

Overview and Scrutiny Management Board

17 June 2014

Cabinet

7 May 2014

**Implications for Durham County Council
of the Government's policy programme**



**Report of Corporate Management Team
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Purpose of the Report

- 1 On 22 January 2014, Cabinet considered the most recent report on the implications of the government's policy programme. This report provides Cabinet with an update on the major policy developments and announcements since then and analyses the implications for the council and County Durham.

Executive Summary

- 2 The most significant announcements since the last report to Members relate to the following, outlined in more detail below:
 - The Budget;
 - Welfare reform;
 - National minimum wage;
 - Transformation Challenge Fund;
 - Transparency in local government;
 - Public Services (Social Value) Act;
 - Vocational qualifications and apprenticeships;
 - Planning;
 - North East Local Enterprise Partnership and North East Combined Authority;
 - Regional Growth Fund;
 - Local bus services;
 - Community energy;
 - NHS, public health and care and support reform;
 - Community safety;
 - Free school meals for infant pupils;
 - Children and Families Act 2014;
 - Child poverty strategy.

- 3 Since the coalition government was formed in 2010, it has embarked on a major programme of public service reform.
- 4 In the initial years of this government, the pace of policy announcements and reforms was intense. However, compared with previous policy implications reports to Cabinet, it is apparent that the government is making fewer major policy announcements. In part, this reflects the shift in policy effort from policy development, reform and legislation seen in the first few years to the subsequent implementation of those reforms. It may also reflect a natural slowing down in policy development as the coalition partners and other political parties prepare for the forthcoming general election campaign.
- 5 Of particular note is the government decision to continue with its strategy of austerity measures as outlined in the Budget. This will have significant financial implications for the council and its partners in future years and for our poorer communities, given the cap and proposed freeze in overall welfare spending.
- 6 Clearly, the various policy changes will have major implications for the council and the steps it is taking to develop an 'altogether better Durham'.
- 7 The council and its partners are continuing to analyse the impact that government policy will have on local communities and on our ability to deliver the sustainable community strategy and are responding accordingly. Wherever possible, the council and its partners are working together to respond proactively to the government's policy changes, which have been taken into account in the refresh of the County Durham Sustainable Community Strategy and the council plan and supporting service plans, as considered by Cabinet at its meeting of 19 March 2014.

Background

- 8 Cabinet has considered a number of reports on government policy since the general election in 2010, the most recent of which on 22 January 2014. Where necessary, Cabinet has also received further policy reports on specific topics, such as changes to the NHS, health and social care and welfare reform. This report builds upon these previous briefings.
- 9 Since the coalition government was formed in 2010, it has embarked on a major programme of public service reform, which has included the following:
 - a) Deficit reduction measures across all government departments;
 - b) Structural reforms to reduce the number of government agencies and arm's length bodies;
 - c) The 'red tape challenge' to reduce government bureaucracy and regulation;
 - d) Changes to welfare to reduce spending and encourage more people to be independent;

- e) NHS and public health reforms including the introduction of clinical commissioning groups and the transfer of public health to local government;
 - f) Police reforms including the introduction of directly elected police and crime commissioners;
 - g) Expansion of the academy programme and the introduction of free schools;
 - h) Major reform of the planning system with new national planning policy guidance and the revocation of regional spatial planning;
 - i) Abolition of the regional development agencies and the introduction of the national Regional Growth Fund and local enterprise partnerships;
 - j) Initiatives to open up public services to greater transparency and more diverse and local patterns of control.
- 10 The government is now tending to make fewer major policy announcements, in part, reflecting the shift in policy effort from policy development, reform and legislation seen in the first few years to the subsequent implementation of those reforms. It may also reflect a natural slowing down in policy development as the coalition partners and other political parties prepare for the forthcoming general election campaign.

Update

- 11 Nevertheless, the government is still making some major announcements and the most significant since the last report to Members in January 2014, relate to the following, which are outlined in more detail below:
- The Budget;
 - Welfare reform;
 - National minimum wage;
 - Transformation Challenge Fund;
 - Transparency in local government;
 - Public Services (Social Value) Act;
 - Vocational qualifications and apprenticeships;
 - Planning;
 - North East Local Enterprise Partnership and North East Combined Authority;
 - Regional Growth Fund;
 - Local bus services;
 - Community energy;
 - NHS, public health and care and support reform;
 - Community safety;
 - Free school meals for infant pupils;
 - Children and Families Act 2014;
 - Child poverty strategy.

- 12 An update on welfare reform was considered by Cabinet on 12 February 2014 and a more detailed report on NHS and public health reforms is included elsewhere on the agenda for this meeting of Cabinet (7 May 2014).

The Budget

- 13 On 19 March 2014, the Chancellor of the Exchequer delivered his 2014 Budget statement.
- 14 Quoting independent forecasts from the Office for Budget Responsibility (OBR), he suggested that the economy, as measured by growth in gross domestic product (GDP), is forecast to grow by 2.7 per cent this year and 2.3 per cent next year, then by 2.6 per cent in 2016 and 2017 and by 2.5 per cent in 2018.
- 15 Due to this forecast period of sustained economic growth, coupled with the government's on-going austerity programme, the OBR forecast that the deficit would be 6.6 per cent of GDP this year, 5.5 per cent in 2014-15 and would then fall to 0.8 per cent by 2017-18, with a surplus of 0.2 per cent achieved in 2018-19. As such, public borrowing is forecast to be £108 billion this year and £95 billion next year, leading to a surplus of almost £5 billion in 2018-19.
- 16 The main announcements made in the budget included:
- a) a commitment to maintain the government's austerity programme including making permanent £1 billion of government departmental underspends (previously announced in last year's Autumn statement);
 - b) total welfare spending to be capped at £119 billion for 2015-16, rising in line with inflation to £127 billion in 2018-19. The cap includes child benefit, incapacity benefit, winter fuel payment and income support, but does not include state pension and Jobseeker's Allowance;
 - c) from April 2014, small employers who pay less than £2,000 per annum in National Insurance contributions, will not have to pay any contribution and shops, pubs and restaurants in premises with a rateable value of less than £50,000 will receive a £1,000 discount on their business rates in 2014 and 2015;
 - d) between April 2014 and December 2015, businesses investing up to £0.5 million in plant and machinery will not pay tax as part of the annual investment allowance and from April 2014, unprofitable small and medium-sized businesses that pay Corporation Tax will pay no tax on 14.5 per cent of any research and development (R&D) investments;
 - e) continued usage of the Carbon Price Floor (CPF) as a price escalator to encourage businesses to use low carbon energy, but extending the Carbon Price Support rate up to 2019/20 to compensate businesses that are severely disadvantaged by the policy;

- f) £60 million announced to help reduce the cost of generating low-carbon energy;
- g) a fuel duty rise planned for September will not happen and a £7 billion package to cut energy bills, including £18 per ton cap on carbon price support, predicted to save medium-sized manufacturers £50,000 and families £15 a year;
- h) thirty per cent income tax relief for social enterprises to match the rate for the Enterprise Investment Scheme and venture capital trusts;
- i) doubling the UK Export Finance (UKEF) investment programme to £3 billion, cutting interest rates from customers, broadening the types of finance offered, and raising awareness of UKEF products and services. Doubling the funding available and widening the remit of the Global Entrepreneur Programme, and strengthening support for exporting and inward investment by financial services bodies;
- j) increasing the number of scholarships for talented international students and expanding the promotion of the UK as a place to study;
- k) a new £42 million centre for research and analysis of big data (the Alan Turing Institute);
- l) £74 million investment in graphene innovation and a cell therapy manufacturing centre;
- m) £106 million for 20 new centres for research and postgraduate training;
- n) from April 2015, air passenger duty to be reduced on a broader range of long haul flights;
- o) an extra £85 million to provide 100,000 grants in 2014/15 and 2015/16 for apprenticeships;
- p) a three year extension of business rate discounts and enhanced capital allowances for businesses locating in enterprise zones;
- q) film tax credit policy to be applied to theatrical productions to further support creative industries;
- r) £20 million in grants for cathedral repairs;
- s) the Help to Buy equity scheme for new-build homes will be extended to 2020 and support will be provided to build more than 200,000 new homes;
- t) in response to the impact of recent inclement weather, £140 million for improvements to damaged flood defences and £200 million for pothole repairs via a challenge fund;
- u) consultation on minimum excise tax for tobacco to help improve public health to be launched. Tobacco duty to rise by two per cent above inflation and this escalator to be extended beyond the next general election;

- v) beer duty cut by one pence a pint and the duty on spirits and ordinary cider to be frozen.

Welfare reform

- 17 As outlined above, the government has set the cap for total welfare spending at £119 billion for 2015-16, rising in line with inflation to £127 billion in 2018-19. The cap is in line with current welfare expenditure in 2014/15 and includes child benefit, incapacity benefit, winter fuel payment and income support, but does not include state pension and Jobseeker's Allowance.
- 18 In line with the Welfare Benefits Up-rating Act 2013, any change to the overall cap would be subject to a parliamentary approval.
- 19 Various statistical and monitoring documents have been released since February by the government on the progress and impact of welfare changes to date. The data include figures on the number of people starting and ending housing benefit claims, data on the number of housing benefit claimants with a reduction under the under occupation charge and performance data from the Job Centres involved in the Universal Credit pilots. Guidance has also been issued by the Department of Work and Pensions (DWP) on data sharing, emphasising the DWP's commitment to share information between agencies to improve services and reduce fraud.
- 20 In relation to Universal Credit (UC), a key questions and answers guide developed from the experience of the local authority-led pilots has been published. The document covers the experience and learning from the pilot areas, and identifies areas of learning which other authorities can use in implementing UC. Key outcomes include: ensuring that there is better integration of services to help provide better customer services and partnership working; and making sure frontline staff have knowledge, skills and understanding to help in any triage process.
- 21 The DWP has also had to begin an investigation into the Universal Job match site, after concerns were raised that in the region of 300,000 jobs on the site may be fake.
- 22 In terms of the benefit cap, a legal appeal brought by two lone parent families to the benefit cap was dismissed by the Court of Appeal in February. The court in making its judgement stated that the government's policy discriminates against women, but that the discrimination was justified because it 'reflects the political judgement of the government'. The court of appeal also made reference to the implementation and described as a 'matter of concern' the government's delay in addressing problems with the cap's application to women's refuges.
- 23 However, at the start of March, the DWP brought proposals to the Social Security Advisory Committee for a number of amendments which would exclude benefit paid to cover housing costs in most supported housing from being taken into account for the household benefit cap or being met via the

Universal Credit rent element. The proposals would create four categories of accommodation which would be excluded; this would include women's refuges and some housing authority hostels.

- 24 Concerns have also been made in relation to the new Personal Independence Payment (PIP) system. The House of Commons Work and Pensions Committee in its report *'Monitoring the Performance of the Department for Work and Pensions in 2012-13'* found that the length of time that disabled people were having to wait to find out if they were eligible for benefits was unacceptable, with some claimants having to wait six months for their claim to be processed. The report makes a number of recommendations including that the DWP needs to clear the backlog of existing PIP claims before extending the programme of reassessment of existing DLA claimants.
- 25 There have been a number of developments in relation to social housing and the spare room subsidy. The government has released the *'Prevention of Social Housing Fraud (Power to require information)'* regulations. These regulations make it a criminal offence for sub-letting or parting with possession without permission of social housing. The regulations also enable local authorities to require information from private sector bodies when undertaking a social housing fraud investigation, in a similar manner to the powers they have when undertaking social security fraud investigations.
- 26 In addition, the Department of Communities and Local Government has published research into the mutual exchange scheme. Their research in 12 demonstration areas has concluded that the take up of the scheme was enhanced when there were specific housing officers employed to promote and support the scheme. However, they have little evidence of the impact that increased mobility may have on reducing welfare payments and meeting people's housing needs.
- 27 The impact of the spare room subsidy in encouraging movement to more appropriate accommodation has been queried. Investigations by the BBC with 331 social housing providers has concluded that only six per cent of the social housing tenants affected by the spare room subsidy moved home, with 28 per cent of tenants falling into rent arrears since the changes were introduced. The government has disputed the research saying feedback from local authorities and the National Housing Federation had found an "indiscernible number" of tenants were in arrears. Ministers also claimed that the policy is saving the taxpayer £1 million a day.
- 28 In January 2014, the government identified an error in Housing Benefit regulations which meant that working age social housing tenants who have occupied the same home since 1996 and remained on continuous housing benefit should not have been affected by the policy in 2013/14. The DWP has now closed the loophole and local authorities are checking records and processing benefit payments to individuals who may have had their housing benefit reduced due to the under occupancy charge in 2013/14. In the county, the council has worked with its housing providers and identified 1,454 potential cases where the under occupancy charge may have been applied, which are now being reviewed as a matter of priority. At the time of writing,

517 cases have been reviewed; 122 have been found to be exempt from the charge, resulting in Housing Benefit payments of £67,752 being made. The remaining cases will be fully reviewed and adjustments made by 30 April 2014.

- 29 Several Housing Benefit circulars have been published. The key circulars have included the 'HB S2/2014' which has provided information on the additional funding which will be made available to local authorities to meet the additional costs of implementing welfare reform change in 2014/15. The council has been allocated £187,850 to meet the new burdens arising from the changes to local housing allowance, removal of spare room subsidy and the benefit cap. The note highlights that extra funding will be distributed to meet the IT costs associated with reporting and to meet the costs of removal of HB to European Economic Area jobseekers. No date for the release of the funding has been provided.

National minimum wage

- 30 On 12 March 2014, the government accepted in full, the Low Pay Commission's recommendations on national minimum wage rates. In October 2014, the hourly rates for the national minimum wage will increase as follows:
- Adults from £6.31 to £6.50;
 - Workers aged 18 to 20 years (the development rate) from £5.03 to £5.13;
 - Workers aged 16 to 17 years from £3.72 to £3.79;
 - Apprentices from £2.68 to £2.73
- 31 The announcement coincided with revised guidance on changes made to the national minimum wage financial penalty and how the government will enforce compliance including naming employers who break the law.

Transformation Challenge Fund

- 32 On 3 April 2014, the government published a prospectus for the second round of the Transformation Challenge Award.
- 33 The award is a challenge fund which makes £120 million grant (£15 million in 2014 to 2015 and £105 million in 2015 to 2016) and a £200 million facility to use the capital receipts from asset sales flexibly to support transformation, available to support local authorities re-engineer their business practices and redesign service delivery.
- 34 In 2014-15, £15 million is being made available to fund bids which:
- a) facilitate small district councils to share a senior management team, including any chief executive, with one or more other councils. Bids of up to £400,000 in 2014/15 will be considered;

- b) support a small number of places which by working with other public sector partners have existing 'ready to go' partnership projects to reform services and make a return in 2014/15. The funding will be to part fund such projects.
- 35 In 2015-16, £305 million is being made available, comprising £105 million revenue grant and £200 million flexible use of capital receipts to support proposals to re-engineer business processes and re-design services. The fund will include two elements:
- a) Encouraging authorities which already share a senior management team, and any chief executive to go further with their plans to re-design their services. Bids will not be limited to £400,000;
 - b) Encouraging places that have ambitious plans to work in partnership across the public sector and with the voluntary and community sector or the private sector to re-design services.
- 36 Bids for funding in 2014-15 need to be submitted by 1 July 2014. Bids for funding in 2015-16 need to submit an outline expression of interest by 1 July 2014 and full bids by 1 October 2014, following feedback from government on the outline expression of interest.

Transparency in local government

- 37 On 4 February 2014, the Secretary of State for Communities and Local Government made a written ministerial statement asking all councils to publish, as a matter of record, how each councillor votes on any budget decisions including council tax changes.
- 38 To implement this, the government laid before Parliament, the Local Authorities (Standing Orders) (England) (Amendment) Regulations 2014, which require councils to amend their Standing Orders so as to make mandatory the practice of recorded votes at budget meetings.
- 39 On 10 March 2014, the government published a draft transparency code for parish councils. Under the Local Audit and Accountability Act 2014, smaller local authorities with an annual turnover not exceeding £25,000, including parish councils will be exempt from routine external audit. Instead, such councils will be subject to new transparency requirements which would require timely publication of the following:
- a) all items of expenditure;
 - b) end of year accounts;
 - c) annual governance statement;
 - d) internal audit report;
 - e) location of public land and building assets;

- f) agendas, approved minutes and papers of formal meetings;
 - g) list of councillor responsibilities.
- 40 The government is consulting on whether the code should be mandatory, whether smaller parish meetings should be exempt, whether authorities should publish the required information online and how much additional staff time and cost would be involved in publishing the required data online.

Public Services (Social Value) Act

- 41 The government has published an update document considering how the Public Services (Social Value) Act has been implemented. The Act was introduced in January 2013, and was designed to ensure that wider social, economic and environmental benefits were considered during commissioning exercises. The document '*Public Services (Social Value) Act 2012: 1 year on*', provides a number of case studies of how public bodies have used the Act as well as outlining how government plans to extend the principles further.
- 42 The report concludes that despite progress in using the Act, there is still further work that needs to take place. For example:
- a) some commissioners are yet to be inspired as to the potential of embedding social value in the work that they do;
 - b) some commissioners are held back by uncertainty as to what they can and cannot do under the law;
 - c) there is a lot of material and activity to help commissioners understand how to embed social value in their commissioning processes, but some see this support as fragmented and difficult to access;
 - d) some providers who could bring added social value to the table find it difficult to demonstrate that added value to commissioners.
- 43 The council has been proactive in responding to the Public Services (Social Value) Act. Following its introduction, we established a task force to enable us to further promote our commitment to sustainable procurement and to specifically respond to the opportunities of the Act. The task force includes key stakeholders such as North East Purchasing Organisation, Federation of Small Business, Social Enterprise UK, and The Social Return Company.
- 44 The task force will be presenting a report with case studies for consideration by Cabinet shortly.

Vocational qualifications and apprenticeships

- 45 On 5 March 2014, the government published *Getting the Job Done: The Government's Reform Plan for Vocational Qualifications*, which builds on the earlier reviews by Alison Wolf, Doug Richards, Frank McLoughlin, and Nigel Whitehead. The plan was informed by an evaluation of the views of both

learners and employers who had been involved in vocational qualifications in the past, and included a wide range of areas for further intervention. The majority of the plan recaps on the purpose of the government reforms, as well as a progress update and a forward plan for outstanding and additional reforms up to 2020. One of its key purposes is to refocus support for vocational qualifications that are more closely related to specific occupations or skills needed for specific jobs.

- 46 At the same time, the government published its implementation plan for responding to the Richard Review of apprenticeships.
- 47 In future, apprenticeships will be based on standards designed by employers, in line with a small number of criteria set by the government to ensure consistency and that apprenticeships help individuals to progress their career.
- 48 Employers will also be involved in developing the high level approach to apprenticeship assessments, which will be graded against a three point scale of pass, merit and distinction.
- 49 All apprenticeships will be required to last at least 12 months with no exceptions. Off-the-job training will continue to be a requirement of all apprenticeships and English and maths requirements will be stepped up gradually, reflecting the importance of these transferable skills.
- 50 Trailblazers in a range of sectors will develop new apprenticeship standards and the high-level assessment approaches that sit alongside them, prior to full implementation of the reforms during 2015/16 and 2016/17. The government's intention is that from 2017/18, all new apprenticeship starts will be based on the new standards and funded under new arrangements which will see employers funded directly for the apprenticeships they provide.

Planning

- 51 In March 2014, the government published the National Planning Practice Guidance as a web-based resource which sits alongside the National Planning Policy Framework, replacing Planning Policy Guidance notes and Planning Policy Statements. The guidance has been developed in response to a consultation that the government ran in Autumn 2013 and gives additional detail to more than 40 specific planning issues.
- 52 In addition, following consultation last year, the government published in February 2014, revised guidance on the Community Infrastructure Levy, which is intended to help fund additional community infrastructure in areas affected by development. A number of technical changes have been made including exemptions for self-build homes and specific types of homes extensions and annexes, and a relief for owner-occupied homes.
- 53 The County Durham Plan includes proposals for the introduction of Community Infrastructure Levies (CILs) in different parts of the county, where

certain types of development will pay for additional or new community infrastructure.

North East Local Enterprise Partnership and North East Combined Authority

- 54 In December 2013, the North East Local Enterprise Partnership (NELEP) published its draft Strategic Economic Plan (SEP) entitled *More and Better Jobs*. The SEP was developed using the recommendations from the North East Independent Economic Review, which was published in April 2013.
- 55 NELEP partners were involved in developing the draft SEP during 2013, and between December and February NELEP held a public consultation including a series of workshops and events. The SEP provides a vision, priorities, and actions for supporting economic growth across the NELEP area and will be used to negotiate support from the government as well as European investment packages. The final SEP is expected to be published in spring 2014.
- 56 In November 2013, NELEP submitted a proposal to the government to create a new combined authority, to be known as the North East Combined Authority. The Local Democracy, Economic Development and Construction Act 2009, enabled the Secretary of State to create combined authorities at the request of local authorities which wish to undertake joint functions. In 2011 the Greater Manchester Combined Authority (GMCA) was the first to be created and took over the responsibilities of the Greater Manchester Integrated Transport Authority as well as a number of other functions.
- 57 Government considered the NELEP proposal alongside those from the Sheffield and Liverpool city regions and West Yorkshire. Similar to the GMCA, the combined authority for the North East would take over the responsibilities of the Tyne and Wear Integrated Transport Authority as well as accelerating skills development and inward investment. The government and NELEP held a consultation on the North East Combined Authority between November and January which showed broad support for the new body. The government subsequently laid the order before parliament to give the go-ahead for the combined authority and dissolving the Tyne and Wear integrated transport area (TWITA). On its abolition, the TWITA functions, property, rights and liabilities transferred to the Combined Authority and were delegated back to the local authorities concerned.
- 58 A more detailed report on the combined authority and the transfer of transport functions was considered by Cabinet at its meeting on 16 April 2014.

Regional Growth Fund

- 59 On 10 April 2014, the government announced the latest awards under the fifth round of the Regional Growth Fund (RGF).

- 60 £57 million from a national pot of £300 million was awarded to 11 projects in North East England including three in County Durham:
- Industrial trailer maker Tinsley Special Products in Peterlee;
 - Car parts manufacturer Gestamp Tallent of Newton Aycliffe;
 - sheet metal firm Hydrum Engineering Limited in Chilton.
- 61 In addition, the regional Let's Grow in the North East programme which helps smaller businesses to access RGF funding received further investment, building upon an initial award in an earlier funding round.
- 62 A sixth round of the RGF will open for applications in the summer.

Local bus services

- 63 On 21 August 2013, the Senior Traffic Commissioner for Great Britain issued a 12 week public consultation seeking views on the introduction of a statutory document on local bus services. The draft document set out what traffic commissioners should expect from operators who run registered bus routes and proposed revisions to the standards for reliable and punctual services. It also made reference to the responsibilities on local authorities, local bus partnerships and the expectations on the Driver and Vehicle Standards Agency (incorporating VOSA and the DSA). In addition, the consultation proposed revisions to financial penalty levels where operators fail, without a reasonable excuse, to operate a local bus service, or do not run a registered service according to the timetable.
- 64 On 3 March 2014, the Traffic Commissioner published a summary of responses to the consultation. In the light of responses calling for clarification on the requirements, the removal of some provisions, the inclusion of others and consideration of likely financial and administrative burdens, the Commissioner confirmed that he has undertaken a substantial review of the draft issued for consultation and will re-issue a revised draft for further consultation in due course.

Community energy

- 65 On 27 January 2014, the government published its first ever community energy strategy, which sets out the role that communities can play in helping to meet the UK's energy and climate change challenges, including supporting a sustainable and secure energy system; and reducing UK greenhouse gas emissions for the country.
- 66 The strategy envisages local authorities playing an important role and the Secretary of State for Energy and Climate Change has written to all local authorities in England to encourage them to support communities and community groups to develop and implement community energy projects.

NHS, public health and care and support reform

- 67 A more detailed report on progress with NHS and public health reforms and the implementation of the Care Bill is included elsewhere on the agenda for this meeting of Cabinet (7 May 2014).

Community safety

- 68 The Anti-Social Behaviour, Crime and Policing Act received royal assent in March 2014. In the last amendments, the Lords agreed a government amendment extending protection against 'nuisance and annoyance' to cover all housing settings, rather than just social housing. Other issues considered as part of the parliamentary debating process included the new offence of forced marriage, with the government confirming its commitment to engage with affected communities and develop an information programme to help and support victims.
- 69 The Offender Rehabilitation Act received royal assent in March 2014. The legislation includes provisions about the release, and supervision after release, of offenders, the extension period for extended sentence prisoners, community orders and suspended sentence orders, and for connected purposes.
- 70 In addition, probation trusts have received formal notification of the termination of Probation Trust Service Contract as part of the Transforming Rehabilitation Programme. Trusts are now completing the allocation of staff to their new roles. Probation Trust contracts will be terminated on the 31 May 2014, as the government transitions under the Transforming Rehabilitation reforms to a new operating structure for probation service delivery. Probation Trust staff and cases are to be split into 21 new Community Rehabilitation Companies (CRCs) and a National Probation Service (NPS) to 'go live' on the 1 June 2014.

Free school meals for infant pupils

- 71 All infant children in state-funded schools in England will, for the first time, be entitled to a free school meal from September 2014 and the government has set out a package of measures to help support schools. The government is providing £1 billion to support the scheme, as well as £150 million to help schools expand their kitchen and dining facilities.

Children and Families Act 2014

- 72 The Children and Families Act 2014 has gained royal assent. Before gaining royal assent, the Children and Families Bill was amended with the following changes:
- a) Local Authorities will be required to identify children with special educational needs and publish this data within its formal offer;
 - b) Provision for children and young people with special educational needs in the youth justice system will be strengthened;

- c) Changes were made to assessment of post-detention education, health and care (EHC) needs of detained persons;
- d) Changes to EHC plans remove the explicit requirement to have regard to a young person's age, instead requiring local authorities to consider whether a young person aged over 18 needs more time to complete their education and if they have achieved the outcomes specified in their plan;
- e) Local Authorities will also have a clear duty to secure the special educational provision in a child or young person's education, health and care plan;
- f) There has been an update to the existing law that gives parents of disabled children under 18 the right to have a carer's assessment;
- g) New provision regarding regulation of retail packaging of tobacco products and regulations making it an offence for any person who drives a private vehicle to fail to prevent smoking in the vehicle when a child or children are present.

Child poverty strategy

- 73 On 27 February 2014, the government launched a consultation on a new Child Poverty Strategy 2014-17. The strategy emphasises the government's commitment to the coalition agreement, which made a pledge to end child poverty in the UK by 2020.
- 74 The focus of the strategy is on addressing the root causes of child poverty with a concern for preventing poverty across the generations. To achieve this, the strategy is structured around three main themes:
- a) Supporting families into work and increasing their earnings;
 - b) Improving living standards;
 - c) Preventing poor children becoming poor adults through raising their educational attainment.
- 75 The strategy includes an action plan which outlines current policies and steps which are being taken to address some of the factors which result in child poverty.
- 76 The document is supported by a comprehensive evidence review which presents research identifying the key factors which prevent families from moving out of poverty, as well as the factors which may make some poor children more likely to become poor adults.
- 77 The council will be responding to the consultation, which closes on 22 May 2014. The final Child Poverty Strategy is to be laid in Parliament later in 2014.

Consultations

- 78 Since the last report to Cabinet in January, the government has opened 56 consultations and calls for evidence. Appendix 2 details the consultations and calls for evidence which are currently open (as at 11 April 2014).

Implications

- 79 The government's policy proposals have many implications for the county and the council, its role and function and the way it works with and relates to local communities and strategic partners. Below, we provide a commentary against the strategic themes of the Council Plan and County Durham Sustainable Community Strategy.

Altogether better council

- 80 The Chancellor's Budget statement contained few surprises for the council, confirming that the government intends to continue with its austerity programme. Whereas in 2010, the government set out to clear the deficit within the lifetime of this parliament, the OBR forecasts that it will be 2018/19 before the country achieves a surplus.
- 81 In his 2012 Autumn statement, the Chancellor announced the introduction of an annual cap on total welfare spending which would be subject to parliamentary approval. In March, we learnt that the overall cap for 2014/15 would be set at £119 billion and would rise in line with inflation to £127 billion in 2018/19. In effect, the government is proposing that welfare spending should be held at current levels into the next parliament, unless a future government wins parliamentary approval for a change. The policy maintains the current strategy of reducing and controlling welfare expenditure, alongside measures to encourage benefit recipients to become more independent and self-sufficient.
- 82 The council will be able to submit bids towards the £200 million challenge fund for pothole repairs. This is in addition to £185 million previously announced, from which the council has been allocated £1.24 million to carry out repairs.
- 83 The council will also be able to submit bids to the second round of the Transformation Challenge Fund. However, it should be noted that the government intends to direct a significant proportion of the funding available in 2014-15 towards supporting smaller district councils to share senior management teams and to reduce their corporate overheads. All district councils that do not currently have shared management arrangements are being encouraged to apply and those that already do, are being pointed towards bidding for funding in 2015-16 to extend shared services.

- 84 The remainder of the funding available in 2014-15 will be directed towards a small number of existing 'ready to go' projects which can deliver a return that year.
- 85 Greater funding opportunities will be available in 2015-16, when more funding is being made available to support councils which already have shared management arrangements to redesign services and to fund partnership projects with the voluntary and community sector or the private sector to re-design services.
- 86 Officers are currently considering the Transformation Challenge Fund guidance and will consult relevant portfolio holders on whether to submit applications.

Altogether wealthier

- 87 Businesses in the county stand to benefit from the various measures in the Budget designed to promote exports and investment in research and development. For instance, the Catapult Network was identified for development growth through a £74 million investment in graphene innovation. This will benefit the innovation growth at NETPark. Smaller businesses may benefit from identified changes to National Insurance contributions and the move to provide further rates relief for pubs, shops and restaurants.
- 88 The grant awards to County Durham businesses under the fifth round of the Regional Growth Fund are welcome, however it should be noted that the overall level and proportion of investment for economic development, business growth and regeneration through RGF does not compare with that available in previous years. The approach to supporting growth nationally and across the North East region has changed significantly since 2010 with the closure of the Regional Development Agencies (RDAs). One North East, for example had an annual budget of £250 million and invested over £227 million into the regional economy in 2010/11 and £2.7 billion over its lifetime (1999-2011). In addition, there has been a significant reduction in area based grants which provided targeted grant funding to support regeneration, business growth and employability such as Working Neighbourhoods funding and Local Enterprise Growth Initiative. This has impacted on the scale and number of projects supported within our region and more specifically within County Durham.
- 89 Partners within County Durham and the council have helped inform the development of the SEP and the identified priorities for investment through the Local Growth Fund. The draft SEP, that will be submitted to government, reflects the county's growth priorities including: making the most of Durham City as an urban, economic, cultural and academic core; supporting innovation, business support and infrastructure at NETPark and Durham University; developing the A19 and A1(M) transport corridor opportunities and our major transport schemes at Peterlee (Horden) Rail Station and A167 Park and Ride; and capitalising on inward investment like Hitachi through supply chain development and enhancing/expanding infrastructure at Aycliffe Business Park.

- 90 The establishment of the combined authority for the North East provides local authorities in the NELEP area with a legal structure to increase collaboration and enable strategic decision-making on economic growth and transport and the council is continuing to support the development and delivery of the new body.
- 91 The order to create it also dissolved the Tyne and Wear integrated transport area (TWITA), transferring TWITA functions, property, rights and liabilities to the combined authority. However, under the constitution for the new authority, and under an operating agreement agreed by the councils involved, transport functions have been delegated back to the local authorities so that the local authorities concerned remain responsible for their historic transport assets and liabilities.

Altogether Healthier

- 92 A more detailed report on progress with and the implications of the government's reforms to the NHS, public health and health and social care integration is included elsewhere on the agenda for this Cabinet (7 May 2014).
- 93 The proposal in the Budget to consult on a minimum excise tax for tobacco and the above inflation increase in duty on tobacco may help in efforts to reduce smoking and the consumption of tobacco.
- 94 In contrast, the reduction in duty on beer and the freeze in duty on spirits and ordinary cider are at odds with the policy advice from Balance, the regional alcohol office, which advocates the use of price control measures to reduce the harmful impacts of alcohol on individuals and local communities.

Altogether Safer

- 95 The Transforming Rehabilitation Programme aims to reform local delivery of probation services and effective probation and offender management services in the county need to be maintained during the transition process.
- 96 Probation Trusts have received formal notification of the termination of Probation Trust Service Contract as part of the Ministry of Justice 'Transforming Rehabilitation' Programme. The programme of probation reforms will shortly split probation services into two new organisations:
- A new public sector National Probation Service (NPS) dealing with all those who pose the highest risk of serious harm to the public;
 - Twenty one regional private sector Community Rehabilitation Companies (CRCs) managing all other offenders.
- 97 The Durham Tees Valley Probation Trust began the transition last month, with staff and resources being allocated to the new NPS or a public sector CRC.

This will be completed by the end of May 2014 with the new services in place by 1 June 2014. Completion of the competition process to establish the new CRCs is expected in October 2014 with contract package areas awarded and ownership of the CRCs transferred into private ownership in 2015.

- 98 Maintaining effective probation and offender management services in the county during the transition process is essential to prevent a rise in crime rates and the Safe Durham Partnership Board has an active task and finish group in place to manage the transition from a County Durham perspective. The Transforming Rehabilitation Task and Finish Group was established on 23 January 2014 and has met three times. The membership of the task and finish group includes the Ministry of Justice Competition Lead Manager for our area, giving the partnership a local forum to raise concerns, queries and highlight opportunities as the Transforming Rehabilitation programme progresses.

Altogether Better for Children and Young People

- 99 The Children and Families Act will change the processes within the authority that provide for children with Special Educational Needs and Disabilities, and also assessments for children turning 18. This could result in an increase in the number of assessments carried out, which would increase pressure on the council and NHS services.
- 100 Under the Children and Families Act local authorities will also have a new legal duty to support a young person who wants to stay in foster care until their 21st birthday.

Altogether greener

- 101 There were no major policy announcements about this theme during the most recent reporting period. However, the Budget contained a number of measures to promote energy efficiency and the carbon economy from which the council may benefit.

Implications for partnership working

- 102 Given the scope of government reforms, the council continues to work with partners to ensure that we achieve the aims of the sustainable community strategy.
- 103 The County Durham Partnership considers these policy implications reports alongside Cabinet and Corporate Issues Overview and Scrutiny Committee. Emerging government policy and legislation has been taken into consideration, as the partnership refreshed the sustainable community strategy for the county, which was considered by Cabinet on 19 March 2014.

Conclusions

- 104 Since the coalition government was formed in 2010, it has embarked on a major programme of public service reform.
- 105 In the initial years of this government, the pace of policy announcements and reforms was intense, but compared with previous policy implications reports to Cabinet, it is apparent that the government is making fewer major policy announcements. In part, this reflects the shift in policy effort from policy development, reform and legislation seen in the first few years to the subsequent implementation of those reforms. It may also reflect a natural slowing down in policy development as the coalition partners and other political parties prepare for the forthcoming general election campaign.
- 106 Of particular note is the government decision to continue with its strategy of austerity measures as outlined in the Budget. This will have significant financial implications for the council and its partners in future years and for our poorer communities, given the cap and proposed freeze in overall welfare spending.
- 107 Clearly, the various policy changes will have major implications for the council and the steps it is taking to develop an 'altogether better Durham'.
- 108 The council and its partners are continuing to analyse the impact that government policy will have on local communities and on our ability to deliver the sustainable community strategy and are responding accordingly. Wherever possible, the council and its partners are working together to respond proactively to the government's policy changes, which have been taken into account in the refresh of the County Durham Sustainable Community Strategy and the council plan and supporting service plans, as considered by Cabinet at its meeting of 19 March 2014.

Recommendations

- 109 Members are recommended to note the contents of this report and the actions taken to anticipate and respond to the government's reforms.

Background papers

[Cabinet, 22 January 2014, Implications for Durham County Council of the Government's policy programme](#)

[Cabinet, 12 February 2014, Welfare reform update](#)

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Appendix 1: Implications

Finance – The government’s decision to continue with its austerity programme will have on-going financial implications for the council, which will have to continue to reduce spending within its medium term financial plan. Although some further funding opportunities were announced in and around the Chancellor’s Budget, it should be noted that these tend to be challenge fund competitions in which the council would have to bid for funding against other authorities.

Staffing – No specific implications have been identified.

Risk – Individual assessments of the risks associated with specific policy proposals are undertaken as a matter of course in council project planning and management.

Equality and Diversity – Equality impact assessments will be undertaken on individual policy proposals the council develops in response to the government’s reforms.

Accommodation – No specific implications have been identified.

Crime and Disorder – No specific implications have been identified.

Human Rights – No specific implications have been identified.

Consultation – No specific implications have been identified.

Procurement – No specific implications have been identified.

Disability Discrimination Act – No specific implications have been identified.

Legal Implications – A number of the government policy changes outlined above, place new statutory duties on the council and change the regulatory framework in which it operates. The council considers the legal implications of all decisions it takes.

Appendix 2: : Government current consultations and calls for evidence

Consultation	Government Department	Closing date
Separate judgements for early years and sixth form	Ofsted	13/05/2014
Independent inspectorates: regulations and advice	Department for Education	16/05/2014
Review of audit arrangements in FSA approved meat establishments within the UK	Food Standards Agency	16/05/2014
Open consultation: Local bus services: revised statutory guidance	Department for Transport	19/05/2014
Wildlife legislation in England: General and Class Licences	Natural England	19/05/2014
Childminder agencies and changes to the local authority role	Department for Education	22/05/2014
Open consultation: Proposal to use a legislative reform order to set up town and parish councils	Department for Communities and Local Government	22/05/2014
Open consultation: Review of local authority role in housing supply: call for evidence	Department for Communities and Local Government	23/05/2014
Transition from children's to adult services: scope consultation	NICE	24/05/2014
Open consultation: Home to school travel and transport guidance	Department for Education	03/06/2014
Open consultation: Alternative dispute resolution for consumers	Department for Business Innovation and Skills	03/06/2014
Open consultation: Savings to the education services grant for 2015 to 2016	Department for Education	19/06/2014

Open consultation: Statutory duty of candour for health and adult social care providers	Department of Health	25/06/2014
Open consultation: Education, vocational training and youth: review of the balance of competences	Department for Education	30/06/2014
Open consultation: Balance of competence review information rights	Ministry of Justice	01/07/2014