion of national control total				-3.823
TOTAL SHORTFALL IN FUNDING				**11.612**

2013/14 Budget

15 The MTFP report to Cabinet on 11 July 2012 identified that the 2013/14 budget position was balanced subject to the approval of £19.97m of savings. Two issues have impacted upon this position as detailed below;

(i) Analysis of the BRR consultation document has highlighted that there is an estimated £4.582m deterioration in the forecast 2013/14 budget position.

(ii) Neighbourhood Services have identified that it will not be practical to support one of the 2013/14 MTFP savings relating to Highways Maintenance. The saving was expected to achieve £335k resulting in a reduction in the 2013/14 savings to £19.63m.

16 The above two issues have resulted in a shortfall of £4.917m. A full review has been carried out on all elements of the 2013/14 MTFP model to determine if there are options available to address this shortfall. The adjustments detailed overleaf are available to address the shortfall:

(i) **New Homes Bonus** – in 2012/13 the council receives £2.55m New Homes Bonus. This funding is calculated based upon the net addition to housing stock in the county and supports the council's base budget. It is presently estimated that the council will receive an additional **£1.6m** New Homes Bonus in 2013/14.

(ii) **Staff Turnover** – the current 2013/14 MTFP model includes **£1.2m** to enable the staff turnover factor in base budgets to be reduced from 3% to 2.5%. After taking into account service grouping cash limit balances in contingency, it is felt that this budget pressure should be deleted.

(iii) **Energy** – analysis of current energy budgets and forecast price increases for 2013/14 has identified that the **£0.5m** included in the current 2013/14 MTFP model will not be required.

(iv) **Capital Financing and Investment Income –** the council's borrowing and investment plans have been reviewed. This review has highlighted that the budget pressure identified in the 2013/14 MTFP model can be reduced by **£0.148m**.

(v) **Pay and Price inflation** - the requirement for pay and price inflation has been reviewed utilising the 2012/13 base budget. The pay inflation allowance built into the 2013/14 budget is 1% and the price inflation allowance is 2%. The review has identified that the sums included in the 2013/14 model can be reduced by **£0.173m**.

(vi) **Carbon Tax** - latest estimates would indicate that only £0.1m will be required in 2013/14 allowing a **£0.1m** reduction.

17 The MTFP report to Cabinet on 11 July 2012 identified that a number of budget reviews were to be carried out in relation to 'Running Expenses' budgets. The early stages of these reviews has identified that budgets can be reduced by **£0.636m**. In addition it is also felt that no price inflation should be applied to running expenses budgets in 2013/14. This will contribute an additional sum of **£0.560m**. These savings can be utilised to assist in balancing the 2013/14 budget.

18 The adjustments identified above would counter the government grant reductions and result in a balanced position for 2013/14.

MTFP (3) 2013/14 – 2016/17

19 The MTFP report to Cabinet on 11 July 2012 identified that analysis of the Government's March 2012 budget had detailed that Government grant cuts were going to be higher than forecast in 2015/16 and 2016/17. This resulted in an increase in the MTFP 3 shortfall to £48m. The following two issues have impacted upon this forecast.

(i) The current forecast cut in government grant in 2014/15 is £14.84m. Analysis of the BRR consultation paper however has identified that the reduction in funding could be greater in 2014/15 than forecast and increase to £17.4m.

(ii) The current MTFP model includes an assumption of a £2m per annum budget pressure per annum relating to demographic pressures relating to adults. Children and Adults Services have carried out detailed reviews in this regard and are comfortable in reducing this sum to £1m per annum. In the short term this pressure is being met from the Demographic Pressures earmarked reserve.

20 The two issues identified above have resulted in the MTFP shortfall reducing to £46m. A fully updated MTFP model is attached at Appendix 2. A summary of the shortfall in individual years is detailed below:

SHORTFALL	
	£m
2014/15	7.22
2015/16	24.02
2016/17	14.72
TOTAL	**45.96**

21 A wide range of fundamental budget reviews will be carried out in the coming months to identify opportunities for realising further efficiency savings protecting, wherever possible, front line service provision. Particular emphasis will be placed on reviewing procurement practices and all day to day running expenses.

Risk Assessment

22 The previous MTFP report to Cabinet on 11 July 2012 identified the significant risks associated with the 2013/14 resulting in the main from the introduction of the BRR scheme. The BRR consultation document provides further detail on how the scheme is expected to operate. It is apparent however that no real clarity will be available on the actual financial impact upon the council until the settlement is received in December 2012. Although the 2013/14 MTFP model is balanced at the present time the following risks have been identified:

(i) **Forecast Grant Reduction** – this report has highlighted the uncertainty regarding the 2013/14 financial settlement. The 2013/14 budget is presently balanced based upon the latest forecast government grant reduction. Contingency plans will be developed over the coming months to ensure options are available to address any deterioration in the current forecasted 2013/14 budget position.

(ii) **Council Tax Support Scheme Baseline** – although an approach has been approved by Cabinet for 2013/14 in relation to the changes associated with the Localisation of Council Tax Support, there is still a risk that council tax benefit take up is higher than our 2013/14 baseline. The retention of a risk contingency budget will provide some protection in this regard.

(iii) **Business Rate Baseline** – the introduction of the BRR scheme will result in the council retaining 50% of all business rates collected in the county – the local share. The BRR will provide the council with a Business Rate Baseline and there is a risk that the actual sum collected in 2013/14 could be lower than this baseline. Again the risk contingency budget will provide some coverage in this regard.

(iv) **Two Year Old Nursery Placements to be Funded from Dedicated Schools Grant** – if the sum received is lower than the forecast £5.22m the council will face additional budget pressure.

(v) **LACSEG** – final notification will be required of the method for top slicing baseline funding for LACSEG from the council and the sum returned based upon the proportion of pupils in Academies.

23 Overall, the Council faces a period of significant financial uncertainty over the MTFP 3 period. It will be key to retain budget flexibility during this period to ensure the council can react to financial pressures.

Council Plan and Service Plans

24 The council plan sets out the high level objectives, outcomes and actions that the Council plans to deliver over the next four years. It is underpinned by more detailed service plans which set out each individual service grouping's overarching work programme. In July 2012, the Cabinet agreed that the council plan and service plans would be reviewed alongside MTFP (3), to ensure that MTFP (3) decision making is informed by the Council's priorities, and that the plans reflect investments and savings agreed as part of the MTFP (3) process.

25 The initial phase of work, a review of the council plan high level objectives and outcomes, took place over the summer, in line with the approach agreed in July that there would be limited changes. The aim of the review was to update the Council Plan to reflect relevant changes to national policy, plus changes in our local delivery context and priorities.

26 Overall, it is recommended that the 5 key altogether better themes remain unchanged, in line with a review of the Altogether Better Durham vision by the County Durham Partnership at its recent away day. It is also recommended that the altogether better council theme is retained, giving 6 key themes:

a. Altogether Wealthier
b. Altogether Healthier
c. Altogether Better for Children and Young People
d. Altogether Safer
e. Altogether Greener
f. Altogether Better Council.

27 The draft objectives and outcomes framework for this year's Council Plan is set out at Appendix 3 showing proposed changes from last year's rolling four year plan. Overall, as expected, most outcomes and objectives continue from last year. For two areas significant changes are proposed:

- For the Altogether Better Council theme streamlining of the high level objectives framework from six to four key objectives is proposed, to reflect a new phase of improvement work post-LGR, including taking on board key messages from the recent peer challenge exercise.

- For Altogether Healthier it is proposed that the objectives framework is redrawn to align with the new draft joint Health and Wellbeing Strategy, which is due to be finalised in November.

28 The council plan draft objectives and outcomes framework was considered at a Members' Seminar on 4 October, linked to the initial briefing on the MTFP approach this year. The feedback from Members will feed into considerations for the next stage of Council Plan development. Work on individual service plans will begin 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 proposals, early in 2013.

Equality Impact Assessment Considerations

29 Alongside the development of the MTFP, equalities impacts are being considered throughout the decision making process. As explained in the July Cabinet report, this is in line with the Equalities Act 2010 which under the public sector equality duty requires us to pay 'due regard' to the need to:

- Eliminate discrimination, harassment, victimisation and any other conduct that is prohibited under this Act;

- Advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it;

- Foster good relations between persons who share a relevant protected characteristic and persons who do not share it.

30 Over the summer, as part of the development of MTFP (3) proposals, Equality Impact Screenings have been prepared for all proposals. This will be used to ensure that equalities considerations inform the development of MTFP (3) proposals for Cabinet. The screenings also allow early consideration of proposals where a full impact assessment will be needed to inform final decision-making, and where equalities considerations need to be built into consultation in relation to proposed changes.

31 We will continue to ensure that full Equalities Impact Assessments inform final decision-making on implementing MTFP savings. Monitoring of the cumulative equalities impact of MTFP decisions is continuing through regular updates to Cabinet on progress in implementing the MTFP.

Consultation

32 As agreed in the report to Cabinet on 11 July 2012, the consultation for the 2013/14 Budget and 2013/14 to 2016/17 MTFP (3) will take place in two phases.

33 The first phase will take place in late October and November 2012 using a wide range of engagement mechanisms to seek views of the wider community to inform the development of the Council's proposals and future approach to developing its budget plans. The second phase will take place in January 2013 and will feedback to the wider community the outcome of the earlier

consultation, as well as seeking targeted responses to the draft proposals from key partner agencies.

34 Given their effectiveness in previous consultation rounds on the MTFP, mechanisms to be used will include presentations to Area Action Partnerships and groups representing equality strands as well as a questionnaire to the Council's Citizens' Panel and an online survey.

Next Steps

35 It is of utmost importance that early action is taken to ensure progress can be made in achieving savings to achieve the challenging targets we face for 2013/14. Some of the savings options proposed by Service Groupings can be actioned under the delegated constitution by Corporate Directors in consultation with Portfolio Holders.

36 It is expected that due process will begin in these circumstances if Cabinet approval is given at this Cabinet meeting. These processes will include consultation with staff and Trade Unions.

Recommendations

37 Cabinet are asked:

(i) to note the impact upon the estimated reduction in Government grant in 2013/14;

(ii) to agree the reported position to the Business Rate Retention consultation;

(iii) to agree the adjustments to the 2013/14 MTFP model which result in the achievement of a balanced budget position for 2013/14;

(iv) to agree the broadly balanced budget position forecast at this stage for 2013/14;

(v) to note the risks identified in relation to MTFP (3);

(vi) to note the £46m MTFP (3) Model shortfall for the period 2014/15 – 2016/17;

(vii) to note the updated position in relation to the development of council and service plans;

(viii) to agree the updated position in relation to Equality Impact Assessments;

(ix) to agree the outlined position in relation to consultation.

(x) to agree that Corporate Directors/Assistant Chief Executive review their operations and within the parameters of their delegations as contained in the constitution, devise proposals for savings (including where required: staffing reductions, restructures, implementation of review of charges, service reviews) in order to achieve the savings required. Having devised such proposals, consult upon them and take into account the outcomes of such consultation.

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Appendix 1: Implications

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 £46m 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.

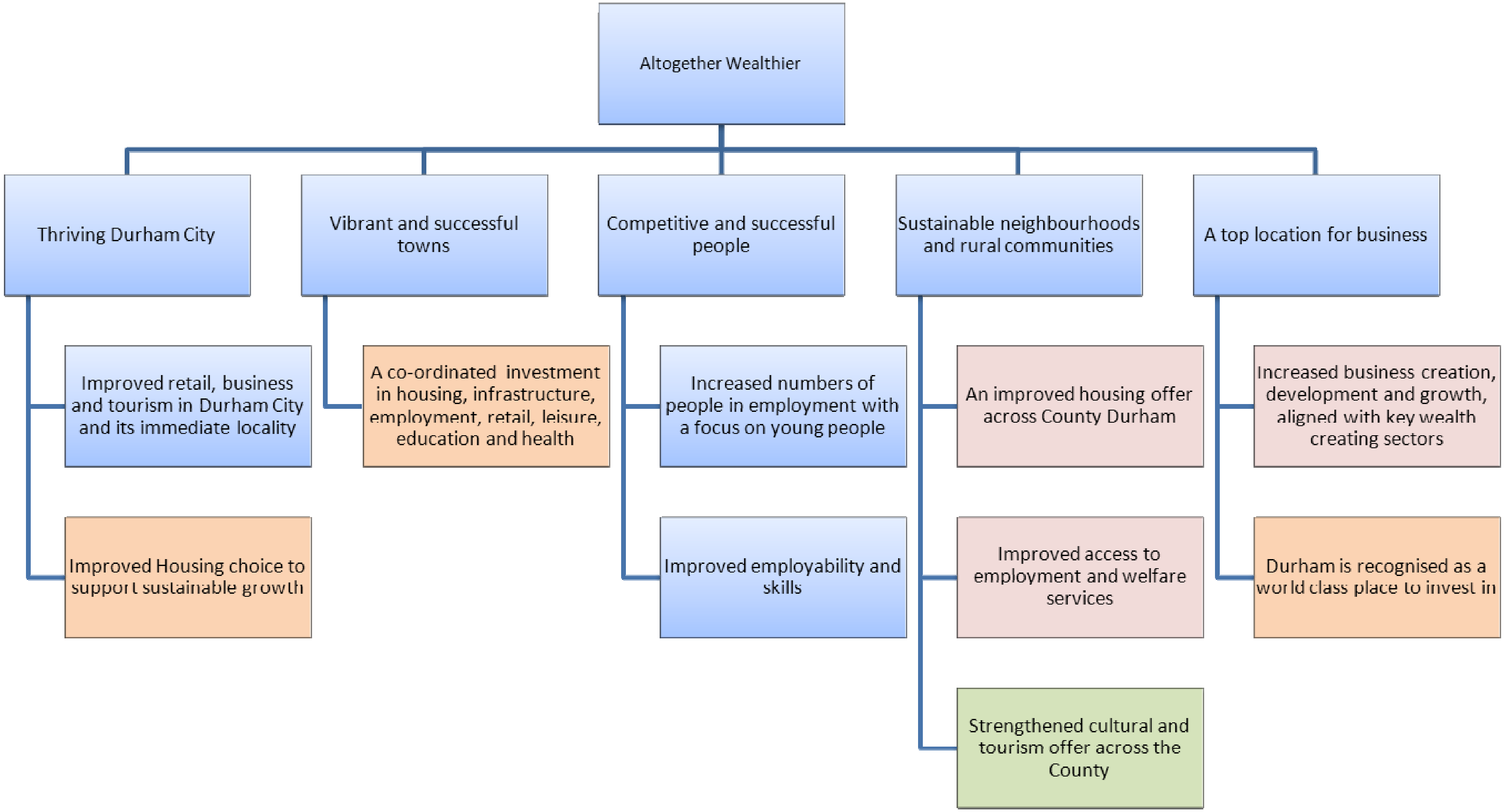
Legal Implications
None

Medium Term Financial Plan 2013/14 - 2016/17 Model

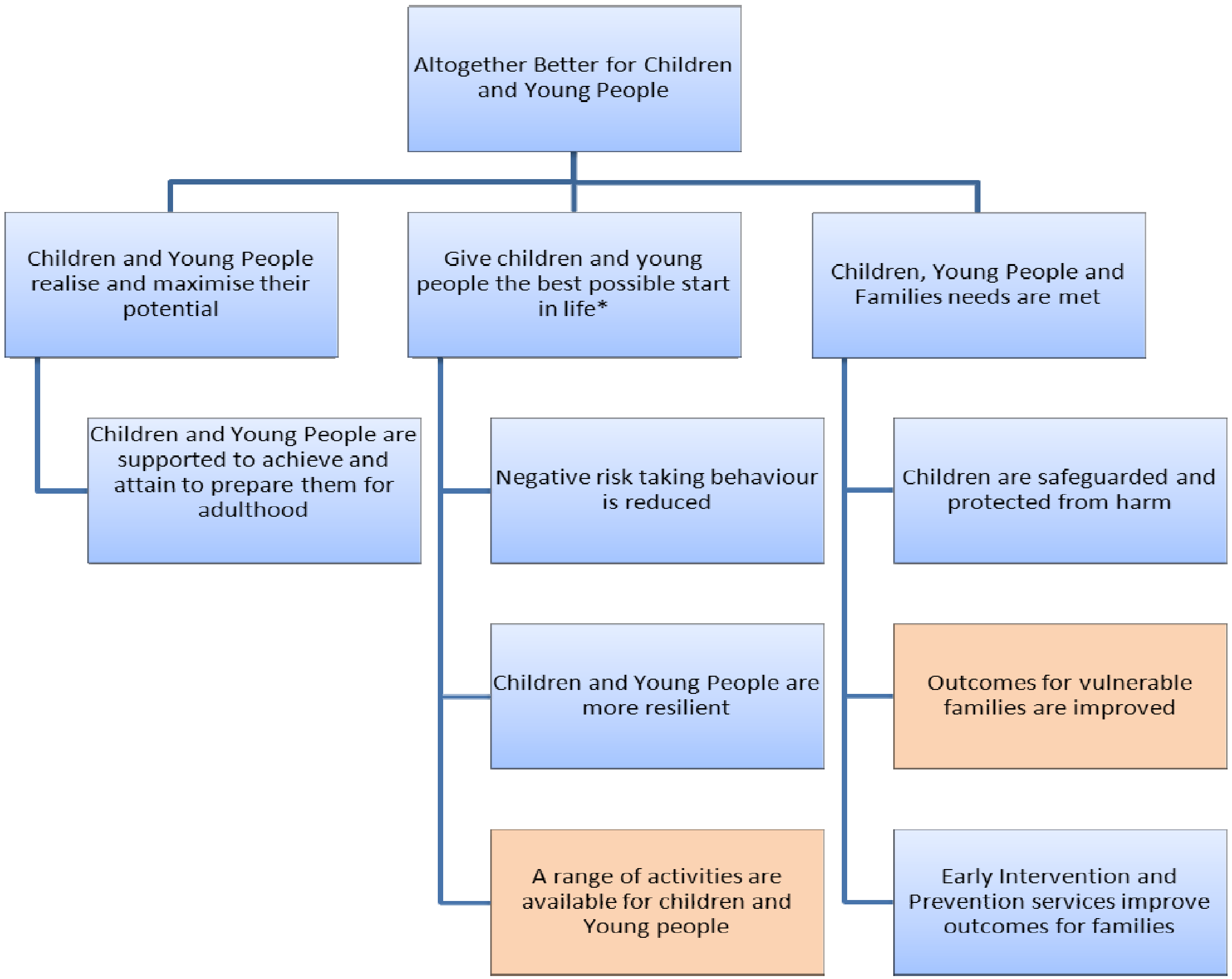
	2013/14	2014/15	2015/16	2016/17
	£'000	£'000	£'000	£'000
Net Government Grant Reductions	11,612	17,400	15,600	9,530
Council Tax Increase (2.5% each year)	-4,005	-4,105	-4,207	-4,312
Council Tax Freeze Grant	4,989	0	0	0
PCT Social Care Funding	0	0	5,900	0
New Homes Bonus	-1,600	0	0	0
Use of Earmarked/Cash Limit Reserve in AWH	-1,000	150	3,000	0
Estimated Variance in Resource Base	**9,996**	**13,445**	**20,293**	**5,218**
Pay inflation (1% - 1% - 1.5% - 1.5%)	1,865	1,815	2,725	2,725
Price Inflation (2% - 1.5% - 1.5% - 1.5%)	2,232	1,970	1,890	1,890
Corporate Risk Contingency Budget	0	-1,000	-1,000	-900
Base Budget Pressures				
Landfill Tax	1,030	983	937	890
Carbon Reduction Commitment - 'Carbon Tax'	100	0	0	0
Disturbance Allowances re Accommodation Strategy	0	-220	0	0
Additional Employer Pension Contributions	1,300	1,100	1,000	1,000
Concessionary Fares	80	400	400	400
Energy Price Increases	0	500	500	500
Community Building running costs	0	-180	0	0
Housing Benefit Lost Admin Grant	0	-100	-100	0
AWH Demographic and Hyper Inflationary Pressures	1,000	1,000	1,000	1,000
Community Governance Reviews	-50	0	-50	0
Prudential Borrowing to fund new Capital Projects	2,000	2,000	2,000	2,000
Capital Financing for current programme	1,250	1,250	1,500	0
Investment Income	-536	0	0	0
TOTAL PRESSURES	**10,271**	**9,518**	**10,802**	**9,505**
SUM TO BE MET FROM SAVINGS	**20,267**	**22,963**	**31,095**	**14,723**
Savings				
MTFP Savings	-19,391	-15,744	-7,073	0
Running Expenses	-636	0	0	0
Essential Car User	-240	0	0	0
TOTAL SAVINGS	**-20,267**	**-15,744**	**-7,073**	**0**
Surplus(-)/Deficit	**0**	**7,219**	**24,022**	**14,723**

Appendix 3 – Draft council plan objectives and outcomes

Altogether Wealthier

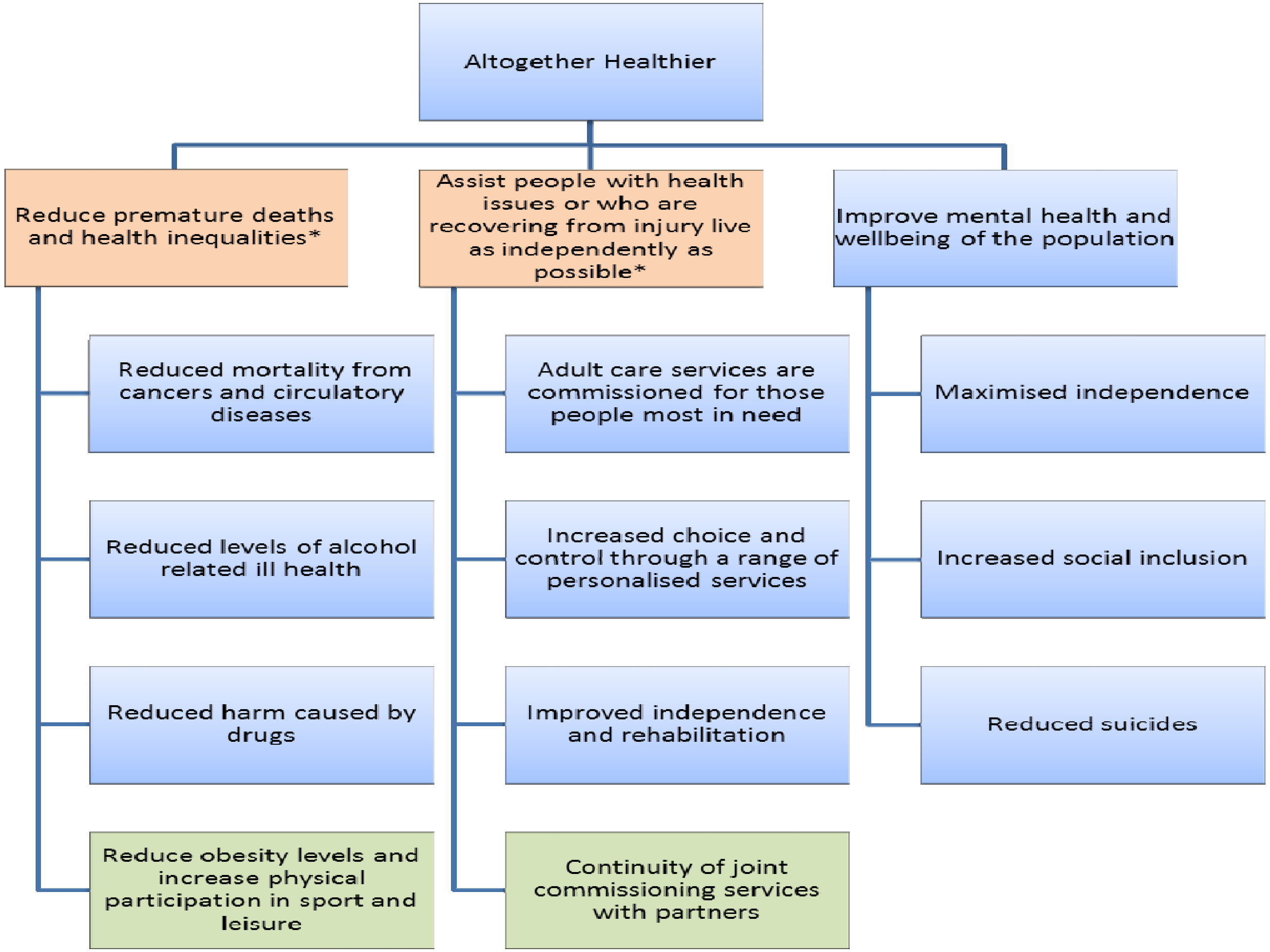


Altogether Better for Children and Young People



- Taken from the draft Joint Health and Wellbeing Strategy (JHWBS)

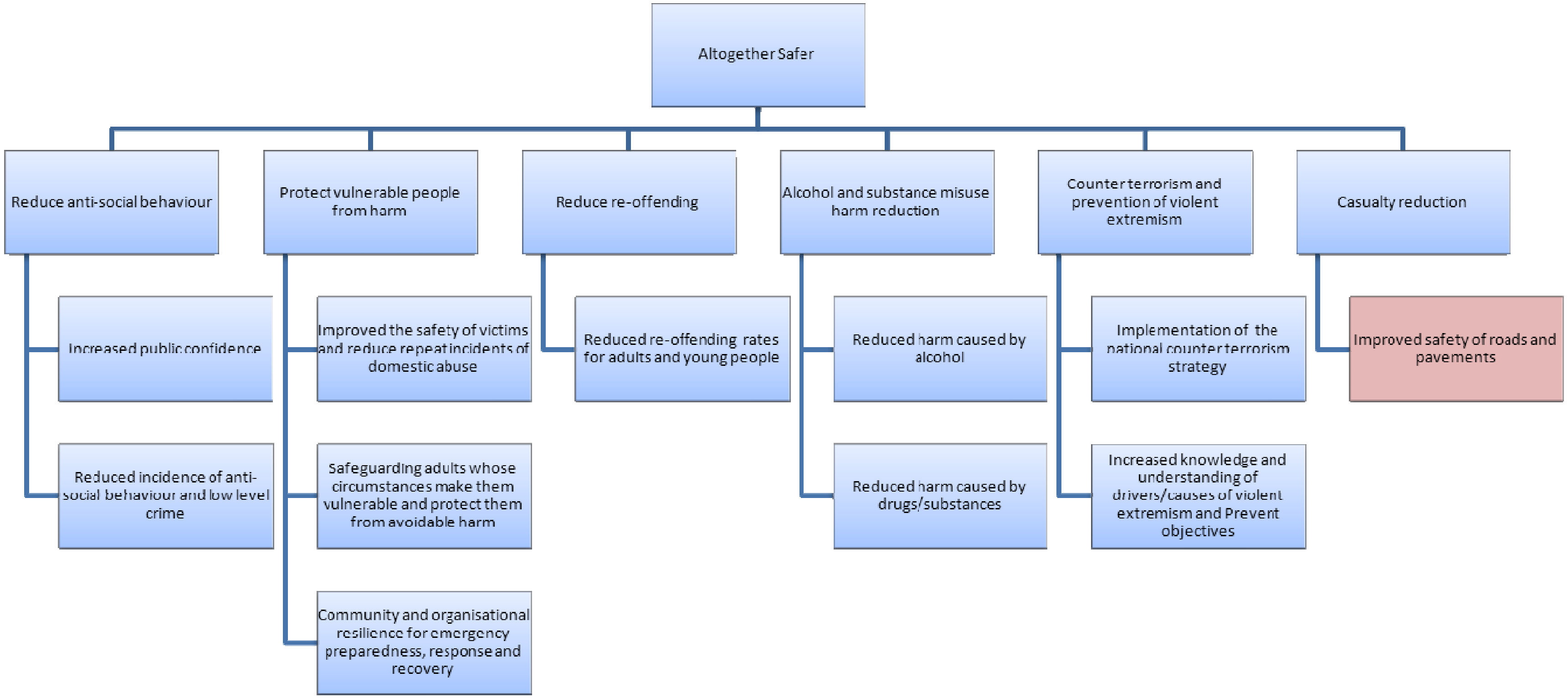
Altogether Healthier



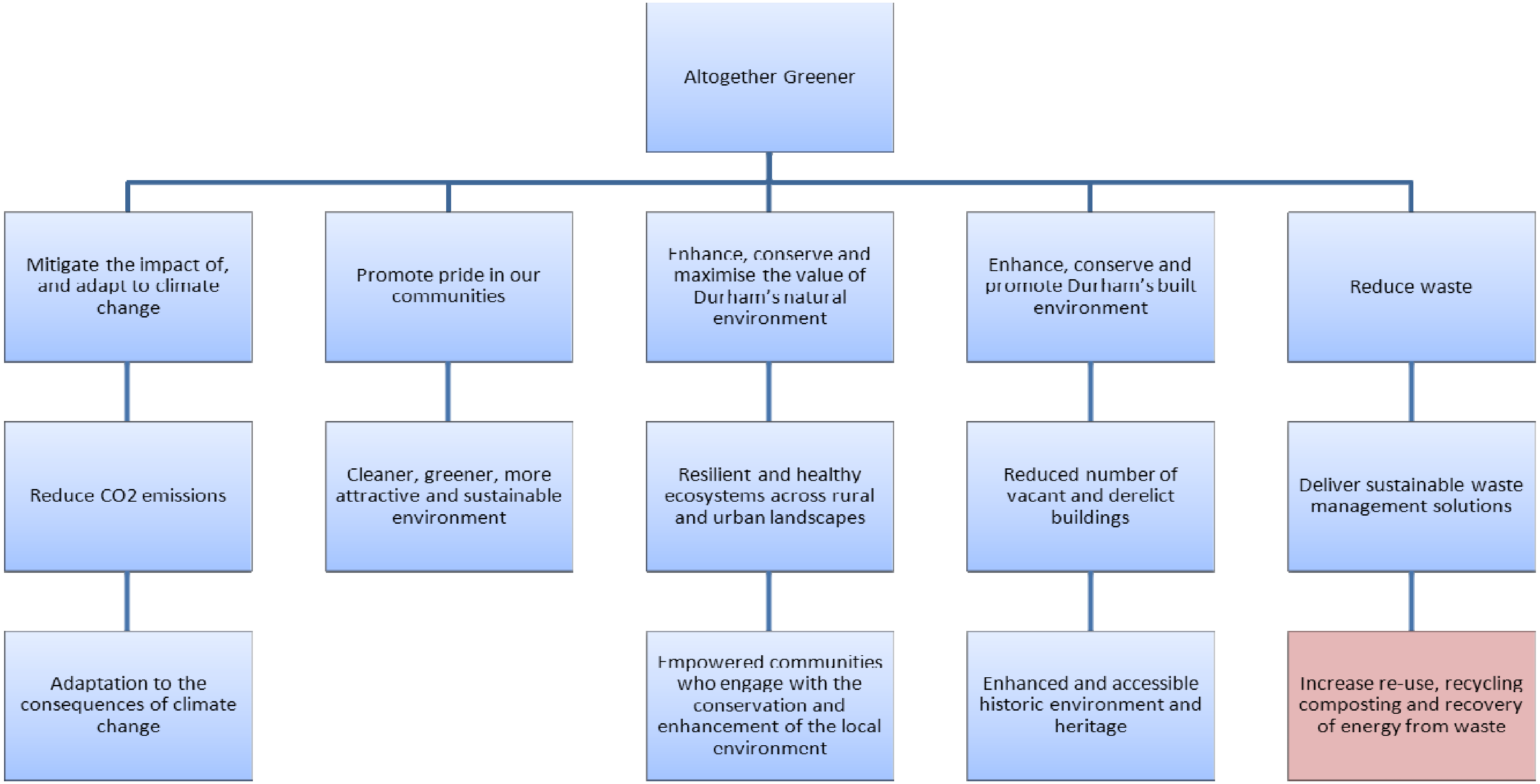
- Reduce the number of people dying prematurely, while reducing the difference between the least and most healthy communities and improve the least healthy more quickly (Text in draft JHWBS)

- Improve the quality of life, care and support for people with long term conditions and those recovering from episodes of ill health or injury to assist them to live as independently as possible (Text from draft JHWWBS)

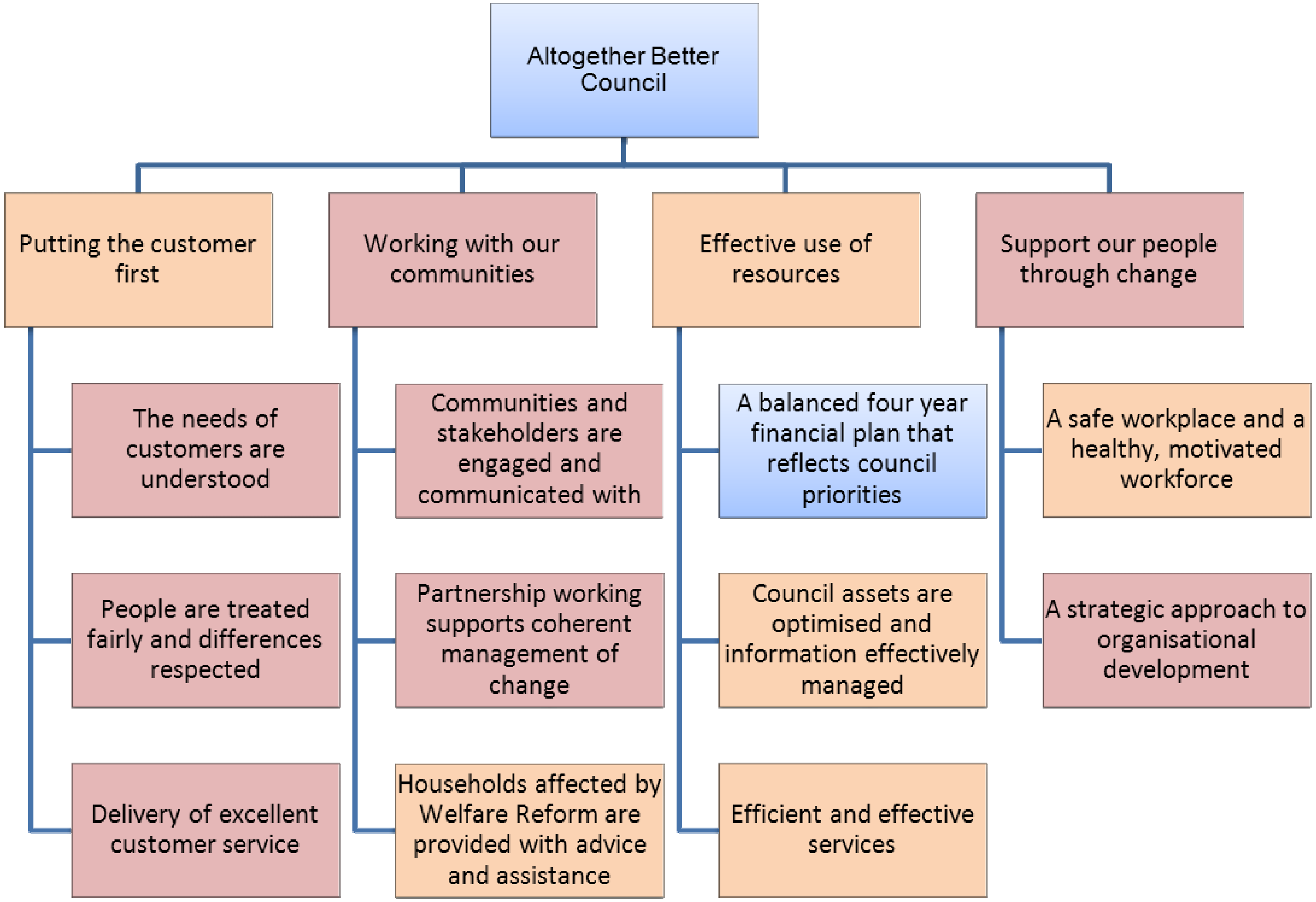
Altogether Safer



Altogether Greener



Altogether Better Council



Key

Unchanged

New

Amended

Moved