Appendix 2

Cabinet

16 December 2015

Medium Term Financial Plan (6) 2016/17-2019/20 and 2016/17 Budget Update

CORP/R/15/02

Report of Corporate Management Team
Don McLure, Corporate Director Resources
Lorraine O'Donnell, Assistant Chief Executive
Councillor Alan Napier, Cabinet Portfolio Holder for Finance
Councillor Simon Henig, Leader of the Council

Purpose of the Report

1 To provide an update on the development of the 2016/17 budget and the Medium Term Financial Plan 2016/17 to 2019/20 (MTFP(6)) that takes into account forecasts from the Chancellor of the Exchequer's Spending Review published on 25 November 2015.

Executive Summary

2 The MTFP (6) report to Cabinet on 15 July 2015 provided details of the Chancellor of the Exchequer's Summer Budget published on 8 July 2015. Although the size of funding reductions faced by local government were still severe, the pace of funding reductions appeared to be eased in 2016/17 with savings spread over a four year period to 2019/20.

3 Further clarity was expected in relation to the size of government funding reductions when the Spending Review was published on 25 November 2015 and when the Local Government Finance Settlement was received in December 2015.

4 It was forecast in July that the council would face funding reductions of £78m over the 2016/17 to 2019/20 period. When known budget pressures were taken into account at that time, savings targets for the three years 2016/17 to 2018/19 were forecast to be £103m bringing the total savings since 2011/12 to £256m.

5 The Chancellor of the Exchequer published the government's Spending Review on 25 November 2015. Our early analysis of the impact of the Review on local

government is that it will be far reaching in terms of future funding levels and the overall functions being provided by local government in the long run.

6 The Chancellor announced an improvement in the public finance forecasts, which has enabled the government to withdraw previously planned tax credit cuts, protect Police budgets and ease the pressure on the majority of unprotected government departments. Unfortunately this protection has not been afforded to local government and in cash terms the average reduction in budgets for unprotected departments over the 2016/17 to 2019/20 period is circa 6% whereas the cash reduction for local government over the same period is circa 53%.

7 Our initial interpretation of the Spending Review implications show the amount of funding reductions for the four year period 2016/17 to 2019/20 could be less than the £78m reported to Cabinet in July 2015 at circa £70m but could also be as high as circa £85m. The position will become clearer when the council receives its actual finance settlement in mid-December 2015, but at this point it is prudent to forecast a reduction in Revenue Support Grant (RSG) across the four year period of £85m in total, with a £25m reduction anticipated in 2016/17 compared to a £15m reduction that we were forecasting in July.

8 The Spending Review also announced further changes to local government grants which will have a detrimental impact on service provision. Reductions of 3.9% per annum in real terms were announced in Public Health grant whilst the remainder of the NHS budget is to annual receive real terms increases. In addition, the government announced a 60% reduction in the Education Services Grant (ESG) on the back of a review of all statutory duties provided by local authorities to schools. The council presently receives ESG of £6m and a significant proportion of this grant could be at risk, but the position is not clear at this stage.

9 In recognition of unitary and upper tier local authorities experiencing financial pressures in their adult social care services, the Spending Review has given them powers to increase council tax by a further 2% over the current 2% council tax referendum level to invest specifically in Adult Social Care.

10 It would appear that the offer of ongoing ‘council tax freeze’ grants are to be abolished as part of the 2016/17 financial settlement.

11 In addition, the government also announced that an extra £1.5bn will be available to local government over the 2017/18 to 2019/20 period from the Better Care Fund to invest in social care. This funding is welcome, but at this stage there is no detail on how this new funding is to be financed, on allocations for local authorities or on any conditions which may be associated with this allocation. More detail is expected to be received over the coming weeks.

12 The production of DCLG Department Expenditure Limits (DEL) control totals for the period to 2019/20 has enabled the council to develop a four year MTFP. It is forecast at this stage that 2019/20 should be the last year DCLG budgets will be cut and as such local government budgets should cease to face further funding reductions. It is also helpful to have a four year plan as the full scope of savings requirements can now be considered as part of MTFP (6)

13 Based on an estimated £85m RSG reduction over this period and still using an assumed Council Tax increase of 2% in each of the next four years at this stage in line with previous Cabinet decisions, the savings required to balance the budget over the period 2016/17 to 2019/20 are forecast to be £134.7m.

14 The January 2016 MTFP (6) Cabinet report will be based upon the actual Local Government Finance settlement and will provide final clarity for 2016/17 and greater certainty for the whole MTFP (6) period.

15 The Council is continuing its medium term financial strategy to protect frontline services as far as possible and to engage the public and partners in developing and implementing savings. The first phase of consultation is complete and is summarised within the report. The second stage will involve further consultation through Area Action Partnership events to discuss the details of the 2016/17 savings proposals contained in Appendix 3 and described within the report. An outline approach to developing 2017/18 proposals is also described. As in previous MTFP reports, equality impact assessments are also summarised to inform the consultation and subsequent decision-making. Workforce implications arising from proposals for 16/17 savings have been analysed and the projections for the number of posts to be removed as a consequence of austerity have been increased by an estimated 400 posts.

Background

16 The 15 July 2015 report to Cabinet provided an update on the 2016/17 Budget and MTFP (6) and identified the savings targets as detailed below:

Year	Savings Requirement
	£m
2016/17	30.488
2017/18	37.970
2018/19	34.417
Total	**102.875**

17 At that time, the additional £102.875m of savings would have resulted in total savings across the 2011/12 to 2018/19 period of £256m. It was recognised that the achievement of savings in the future would become ever more challenging and in recognition of this, the creation of a £30m Budget Support Reserve was approved by Cabinet on 18 November 2015 to provide the council with additional

flexibility when developing savings plans in order to protect front line services for as long as possible.

18 This report provides an updated position in relation to the 2016/17 Budget and MTFP (6) whilst also providing an update on the development of savings plans. The report also provides details on the outcome of the MTFP consultation process and on the development of Equality Impact Assessments in support of savings plans.

2015 Spending Review

19 The Spending Review on 25 November 2015 provided updated details of the government's long term economic plan. Details were expected on which unprotected government departments would be required to achieve the government's £20bn of required savings and how their commitment to £12bn of welfare savings would be achieved.

20 Prior to the Spending Review, all unprotected government departments were asked to identify how savings of between 25% and 40% could be achieved to contribute to the required £20bn fiscal consolidation.

21 Although the Spending Review provides extensive detail on the country's finances and changes to government policy, the full detail will only become fully apparent for local government in the coming weeks and months as the details of polices are announced and consultations carried out. At this stage the following issues are worthy of consideration.

Departmental Expenditure Limits (DEL)

22 The Spending Review provided Office of Budget Responsibility details of a forecasted improvement in public finances of £27bn since the July summer budget. The two main elements generating this improvement were:

(i) Improvement in forecast tax receipts, especially VAT over the next four years of circa £16bn;

(ii) Reduction in forecast of debt repayments of £11bn due to lower than forecast interest rates.

23 This improvement in public finance forecasts has enabled the government to reduce the savings requirements for most unprotected government departments and to increase capital investment. The major adjustments in this regard are as follows:

(i) Police were expected to face 10% funding reductions but will now receive real terms increases over the next four years;

(ii) The planned £4bn savings from Tax Credit cuts have been withdrawn. The government has identified however that the £4bn will still be saved from Welfare but over a four year period with the introduction of Universal Credit. Tax credits are one of the welfare benefits that will be subsumed within Universal Credit.

(iii) Ahead of the Spending Review, unprotected government departments were asked to find savings of between 25% and 40%. The actual Spending Review announcement shows how, excluding local government, unprotected government departments have only been asked to find cash savings on average of circa 6% in terms of cuts to central government funding between 2016/17 and 2019/20. The cash reduction for central government support to local government over the same period is circa 53%.

24 In relation to local government, the Department for Communities and Local Government (DCLG) presently has a budget of £11.5bn. The core element of this budget is RSG of £9.5bn. The majority of the remainder of the DCLG budget is the top slice for the New Homes Bonus (NHB). Over the next four years the Government's forecasts show that the DCLG budget will be reduced as follows

Year	**DCLG Budget**	**Reduction**	
	£bn	£bn	%
2015/16	11.5	-	-
2016/17	9.6	1.9	16.5
2017/18	7.4	2.2	19.1
2018/19	6.1	1.3	11.3
2019/20	5.4	0.7	6.1
Total Reduction	**-**	**6.1**	**53.0**

25 It is expected that the £6.1bn reduction detailed above will be deducted from RSG which in 2015/16 amounts to £9.5bn, therefore on a straight line basis this would result in a 65% reduction in RSG over the four year period.

26 The council's RSG is presently £100.2m, therefore a 65% reduction would amount to £65m less grant. The government however also top slices RSG on an annual basis for the following:

(i) Additional annual New Homes Bonus;

(ii) Inflationary uplift in Business Rates and Top Up Grant;

(iii) To finance the business rate safety net.

27 At this stage, it is not possible to accurately forecast what the value of the top slices will be. Similarly there is no clarity on the breakdown of the £5.4bn DCLG DEL total in 2019/20. At this stage it is forecast that the RSG funding cut the Council will face over the 2016/17 to 2019/20 period will be between £70m and £85m. At this stage for modelling purposes the most prudent scenario of a £85m cut is being utilised in this report. The January 2016 MTFP (6) report to Cabinet will provide details of the local government finance settlement which should provide more accurate and greater certainty in relation to the funding reductions faced by the council.

28 The table below highlights the amount forecast of RSG funding reductions over the next four years compared with the figures reported to Cabinet in July 2015:

Year	July Cabinet	Spending Review	Difference
	£m	**£m**	**£m**
2016/17	15.0	25.0	+10.0
2017/18	30.0	30.0	0
2018/19	25.0	20.0	-5.0
2019/20	8.0	10.0	+2.0
Total	**78.0**	**85.0**	**+7.0**

29 The main issue of note from the table above is that the council is forecasting a £10m higher RSG reduction in 2016/17 than reported to Cabinet in July. The majority of unprotected government departments do not face a significant funding reduction in 2016/17 as reported in the Chancellor of the Exchequer's Summer Budget but the Spending Review would indicate that RSG will be reduced by £1.9bn (20%) in 2016/17.

Council Tax

30 The Spending Review has recognised the financial pressures facing single tier local authorities providing social care services and has created the option to charge a social care council tax precept to raise additional income to spend exclusively on adult social care. The precept will work by giving local authorities the flexibility to raise council tax in their area by up to 2% above the existing 2% council tax referendum threshold. An additional 2% council tax per annum for the Council could raise additional income of £3.5m per annum. For financial modelling purposes we are still using an assumed Council Tax increase of 2% in each of the next four years at this stage in line with previous Cabinet decisions, until a final decision is taken on the option to increase by a further 2% to help pay for social care pressures,

31 It is expected that additional detail on the requirement to invest any funding in adult social care will be received as part of the financial settlement. If the Council were to agree to exercise this new flexibility to increase council tax by a further

2%, we do not foresee any government compliance issues as the council is currently investing at least an additional £4m per annum in relation to demographic pressures, price inflation and to finance the impact of the National Living Wage for adult services over the next four years.

32 Although the flexibility to increase council tax by a further 2% can raise additional income there will be varying impacts across the country due to the disparate size of council tax bases for different local authorities and therefore the amount of council tax they can raise. Authorities in affluent areas have larger council tax bases due to the value of properties being higher in these areas and as such are much less reliant upon government grant. Authorities in less affluent areas like County Durham have lower council tax bases and are therefore much more reliant on government grants. This is the main reason why authorities from less affluent areas have faced significantly higher government grant reductions since 2011/12.

33 The table below provides an analysis of the increase in Spending Power a range of local authorities would receive by increasing council tax by an additional 2%.

Local Authority	**Increase in Spending Power**
	%
Wokingham	1.31
Surrey	1.26
Buckinghamshire	1.25
North Yorkshire	1.11
Northumberland	0.90
Durham	**0.70**
Newcastle	0.58
Sunderland	0.55

34 Although the Council will receive a lower increase in Spending Power from a 2% increase in council tax the Council actually faces significantly higher demand for Social Care Services than more affluent areas. For example, In 2014/15 the Council provided long term care to 2,776 clients per 100,000 population. On a similar basis, Surrey County Council only provided services to 1,785 clients per 100,000 population.

Better Care Fund

35 From April 2017 the Spending Review makes available social care funds for local government, rising nationally to £1.5 billion by 2019-20, to be included in an improved Better Care Fund. At this stage no additional detail is provided in this regard and on this basis, no additional funding is assumed from the Better Care Fund in our financial modelling at this stage. It is expected that additional detail will be received during 2016.

Public Health Grant

36 Public Health was formerly funded within the NHS ring-fence. Public Health transferred into local government in 2013/14 with the council receiving a ring fenced specific grant of £45m. This grant increased with the transfer of responsibility for public health for 0 to 5 year olds from October 2015 to a forecast £55.6m for 2016/17. The government announced in the July Summer budget, that the 2015/16 Public Health grant would be reduced in year. The council has now received confirmation that the reduction in funding in 2015/16 is £3.1m.

37 Although the NHS budget is to receive real terms increases in funding over the next four years, the Spending Review has announced that there will be average real-terms annual reductions of 3.9% over the next five years for Public Health funding. Initial information would indicate that the cash reductions over the next four years, in addition to the £3.1m in 2015/16 will be as follows:

Year	£m	%
2016/17	1.153	2.2
2017/18	1.311	2.5
2018/19	1.363	2.6
2019/20	1.363	2.6

38 In total this will amount to a total Public Health grant reduction of £8.327m (15%). In addition however the government has also announced that the formula for how the Public Health grant is apportioned is also being reviewed. The move to the proposed new formula could result in the council losing £19m (38%) of the Public Health grant in addition to any reduction resulting from the 3.9% real terms annual funding cut. Any reduction of this scale would have a massive impact on public health investment in the county. At this stage for financial modelling purposes, we are using the lower forecasted £8.327m figure over the four year period.

Schools and Education

39 Core schools budgets are to be protected in real terms, enabling the per pupil rate for the Dedicated Schools Grant (DSG) to be protected in cash terms, including £390m of additional funding given to the least fairly funded areas in 2015/16. The pupil premium will also be protected at current rates. The Council currently receives DSG funding per pupil (primary and secondary funding) of £4,640.88, compared to a national average of £4,612.11. The current allocations take into account deprivation and area cost adjustments.

40 The Spending Review has also announced the government's aim of ending local authorities' role in running schools and their aim for all schools to become academies by the end of this Parliament. Savings of around £600 million will be

made on the Education Schools Grant (ESG), including phasing out altogether the additional funding the Council receives for schools through the ESG. The government's aim is to reduce the local authority role in running schools and remove a number of statutory duties. The government will consult on their policy and funding proposals in 2016.

Apprentice Levy

41 The apprentice levy on larger employers announced in the Summer Budget will be introduced in April 2017. It will be set at a rate of 0.5% of an employer's paybill.

42 Each employer will receive an allowance of £15,000 to offset against their levy payment. This means that the levy will only be paid on any paybill in excess of £3m. The levy will be paid through 'Pay As You Earn' and this requirement will place an additional 'tax' on local authorities with the cost to the council being circa £1.2m in 2017 dependent upon the definition of 'paybill'.

43 The Local Government Association (LGA) has already pushed the government to remove local authorities from this proposed statutory requirement, but we await full details of this scheme to confirm how this will impact on the MTFP. At this stage we have built in a new budget pressure of £1.2m into 2017/18.

100% Business Rate Retention

44 During 2016, the government will consult on changes to the local government finance system to pave the way for the implementation of 100% business rate retention rather than the current 50% by the end of the parliament.

45 The consultation will take into account the main resources currently available to councils, including council tax and business rates. As part of these reforms, the main local government grant being RSG will be phased out and additional responsibilities devolved to local authorities. For example, the government will consider transferring responsibility for funding the administration of Housing Benefit for pensioners and will also consult on options to transfer responsibility for funding public health. The government will consult on these and other additional responsibilities in 2016.

46 The introduction of 100% business rate retention will be significant providing additional incentive to the council to attract business but also transferring significant risk to local authorities in relation to business failure but particularly for business rate appeals. The transfer of additional responsibilities to local authorities will also require careful analysis and consideration, with statements being made about linking the 100% retention of business rates to new responsibilities around Public Health.

New Homes Bonus

47 The government will be consulting on changes to the local government finance system to rebalance support including to those authorities with social care responsibilities by taking into account the main resources available to councils, including council tax and business rates. The consultation will include reforms to the New Homes Bonus (NHB), including means of sharpening the incentive to reward communities for increasing the numbers of available homes and reducing the length of payments from 6 years to 4 years. This will include a preferred option for savings of at least £800m, which could be used to support social care services via the Better Care Fund. Details of both reforms will be set out as part of the local government finance settlement consultation, which will include consideration of proposals to introduce a 'floor' to ensure that no authority loses out disproportionately.

Capital Receipts

48 The government will allow local authorities to spend up to 100% of their fixed asset capital receipts on the revenue costs of approved "reform projects". The flexibility to use asset receipts for reform projects will be subject to a number of conditions, including limits on the years in which the flexibility will be offered and the qualifying criteria for reform projects.

49 The detail will be set out by DCLG alongside the Local Government settlement and at this stage it is not clear what flexibility will be offered to the council in this regard and therefore no utilisation of receipts to fund revenue costs are built into the updated MTFP at this stage.

2016/17 Budget Update

50 Subsequent to the 15 July 2015 MTFP (6) Cabinet report, the following updates are required to the 2016/17 budget model as shown at Appendix 2 as a result of government announcements and updated financial information.

(i) September Retail Price Inflation (RPI)

The September RPI figure is utilised by the government to set the Business Rates multiplier uplift i.e. the amount by which Business Rate bills will increase the following year. The council had been forecasting that the September 2015 RPI figure would be 1%. The actual figure was 0.8% which is slightly lower than forecast. The 2016/17 forecast increase in both Business Rate income and 'Top Up' Grant will need to be reduced by £97k and £121k respectively.

(ii) Council Tax

For modelling purposes, at this stage it is assumed that council tax could be increased by 2% in each of the next four years at this stage in line with previous Cabinet decisions.

(iii) New Homes Bonus

The council should receive notification of the 2016/17 New Homes Bonus grant figure as part of the local government finance settlement. This additional sum is calculated based upon the council's forecasted Council Tax Base (CTB1) return to government which was submitted in October 2015. Based upon analysis of the CTB1 it is forecast that the council will receive £1.75m NHB which is a £0.5m increase over the July forecast. This assumption is based upon the methodology for calculating NHB remaining unchanged in 2016/17.

(iv) Council Tax/Business Rate Tax Base

The July MTFP (6) Cabinet report included a forecast of a net £4.14m increase in income from higher tax bases in relation to Council Tax and Business Rate. Although there has been an improvement in the tax base for Council Tax in the intervening period the forecast tax base for Business Rates has deteriorated significantly. This relates to the significant number of business rate appeals received by the Valuation Office late in 2015/16 and reported to the council during the summer. On this basis it is now forecast that the net tax base will increase by £3.4m, a £740k reduction when compared to the July forecast.

(v) Corporate Risk Contingency Budget

To provide additional assurance and budget protection, it was originally planned to reduce this budget by £3m in 2017/18. The 2016/17 position has now deteriorated and this budget reduction has been moved into 2016/17 to help the financial shortfall position in this year.

(vi) Costs Associated with the National Living Wage

The introduction of the National Living Wage will have a significant impact upon the council's budget. A rate of £7.20 per hour will be implemented in 2016/17 with the rate expected to increase to £9.35 per hour in 2019/20. There will be no additional costs in relation to the council's workforce in 2016/17 as the Durham Living Wage is higher than £7.20 per hour. In the following years however additional costs will manifest with additional costs of circa £1m per annum by 2019/20.

The Council will however face significant pressure from service providers to increase contract prices. In the short term this is especially the case in relation to care providers. In July it was forecast that an additional £3m would be required to increase contract prices for care providers. Negotiations in this regard are ongoing but at this point it would be prudent to increase this sum to £4m in 2016/17 and maintain a further £4m per annum cost pressure in each of the following three years.

(vii) Employee Increments

The new grading structure implemented as part of the Single Status agreement in January 2013 included five increments in each grade. As part of the financial modelling for Single Status it was agreed that the cost of incremental movement up to 2015/16 would be financed corporately. After this point however it was forecast that normal levels of staff turnover would result in additional incremental costs being negated by new employees being employed on the bottom of the grade. Unfortunately the council is generally experiencing low levels of staff turnover with incremental movement therefore manifesting as a base budget pressure. On this basis the £2.5m cost of incremental movement has been introduced as a base budget pressure in 2016/17 with Service Groupings becoming responsible for any budget impact from 2017/18 where any additional costs will have to be met from within their own budget cash limit.

(viii) Prudential Borrowing

Initial MTFP (6) planning included additional capital financing budgets of £2m per annum. This budget enables the council to continue to replace the vehicle fleet and to prudentially borrow to finance new capital expenditure projects. The forecast of interest rates assumed when developing this budget in recent years has been between 4.5% and 5% and has been based upon agreed forecasts of Public Works Loans Board (PWLB) interest rates provided by the council's treasury management consultants. Against all expectation however interest rates are remaining at historically low levels which is one of the main reasons how the government itself has reported a £11bn saving on its debt payment budget.

Based upon current forecasts of borrowing costs it is estimated that the current capital financing budget could be reduced by £2m and on this basis the additional £2m budget for 2016/17 will not be required and has been withdrawn from the budget model.

51 The July MTFP (6) report to Cabinet identified a 2016/17 savings requirement of £27.188m in addition to the forecast £3.1m saving in Public Health. Over the intervening period, Service Groupings have been finalising savings plans.

Savings for 2016/17 have been identified of £28.169m and are detailed in Appendix 3. This level of saving is not sufficient to cover the full forecasted budget shortfall however of £40.567m. At this stage it is therefore forecast that £8.108m of the Budget Support Reserve established by Cabinet on 18 November 2015 will be utilised to cover the shortfall with a corresponding increase to the savings target for 2017/18 by the same £8.108m.

52 The £4.3m forecast saving in Public Health in 2016/17 is an estimate at this stage and is based upon the in year cut experienced of £3.1m in 2015/16 and the 2.2% cash reduction for 2016/17. It is expected that further detail on Public Health allocations will be received as part of the local government finance settlement. The table below sets out the savings position for 2016/17 and the forecast utilisation of the Budget Support Reserve:

2016/17 Budget Savings Forecast	**£m**
Variance in Resource Base	15.599
Base Budget Pressures	24.968
Savings Required	**40.567**
Savings Plans in place	28.169
Public Health Savings	4.290
Utilisation of Budget Support Reserve	8.108
Savings and BSR Utilisation	**40.567**

Saving Proposals for 2016/17 and 2017/18

53 A list of the detailed saving proposals for 2016/17 is presented at Appendix 3. These are summarised for each service grouping in the next section of the report. Also included within Appendix 3 are outline proposals for savings in 2017/18. These proposals however are at an early stage of planning and further work is underway to scope out the full detail.

54 The strong programme management approach to the delivery of the savings and the continued focus on delivering early wherever possible means that many of the proposals planned for 2016/17 that affect frontline services are already or have been subject to detailed consultation in order to shape how the savings can be delivered. These include:

(i) Home to School Transport
(ii) Care Connect
(iii) Refuse and Recycling Collections
(iv) Day Care

2016/17 Savings

Assistant Chief Executive

55 To date spending reductions of just over £4m have been achieved over the course of MTFP (1) – (5). In 2016/17 a further £0.8m is required and in 2017/18 £1m bringing the total amount of savings since 2011 to nearly £6m.

56 The service grouping continues to identify opportunities to work more efficiently whilst providing support to the Council through a period of ongoing and considerable change as well as meeting increasing service demands arising for example from welfare reforms, co-ordinating our approach to migration, information management and freedom of information requests.

57 Since 2011 much of the service grouping's savings have been realised through reduction of management and support services. For 2016/17, whilst the majority of savings will come from these areas including the reduced salary for the new Chief Executive, we are proposing further reductions to AAP budgets of £20,000 to reduce allocations to £100,000 for each AAP and grants to community groups including Durham Community Action and Gay Advice in Durham and Darlington.

58 To mitigate these reductions we will be seeking to maximise other funding that is available to continue to support the priorities identified through the AAPs and those groups affected by the reduction in grants.

59 Even with these reductions these service areas have still had a lower percentage reduction than the overall reduction for the service grouping and the Council as a whole which is in line with the feedback received through the several public consultations undertaken on the MTFP.

60 For 2017/18 a full review of the service grouping is proposed in order to identify the savings required. All service areas will be considered including front line areas such as AAPs.

Children and Adults Services

61 Spending reductions of over £71m have been achieved over the course of MTFP (1) – (5). In 2016/17 additional savings of £17.7m are required together with £24.3m in 2017/18 which will bring the total savings requirement since 2011 up to circa £113m.

62 The service continues to be faced with a significant amount of change both internally and externally include the continuing demographic changes, ongoing NHS changes, social care reforms and changes in funding for schools and inspection frameworks.

63 In 2016/17 efficiency savings will be made through a restructure of Adult Care Services to meet the requirements of the Care Act, the delivery of the Looked

after Children Reduction Strategy reducing the need for residential care, further improvements to the commissioning of services including transport, reviewing the fostering service and reviewing support services.

64 In addition the service will be looking to increase the income received across a number of areas including secure services welfare and step down beds, surplus adoptive or foster care places, through the provision of learning and skills to young people and a review of the adult social care charging policy.

65 Some of the 2016/17 proposals that affect frontline services are savings arising from policy changes made in previous years, such as changes to day care provision, plus the continued focus on a consistent and effective use of the existing eligibility criteria. A major transformation programme is currently underway in the Children's Service to reduce the cost and incidence of children being looked after and taken into care.

66 In 2017/18 savings proposals being considered include building on the improvements already made to commissioning by developing a more integrated approach, further savings from efficiencies in the provision of children's care and continued savings from the consistent application of eligibility criteria for social care services to adults. A review of the in-house County Durham Care and Support is also being considered for 2017/18.

67 Whilst it is clear that savings proposals in this area affect vulnerable people, all efforts continue to be made to minimise the impact as far as possible in line with the views expressed by the public. This involves reviewing and changing operating models and working practices alongside the development of opportunities to work in a more integrated way with external partners.

Neighbourhood Services

68 Spending reductions of £25.3m have been achieved over the course of MTFP (1) - (5) with a further £3.5m required in 2016/17 and £2.9m in 2017/18. Since 2011 the total amount saved by 2017 will be £31.7m.

69 Throughout the previous MTFP's, Neighbourhood Services has focused on delivering its savings through more efficient delivery of services and whilst it is continuing to focus on this strategy it is becoming increasingly difficult to avoid changes to front line services that will not result in some impact in local communities.

70 Areas where further efficiency reviews will be carried out in 2016/17 include Fleet Management, Technical Services and Environmental Health. In addition there are further savings associated with rationalising office accommodation and from recycling credits.

71 Proposals for 2016/17 are also included which will affect both Leisure Centres and Libraries but the changes proposed will ensure there are no closures of each. In addition the Council is continuing to promote the Durham Ask to explore the potential for services such as Libraries to continue to be provided through the involvement of local organisations and groups, securing their long term future.

72 Areas where there will be changes in services currently offered include relocating the DLI collection, changes to the collection of refuse and recycling, a review of street wardens and reviewing customer services. However all of these areas are about changes to how the service is delivered rather than removing the service, for example whilst the number of street wardens is going to reduce the service will continue to be provided seven days a week.

73 For 2017/18 areas being considered include further efficiency reviews and additional savings from the street lighting energy reduction programme.

Regeneration and Economic Development

74 Spending reductions of £20.4m have been achieved over the course of MTFP (1) – (5). In 2016/17 additional savings of £1.1m are required together with £2.2m in 2017/18 resulting in a total reduction since 2011 of £23.7m.

75 During 2015 the in-house housing provider Durham City Homes together with the two ALMOs Dale and Valley Homes and East Durham Homes were transferred to a new social housing company County Durham Housing. This afforded further opportunities to deliver efficiencies within the existing RED structure. In addition, contract and price renegotiations with transport providers have provided further reductions in costs. Further future opportunities for savings will materialise with the conclusion of the County Durham Plan.

76 This, together with further staffing reductions through vacancy management and restructuring activity alongside a further reduction in supplies and services will provide the majority of savings for both 2016/17 and 2017/18.

77 However some front line service areas will be affected for example the Care Connect team who provide a 24 hour service for vulnerable residents. Whilst the emergency on call service provision will still be provided the costs and nature of the service is being reviewed.

78 Consultations held previously have consistently identified job prospects as a priority and whilst there has been a significant reduction in the Government funding available for this activity, the service grouping continues to support this area as far as possible by working with a range of interested parties. In 2015 a number of successful capital schemes were established to delivery employment growth. The service works in conjunction with others including the AAPs to support local residents into employment and training.

Resources

79 In line with the views of the public the Council has consistently prioritised higher savings targets from Resources, which has resulted in savings since 2011 of £11.8m. In 2016/17 a further £1.5m is required together with £3.2m in 2017/18. This will mean from 2011 to 2017 reductions totalling £16.5m will have been made.

80 The service grouping are also managing a range of additional savings for 2016/17 from corporate areas and changes in financial policies including a review of business support functions, additional dividends and reductions in fees and charges. These proposals will deliver a further £3.5m of savings for MTFP (6).

81 All areas of the service grouping will be undergoing further reviews and restructuring during 2016/17 and 2017/18 in order to deliver the savings required in these areas.

82 In addition in 2017/18 it is proposed that the front facing revenues and benefits service be reviewed to identify efficiency savings. Impact on customers in terms of benefit processing times, invoice payment performance and recovery rates will be carefully balanced and mitigated as far as possible.

MTFP (6) 2016/17 to 2019/20 Update

83 The production of DCLG Department Expenditure Limits (DEL) control totals for the period to 2019/20 has enabled the council to develop a four year MTFP. It is forecast at this stage that 2019/20 should be the last year DCLG budgets will be cut and as such local government budgets should cease to face further funding reductions. It is useful therefore to have a four year plan as the full scope of savings requirements can be considered as part of MTFP (6).

84 In addition to the inclusion of a fourth year into MTFP (6) the model at Appendix 2 has been amended for the following:

(i) Retail Price Inflation (RPI)

The forecast uplift in Business Rates and Top Up grant in 2017/18 had been forecast to be 2% based upon September 2016 RPI. At the present time RPI is at 1% and it is felt prudent at this stage to reduce the forecast of RPI uplift from 2% to 1.5% in 2017/18.

(ii) Council Tax

For forecasting purposes our financial model at Appendix 2 is still predicated on the same 2% council tax increase that was included in the July 2015 Cabinet report.

(iii) Apprentice Levy

The forecast additional cost of the levy in 2017/18 of £1.2m is included as a base budget pressure.

85 In addition to finalising plans for 2016/17 savings, service groupings have also been developing plans for 2017/18. These plans are yet to be finalised but at this stage high level plans for achieving £33.7m of savings have been developed. These are detailed in Appendix 3. This level of saving would not be sufficient to cover the budget shortfall and at this stage it is forecast that £17.029m of the Budget Support Reserve would need to be utilised should the outline plans be firmed up and delivered. This would result in £25.137m of the £30m Budget Support Reserve having to be utilised by the end of 2017/18.

86 After taking into account required MTFP (6) adjustments and considering the savings plans developed by service groupings, including the outline plans for 2017/18 which still need to be finalised, the table below provides a summary of the MTFP (6) position. Full detail in this regard is included in the MTFP (6) model in Appendix 2.

MTFP(6) Plans	2016/17	2017/18	2018/19	2019/20	Total
	£m	£m	£m	£m	**£m**
Savings Plans	28.169	33.664	0	0	**61.833**
Savings to be Identified	0	0	46.226	18.380	**64.606**
Public Health Saving	4.290	1.311	1.363	1.363	**8.327**
Previous years shortfall	0	(8.108)	(17.029)	0	**(25.137)**
Utilisation of BSR	8.108	17.029	0	0	**25.137**
Total	**40.567**	**43.896**	**30.560**	**19.743**	**134.776**

87 The table above highlights the total savings required over the 2016/17 to 2019/20 period amount to £134.776m. It is recognised that this is a dynamic position could change significantly based upon the following:

(i) Actual level of RSG reductions

(ii) Actual level of Public Health grant reductions

(iii) Actual level of ESG reductions

(iv) Actual level of Benefit Admin grant reduction

(v) Possible restrictions in utilisation of additional 2% council tax

(vi) Opportunity from additional Better Care Fund allocations

(vii) Opportunity from additional flexibility in relation to capital receipts

(viii) Impact of any changed to New Homes Bonus funding

(ix) Timing of and impact of introduction of 100% Business Rate retention

88 At this stage there are significant uncertainties in the short term. Some of these uncertainties will be resolved when the council receives the local government finance settlement in mid-December. The impact of this will be reported to Cabinet in January.

Budget Consultation Process

89 The budget consultation for 2016/17 builds on the major MTFP consultation exercise carried out in 2013, which involved more than 4,000 people and provided a clear steer on which services should be prioritised for a standard, larger or smaller reduction.

90 The 2016/17 consultation is being carried out in two phases. Phase one of the consultations was completed in October 2015 and was primarily aimed at seeking views from the Area Action Partnerships on the service priorities identified in 2013 and whether they continued to be relevant.

91 An opportunity was also made available for individuals to comment online however, given the lack of clarity regarding the Council's budget position in advance of the Comprehensive Spending Review and the limitations that imposed on highlighting specific budget proposals, a high public response rate was not anticipated.

92 In addition to seeking views on service priorities, the consultation also sought views on what more the Council could do to encourage people to get involved in the Durham Ask.

Service Priorities

93 None of the AAPs consulted suggested any changes to the service priorities identified by the 4,000 participants in the 2013 Consultation

94 However a number of suggestions were made by respondents for the Council to note when agreeing future budget reductions. These are set out below:

(i) Future reductions must take account of partner agency budget proposals;

(ii) Identify opportunities for collaboration, sharing and co-location of services with police, fire and other partners;

(iii) Reviewing budgets in the public sector can offer opportunities for community and social enterprises;

(iv) Continue to offer support to communities to build skills and encourage increased take-up of asset transfers.

(v) Future reductions should take account of the impact of change on rural communities.

95 As expected, very few online responses were received to the consultation, however a majority of those who did respond highlighted that they had begun to notice changes to service provision since 2013. These included a broad range of services, a number of which had been subject to changes as a consequence of earlier MTFP budget decisions. There was very little consensus between respondents as to the areas of change and no single service was identified by more than two people.

Durham Ask

96 When asked what would encourage take-up of the Durham Ask, to help maintain valued services as resources are reduced, respondents highlighted the following:

(i) Increasing publicity and awareness about the Durham Ask, through case studies, sharing of good practice, explaining that this is about retaining valued services and highlighting the benefits;

(ii) Ensuring access to regular support during asset transfer, including financial assistance to assess feasibility and assisting with recruitment of volunteers, particularly management group members;

(iii) Ensuring clear information about the aims, how to apply, the support available and the roles and expectations for groups engaging in asset transfer;

(iv) Providing a list of potential buildings, land, services for asset transfer;

(v) Considering transfers that would achieve savings in the long term, if not immediately, and considering freehold transfers;

(vi) Providing clear advice on HR issues, including TUPE and dealing with redundancies;

(vii) Providing clear and realistic timescales.

97 Respondents also identified a range of organisations that could become more involved in asset transfer, either directly or in partnership. In particular, suggesting an increased role for the voluntary sector and Town and Parish Councils, with opportunities to generate additional funding. However, concerns were raised about reduced funding and a lack of resources. Discussions about the role of the private sector and conditions for their involvement also took place.

Next Steps

98 The second phase of the consultation will commence on 16 December 2015 and continue until 12 January 2016. It will consist of three public events as detailed below, seeking views on the budget proposals set out in this report.

99 In addition to the three events, responses to the Council's budget proposals will be sought from the key partners that make up the wider County Durham Partnership, including local councils and members of the Partnership's thematic partnerships.

100 The three events are:

16 December – St John's RC School, Bishop Auckland, 6:00 p.m. – 7.30 p.m.

17 December – Shotton Hall, Peterlee, 1.00 p.m. – 2.30 p.m.

17 December – County Hall, 6:00 p.m – 7.30 p.m.

Council Plan and Service Plans

101 A report to Cabinet on 18 November 2015 considered the approach to the refresh of the Council Plan this year, which is being done alongside the work on the MTFP. The high level approach agreed was that as the Council Plan and associated service plans are three year plans, they would be rolled forward this year to reflect agreed MTFP (6) changes and any other policy changes required. It was agreed that the six Altogether Better themes of the current plan be maintained, but with some limited adjustments to objectives and outcomes. A more fundamental review is to be conducted in 2016, linked to the refresh of the Sustainable Community Strategy. The draft Council Plan is scheduled to be submitted to the March 2016 Cabinet and April 2016 Council meeting for approval, following approval of MTFP (6).

Workforce Implications

102 MTFP (1) which covered the period from 2011 to 2015 originally forecast a reduction in posts of 1,950 against a savings target of £123.5m. Since then the savings required to date have grown to over £153m yet through careful management of the workforce the impact on the workforce has remained around the same level as was originally predicted.

103 Looking ahead with the significant savings requirements over the next two years we are expecting to see further reductions in our workforce. For 2016/17 the forecast is a further reduction of around 400 posts including the deletion of an anticipated 60 vacant posts.

104 In 2017/18 as the savings plans are still in development at this stage there isn't a forecast available on the number of posts likely to be affected.

105 Management of change policies and HR support have ensured that this degree of change has been managed effectively since 2011 and these practices will continue including the use of a redeployment programme to minimise the number of redundancies.

Equality Impact Assessments

106 Consideration of equality analysis and impacts is an essential element that members must consider in making the budget decisions at Appendix 3. This section updates members on the outcomes of the equality impact assessment of the MTFP (6) to date, and summarises the potential cumulative impact of the 2016/17 proposals.

107 Equality impact assessments are an essential part of decision-making, building them into the MTFP process supports decisions which are both fair and lawful. The aim of the assessments is to:

(i) Identify any disproportionate impact on service users or staff based on the protected characteristics of age, gender (including pregnancy/maternity and transgender), disability, race, religion or belief and sexual orientation.

(ii) Identify any mitigating actions which can be taken to reduce negative impact where possible.

(iii) Ensure that we avoid unlawful discrimination as a result of MTFP decisions.

108 The Council is subject to the legal responsibilities of the Equality Act 2010 which, amongst other things, make discrimination unlawful in relation to the protected characteristics listed above and require us to make reasonable adjustments for

disabled people. In addition, as a public authority, we are subject to legal equality duties in relation to the protected characteristics.

109 The public sector equality duties require us to:-

(i) Eliminate unlawful discrimination, harassment and victimisation.
(ii) Advance equality of opportunity.
(iii) Foster good relations between those who share a protected characteristic and those who do not.

110 The Equality and Human Rights Commission (EHRC) issued ‘Using the equality duties to make fair financial decisions: a guide for decision makers’ in September 2010. The guidance states that “equality duties do not prevent you from making difficult decisions such as reorganisations and relocations, redundancies and service reductions nor do they stop you making decisions which may affect one group more than another. What the equality duties do is enable you to demonstrate that you are making financial decisions in a fair, transparent and accountable way, considering the needs and the rights of different members of your community.”

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

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

(i) Are built in at the formative stages so that they form an integral part of developing proposals with sufficient time for completion ahead of decision-making.

(ii) Are based on relevant evidence, including consultation where appropriate, to provide a robust assessment.

(iii) Objectively consider any negative impacts and alternatives or mitigating actions so that they support fair and lawful decision making.

(iv) Are closely linked to the wider MTFP decision-making process.

(v) Build on previous assessments to provide an ongoing picture of cumulative impact.

113 The process for identifying and completing impact assessments in relation to the MTFP is consistent with previous years. Services, with support from corporate

equalities, were asked to consider all proposals to identify the level of assessment required – either ‘screening’ or ‘full’ depending on the extent of impact and the deadline for the final decision.

114 Where proposals are subject to further consultation and further decisions, the relevant impact assessments will be updated as further information becomes available. Final assessments will be considered in the decision making process.

Impact Assessments for 2016/17 Savings Proposals

115 A total of 35 assessments are available for Members to inform their decisions on individual proposals. Some are existing assessments from previous years where there is a residual saving or a continuation of a savings proposal. Some are new assessments and a number of proposals do not require an assessment, for example those involving use of cash limits or savings in supplies and services.

Equality Impact Assessments by Service Grouping:

Service	EIAs
ACE	3
CAS	15
Neighbourhoods	11
RED	1
Resources	4
Corporate	1
Total	**35**

116 The documentation has been made available for Members via the Member Support team ahead of this Cabinet meeting.

Summary of Equality Impacts of 2016/17 MTFP Proposals

117 Services were required to identify potential impacts likely to arise from implementing each savings proposal. The main equalities impacts in relation to new and continuing savings proposals are summarised below for each service grouping.

118 ACE proposals include a service review with a potential impact on staff, a, proposed reduction in AAP revenue which will be attempted to be mitigated by third party funding, and reduction and withdrawal of grant funding. Specifically, this involves removal of residual budgets relating to community buildings grant, reduction in grant for Durham Community Action and removal of the remaining grant funding to Gay Advice in Durham and Darlington (GADD). At this stage, prior to consultation, none of these proposals are thought to have specific disproportionate impacts on groups with protected characteristics except the GADD reduction which has impacts in relation to sexual orientation, age and

gender including transgender. Proposals could be mitigated through third party funding.

119 CAS proposals include potential impacts on age, disability and gender:

(i) Some savings relate to changes from previous years which continue to produce savings in 2016/17. These include consistent and effective use of existing eligibility criteria and changes to management of in house social care provision, which have potential to impact on service users who are older people, women and disabled people. Further efficiencies in relation to management and support services are also proposed, which will impact primarily on staff.

(ii) Some savings proposals have positive impacts for service users: vulnerable children will be better supported through secure services welfare and step down beds which will generate income, and our early help approach for families will allow income to be generated by other councils using our surplus foster care places. The increased use of the Intermediate Care Plus service will reduce costs for care through more service users regaining independence.

(iii) A further review of in-house day care services is underway, with a potential impact on services users, many of whom are older and/or disabled. It is proposed that the in-house service refocuses provision to support service users with more complex needs. The needs of other users will be met through the independent sector and community based services. A proposed re-structure of Adult Care Services to meet the requirements of the Care Act will ensure service users continue to receive a high quality service, though there will be staff reductions and changes to job descriptions which would impact on staff. Staff changes would affect a predominantly female workforce but implications for other protected characteristics have been considered to ensure fair treatment of staff throughout this process.

(iv) Review of our charging policy in respect of adult care provision has the potential to affect service users receiving a service disability premium (SPD) who could be required to pay up to £22.93 more per week for their social care provision. As well as having some form of disability, this group of service users is more likely to be female and older. This brings the Council’s policy in-line with other local authorities and complies with the Government’s Care Act Guidance which ensures no-one is asked to pay more than they can afford. This saving is subject to further consultation. The equality impacts of this policy change will be considered as part of this decision making process.

(v) The delivery of a new youth support strategy will impact mainly on young people with a key objective to increase the proportion of youth service spend on targeted support and achieve a more equitable balance between universal provision delivered through open access evening youth provision and targeted youth support. This saving will be subject to further decision making and consultation in early 2016.

(vi) A review of non-assessed services is proposing changes to charging for Care Connect, the council's community alarm and telecare/healthcare provider which has impacts on older people, particularly women and those with a disability. The review also proposes de-commissioning some Prevention Services for over 50s which has potential impacts for women, older people, those with a disability and LBGT people; however some of the current demand will be met by Wellbeing for Life and other statutory or VCS provision. The needs of older people will be considered in any future commissioning of preventative services.

(vii) Consultation is underway on proposed changes to non-statutory home to school or college transport which have the potential to affect some children and young people including those aged 16-19 with a medical condition. These changes will apply to new applicants and measures will be put in place to mitigate against the negative impacts.

(viii) The cost of Children's Care will be reduced through the delivery of the Looked After Children Reduction Strategy reducing the need for residential care, which is a positive impact for children. It is also proposed that a small number of young people with a disability access alternative support or provision for short term activity breaks.

120 Neighbourhood Services proposals include potential impacts across all characteristics in relation to staffing whilst there are potential service impacts on age, gender and disability. Specific impacts of savings proposals include;

(i) Staffing reviews are proposed in a number of services including Fleet Management and Grounds Maintenance. These proposals are not thought to have impacts on service delivery. Fair treatment of staff will be ensured through agreed corporate HR procedures contained within the Change Management Toolkit.

(ii) Staffing reviews in other services have various potential service impacts though mitigating actions are also being proposed to lessen the negative effects. For example proposed changes in technical services (to share a Road Safety Manager with Hartlepool BC and remove direct funding for Child Pedestrian Training could have impacts on children and families, but to mitigate the impacts funding will be sought from alternative sources. A review of refuse and recycling collection rounds may lead to a change in collection days for some households. While the impact of these changes are largely on the workforce, there may also be impacts for householders with a disability. Proposed changes to Environmental Health and Consumer Protection will reduce the number of staff and change some responsibilities, any potential impacts will be mitigated through wherever possible by better use of resources.

(iii) A structural review of Customer Relations and Performance and Planning teams will impact on staff in terms of an overall reduction in numbers and changes to responsibilities. While there are potential impacts to service delivery in these areas the review aims to improve resource planning and provide a better mix of frontline staff.

(iv) Proposed changes to Neighbourhood Protection have the potential to affect groups with protected characteristics, particularly young people. This is due to reducing the number of street wardens, but the service will aim to maintain a seven day-a-week service.

(v) Changes to the DLI collection arrangements, whilst removing the current base, have the potential for positive impacts for visitors, especially those who are elderly and/or with young families because of better public transport access. Other changes include reviewing the contributions made to museums and theatres. The reductions are not thought to have specific disproportional impact on groups with protected characteristics.

(vi) Proposals to reduce the book fund will reduce the number of titles across all categories. This has the potential to impact older and disabled library users who may rely more than other groups on public services provision of special formats such as larger print sizes. However, the mix of future book purchasing will be driven by user demand so no specific library user group should be disproportionately affected by this change.

121 RED, Resources and Corporate proposals relate to further staffing restructures, residual savings as a result of previous staffing restructures and efficiencies from supplies and services. These changes are not thought to impact on service users. Fair treatment of staff will be ensured through agreed corporate HR procedures contained within the Change Management Toolkit.

Impacts of Previous Proposed Savings and Cumulative Impacts of 2016/17 Proposals

122 Carrying out equality impact assessments on MTFP proposals helps us to understand the cumulative impact across a range of savings proposals. Throughout the last five years of austerity, the approach of the Council has been to keep the impact of savings on front line services to a minimum, and this has greatly reduced equalities impacts on those with a protected characteristic. For example our successful transfer to local community groups of leisure centres and community facilities, the ongoing work on the Durham Ask, positive shifts to preventative work in our children's services and increases in income generated are all ways in which Durham County Council is reducing equalities impacts of Government budget cuts. Where service reductions have been unavoidable, impacts in relation to previous proposals generally related to loss of, or reduced access to, a particular service or venue, travel to alternative provision, increased costs or charges and service re-modelling including reductions in staff. These changes had the potential to affect all protected characteristics however because it is more likely to affect those on low income, people without access to personal transport and those reliant on others for support there were particular potential impacts in relation to people with a disability, age and gender.

123 Generally, changes to universal services such as street lighting or bin collection are less likely to have a disproportionate impact on any one group. However, there are exceptions such as reductions in contracted public bus services, changes to libraries' opening hours and changes to leisure centres. Dedicated services such as social care, day care and home to school transport sometimes have disproportionate impacts for particular groups such as people with a disability and women, particularly those with a caring responsibility, and we have taken steps to monitor the impact and mitigate it where possible.

124 While the specific list of proposed savings in the 2016/17 MTFP are different from previous years the impacts are similar. There are potential impacts for older people, particularly those with a disability receiving social care, although some savings are the result of more older and disabled people living independently which is a positive outcome. Older social care users are also more likely to be female. Children and young people, including some with a disability are potentially affected through changes to home to school transport policy and through a new youth support strategy.

125 There are also potential impacts for community groups with a proposed reduction in grant funding, with a specific impacts this year for LBGT groups. However, generally there are limited impacts identified in relation to race, religion or belief and no specific impacts on transgender status or sexual orientation, although there is also less data and evidence available to show potential impact on these groups.

126 Mitigating actions are considered where the assessments have identified negative impacts on protected groups. These generally include ensuring service

users can make informed choices or find alternatives (including finding funding from other sources), implementing new or improved ways of working, working with partners and providing transition or more flexible arrangements to reduce the initial impact.

127 There are a number of 2016/17 proposals relating to staffing restructures and changes, the impacts are comparable to those reported in previous years. Services are required to follow corporate HR procedures to ensure fair and consistent treatment, for example, by making reasonable adjustments for disabled employees. In many cases negative impact can be minimised by progressing requests for early retirement, voluntary redundancy and through redeployment.

128 In summary the potential impacts on staff can relate to any of the protected characteristics. In terms of age, employees over 55 may feel at greater risk of redundancy or younger staff who may be more likely to have significant financial burdens in terms of mortgages or young families. There are potential gender impacts on both men and women, for example where reviews relate to senior posts or particular technical roles they are more likely to affect male employees whilst a number of proposals relate to areas with more female employees.

129 Overall, the staffing profile still shows significantly more women employed across the council so women are inevitably more likely to be affected by change. There are some disabled staff and staff from black or ethnic minority backgrounds included in the reviews and restructures but the overall numbers of those affected are low which reflects the broader workforce profile data. Data on the religion or belief and sexual orientation of staff is collected through Resourcelink but the reporting rates are still very low so this information is not routinely included in equality impact assessments in order that people cannot be identified. Transgender status is not currently monitored.

High Level Summary of Equality Impact of 2017/18 Proposals

130 A list of proposals contributing savings to the 2017/18 MTFP is included as Appendix 3. It is likely that the key service user impacts will relate to age, gender and disability, as for previous years. Many savings areas represent continuing savings from 2017/18, including the ACE service review, CAS application of eligibility criteria, review of care connect charging and review of home to school transport. The equalities impacts are already summarised at paragraphs 83 and 84 and supported by impact assessments. Other proposals are at an earlier stage. As these proposals are developed, services, with support from the corporate equalities team, will be asked to identify the level of equalities assessment required. This will mean either a ‘screening’ or ‘full’ equality impact assessment will be developed depending on the extent of impact to support the decision making process.

131 Where proposals are subject to multi-stage decision making, or subject to consultation, the relevant impact assessments will be updated as further information becomes available. Final assessments will be considered in the decision making process.

Key Findings and Next Steps

132 The equality impact assessments are vital in order to understand potential outcomes for protected groups and mitigate these where possible. Details of the impacts identified at this stage will be updated for the final Cabinet and Council decision-making meetings.

133 The main equalities impacts of the 2016/17 MTFP proposals relate to age, disability and gender. There will be continued focus on equalities issues as we move into future years of this MTFP, with equality impacts revisited and reviewed each year as appropriate. In many cases impact assessments are initial screenings with a full impact assessment to follow at the point of decision, once all necessary stakeholder consultation has been completed.

Recommendations and Reasons

134 Cabinet is asked to:

(i) Note the impact of the Spending Review detailed in the report.

(ii) Note that at this stage there is significant uncertainly in relation to the impact on the Council. Further clarity will be received when the Council receives the local government financial settlement in mid-December and receives details of all specific grants.

(iii) Note the adjustments to the 2016/17 Budget model and the revised savings target of £40.567m.

(iv) Note the revised savings target for the 2016/17 to 2019/20 period of £134.7m.

(v) Note the forecast utilisation of £25.1m of Budget Support Reserve.

(vi) Note the savings detailed in Appendix 3 to achieve £61.833m of savings in 2016/17 and 2017/18.

(vii) Consider the equality impacts identified and mitigating actions both in the report and in the individual equality impact assessments which have been made available in the Members' Resource Centre.

(viii) Note the programme of future work to ensure full impact assessments are available, where appropriate, at the point of decision-making, once all necessary consultations have been completed.

(ix) Note the ongoing work to assess cumulative impacts over the MTFP period which is regularly reported to Cabinet.

(x) Agree to consult on the savings proposals in Appendix 3.

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Appendix 1: Implications

Finance – The content of the Spending Review has been analysed. At this stage reduction in RSG as forecast to be between £70m and £85m. For modelling purposes at this stage the reduction is assumed to be £85m. Based upon the revised analysis the savings target for 2016/17 is £40.567m and the four year forecast savings target for 2016/17 to 2019/20 to £134.7m.

Staffing – The savings proposals in MTFP (6) will impact upon employees. HR processes will be followed at all times.

Risk – In terms of planning at this stage there are significant risk as there is significant uncertainty in relation to funding allocation across the MTFP (6) period. The uncertainty will reduce as government departments provide medium term settlement allocations. In terms of service provision the Council will face significant risk in achieving savings of the magnitude requested.

Equality and Diversity/Public Sector Equality Duty – The report details the process followed.

Accommodation – None specific within this report.

Crime and Disorder – None specific within this report.

Human Rights – Any human rights issues will be considered for any detailed MTFP (6) and Council Plan proposals as they are developed and decisions made to take these forward.

Consultation – The approach to consultation on MTFP (6) is detailed in the report.

Procurement – None specific within this report.

Disability Issues – All requirements will be considered as part of the equalities considerations outlined in the main body of the report.

Legal Implications – Section 47 of the Local Government Finance Act 1988 and subsequent amending legislation provides the provisions and criteria for awarding discretionary rate relief. The Localism Act 2011 amended Section 47 Clause 69, of the Local Government Finance Act 1988 to allow local authorities to reduce the business rates of any local ratepayer (not just those who can currently be granted discretionary relief), via a local discount scheme.

Statutory guidance states that any discretionary rate relief or local discount scheme must be in the interests of the wider council taxpayer.

The proposals set out in this report only seek to amend/extend current policy arrangements to take account of changes in Government policy/funding arrangements. The amendments have been actioned under a delegated decision by the Corporate Director of Resources, in consultation with the Deputy Leader and Cabinet Portfolio Holder for Finance but requires Cabinet approval.

Appendix 2 Medium Term Financial Plan - MTFP (6) 2016/17 - 2018/19 Model

	2016/17	2017/18	2018/19	2019/20
	£'000	£'000	£'000	£'000
Government Funding				
Government RSG Funding Reduction	25,000	30,000	20,000	10,000
Reduction in Public Health Grant *	4,290	1,311	1,363	1,363
Reduction in Education Services Grant (Presently £6m)	0	0	0	0
Reduction in Benefit Admin Grant (Presently £3.7m)	0	0	0	0
Town and Parish Council RSG Adjustment	-131	-190	-173	-90
Business Rates - RPI increase (0.8%/1.5%2%)	-438	-820	-1,110	-1,130
Top Up Grant - RPI increase (0.8%/1.5%/2%)	-484	-930	-1,270	-1,300
Other Funding Sources				
Council Tax Increase (2% per annum) **	-3,556	-3,675	-3,800	-3,900
New Homes Bonus ***	-1,750	0	0	0
Council Tax/Business Rate Tax Base net increase	-3,400	-750	0	0
Bus. Rates 2014/15 Collection Fund Surplus - Adjustment	500	0	0	0
Better Care Fund ****	0	0	0	0
NHS Funding - Social Care Transformation	-4,432	0	0	0
Estimated Variance in Resource Base	**15,599**	**24,946**	**15,010**	**4,943**
Pay inflation (1.5% - 1.5% - 1.5%)	3,300	3,200	3,100	3,000
Price Inflation (1.5% - 1.5% - 1.5%)	2,500	2,400	2,300	2,200
Corporate Risk Contingency Budget	-3,000	0	0	0
Base Budget Pressures				
Employer Nat. Insurance increase - State Pension changes	4,700	0	0	0
Costs Associated with National Living Wage	4,000	5,000	5,000	5,000
Single Status Implementation	4,537	0	0	0
Additional Employer Pension Contributions	900	3,000	1,000	1,000
Employee Increments	2,581	0	0	0
Energy Price Increases	0	500	500	500
Concessionary Fares	0	100	100	100
Pension Fund Auto Enrolment	100	550	550	0
Climate Change Levy - Impact upon Landfill income	200	0	0	0
Apprentice Levy	0	1,200	0	0
CAS Demographic and Hyper Inflationary Pressures	1,000	1,000	1,000	1,000
Use of Earmarked Reserve in CAS	4,150	0	0	0
Prudential Borrowing to fund new Capital Projects	0	2,000	2,000	2,000
TOTAL PRESSURES	**24,968**	**18,950**	**15,550**	**14,800**
SUM REQUIRED TO BALANCE BUDGET	**40,567**	**43,896**	**30,560**	**19,743**
Savings Plans	-28,169	-33,664	0	0
Savings to be Identified	0	0	-46,226	-18,380
Public Health Savings	-4,290	-1,311	-1,363	-1,363
Previous Years Shortfall	0	8,108	17,029	0
Utilisation of Budget Support Reserve	-8,108	-17,029	0	0
TOTAL SAVINGS REQUIRED	**-40,567**	**-43,896**	**-30,560**	**-19,743**

* - Subject to further information being received with the settlement

** - For forecasting purposes, our financial model is still predicated on the same 2% increase that was included in the July 2015 Cabinet report.

*** - Subject to further information being received with the settlement

**** - Subject to further information being received with the settlement

Appendix 3

MTFP (6) SAVINGS OPTIONS

Service Grouping	2016/17	2017/18
ACE Total Savings	832,314	979,393
CAS Total Savings	17,658,887	24,289,826
NS Total Savings	3,488,000	2,897,400
RED Total Savings	1,118,176	2,282,202
RES Total Savings	1,493,281	3,215,861
COR Total Savings	3,578,352	0
TOTAL	**28,169,010**	**33,664,682**

Assistant Chief Executive's Savings

REF	Description	2016/17 £
ACE 21	AAP revenue reduction	280,000
ACE 22	ACE service review	381,314
ACE 23	Review of grants to external bodies	171,000
	ACE Total Savings	**832,314**

REF	Description	2017/18 £
ACE 22	ACE service review	979,393
	ACE Total Savings	**979,393**

Children and Adult Services Savings

REF	Description	2016/17
		£
CAS01.03	Review of County Durham Care and Support in-house services	235,000
CAS02.01	Eligibility Criteria – Continuation of previous changes to improve effective use of eligibility criteria	3,000,000
CAS03.01	Increased charging income in respect of adult care provision	500,000
CAS05.01	Service review of Policy, Planning & Performance	737,691
CAS05.03	Day Care Review	1,590,000
CAS05.07	Service review within Children's Services	382,712
CAS05.08	Increased use of Intermediate Care Services	725,000
CAS05.15	Review of youth support	250,000
CAS05.16	Review of Education Services	406,472
CAS05.18	Review of County Durham Youth Offending Service	60,000
CAS05.19	Transformational change in Adult Care	1,540,000
CAS05.21	Increased Income Generation	1,170,000
CAS05.22	Transformational change in Children's Services	950,000
CAS05.23	Re-negotiation of contributions to Children's Services providers	250,000
CAS06.01	Review of non-assessed services – including community alarms, commissioning and service level agreements	3,816,996
CAS09.03	Children's Care Efficiencies; Payment for Skills Review	300,000
CAS09.04	Children’s Care Efficiencies: LAC Reduction Strategy	1,505,016
CAS10.0	Review Home to School / College Transport Policies	427,000
CAS11.0	Repayment of Cash Limit Reserve	-187,000
	CAS Total Savings	**17,658,887**

REF	Description	2017/18
		£
CAS1	Review of social care provision	6,000,000
CAS2	Eligibility Criteria - Consistent and effective use of existing criteria and reablement	4,575,000
CAS3	Increased charging income in respect of adult care provision	500,000
CAS5	Management and Support Services, staffing structures and service reviews/rationalisation service reviews/rationalisation	7,100,826
CAS6	Review of non-assessed services	1,500,000
CAS9	Review of Children's Care Services	3,500,000
CAS10	Review Home to School / College Transport Policies	295,000
CAS11	Cash Limit	819,000
	CAS Total Savings	**24,289,826**

Neighbourhood Services Savings

REF	Description	2016/17
		£
NS01.17	Review of support areas for Leisure Centres	325,000
NS03.74	Review of the Fleet Service	400,000
NS03.75	Efficiencies with the catering service	33,000
NS03.87	Review of recycling credits	61,000
NS04.04	Review of support for Grounds Maintenance	150,000
NS05.17	Review of refuse and recycling collections	225,000
NS07.03	Rationalisation of Office Accommodation	723,000
NS11.16	Review of Technical Services	183,000
NS17.11	Increased Income from Building and Design Services	100,000
NS24.06	Review of Museum & Theatre service,	402,000
NS25.05	Review of Library Book Fund	150,000
NS32.01	Review of Customer Relations, Policy and Performance	251,000
NS33.03	Review of EHCP	225,000
NS35.01	Review of Neighbourhood Protection	340,000
NS29.02	Adjustment for previous years use of Cash Limit	-80,000
	NS Total Savings	**3,488,000**

REF	Description	2017/18
		£
NS3	Structural reviews and more efficient ways of working	718,400
NS11	Street Lighting Energy Savings	400,000
NS25	Service Reviews with Neighbourhood Services	1,779,000
	NS Total Savings	**2,897,400**

Regeneration and Economic Development Savings

REF	Description	2016/17
		£
RED01	RED service review	400,000
RED12	Review of Contracted Bus Services	400,000
RED14	Review of supplies and services across RED	318,176
	RED Total Savings	**1,118,176**

REF	Description	2017/18
		£
RED01	RED service review	1,800,000
RED14	Review of supplies and services across RED	482,202
	RED Total Savings	**2,282,202**

Resources Savings

REF	Description	2016/17
		£
RES07	Review of Human Resources	289,627
RES13	Review of Legal and Democratic Services	289,971
RES15	Review of Finance	407,561
RES16	Review of ICT	413,036
RES21	Review of Internal Audit and Risk	93,086
	RES Total Savings	**1,493,281**

REF	Description	2017/18
		£
RES07	Review of Human Resources	648,422
RES13	Review of Legal and Democratic Services	565,774
RES16	Review of ICT	698,342
RES19	Review of Revenues and Benefits	1,138,708
RES21	Review of Internal Audit and Risk	164,615
	RES Total Savings	**3,215,861**

Corporate Savings

REF	Description	2016/17
		£
COR19	Review of Back Office Functions	1,050,352
COR21	Fleet Review Savings	478,000
COR22	Freemans Reach Rental Income	250,000
COR23	DVLR Dividend	100,000
COR24	Capital Receipts – Income from Sales below £10k	50,000
COR25	Self Financing Capital Schemes	1,130,000
COR26	External Audit Fees	70,000
COR27	Bank Charges	50,000
COR28	Carbon Reduction Commitment	150,000
COR29	Concessionary Fares	250,000
	Corporate Total Savings	**3,578,352**