

25 February 2015

Report from the Cabinet



Purpose of the Report

To provide information to the Council on issues considered by the Cabinet on 14 January and 11 February 2015 to enable Members to ask related questions.

Members are asked to table any questions on items in this report by 2 pm on 24 February 2015 in order for them to be displayed on the screens in the Council Chamber.

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- 1. **Medium Term Financial Plan 2015/16 to 2017/18 (MTFP 5) and 2015/16 Budget**
 Key Decision: CORP/R/14/02
 Leader and Deputy Leader of the Council – Councillors Simon Henig, and Alan Napier
 Contact – Jeff Garfoot 03000 261 946

We have considered a joint report of the Corporate Director, Resources and Assistant Chief Executive which provided an update on the Medium Term Financial Plan (MTFP(5)) 2015/16 to 2017/18 and the 2015/16 Budget,

following the Government's Local Government Finance Settlement announcement on 18 December 2014 and feedback from the budget consultation process.

The Chancellor of the Exchequer's December 2014 Autumn Statement confirmed that funding cuts to the public sector will continue until 2019/20. It is now forecast that Government funding to Local Government will have reduced by over 60% between 2011 and 2019. The Autumn Statement confirmed that due to the deterioration in the forecast for the national deficit, additional public expenditure funding cuts would be required in 2016/17. To reflect this, the Council has increased the forecast of Government funding reductions in 2016/17 from £33m to £38m. Overall the forecast for total savings between 2011 and 2018 up to the end of the MTFP(5) period is £224.8m. Based upon analysis of public expenditure funding reductions in the Autumn Statement however it is forecast that the savings figure will exceed £250m by 2018/2019.

The provisional financial settlement was received on 18 December 2014 and details were included within the report.

The main points are as follows:

- Revenue Support Grant will reduce by £39.4m to £99.3m. This is in line with Council forecasts.
- Specific grant allocations are broadly in line with Council forecasts.
- It is still apparent that deprived areas will continue to see higher levels of funding reduction in 2015/16.
- Although the Government's Spending Power figures are unrepresentative of actual funding reductions faced by local authorities, they do highlight the regional variation in settlements. The published average spending power reduction for England is 1.8%, for Durham it is 2.7%.

The draft Council Plan and Service Plans for 2015/16 – 2017/18 continue to be developed within the context of the financial settlement and budget planning, and will be presented to Cabinet in March.

Decision

We have:

- (i) Noted the 2015/16 budget and Medium Term Financial Plan update in relation to the provisional Local Government Finance Settlement announced on 18 December 2014.
- (ii) Noted that the Council continues to face funding reductions in excess of the national average.

- (iii) Noted the impact of the 2014 Autumn Statement upon the Medium Term Financial Plan.
- (iv) Noted the results of the phase 1 consultation.

**2. Annual Report of the Director of Public Health
Cabinet Portfolio Holder- Councillor Lucy Hovvels
Contact – Anna Lynch 03000 268 146**

We have considered the 2014 Annual Report of the Director of Public Health, County Durham.

Under the Health & Social Care Act 2012, one of the statutory requirements of each Director of Public Health is to produce an annual report about the health of the local population. The 2014 annual report focuses on tackling social isolation and the action that needs to be taken by a range of organisations to reduce the impact on the health and wellbeing of communities. Social isolation has been identified in the joint health and wellbeing strategy as an issue raised by communities during the consultation period.

The Better Care Fund programme includes a social isolation workstream that focuses on community action. The key messages were detailed in Appendix 2 of the report.

Decision

We have:

- (i) Received the 2014 annual report of the Director of Public Health, County Durham and noted the key messages and recommendations.
- (ii) Noted that the report is used to inform commissioning plans, service developments and assessment of need to support a range of funding bids, particularly by third sector organisations.

**3. General Fund Medium Term Financial Plan 2015/16 to 2017/18,
Revenue and Capital Budget 2015/16 and 2015/16 Council House
and Garage Rent Proposals
Key Decision: Corp/R/15/01
Leader and Deputy Leader of the Council – Councillors Simon
Henig, and Alan Napier
Contact – Jeff Garfoot 03000 261 946**

We have considered a joint report of the Corporate Director, Resources and the Assistant Chief Executive, which provided comprehensive financial information to enable us to agree the 2015/16 balanced revenue budget, an outline General Fund Medium Term Financial Plan (MTFP 5) for 2015/16 to 2017/18 and a fully funded capital programme, for recommendation to the County Council meeting on 25 February 2015.

The 2010 Comprehensive Spending Review (CSR) outlined funding reductions of 28% that Local Government would need to face to contribute to eradicating the national budget deficit by the end of March 2015. The initial strategy for eradicating the national deficit was for public expenditure reductions to finance 80% of the plan with 20% coming from tax increases. Local Government faced the highest reductions in spending across the public sector. The CSR 2010 forecasts have not been met by the Government and the Chancellor of the Exchequer's December 2014 Autumn Statement confirmed that the national budget deficit would not now be eradicated until 2018/19 with reductions in public expenditure continuing until 2019/20 to enable a forecast national budget surplus of £23bn to be realised. The national budget deficit at the end of 2014/15 is forecast to be £91bn, a reduction of less than 50% since 2011/12. Government funding reductions for local government are now forecast to be 60%, a doubling of the figure first forecast after the 2010 CSR.

The challenges faced, resulting in this longest period of austerity in modern times, are exacerbated in Durham for a range of reasons:-

- (i) Government grant reductions are not being evenly distributed across the country, as evidenced by the Government's own Spending Power figures. Whilst deprived areas like Durham continue to experience Spending Power reductions above the national average, in some more affluent areas they are actually receiving spending power increases.
- (ii) The Government's methodology for funding local authorities is inextricably linked to the performance of the local economy in the local authority areas via New Homes Bonus Funding arrangements, Business Rate Retention and Local Council Tax Reduction Schemes. Disappointingly, the link to a 'Needs Assessment' is no longer a key determinant of local authority funding.
- (iii) Demand for services and support from local authorities in areas like Durham is increasing with Welfare Reforms continuing to have a significant impact on communities in more deprived areas.

Overall, it is forecast that the Council will need to save £225m over the 2011 to 2018 period. This figure is forecast to exceed £250m in 2018/19 based on the forecast public sector funding reductions outlined in the Government's December 2014 Autumn Statement. A sum of £136.9m of savings will have been delivered by the end of 2014/15. Forecasted savings over the MTFP (5) period 2015/16 to 2017/18 of £87.6m are required, with the 2015/16 budget requiring savings of £16.3m to achieve a balanced budget.

The Council has consulted extensively with the public as part of the MTFP development. During autumn 2013 a major exercise was carried out which involved over 3,800 people who provided a clear steer in which services they felt should be prioritised for larger or smaller reductions. A refresh of this exercise was carried out in autumn 2014 with the public and partner

agencies. Over 1,400 responses were received and the majority indicated that the priorities established in 2013 were still appropriate. Respondents also highlighted general concern at the scale of the reductions facing the Council and supported the approach to pursue innovative solutions to maintaining services through the Durham Ask.

The Council's MTFP strategy for the last four years has been to protect front line services as far as possible and the 2015/16 proposals are in line with this strategy. This strategy is becoming increasingly difficult to maintain over time and the likelihood is that front line services will become increasingly impacted over the next three or four years. This report summarised how the main proposals are in line with the Council's overall strategy and have been shaped by residents' and stakeholders' views with a high level analysis of the equalities impact.

In line with the MTFP (4), detailed savings proposals are only included for 2015/16, the first year of MTFP (5). This is due to the significant uncertainty in relation to finance settlements beyond 2015/16. The Local Government Finance Settlement published in December only provided details for 2015/16. It is expected that longer term finance settlements may be received in the future. The forecasts included in MTFP (5) have been extrapolated from the Chancellor's "Red Book" forecasts for the public finances.

In MTFP (1) 2011/12 to 2014/15, the Council forecast that there would be a reduction of 1,950 posts by the end of 2014/15. It is currently forecast that after the realisation of the 2015/16 savings plans the level of post reductions will still be around 1,950.

In the setting of Council Tax levels for 2015/16, consideration has been given to the significant financial pressures facing the Council. The Government have offered a Council Tax Freeze Grant for 2015/16, equivalent to a 1% Council Tax increase. The calculation of the Council Tax Freeze Grant utilises a higher Council tax base than the current level. The calculation utilises the Council tax base that was in place prior to the implementation of the Local Council Tax Reduction Scheme in 2013/14. It is forecast that this would generate a Council Tax Freeze Grant of £2.180m for 2015/16. MTFP (5) planning however has been based upon a 1.99% Council Tax increase, which is below the confirmed 2% Council Tax Referendum Limit. A 1.99% Council Tax increase will generate additional Council Tax income of £3.398m in 2015/16 which is £1.218m more than the freeze grant option. The report recommends a 1.99% Council Tax increase in the Council's Band D Council Tax in 2015/16 which would result in an average increase of 78 pence a week for all Council Tax payers and an increase of 33 pence a week for the majority of Council tax payers in County Durham, who live in the lowest value properties (Band A).

The Council's MTFP (5) is aligned to the Council plan, which sets out the Council's strategic service priorities and articulates the financial implications and impacts over a three year budgeting period, 2015/16 to 2017/18. The MTFP provides a comprehensive resource envelope to allow the Council to translate the Council Plan into a financial framework that enables members

and officers to ensure policy initiatives can be planned for delivery within available resources and can be aligned to priority outcomes.

Looking back to MTFP (1), the following drivers for the Council's financial strategy were agreed by us on 28 June 2010. These continue to underpin the strategy in MTFP (5):-

- (i) To set a balanced budget over the life of the MTFP whilst maintaining modest and sustainable increases in Council Tax.
- (ii) To fund agreed priorities, ensuring that service and financial planning is fully aligned with the Council Plan.
- (iii) To deliver a programme of planned service reviews designed to keep reductions to front line service to a minimum.
- (iv) To strengthen the Council's financial position so that it has sufficient reserves and balances to address any future risks and unforeseen events without jeopardising key services and delivery outcomes.
- (v) To ensure the Council can continue to demonstrate value for money in the delivery of its priorities.

Decision

We have agreed to make the following recommendations to Council, under the subject headings listed below:

(a) 2015/16 Revenue Budget

- (i) Approve the identified base budget pressures included in paragraph 72 of the report.
- (ii) Approve the investments detailed in the report.
- (iii) Approve the savings plans detailed in the report.
- (iv) Approve a 1.99% increase in Council Tax.
- (v) Approve the Net Budget Requirement of £409.873.

(b) MTFP (5)

- (i) Agree the forecast 2015/16 to 2017/18 MTFP (5) financial position.
- (ii) Set aside sufficient sums in Earmarked Reserves as is considered

prudent. The Corporate Director Resources should continue to be authorised to establish such reserves as required to review them for both adequacy and purpose on a regular basis reporting appropriately to the Cabinet Portfolio Member for Finance and to Cabinet.

- (iii) Aim to maintain General Reserve in the medium term between 5% and 7.5% of the Net Budget Requirement which in cash terms is up to £31m.

(c) Capital Budget

- (i) Approve the utilisation of £5m Residential Homes Capital Budget to support the MTFP (5) Capital Programme.
- (ii) Note the reduction in the 2014/15 Highways Maintenance Capital Budget due to the £1.594m reduction in the forecast LTP grant.
- (iii) Approve the revised 2014/15 Capital Budget of £149.253m.
- (i) Approve the additional capital schemes detailed at Appendix 8. These schemes will be financed from the additional capital grants, from capital receipts, prudential borrowing and from the £5m transfer from the Residential Homes Capital Budget.
- (ii) Approve the MTFP (5) Capital Budget of £365.261m for 2014/15 to 2017/18 detailed in table 18.

(d) Savings Proposals

- (i) Note the approach taken by Service Groupings to achieve the required savings.

(e) Equality Impact Assessment

- (i) Consider the equality impacts identified and mitigating actions behind the report and in the individual equality impact assessments which have been made available in the Members' Resource Centre.
- (ii) Note the programme of future work to ensure full impact assessments are available where appropriate at the point of decision, once all necessary consultations have been completed.
- (iii) Note the ongoing work to assess cumulative impacts over the MTFP period which is regularly reported to Cabinet.

(f) Pay Policy

- (i) Approve the Pay Policy Statement at Appendix 10 of the report.

(g) Members' Allowances

- (i) Agree to recommend to Council that there be no changes to the Members' Allowance Scheme for 2015/16, save for consolidating Members' Car Mileage Allowances to 45 pence per mile.

(h) Risk Assessment

- (i) Note the risks to be managed over the MTFP (5) period.

(i) Dedicated Schools Grant

- (i) Note the position of the Dedicated Schools Grant.

(j) Housing Rents/Garage Rents

- (i) To set dwelling rents for 2015/16 in accordance with Government guidelines which result in an overall average increase of 2.20%;
- (ii) To increase garage rents by 2.2% which is in line with CPI as at September 2014 plus 1 percentage point.

(k) Prudential Code

- (i) Agree the Prudential Indications and Limits for 2015/16 – 2017/18 contained within Appendix 11 of the report, including the Authorised Limit Prudential Indicator.
- (ii) Agree the Minimum Revenue Provision (MRP) Statement contained within Appendix 11 of the report which sets out the Council's policy on MRP.
- (iii) Agree the Treasury Management Strategy and the Treasury Prudential Indicators contained in Appendix 11 of the report.
- (iv) Agree the Investment Strategy 2015/16 contained in the Treasury Management Strategy (Appendix 11 of the report and the detailed criteria included in Appendix 11).

4. Housing Stock Transfer – Final Update Prior to Transfer Completion
Key Decision: R&ED/10/14
Cabinet Portfolio Holders – Councillors Alan Napier, and Neil Foster
Contact – Sarah Robson 03000 267 322

We have considered a joint report of the Corporate Director, Regeneration and Economic Development and Corporate Director, Resources which sought approval to complete the transfer of ownership of the Council's housing stock to the new County Durham Housing Group Ltd (CDHG) and its component housing management organisations; Dale and Valley Homes, Durham City Homes and East Durham Homes before the Government's deadline of 31 March 2015. The report highlighted issues arising from the project work completed so far and summarised the position prior to transfer which is scheduled for 23 March 2015.

The Department for Communities and Local Government approved the Council's application to transfer its homes to a group structure of the existing housing providers in March 2014 and allowed the Council to proceed to formal consultation with its secure and introductory tenants. Formal consultation began in June 2014 and concluded with a ballot of tenants in July and August 2014. On 10 September 2014 we received a report which outlined the consultation and ballot process and we agreed to proceed with the transfer process in accordance with the positive ballot outcome with 82% of tenants voting in favour of the transfer. At the same meeting, we also approved a report which set out the proposed principles around the transfer negotiations and agreed the appropriate delegations to enable progress towards completing the housing stock transfer within the timetable required by the Department for Communities and Local Government (DCLG).

Transfer of the Council's housing stock to the County Durham Housing Group represents a significant opportunity to increase investment in homes, local neighbourhoods and housing services to further improve the lives of tenants. The new group of landlords will also include a "parent" organisation (County Durham Housing Group Ltd) which will lead on all governance and financial viability issues for the group and will provide support services to the three new landlords. This parent organisation will pass ownership of the housing stock from the Council to each of these three new landlords at the point of transfer.

There has remained an overriding need to maintain service to tenants and the Council and CDHG have continued to sustain this duty and there has been a significant amount of communication to keep tenants informed of progress and prepare them for transfer day.

The transfer of assets and land is a major aspect of the proposal and in September 2014 the Council agreed a transparent and balanced approach to their transfer. The principles behind this work were based upon the principles and experiences evidenced within former district councils who have already pursued housing stock transfer in County Durham, for example Sedgfield

Borough Homes (now livin), as well as best practice examples from other authorities.

The Cabinet agreed that the land and assets listed below should transfer to the new Group as part of the transfer agreement:-

- the housing stock and land within the curtilage of individual properties (including the freehold reversion of any Right to Buy disposals)
- garages and garage sites within or adjoining council housing estates
- shops and other leasehold land and / or property within council housing estates
- areas of land which could be subject to garden land transfers under Right to Buy provisions
- areas of land between open plan dwellings
- incidental areas of open space adjacent to housing
- areas of land where housing has previously been demolished within council housing estates and
- unadopted car parking areas, roads and footpaths within council housing estates.

It is also proposed that the following areas of Council ownership and responsibility would be retained by the Council should the transfer go ahead:-

- Areas of open space separated from houses by adopted roads and footpaths within Council housing estates
- Larger areas of open space located between main roads and dwellings in Council housing estates
- Play areas
- Land beneath adopted highways.

The report provided details of the sale price of stock to CDHG. The cost to the General Fund is £3.550m and this has been accommodated into the MTFP and annual budget for 2015/16.

In September 2014, we agreed to provide delegated authority to the Corporate Director Regeneration and Economic Development and Corporate Director Resources, in consultation with the Portfolio Holder for Regeneration and Economic Development and the Portfolio Holder for Finance, to negotiate the final transfer agreement in the best interests of the authority. Transfer can

only proceed with the formal consent of the Secretary of State for Communities and Local Government under the terms of sections 32-34 and 43 of the Housing Act 1985. A formal application to seek that consent must be submitted by the Council a minimum of four weeks prior to the proposed transfer date. In Durham's case that creates a deadline of 23 February 2015.

Additionally in Durham's case consent needs to be sought at the same time to transfer any remaining assets in the Housing Revenue Account (to General Fund accounts and authorities) and to close the Housing Revenue Account. Engagement with both the DCLG and HCA has been maintained by the Council, both throughout the lengthy options appraisal process prior to the DCLG granting consent for the Council to commence formal consultation with tenants, and onwards from the announcement of the tenants' ballot result in late August 2014.

The housing transfer project has made significant progress towards achieving completion before the end of March 2015. Major changes and new organisations have been established for delivery of the commitments made in the Council's offer document upon which tenants favourably voted in August 2014. Processes and delegations are in place to address the remaining administrative matters and negotiating points.

Decision

We have:

- a) Noted progress made in moving toward stock transfer by 23 March 2015.
- b) Confirmed approval to complete the transfer of ownership of the Council's housing stock to the new County Durham Housing Group Ltd (CDHG) and its component housing management organisations; Dale & Valley Homes, Durham City Homes and East Durham Homes.
- c) Authorised the submission to the Secretary of State for Communities and Local Government the application for consent to transfer.
- d) Provided joint delegated authority to the Corporate Director Regeneration and Economic Development and Corporate Director Resources, in consultation with the Portfolio Holder for Regeneration and Portfolio Holder for Finance to authorise completion of all agreements necessary to implement stock transfer.
- e) Agreed to receive a further report detailing the final outcome after conclusion of the transfer.

Councillor S Henig
Leader of the County Council
17 February 2015