Cabinet

7 February 2018

Medium Term Financial Plan 2018/19 to 2021/22 and Revenue and Capital Budget 2018/19

Key Decision: CORP/R/17/02

Report of Corporate Management Team
Joint Report of John Hewitt, Corporate Director of Resources and Lorraine O'Donnell, Director of Transformation and Partnerships
Councillor Alan Napier, Cabinet Portfolio Holder for Finance
Councillor Simon Henig, Leader of the Council

Purpose of the Report

1 To provide comprehensive financial information to enable Cabinet to agree the 2018/19 balanced revenue budget, an outline Medium Term Financial Plan MTFP(8) 2018/19 to 2021/22 and a fully funded capital programme. The report also includes a review of the Council's Discretionary Rates Relief and Business Rates Hardship Relief Policy and sets out details of the mainstream primary and secondary funding formula for schools in 2018/19.

Executive Summary

2 The financial outlook for the council and the whole of local government remains extremely challenging. The council has faced government funding reductions since 2010/11 and they will continue until 2019/20. There is a risk that funding reductions continue beyond this point which would place further pressure upon the MTFP.

3 By 31 March 2018, the council will have delivered savings of £209 million since 2011. Based upon the provisional Local Government Finance Settlement, it is forecast that the savings required for the MTFP(8) period 2018/19 to 2021/22 will be £43.7 million resulting in total savings over the 2011/12 to 2021/22 period of £252.7 million.

4 The Chancellor of the Exchequer's first Autumn Budget was published on 22 November 2017. He announced that government borrowing over the period 2017/18 to 2021/22 would be higher than was forecast at the March 2017 Budget. The major factor in this further deterioration in the national finances was due to lower growth forecasts for the economy. Previously the national economy was forecast to grow by an average of 2% over the next five years. This has now been reduced to a forecast 1.5% average increase over the next five years.

5 Rather than creating a national budget surplus in 2019/20 as forecast previously the national finances will still be have a deficit of over £20 billion in 2021/22. This raises the possibility that austerity for public services could continue beyond 2021/22 leading to an uncertain financial position for local government.

6 The Provisional Local Government Finance Settlement confirmed a £14.1 million reduction in Revenue Support Grant (RSG) in 2018/19. This reduction is in line with the four year settlement the council secured by submitting an Efficiency Plan to government. Additional RSG reductions have been confirmed for 2019/20 of £14.2 million.

7 Specific grants will also be reduced over the MTFP(8) period by £5.4 million in relation to New Homes Bonus (NHB), Public Health, Education Services and Benefit Administration. The implementation date for any change to the Business Rate Retention process is forecast to be 2020/21 in line with the implementation of the Fair Funding review. Business Rate Retention is expected to move from 50% to 75% retention rather than the 100% previously forecast. There was no announcement in relation to funding levels for local government beyond 2019/20.

8 There was no announcement of additional funding for Adult or Children's Social Care or funding for the local government pay award which, if accepted, is likely to result in a 2.5% increase in the council pay bill for 2018/19 and 2019/20. These issues place extreme pressure upon local authority budgets at a time when significant reductions in core funding are continuing.

9 The provisional settlement confirmed that the council tax referendum limit will be increased from 2% to 3% in 2018/19 and 2019/20 to recognise the cost pressures being faced by local authorities.

10 Updated forecasts of demographic pressures in adults and children's social care along with inflationary pressures including those arising from the forecast national pay award, together with the impact of further above inflation increases in the National Living Wage, need to be accommodated within the MTFP(8) forecast.

11 The delivery of additional savings of £43.7 million across the next four years will be extremely challenging as the council strives to protect front line services wherever possible.

12 The forecast savings for 2018/19 total £15.3 million. Savings plans included in this report amount to £18.6 million of which £14.8 million are forecast to be realised in 2018/19. This will leave a £0.5 million shortfall in 2018/19 which will be met from a further utilisation of the Budget Support Reserve (BSR). In 2017/18, £12.6 million was drawn from the BSR to balance the budget. The utilisation of the BSR will enable the council to smooth reductions in expenditure and to help to reduce the impact of significant government funding cuts on key services.

13 The council has consulted with the public and stakeholders as part of the MTFP(8) development. The budget consultation ran from 18 October to 1 December 2017 and sought views on the 2018/19 approach and the individual savings proposals. In total, the council engaged over 3,300 people and received 1,175 responses. Overall, 78.1% of respondents stated the approach to making future savings is a reasonable way to go forward in 2018/19.

14 The council has managed the impact of austerity through effective MTFP planning and by delivering savings with a focus on protecting front line services. The level of savings that need to be identified in future years together with the significant uncertainty over government funding beyond 2019/20 means that there is a growing risk of the council being unable to continue to provide front line services to the levels that have been so far maintained. This report summarises 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.

15 Detailed savings proposals are included in the report for 2018/19 as shown at Appendix 3.

16 In setting council tax levels for 2018/19, consideration has been given to the significant financial pressures facing the council and how best to meet these pressures. For the two years 2018/19 and 2019/20, the government has confirmed that the maximum the council can increase council tax by is 3% without a public referendum. The government previously confirmed the option to increase council tax by an additional 6% for an Adult Social Care precept over the three years 2017/18 – 2019/20. MTFP(8) applies this flexibility evenly at 2% in each year.

17 After considering the impact upon the council's budget and upon council tax payers, this report recommends a 2.99% increase in the council's Band D council tax in 2018/19 which is below the 3% referendum limit. The report also recommends a 2% increase to the Adult Social Care precept. The total increase will generate additional council tax income in 2018/19 of £9.9 million. This results in a Band D increase of £1.38 a week and an increase of 92 pence a week for the majority of council tax payers in County Durham, who live in the lowest value properties (Band A).

18 Despite this very challenging financial period this report includes some very positive outcomes for the people of County Durham including:

(a) continued support to protect working age households in receipt of low incomes through the continuation of the existing Council Tax Reduction Scheme where they will continue to be entitled to up to 100% relief against their council tax payments;

(b) ongoing work with health partners to ensure health and social care funds are maximised for the benefit of vulnerable people;

(c) continue to work with community groups to explore opportunities for the transfer of Council assets so that they can be sustainable into the future through the 'Durham Ask' initiative;

(d) significant investment in capital expenditure in line with the council's highest priority of regeneration in order to protect existing jobs and create as many new jobs as possible including investing in our town centres, maintenance of our highways and pavements and investment in our school buildings. In total, additional capital investment of £117 million is recommended in this report.

(e) significant further investment in Children's and Adults Social Care Services to meet demand pressures

19 As outlined in previous MTFP reports, equality impact assessments are also summarised to inform the consultation and subsequent decision making. Workforce implications arising from proposals for 2018/19 savings have been analysed and the projections for the number of posts that will have been removed as a consequence of austerity up to the end of 2018/19 have been increased to an estimated 2,921 posts.

20 The council's Discretionary Rates Relief Policy has been updated to reflect announcements made in the Autumn Budget and for a review of the Local Discretionary Relief scheme aimed at ensuring the full amount of funding / support available is fully allocated to local businesses.

21 The updated Policy also removes references to the New Build Empty Property Relief and Transitional Relief (2015) schemes as these have now ceased following the revaluation in April 2017 and the expiry of the six month window for backdated claims under these schemes. Both these schemes operated during the two year extension to the revaluation that was initially due in April 2015.

Background

22 The council's MTFP(8) is aligned to the council plan, which sets out the council's strategic service priorities. The MTFP provides a resources to allow the council to deliver its priorities.

23 Looking back to MTFP(1), the following drivers for the council's financial strategy were agreed by Cabinet on 28 June 2010, which still underpin the strategy in MTFP(8):

(a) to set a balanced budget over the life of the MTFP whilst maintaining modest and sustainable increases in council tax;

(b) to fund agreed priorities, ensuring that service and financial planning is fully aligned with the council plan;

(c) to deliver a programme of planned service reviews designed to keep reductions to front line service to a minimum;

(d) 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;

(e) to ensure the council can continue to demonstrate value for money in the delivery of its priorities.

Local Government Finance Settlement

24 The provisional Local Government Finance Settlement was published on 19 December 2017, the latest ever date for publication. The provisional settlement includes RSG and forecast Top Up grant allocations for the period 2018/19 to 2019/20. The final Local Government Finance Settlement is forecast to be published in early February 2018.

25 The council tax referendum limit for 2018/19 and 2019/20 has been increased from 2% to 3% to take account current high levels of inflation and the social care pressures being faced by local government. The government also previously confirmed the option to increase council tax by an additional 6% for an Adult Social Care precept over the period 2017/18 to 2019/20, subject to a cap of no more than 3% to be applied in any one year. The council agreed on 22 February 2017 to plan on the basis of utilising this flexibility at 2% per annum across each of the three years, whereas many other councils chose to apply this as 3% increases in 2017/18 and in 2018/19.

26 The provisional settlement includes details of core grants including RSG and Business Rates 'Top Up' Grant. The table below highlights the 2018/19 reduction in the Settlement Funding Assessment (SFA). It is important to note that the Business Rates figure below is a 'notional' figure published by the government.

Table 1 – 2018/19 Settlement Funding Assessment

Funding Stream	2017/18	2018/19	Variance	
	£m	£m	£m	%
Revenue Support Grant	56.000	41.860	(14.140)	(25.2%)
Business Rates	51.256	52.479	1.223	2.4%
Top Up Grant	67.626	70.009	2.383	3.5%
SFA	**174.882**	**164.348**	**(10.534)**	**(6.0%)**

27 The table above highlights that the SFA has reduced by 6% in 2018/19 although of more significance is the reduction in RSG where there has been a further reduction of £14.14 million (25.2%) for next year.

28 The actual Top Up grant figure for 2018/19 will be £70.350 million rather than the £70.009 million detailed in the table above. The council will receive an additional one off payment of £0.341 million which relates to an adjustment linked to the 2017/18 business rate revaluation process.

29 In addition to the above ‘core’ grants, the council continues to face reductions in specific grants. The government previously advised that the Education Services grant would be reduced in 2017/18 and 2018/19, mainly as a result of the removal of statutory responsibilities for Education from local authorities. Although the government has subsequently confirmed that there will be no reduction in statutory responsibilities, the reduction in the Education Services grant will still go ahead. In 2018/19 the grant will reduce to zero from the current level of £1.5 million. This £1.5 million reduction will be offset by additional income of £0.3 million in the School Improvement grant. Overall however, this is still a net £1.2 million reduction in funding with no reduction in responsibilities.

30 The council still awaits confirmation of the 2018/19 allocations for a number of specific grants. The table below provides details of the more significant allocations confirmed to date whilst Appendix 2 provides a comprehensive list of all specific grants the council expects to receive for 2018/19.

Table 2 – Reduction in 2018/19 Specific Grants

Specific Grant	2017/18	2018/19	Variance	
	£m	£m	£m	%
Education Services Grant	1.500	0	(1.500)	(100)
Public Health Grant	49.983	48.698	(1.285)	(3)
Housing Benefit / LCTR Admin	3.231	2.938	(0.293)	(12)

31 The following information was also included alongside the Local Government Finance Settlement:

(a) there will be a business rate baseline reset in 2020/21 and, from 2020/21 business rate retention will be at 75%. It is expected at this time that RSG and Public Health grant will be incorporated into Business Rate Retention (BRR);

(b) the government published a consultation paper ‘Fair Funding review: a review of relative needs and resources’, a technical consultation on relative need. The result of this review will be introduced in 2020/21 alongside the move to 75% BRR;

(c) in response to pressures within social care budgets in particular, there will be an increase in the council tax referendum limit from 2% to 3% for 2018/19 and 2019/20;

(d) an additional 10 authorities were approved as 100% business rate pilots. In the main these were county councils;

(e) the Rural Services Delivery grant was increased from £50 million to £65 million;

(f) there will be a consultation in spring 2018 regarding negative RSG.

32 The Fair Funding review and movement to 75% BRR could have a significant impact upon the sustainability and future prospects for many local authorities. There is a risk of a major shift of funding between local authorities. There is also a risk that government prioritises rurality issues, high cost factors and incentivisation as opposed to issues such as deprivation and ability to pay for services. The council will need to ensure that it contributes to the Fair Funding review as effectively as possible to highlight the issues that drive demand for services in areas where funding has been reduced significantly during austerity.

33 In terms of the Rural Services Delivery grant the payments made are in addition to the additional RSG payable to these authorities due to the 'sparsity' factors built into the Relative Needs Formulae. Authorities benefit if they are in the super sparsity upper quartile. The council does not qualify for any funding on this basis.

Analysis of Provisional Settlement

34 The 2018/19 Local Government Finance Settlement is the third year of a four year settlement. The 2018/19 reduction of £14.1 million in RSG is in line with the forecast and the impact of the 2017 business rate revaluation upon the council has been described earlier.

35 In line with previous years, the government has published Core Spending Power (CSP) data. The key features of the CSP calculation are as follows:

(a) The calculation of core spending power assumes that authorities will take the full advantage of the increase in the referendum limit to 3% for the next two years – government has built this assumption into the published CSP figures for all local authorities;

(b) In addition every upper tier authority is expected to take advantage of the ability to levy an additional 2% Adult Social Care precept up to 2019/20. In calculating CSP for the council the government has however assumed the council utilised the Adult Social Care flexibility such that a 3% increase is applied in 2018/19 and then only 1% in 2019/20. The council is planning on the basis of an increase by 2% in each year;

(c) An assumption is built in that each council tax base will continue to increase every year in line with past experience. For the council, an average increase in council tax base of 1.5% is assumed. The council's forecast is for a 0.7% annual increase;

(d) Forecasts for reductions in NHB for 2019/20. The forecast reduction for 2019/20 is £0.1 million whereas the council's own prudent forecast is £0.45 million;

(e) The CSP calculation does not include any reduction in Public Health grant, Education Services grant, Housing Benefit / Local Council Tax Reduction Administration grant or any other specific grant.

36 The CSP figures published by government appear to be very optimistic, especially with reductions in specific grant being excluded. The table below details the published position for the council in terms of CSP.

Table 3 – Core Spending Power Analysis

	2017/18	2018/19	2019/20
	£m	£m	£m
Settlement Funding	174.9	164.3	152.8
Section 31 Grant	1.5	2.6	3.8
Council Tax Requirement	188.3	196.6	205.4
Social Care Precept	7.5	13.7	16.5
Improved BCF	15.5	21.5	27.1
New Homes Bonus	9.2	6.5	6.4
Adult Social Care Grant	2.8	0	0
TOTAL	**399.6**	**405.2**	**412.1**

37 The forecast increase in CSP over the next two years is £12.5 million or 3.1%. This position is deemed to be optimistic but also excludes the following:

(a) A forecast reduction in specific grants excluded from CSP of £4.4 million over the next two years;

(b) Forecast base budget pressures over the next two years of £35 million, especially those resulting from Social Care demographic pressures in Adult's and Children's Services and from the impact of the increases in the National Living Wage.

38 The government has also published details of spending power 'per dwelling' for all local authorities. Areas of deprivation naturally require and have always received relatively higher funding levels than more affluent areas. This higher level of funding in deprived areas is required for a range of reasons including:

(a) in affluent areas, significant numbers of service users, especially in adult social care, can afford to contribute to the cost of their service provision. This is especially the case for residential care and home care services for the elderly. In these circumstances, the budget required to provide services in deprived areas is much higher than in affluent areas;

(b) similarly, demand for services such as Children's Social Care, in deprived areas is significantly higher than more affluent areas resulting in deprived areas requiring higher budgets.

39 Regardless of this, the spending power per dwelling data highlights how significantly the funding of an area such as Durham has declined over recent years. The table below highlights the 2018/19 spending power per dwelling for a range of local authorities. The England average excludes district councils.

Table 4 – 2018/19 Core Spending Power per Dwelling

Area	Core Spending Power Per Dwelling
	£
England	1,839
Durham	1,666
Wokingham	1,766
Reading	1,820
Nottingham City	1,864
Surrey (including Districts)	1,964

40 Considering the levels of deprivation in County Durham, it is concerning that the government's spending power per dwelling calculation for Durham is now significantly less than the England average. By way of a practical example: a relatively deprived area like Durham now has a lower spending power per dwelling than a more affluent area such as the county of Surrey - which will have a 20% higher spending power per dwelling than Durham in 2018/19. Representations continue to be made to government in relation to this unfairness and will continue to be made during the Fair Funding review process.

41 If Durham's CSP was brought up to the England authority average of £1,839 per dwelling the council would receive additional government grant of £42 million.

Consultation

42 The council's 2018/19 budget consultation ran from 18 October to 1 December 2017 and sought to raise awareness and gather comments from a wide range of stakeholders on:

(a) whether our 2018/19 savings proposals are a reasonable approach;

(b) their views on 17 individual savings proposals;

(c) what they think should change about our services;

(d) what would improve the quality of life in their communities.

43 The main survey method was a questionnaire, supported by information about the proposals and how to participate. This was made widely available through the council web pages, social media and online and in libraries and customer access points. It was also promoted by a range of e-newsletters such as Durham Voice and Business networks as well as being available at a range of meetings, events and drop in sessions.

44 Consultation was carried out through existing networks, forums and partnerships. In total, staff attended 85 community meetings, events and drop-in sessions across the county targeting community events and groups, users of libraries and leisure centres and local business networking events. Information about the consultation and how to have your say, was promoted through the council's website, press releases, Durham County News and social media.

45 Discussions were held with partner organisations and networks including County Durham Partnership, the Local Councils Working Group and the Voluntary and Community Sector Working Group. Feedback from the discussions is captured in this report and participants were encouraged to complete the questionnaire. Those networks which did not meet during the consultation period were notified and encouraged to participate by providing them with information and the link to the website. These included: the Armed Forces Forum, the County Durham Faiths Network, the Disability Partnership, the Rainbow Alliance, the Durham Diverse Women Network and the Better Together Forum.

46 Key partners were invited to submit comments on the council's budget approach and proposals, in particular they were asked to identify if any of the proposals would have an impact on their organisation's priorities, workload or any priority groups they work with.

47 To capture the views of people unlikely to be reached by the questionnaire such as people with a range of disabilities, group discussions were facilitated and recorded and are reported separately.

48 This approach enabled us to engage with over 3,300 people, of which over 1,175 gave their views. The tables below detail engagement and participation figures.

Table 5 – Analysis of Consultation Participation

Meetings and Events	No of People Participated	No of Completed Forms
Questionnaire		
14 AAP Board meetings	565	169
27 meetings with communities and partners	441	209

Meetings and Events	No of People Participated	No of Completed Forms
20 drop in sessions in key places across the county	560	305
18 Public events including Christmas Fayres	1,620	243
7 Learning disability groups (inc 4 facilitated group discussions)	114	43
Posted/misc.	-	55
Libraries	13	13
TOTAL	**-**	**1,037**
Online responses	-	138
OVERALL TOTAL	**3,313**	**1,175**

Consultation Engagement and Participation via Social Media

49 Social media was used to increase awareness and encourage people to take part. The monthly 'For the Record' video log (vlog) with Councillor Simon Henig focused on the budget with infographics to make key messages clear. This formed the basis of the post promoting the consultation on the corporate Facebook account, this was then shared by the local AAPs highlighting consultation sessions in their area. This post was seen by 26,838 people. 9,964 people watched the video (with another 131 views on YouTube) and 94 people then clicked through to the consultation pages on the website.

50 On Twitter, multiple messages were sent out weekly for the duration of the consultation. Initially these featured the vlog before switching over to go through a handful of different messages along with relevant infographics, all linking to the website content and encouraging people to take part. These tweets were seen a total of 62,030 times with 207 people clicking through to the website content.

Detailed Consultation Outcomes

51 The outcomes from across the consultation survey have been recorded and analysed and key messages are identified below. Feedback from other methods of consultation including group discussions and partner responses are detailed after this section.

Key Findings

52 Over 1,000 residents engaged from all parts of County Durham about our budget proposals for 2018/19, with a broad demographic coverage of the adult population:

(a) A significant majority of respondents (78.1%) indicated that they think our proposals are a reasonable approach;

(b) A wide range of comments and views have been collected and are communicated here, but it should be noted that many of these comments were made by relatively small numbers of respondents;

(c) Broadly, the themes that attracted the most comments include:

(i) continue to find new ways of working and generating income including more effective commissioning of services, investing in changes that will reduce our future expenditure and focusing on priority service users;

(ii) continue to reduce management and back office posts, accommodation costs, supplies and services and review our working arrangements to achieve efficiencies.

(d) Some common themes re-occurred throughout the comments received in all parts of this consultation:

(i) The need to protect services for the most vulnerable such as older people and adults with a disability, particularly in relation to proposals affecting adult social care, but also including vulnerable children;

(ii) The need to ensure that when increasing charges people are not priced out of much needed services;

(iii) Continue and increase the amount of savings brought about through efficiency improvements and back office savings;

(iv) Some respondents also recognised we need to respond to welfare reform and child poverty issues as well support the VCS and work with partners to respond to shared challenges.

(e) When thinking about quality of life, participants reflected on the need for wide range of needs, including:

(i) more community development infrastructure;

(ii) more visible policing;

(iii) clean communities;

(iv) things for young people to do;

(v) good local facilities;

(vi) better public transport links.

(f) Seven partners responded, indicating general support for the proposals and an appreciation of the position the council is in. The following areas were highlighted:

(i) The importance of continued collaboration to avoid duplication and minimise the impact on frontline services;

(ii) The importance of prevention and early intervention to minimise costs;

(iii) The need to support the council in requesting a fairer settlement.

(g) 84% of the children and young people participating in the survey, felt the proposals for savings for 2018/19 represented ‘a reasonable approach’. Two clear themes did come through:

(i) The council should protect services for children and young people;

(ii) ‘Things to do for young people in their area’ is something that would most improve their quality of life.

(h) 100% of people with learning and physical disabilities felt that the proposals are reasonable. Comments included:

(i) there is a need to protect adult and social care services to allow people to be independent in their homes;

(ii) the changes to the criteria for adult and social care services should leave people with adequate support;

(iii) care should be taken when looking at alternative ways to provide services.

Consultation Results

53 The following results are based on 1,175 valid questionnaires received by the consultation closing date. Respondents lived in various parts of County Durham providing their postcode or local AAP to help us identify the geographical coverage of the consultation. However, given the relatively low overall numbers, an analysis at a lower (AAP) level has not been carried out.

54 Participants were offered two ways to respond, through a paper-based questionnaire distributed either at an AAP meeting or event or other public engagement activity, or through an online questionnaire made available through the council’s consultation web pages and promoted through social media. Overall, however, a large majority (88.3%) of the responses received were paper-based.

Table 6 – Consultation Response by Mode of Data Collection

Type of Questionnaire	Number of Questionnaires	Percentage of Responses
Paper-based	1,037	88.3%
Online	138	11.7%
TOTAL	**1,175**	**100.0%**

55 The questionnaire itself comprised largely open-ended questions allowing participants to respond in their own words about our budget proposals and further challenges we face. Broadly, these covered four themes:

(a) Whether our 2018/19 savings proposals represent a reasonable approach to managing overall budget reductions and whether people could identify further savings;

(b) Asking respondents their views about any of the 17 individual savings proposals;

(c) Despite these financial challenges we aim to continue to transform and improve. Respondents were invited to tell us about what they think should change about our services;

(d) The council recognises the importance of working with communities to meet local needs. Respondents were asked to identify what would most improve the quality of life in their local community.

56 Not all respondents took up the opportunity to provide detailed comments but those that did provided a wide variety of thoughtful comments and ideas to help inform our budgetary planning and decision making.

57 The results of the budget consultation reflect the four themes summarised below. A further detailed breakdown of the results is available in the Members' Resource Centre.

Consideration of 2018/19 Savings as a Reasonable Approach

58 Over 90% of consultation participants completed this question with almost four out of five (78.1%) confirming that, overall, after considering our savings proposals for 2018/19, they think our approach is reasonable.

Table 7 – Consultation Q1

Q1 Having considered our proposals for savings for 2018/19, do you think this is a reasonable approach?	
Yes	78.1% (833 responses)
No	21.2% (234)
TOTAL	**100% (1,067)**
Did not answer	108

59 Just over a fifth (22.0%) of those that completed question one did not then go on to provide any further comments in this consultation. The views of this this subset of respondents in question one did not differ significantly from those that continued to provide further responses.

Table 8 – Breakdown of Question 1 responses by further comment

Q1 response	Completed Q1 only		Continued with further comment		Total	
	Number	**%**	**Number**	**%**	**Number**	**%**
Yes	183	80.5	650	77.4	833	78.0
No	44	19.5	190	22.6	234	22.0
TOTAL	**227**	**100**	**840**	**100**	**1,067**	**100**

60 As a follow up to Question one participants were given the opportunity to explain why they consider our approach to making these savings to be reasonable or not. Just over a fifth of Question one respondents (21.5% 253 respondents) took this opportunity and offered comment.

61 Among those respondents who provided a comment (and had also previously said yes, our approach to savings was reasonable – 201 respondents in total), the most commonly given explanations said that there are few alternatives and that continued government austerity is the cause of these cuts (70 respondents). Many also recognised our approach appeared proportionate with a good mix of savings, income generation and use of reserves (66 respondents). Though some comments reflected the need to protect services for vulnerable people in making these savings (38 comments).

62 Of those respondents that disagreed with our approach (52 respondents) over a third (16 comments) said there should be no more cuts to local government services with the same number recognising the need to protect services for vulnerable people (16 comments) as well as that there are “few alternatives” (9 comments).

63 Overall, 31 out of the 253 respondents felt more information about our savings proposals would have been helpful.

64 In addition to the opportunity to explain their answer to question one, participants were also invited to offer any further savings ideas they may have. The most commonly quoted further saving (by 19 respondents) being Lumiere, with respondents questioning whether it is cost effective as it doesn’t impact on local communities. Other responses tended to reflect a mix of savings ideas including:

(a) income generation but with some including a constraint that people are not priced out of a service;

(b) efficiency savings (cost effective and co-ordinated services, reducing management and back office, decentralise staff);

(c) reviewing funding for various services and projects (e.g. arts, leisure and sports venues, AAPs, Service Direct and the new Durham bus station and new HQ plans).

65 The following table lists all savings ideas provided in response to this question.

Table 9 – Savings Ideas

Savings Ideas	Comments
Lumiere doesn't really impact on people in local communities/cost effectiveness?	19
Increased charges. (But need to ensure those who need it, get the service and they are not priced out)	14
Can we afford to continue funding the Gala/Beamish/Durham County Cricket Club	8
Good to reduce top/middle management/back office/accommodation	8
Better more cost effective and coordinated services are required e.g. road repairs	7
Generate income from recycling	6
Scrap new civic office plans/bus station plans	5
Demolish and sell empty buildings/save on security costs/sell assets	4
Review AAPs	4
Re-assess need for outsourcing	4
Decentralise staff to reduce costs e.g. travel/use existing buildings in communities/community model of service delivery	3
Close Service Direct and outsource work/they cost more	3
Reduce contributions to staff pensions	2
External review DCC staffing performance, pay, management roles	2
Use more reserves	2
Sell small parcels of land	1
Don't waste money on unnecessary changes e.g. rebranding Sure Start/one point, etc.	1

Views about any individual savings proposals

66 In addition to their thoughts on our approach overall, respondents were also asked whether they had any comments on any of the specific savings proposals communicated as part of the budget consultation. For clarity of presentation in the consultation materials, these proposals were grouped into four different themes:

(a) Continue to realise savings already agreed;

(b) Continue to reduce management and back office posts, accommodation costs, supplies and services and review our working arrangements to achieve efficiencies;

(c) Continue to find new ways of working and generating income including more effective commissioning of services, investing in changes that will reduce our future expenditure and focusing on priority service users;

(d) Use our reserves to delay making some savings to give us more time to work with service users and the community to develop future proposals.

67 Our third theme, to find new ways of working received the most comments followed by the second theme, which comprises savings intended to achieve efficiencies. Table 10 below outlines savings and comments by theme.

Table 10 - Savings Themes and Further Comments

Theme	Savings per theme	Proportion of overall saving	Number of comments per theme	Number of savings proposals included in the theme
Continue to realise savings already agreed.	£2.7m	17.6%	143	3
Continue to reduce management and back office posts, accommodation costs, supplies and services and review our working arrangements to achieve efficiencies.	£7.2m	47.1%	197	4
Continue to find new ways of working and generating income including more effective commissioning of services, investing in changes that will reduce our future expenditure and focusing on priority service users.	£4.9m	32.0%	284	9
Use our reserves to delay making some savings to give us more time to work with service users and the community to develop future proposals.	£0.5m	3.3%	28	1
TOTAL	**£15.3m**	**100.0%**	**652**	**17**

68 In order to better understand the results of this question the savings in each theme will be discussed in turn. The first theme, realising savings already agreed comprises three proposals listed in in Table 11 below. Together these account for £2.7 million of proposed savings, equivalent to 17.6% of the £15.3 million required.

Table 11 – Agreed Savings

Continue to realise savings already agreed	Comments	%
Consistent use of criteria for adults who need social care services.	24	3.7%
Finding new ways to deliver the adult care services that are presently provided directly by the Council.	49	7.5%
Increasing charges for adult care provision to bring the Council in line with other Councils.	70	10.7%

69 While these savings reflect three distinct proposals the comments reflected similar patterns. The most commonly made comment about these savings proposals reflected the desire to protect services for vulnerable adults (45 comments in total) followed by comments reflecting some level of concern regarding increased charges (37 comments) and particularly the need to ensure that people continue to receive the services they need.

70 Less common but still relevant concerns were raised (10 comments) about the knock-on impacts of these proposals on adult care services that are felt to be under strain including non-council services such as the NHS. The proposal to find new ways to deliver adult care services generated some additional concern about outsourcing adult social care regarding the quality of the outsourced service.

71 The second theme reflects new savings that continue with our aim to achieve efficiencies that help minimise change in front-line services. This theme comprises four specific proposals outlined below and together these account for £7.2 million, almost half (47.1%) of the £15.3 million required.

Table 12 – New Savings

Continue to reduce management and back office posts, accommodation costs, supplies and services and review our working arrangements to achieve efficiencies.	Comments	%
Service reviews across the whole Council including management and back office functions.	114	17.5%
Reducing non-staffing budgets including supplies and services.	20	3.1%

Continue to reduce management and back office posts, accommodation costs, supplies and services and review our working arrangements to achieve efficiencies.	Comments	%
Reducing the costs of maintaining and running Council buildings and vehicles.	42	6.4%
Bringing back office functions together into single teams to achieve savings.	21	3.2%

72 The first saving proposal within this theme describing service reviews across the council, garnered the most responses to this element of the questionnaire. Specifically, these comments reflected the desire to see savings achieved by a reduction in top and middle management as part of back office savings reducing accommodation needs (34 comments). A smaller number of comments reflected the desire to see reductions in the salaries of senior staff (17 comments).

73 However, these comments can be contrasted with other, albeit fewer, comments that back office staff are an essential part of the organisation and as savings requirements continue year-on-year efficiencies get harder and harder to find (20 comments). This was also supported by the general view that staff cuts should be minimised (11 comments).

74 The third theme, outlined below, intends to find new ways of working to achieve £4.9 million of savings (32% of total) through nine savings proposals.

Table 13 – New Ways of Working

Continue to find new ways of working and generating income including more effective commissioning of services, investing in changes that will reduce our future expenditure and focusing on priority service users.	Comments	%
Applying government guidance to assess charging contributions for new users of non-residential adult services e.g. home and day care.	52	8.0%
Accessing new sources of funding to continue provision of community based non-residential adult social care.	16	2.5%
Redesigning children's services to focus on early help to tackle child poverty.	33	5.1%
Redesigning school and education support services to ensure highly effective coverage of statutory requirements whilst also raising income through provision of services to other areas.	29	4.4%
Carrying out our annual review of fees and charges across all services.	17	2.6%

Continue to find new ways of working and generating income including more effective commissioning of services, investing in changes that will reduce our future expenditure and focusing on priority service users.	Comments	%
Reviewing culture and sport functions to maintain the support to our existing, well-used core services and reducing investment in developing new initiatives.	20	3.1%
Investing in new equipment in leisure facilities to reduce ongoing costs.	12	1.8%
Reducing management and administration costs and increasing income from a range of neighbourhood services including burial and crematorium, expansion of commercial pest control, opt-in waste services, greater enforcement activity and new powers relating to littering and dog fouling offences.	88	13.5%
Raising income from specialist young peoples' services.	17	2.6%

75 Though this theme has the largest number of responses it also has the largest number of proposals which means for some proposals the number of comments was relatively small.

76 The two proposals which attracted the most comments were those to reduce management and administration costs and increase income from a range of neighbourhood services (88 comments) and a proposal to apply government guidance to assess charging contributions for new users of non-residential adult services (52 comments).

77 While proposals relating to neighbourhood services generated the most comments these tended to spread across a wide number of individual services areas that are included within this savings proposal. The most common comments related to supporting more enforcement on undesirable behaviour such as fly tipping, littering and dog fouling (21 comments) and expressing concern about increased charges (19 comments), the majority of which (11 comments) related to a desire to not increase garden waste and other waste related charges. However, a small number of respondents expressed a view that increased charging was a good idea (6 comments).

78 Comments relating to the application of government guidance to assess charging contributions for new users of non-residential adult services reflected the desire to protect vulnerable people (19 comments) and that any increase in charging needs to ensure that people still receive the services they need (16 comments).

79 The final theme considers the use of reserves to delay some savings. This proposal comprises £0.5 million of the required savings and generated 28 comments. These comments largely reflected the desire to use more reserves to delay the need make these savings.

Changing our Services

80 The third question of this consultation gathered participant views about what we should do to continue to transform and improve our services, given our ongoing financial challenges.

81 This question produced a large number of responses in total (584 comments) with the most common reflecting the desire to increase efficiencies through new, smarter ways of working (55 comments). A smaller number of respondents wanted to review the number of Councillors and their allowances (44 comments). Though again a similar number of respondents felt that the Council was 'doing okay' considering the pressures it is under (46 comments).

82 Others reflected on the welfare reform related issues encouraging the council to assist the poorest in our communities particularly those affected by the rollout of Universal Credit and tackling the impacts of child poverty (34 comments). A smaller number of comments encouraged the council to continue to support the VCS particularly as their workload increases as a result of public sector cuts (20 comments). This investment theme continues with comments reflecting increased partnership working generally (17 comments), protecting services for children and young people (18 comments) as well as investing in public health and leisure (14 comments).

Improving Quality of Life

83 The final part of this public consultation allowed respondents to reflect on those issues which would most improve residents' quality of life. This section generated by far the greatest response (1,056 comments) and these reflect a wide variety of topics. The most common comments include:

(a) more community development workers, activities, infrastructure, groups buildings, funding, volunteering (134 comments);

(b) more visible policing/reduced ASB/better CCTV (79);

(c) keep communities clean (73);

(d) things for young people to do in their area (67);

(e) local, safe parks, bike tracks, well maintained football facilities, outdoor leisure and sports/libraries (59);

(f) better public transport links to keep communities connected (50);

(g) AAP funding to be maintained for communities (41);

(h) examine the needs of villages and rural areas and protect services (39);

(i) improve opportunities to reduce isolation/be active/participate (35);

(j) more consultation /open communications / social; media / engagement / knowledge of service needs (35).

Equality Considerations of Questionnaire Responses

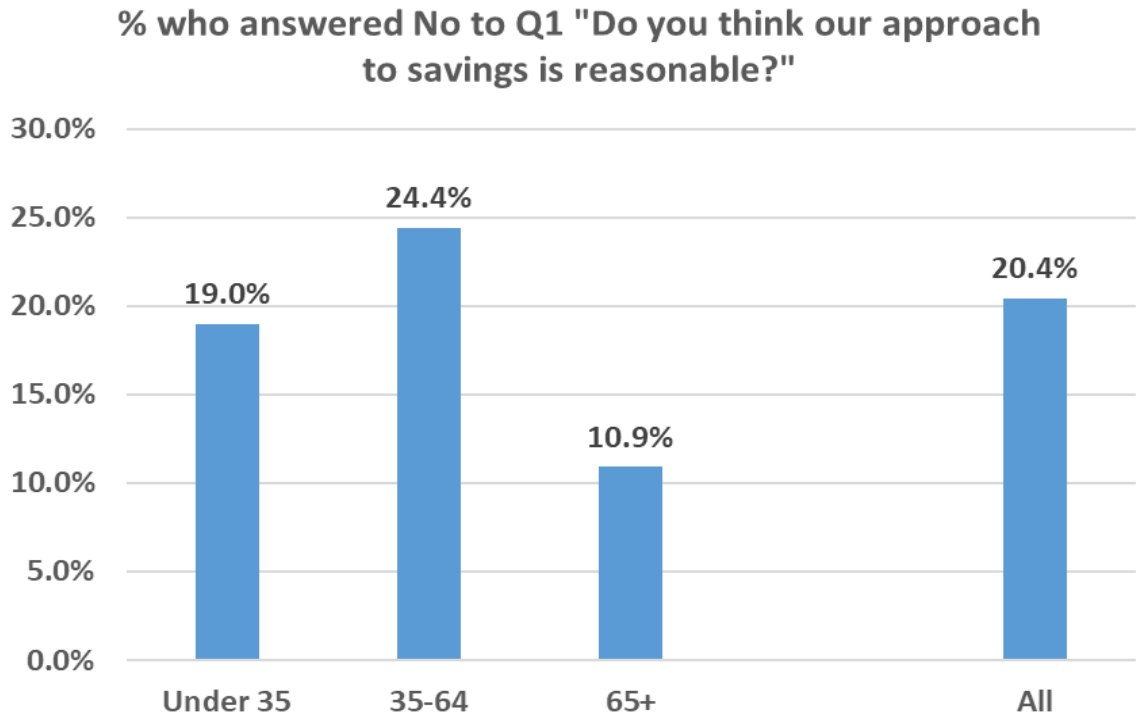
84 The questionnaire also included an optional section allowing participants to provide some key information to help us gauge the consultation's representativeness. Responses were broadly reflective of the community within County Durham but some groups remain under represented.

85 There were slightly more responses from females (57%) compared to males (43%). Respondents tended to be older with almost two fifths (39%) of respondents aged in the 45-64 age group and around a fifth (22%) aged under 35. 96% of respondents described their sexual orientation as heterosexual with 2% identifying as gay or lesbian and a further 2% identifying as bisexual.

86 In terms of religion or belief, 70% of respondents described themselves as Christian and 28% reported they have no religion or belief, 2% reported another religion or belief. 98% of respondents identified their ethnicity as white with 2% identifying as an ethnic minority group.

87 There were few differences in views between groups evident within the analysis. The main difference is illustrated below in Chart 1 where almost a quarter of respondents aged 35-64 said our approach was not reasonable compared to just one in ten in the 65+ age group.

Chart 1



Engagement with Key Partners

88 Key partners including the Office of the Durham Police Crime and Victims' Commissioner, the County Durham and Darlington Fire and Rescue Service, Historic England, the Economic Partnership, the Royal Naval Reserves, the County Durham Association of Local Councils and Durham Community Action provided written responses. The key points are set out below.

89 Their responses indicated a full appreciation of the position that the council is in and support for the approach to the reductions to date. The responses highlighted the importance of continued collaboration, partnership working and on-going dialogue in relation budget management in order to avoid duplication, minimise impact and maximise value for money. Their comments are listed below and service specific comments have been passed to the relevant service area:

(a) It is important to continue with the approach of providing preventative and early intervention services as it is more cost effective than the costs of addressing issues further down the line;

(b) Carefully consider the potential direct or indirect impacts of proposed reductions, especially to those services already reduced. This includes increased demand on other services and wider aspects such as increased anti-social behaviour. In particular, local councils have expressed concerns about the restructure and delivery of youth services;

(c) Support for the council's ambition to prioritise front line services, and that the appreciation that the continued reduction to back office staff is not sustainable as it may begin to effect front line services;

(d) Support for the county council and other north east councils in requesting a fairer deal on local government funding from the government through the Fair Funding review.

90 The most extensive response was received by Durham Community Action on behalf of the VCS. The response highlighted that the VCS is experiencing changes in the way it works, to meet the challenges of finding new opportunities in the face of continuing austerity.

91 Whilst resilient, there are signs of vulnerability amongst community support providers. Therefore the council and other public sector partners are asked to address these vulnerabilities through proofing investment policies and reinforcing a consistent strategy across the County Durham Partnership. In particular:

(a) the VCS are vulnerable to closure at a time of increasing demand;

(b) a trend for short term (one year or less) contracts and commissioning making it impossible for groups to plan ahead or mitigate risks.

(c) Specific comments by Durham Community Action in relation to the budget proposals include:

(i) support for the proposal to continue to realise savings already agreed;

(ii) support for the proposal to continue to reduce management and back office posts stressing the importance retaining sufficient capacity to continue partnership support which is vital for County Durham;

(iii) support to continue to find new ways of working and generating income including more effective commissioning of services and in particular, tackling child poverty;

(iv) support for the review of culture and sport, stressing the importance of working alongside the VCS such as the County Durham Sports and the County Durham Community Foundation.

Engagement with Equality Related Groups

92 The targeted work with people with learning and physical disabilities included a range of methods from facilitated group discussions sessions to self-completion of the questionnaire. This section summarises the feedback from the four facilitated groups. There was a 100% agreement across the groups that the proposals are reasonable. Comments included:

(a) there is a need to protect adult and social care services, particularly those which allow people to stay in their own homes and communities and remain independent;

(b) there was concern about criteria for adult and social care services changing. It was stressed that this could leave people without adequate support;

(c) it is important that when considering alternative ways to provide services, that care is taken on who will provide them and costs.

93 Fifty nine children and young people took the time to complete questions as part of this budget consultation. Similar to the overall results a large majority of young people (84%) felt the proposals for savings for 2018/19 represented ‘a reasonable approach’. There were very few comments made about specific savings with generally single comments made about a wide variety of proposals and issues. However, two clear themes did come though: six respondents felt that generally the council should protect services for children and young peoples and 10 respondents felt that ‘things to do for young people in their area’ is something that would most improve their quality of life.

Scrutiny Committee Feedback

94 Scrutiny members have met three times so far to consider ongoing work to prepare MTFP(8). Meetings of the Corporate Overview and Scrutiny Management Board were held on 15 September, 27 October 2017 and on 29 January 2018 following the Local Government Financial Settlement. Leaders of all opposition political groups were also invited to attend the January meeting.

95 Overall, members of the committee agreed that they wished to commend officers for their efforts in achieving the savings to date since austerity began in 2010 and also for the way in which this has being carried out in a planned way to minimise impact on residents.

96 Members also noted the results of the MTFP consultation process and commended officers in specifically targeting certain groups, particularly young people as the impact of spending decisions will affect their future. It was noted that despite a smaller number of people participating in the consultation than in previous years the key messages were consistent with those received in the past. Members made suggestions in two key areas:

(a) Local government finance can be complex. Innovative approaches to getting the message across using infographics and charts should be considered to try and aid understanding and increase participation;

(b) There is a popular misconception with residents that the majority of local government spending is funded from Council Tax. Addressing this misunderstanding might help to improve participation.

97 Turning to the subject of reserves, members made comments in a number of areas. Some members were concerned that we may be too prudent in our outlook making savings whilst continuing to underspend our revenue budget and increase our reserves. Other members felt that our reserves had been well managed with general reserve balances being maintained at levels between 5% and 7.5% in line with the council's own policy in order to meet unforeseen future expenditure. It was recognised however, that there is a view held by some residents that our reserve levels are too high. Ways to communicate the difference between general reserves and earmarked reserves set aside to finance specific future items of expenditure agreed by members need to be explored.

98 In considering the detail of the financial settlement, members were disappointed that the government continue to ignore deprivation and need as a factor in calculating grant support and that this change in the way that local government funding is determined is leading to a shift in resources from the north of the country to the south. There was also concern that the local government sector is being given new responsibilities but with insufficient funding to deliver them. Another concern was that Durham receives no rural funding despite the county having some of the most sparsely populated areas in the country. There were also worries that residents would feel that the

council is complicit in cutting public services and that more work should be done to communicate that this is due to the government's austerity programme.

99 Members noted that the government is allowing local authorities to increase their council tax by up to 3% in 2018/19 without the need for a referendum. The government has also made the assumption in their calculations that all councils will increase their council tax in line with this new council tax cap. The approach in Durham in the past has been to set annual increases in council tax up to the maximum of the old council tax cap and members questioned whether we should examine increasing our council tax by 3% in the forthcoming year.

100 Turning to the MTFP model, members noted the planned increase in the percentage of retained business rates and that this will make local government finances more sensitive to fluctuations in the local economy. It is therefore important that our ambitious regeneration programme is not delayed and maintaining a strong planning service is crucial in achieving this.

101 Members felt that there was a need to consider carefully the best use of the Better Care Fund to underpin prevention and to support future efficiencies in the context of demographic pressures the council faces in relation to adult social care. Concern was expressed about the uncertainty regarding the ability to carry forward better care fund money between years and whether the council needs to be more agile given increasing short-term funding. On another note, members did welcome the protection of the public health budget.

102 Concern was also expressed about the funding outlook beyond 2019/20 and whether there is a risk of further cuts. The Committee noted the Fair Funding review as a key issue that may affect the council.

103 Some members of the Committee expressed concern about the level of detail provided regarding savings proposals and asked that Cabinet should review this.

Medium Term Financial Plan Strategy

104 The strategy the council has deployed to date has been to prioritise savings from management, support services, efficiencies and, where possible, increased income from fees and charges to minimise the impact of reductions on frontline services as far as possible.

105 Throughout the period covered by the MTFP(1) 2011/12 through to MTFP(8) 2021/22, the cumulative savings required has risen from an originally forecast £123 million to a revised and updated forecast £252.7 million. It will become increasingly difficult to protect frontline services going forward.

106 To date the council has implemented the agreed strategy very effectively:

(a) £209 million of savings will have been delivered by 31 March 2018;

(b) In the vast majority of cases, savings have been delivered on time and in some areas ahead of time. This is critically important, as non-delivery would place additional pressure upon the revenue budget;

(c) Whilst income from fees and charges has been increased, this has not resulted in the council having the highest levels of fees and charges in the region, which is important given the socio-economic make-up of the county;

(d) It was originally forecast that there would be a reduction in posts of 1,950 due to austerity measures. Looking ahead with the significant savings requirements over the next two years, the council is expecting to see further reductions in the workforce. For 2018/19 the forecast is for a further reduction of 155 posts including the deletion of 57 vacant posts. It is currently forecast that by the end of 2018/19 the reduction in posts will be 2,921, of which 784 will have been via the deletion of vacant posts;

(e) Following the abolition of the national council tax benefit system in 2013, and despite government funding reductions for the Local Council Tax Reduction Scheme, the council has been able to maintain a scheme that protects all working age households in line with the support they would have previously received under the Council Tax Benefit system. This is a significant achievement and the council is one of small number of councils that have been able to maintain this support at a time when working age households are suffering from continued impacts of the government's welfare reforms. This has only been possible through prudent financial planning;

(f) The council has also been able to protect those services prioritised by the public such as winter maintenance whilst also continuing to support a fully funded capital programme.

107 The benefits of delivering savings early, if practical to do so, cannot be over emphasised. The utilisation of reserves has been essential in ensuring the smooth delivery of savings and enabled a managed implementation of proposals across financial years.

108 In general, the council has been accurate in forecasting the level of savings required, which has allowed the development of strong plans and has enabled the council to robustly manage the implementation and delivery on time, including meeting extensive consultation and communication requirements. This has put the council in as strong a position as possible to meet the ongoing financial challenges across this MTFP and beyond. Savings proposals are becoming more complex and difficult to deliver and will inevitably require increased utilisation of reserves to offset any delays and 'smooth in' reductions across financial years.

109 The council's existing MTFP strategy accords well with the priorities identified by the public. For example:

(a) **protecting basic needs and support service for vulnerable people:** Although the scale of government spending reductions is such that all MTFPs including MTFP(8) have identified unavoidable impact on vulnerable people, the council works hard with partners to minimise this impact as far as possible. In MTFP(8), support has been continued to protect working age people on low incomes through the continuation of the existing Council Tax Reduction Scheme. Work with health partners continues to help ensure that health and social care funds are maximised and every proposal with the potential to impact on vulnerable people is subject to an assessment to identify likely impacts and mitigate these as far as possible;

(b) **avoid waste and increase efficiency:** The council has a good track record of delivering cashable efficiency savings since local government reorganisation. This includes rationalisation of council buildings and IT systems as well as implementing significant changes such as the move to alternate weekly refuse collections. All employees have the ability to suggest ideas that could reduce waste and improve efficiency. The council benchmarks itself against other organisations in order to demonstrate value for money;

(c) **work with the community:** The council is a forerunner in asset transfer, having successfully transferred a number of leisure centres, a golf course, community buildings and children's centres to date. The council has recognised the need for investment in resources to work with the community to achieve successful outcomes in this area and shares the public's view that there is scope to continue this in the future. The "Durham Ask" initiative is expected to result in the transfer of more council assets to community groups so long as there is a business case supporting the sustainability of the transfer;

(d) **fees and charges:** The council has addressed some of its financial challenges through increasing fees and charges. Such decisions are carefully considered and it is acknowledged that it is not appropriate to aim for the highest charges possible given the income levels of the majority of residents and service users in County Durham.

110 It is likely that austerity will continue over the four year period of MTFP(8) resulting in at least 11 years of funding reductions and the need to identify significant annual savings to balance the budget. The fact that each year's reduction is on top of those of previous years leads to a forecasted, cumulative total of £252.7 million of required savings across the period 2011/12 up to 2021/22. This means that the council continues to face a very considerable financial challenge to balance budgets whilst providing a good level of service.

111 In addition, local government generally is facing more uncertainty about future funding and absorbing more financial risks from central government.

112 Increased risk is arising from several sources:

(a) Under the Local Council Tax Reduction Scheme, previous national risk arising from any increased numbers of benefits claimants has been transferred to local authorities since 2013/14. The risk is greater for authorities like Durham that serve relatively more deprived areas and have relatively weaker economic performance than the national average;

(b) Business Rates Retention was introduced in 2013/14 to incentivise local authorities to focus on economic regeneration by being able to retain 49% of business rates raised locally. Economic regeneration has always been the top priority for the council. Unfortunately, the practical consequences of these changes shifts risks once managed nationally to local authorities should there be a downturn in the local economy and local business rate yield reduces. In addition, the Council also now carries a share in the risk arising from successful rating appeals against the rateable value assigned to a business by the Valuation Office, part of HM Revenues and Customs which can go back many years and pre-date the introduction of Business Rates Retention;

(c) The Local Government Finance Settlement confirmed the government's aspiration that local authorities will be able to retain 75% of business rates collected locally in 2020/21. At this point there will be a business rate reset and the implementation of the Fair Funding review. This could result in significant changes to the funding received by the council;

(d) The government's ongoing Welfare Reform changes, including the roll out of Universal Credit Full Service, carry increased financial risk to the Council in areas such as the Benefits Service, Welfare Rights, homelessness and housing services. Similarly, council tax may become more difficult to collect, creating increased financial pressure;

(e) Risks such as future price and pay inflation beyond MTFP forecasts and demographic pressures in social care services in particular will still apply and are not currently recognised in government funding allocations, increasing the real terms cuts required to set a balanced budget;

(f) Future settlements are dependent upon the national finances. Uncertainties in relation to Brexit could impact upon the national finances and as such impact upon future settlements for local government.

113 Detailed savings plans have been developed for 2018/19 with work ongoing to develop savings plans for 2019/20 and beyond. It is recognised that the likely impact of the Fair Funding review will not become clear until at least 2019. On that basis the council will need to be flexible in terms of planning for future years savings.

Revenue Budget for 2018/19

114 Regular updates on the development of the 2018/19 budget have been presented to Cabinet since July 2017. These updates have provided detail upon the forecast resources available, budget pressures and the savings required to balance the budget. This report provides details on the final position.

Base Budget Pressures in 2018/19

115 Base budget pressures have been reviewed over the last year. Table 14 below provides detail of the final position on the 2017/18 Base Budget pressures.

Table 14 – 2018/19 Base Budget Pressures

Pressure	Amount £m
Pay Inflation	4.800
Price Inflation	3.200
Corporate Risk Contingency Budget	(1.000)
Costs associated with the National Living Wage	2.900
Energy Price Increases	0.500
Microsoft Licencing	1.200
Adult Demographic Pressures	3.000
Children's – LAC Pressures	3.944
Children's - Special Guardianship/Arrangement Orders	1.049
Children's - Social Worker Academy	0.372
Unfunded Superannuation	(0.100)
TOTAL	**20.507**

Additional Investment

116 Additional budget provision is required for price inflation and the cost of the pay award. At this stage the National Employers have made a two year offer to the Trade Unions for the two year period 2018/19 to 2019/20. The offer at this stage is as follows:

2018/19

(a) Bottom loading for scale points 6 – 19. It is considered necessary to increase the lower grades significantly to take into account higher than inflation increases in the National Living Wage (NLW). The increases from scale point 6 to scale point 19 vary between 3.7% and 9.2% with the larger increases at the lower grade points. The hourly rate at scale point 6 will be £8.50 per hour; the lowest scale point utilised in the council is point 10 which has an hourly rate of pay of £8.74 per hour.

(b) A 2% flat rate increase for scale point 20 and above.

2019/20

(a) A reorganisation of incremental points between scale points 6 and 22. This will include the merger of points between scale points 6 and 17 to form six new scale points rather than the current twelve. The hourly rate at scale point 6 will increase at this point to £9 per hour;

(b) A 2% flat rate increase for scale point 23 and above.

117 It is forecast that the offer, if accepted by the Trade Unions, will result in a 2.5% increase in the total pay bill for both 2018/19 and 2019/20. The Durham Living Wage is based upon scale point 10 which will see an increase from £8.09 per hour to £8.74 per hour which is significantly higher than the National Living Wage of £7.83 per hour. The Durham Living Wage will need to be reviewed in the light of the reorganisation of increment points in 2019/20. Government have not recognised the impact of the pay offer in the Local Government Finance Settlement.

118 Over the coming months the council will be need to consider the impact of the 2019/20 pay offer, which includes the creation of a new grading structure below scale point 23. Consideration will need to be given as to how employees are assimilated onto the new grading structure and the impact upon the overall grading structure and pay bill.

119 The increase in the NLW for 2018/19 is 33p per week bringing the hourly rate up to £7.83 per hour. The forecast cost to the council of this increase is £2.9 million over the MTFP(8) period. This increase will cover additional costs in relation to contract prices including Adult Social Care contractors where salaries paid by care providers are often at or near to the National Minimum Wage.

120 The council faces significant budget pressures in both Adult and Children's Social Care related in the main to additional demand for services. The additional costs in Children's Social Care continue to be challenging and it is disappointing that this pressure has not been recognised by government in terms of the Local Government Finance Settlement.

121 The council continues to prioritise capital investment and this budget includes a fully funded capital programme. A key priority of the capital programme continues to be regeneration and job creation within the local economy.

Savings Methodology

122 To date, the council has delivered the vast majority of savings required on schedule, where across the period 2011/12 to 2017/18 savings targets have totalled £209 million.

123 The savings requirements to balance the 2018/19 budget is £15.336 million, as detailed in Table 15 overleaf:

Table 15 – 2018/19 Savings Requirement

	£million	£million
Resource Base/Pressures – net position		2.681
Add Use of One Off Funds 2016/17		
Budget Support Reserve	12.622	
TOTAL SAVINGS REQUIREMENT		**15.303**
Financed as follows:		
Savings Proposals	(14.803)	
Use of Budget Support Reserve	(0.500)	
		(15.303)
SHORTFALL		**0**

124 To reduce the impact upon front line services the council will utilise £0.5 million of the Budget Support Reserve (BSR). The utilisation of £0.5 million of the BSR will leave a residual balance of £29.5 million to support the MTFP in future years.

125 The detailed savings plans totalling £18.631 million over the 2018/19 to 2020/21 period with £14.803 million of these savings being realised in 2018/19. The savings are detailed in Appendix 3.

126 Over the coming months the council will develop savings plans to balance the budget over the MTFP(8) period whilst recognising the uncertainties presently facing local government funding. These plans will be reported to Cabinet during the development of MTFP(9).

127 The revised forecast of savings up to 2021/22 is detailed in Table 16.

Table 16 – Total Savings 2011/12 to 2021/22

Period	Savings
	£m
2011/12 to 2017/18	209.0
2018/19 to 2021/22	43.7
TOTAL	**252.7**

2018/19 Net Budget Requirement and Council Tax

128 After taking into account base budget pressures and additional investment, the council's recommended Net Budget Requirement for 2017/18 is £395.278 million. The financing of the Net Budget Requirement is detailed in Table 17 overleaf.

Table 17 – Financing of the 2018/19 Budget

Funding Stream	Amount
	£m
Revenue Support Grant	41.860
Business Rates	51.887
Business Rates – Top Up Grant	70.350
Section 31 Grants	7.459
Collection Fund Surplus	7.506
Council Tax	209.712
New Homes Bonus	6.504
NET BUDGET REQUIREMENT	**395.278**

129 The Gross and Net Expenditure Budgets for 2018/19 for each service grouping are detailed in Appendix 4. A summary of the 2018/19 budget by service expenditure type, based upon the CIPFA classification of costs is detailed in Appendix 5.

130 The government has confirmed that the maximum the council can increase council tax by is 2.99% without approval from a majority of council tax payers to increase it higher after a public referendum. The council also has the ability to apply an Adult Social Care precept up to a maximum of 6% over the period 2017/18 to 2019/20, subject to a cap of no more than 3% to be applied in any one year. In setting the 2017/18 budget council agreed to plan on the basis of utilising this flexibility evenly at 2% in each of the three years.

131 After considering the impact upon the council's budget and, importantly upon council tax payers, this report recommends a 2.99% council tax increase in the council's Band D council tax in 2018/19 which is below the 3% Referendum Limit.

132 In addition, the report recommends a 2% increase to the Adult Social Care precept. The total increase will generate additional council tax income in 2018/19 of £9.9 million. The additional income will enable the council to protect front line services whilst also covering significant base budget pressures such as the additional costs associated with the introduction of the National Living Wage.

133 The 2018/19 council tax base which is the figure utilised to calculate council tax income forecasts, was approved by Cabinet on 16 November 2016 as 138,419.2 Band D equivalent properties. Based upon the council's track record in collecting council tax from council tax payers, the tax base for council tax setting and income generation processes will increase from 98.5% to 99%.

Recommendations

134 **It is recommended that Members:**

(a) approve the identified base budget pressures included in paragraph 115;

(b) approve the investments detailed in the report;

(c) approve the 2018/19 savings plans detailed in Appendix 3;

(d) approve a 2.99% 2018/19 council tax increase and an additional 2% increase which relates to the Adult Social Care precept, totalling 4.99%;

(e) approve the 2018/19 Net Budget Requirement of £395.278 million.

How the Medium Term Financial Plan (MTFP (8)) 2018/19 to 2021/22 has been Developed

135 The following assumptions have been utilised in developing the MTFP(8) budget model which is set out in Appendix 7.

(a) Government grant reductions for the MTFP(8) period have been developed utilising information from the Local Government Finance Settlement. The published RSG reductions for the period 2018/19 to 2019/20 are detailed below. By 2019/20 the RSG received by the council will have reduced to an estimated £27.6 million;

Table 18 – MTFP(8) RSG Reductions

Year	Funding Reduction
	£m
2018/19	(14.140)
2019/20	(14.240)

At this stage it is forecast that there will be no further reductions in RSG in the period after 2019/20. At the same time the implementation of the Fair Funding review in 2020/21 could have a significant impact upon RSG and broader government funding levels;

(b) The government previously announced significant reductions of circa 15% in Public Health grant over the four year period 2016/17 to 2019/20. The government has confirmed that the reduction in the Public Health grant will be £1.3 million in 2018/19 with an additional reduction of £1.3 million in 2019/20. This reduction in Public Health grant increases the savings requirement for the council in each of these years;

(c) NHB is now paid for four years rather than six and a deadweight threshold of 0.4%.The government will retain the option of making adjustments to the baseline in future years in the event of significant housing growth. In terms of MTFP(8) planning it is assumed that the NHB will continue to reduce in future years as the 0.4% threshold takes effect. It is forecast at this stage that NHB will reduce by a further £0.45 million in 2019/20, £0.8 million in 2020/21 and by £0.25 million in 2021/22;

(d) The council is also forecasting that there will be continued reductions in the Benefit Administration grants. It is forecast that Benefit Administration grants will continue to reduce by £0.3 million per annum in both 2019/20 and 2020/21;

(e) The additional BCF allocations relating to Adult Social Care and Health pressures have been built into the MTFP. These allocations begin with a £2.4 million in 2017/18 increasing to a forecast £13.4 million in 2018/19 and £23.1 million in 2019/20. In addition the government has also confirmed allocations of the 'Improved' Better Care Fund. The council will receive £8 million in 2018/19 which will reduce by £4 million in each of 2019/20 and 2020/21 with no funding remaining beyond 2020/21. All of these sums have been built into MTFP(8) to support the budget;

(f) Forecast pay and price inflation levels have taken into account the latest National Employers pay offer for 2018/19 and 2019/20 and the forecast levels of price inflation. Although it is forecast that price inflation may exceed 1.5% over the next couple of years, service groupings will be expected to manage budgets within set cash limits although some additional allowance will be recognised for major contracts. The assumptions built into MTFP(8) are detailed in the table below:

Table 19 – Pay and Price Inflation Assumptions

Year	Pay Inflation	Price Inflation
	%	%
2019/20	2.5	1.5
2020/21	2.0	1.5
2021/22	2.0	1.5

(g) Forecasts have also been included in relation to the impact of the National Living Wage over and above the 1.5% inflation allowance. Over the period 2019/20 to 2021/22 the council expects to receive requests from a broader range of contractors requesting price increases due to the impact of the National Living Wage. The annual budget pressure is forecast to be between £2.5 million and £4 million across the period 2019/20 to 2021/22;

(h) Continuing forecast budget pressures in relation to energy prices and Children and Adults demographics;

(i) Continuing to support the capital programme;

(j) It is assumed that the council will continue to utilise the flexibility to increase council tax utilising both the additional 3% referendum level and the additional 2% Adult Social Care precept.

136 Based upon the assumptions built into MTFP(8) the following shortfall in savings will be required to balance the budget in 2019/20 and 2021/22.

Table 20 – Savings to be Identified

Year	Savings Target
	£m
2019/20	7.704
2020/22	11.789
2021/22	5.600

137 In total, savings of £25.093 million are required to balance the budget over the 2019/20 to 2021/22 period. To support the MTFP over this period there will be a residual balance in the Budget Support Reserve of £29.5 million.

138 The MTFP(8) forecasted budget model is attached at Appendix 6.

Financial Reserves

139 Reserves are held:

(a) as a working balance to help cushion the impact of any uneven cash flows and avoid unnecessary temporary borrowing – this forms part of the General Reserves;

(b) as a contingency to cushion the impact of any unexpected events or emergencies e.g. flooding and other exceptional winter weather – this also forms part of General Reserves;

(c) as a means of building up funds, ‘earmarked’ reserves to meet known or predicted future liabilities.

140 The council’s current reserves policy is to:

(a) set aside sufficient sums in Earmarked Reserves as is considered prudent. The Corporate Director of Resources should continue to be authorised to establish such reserves as required, to review them for both adequacy and purpose on a regular basis and then reporting to the Cabinet Portfolio Member for Finance and to Cabinet;

(b) aim to maintain General Reserves in the medium term of between 5% and 7.5% of the Net Budget Requirement which in cash terms equates to up to £29 million.

141 Each earmarked reserve, with the exception of the Schools’ reserve, is kept under review and formally reviewed on an annual basis. The Schools’ reserve is the responsibility of individual schools with balances at the year-end which make up the total reserve.

142 A Local Authority Accounting Panel Bulletin published in November 2008 (LAAP77) makes a number of recommendations relating to the determination and the adequacy of Local Authority Reserves. The guidance contained in the Bulletin "represents good financial management and should be followed as a matter of course".

143 This bulletin highlights a range of factors, in addition to cash flow requirements that councils should consider. These include the treatment of inflation, the treatment of demand led pressures, efficiency savings, partnerships and the general financial climate, including the impact on investment income. The bulletin also refers to reserves being deployed to fund recurring expenditure and indicates that this is not a long-term option. If Members were to choose to use General Reserves as part of this budget process appropriate action would need to be factored into the MTFP to ensure that this is addressed over time so that the base budget is not reliant on a continued contribution from General Reserves.

144 The forecast balance on all reserves is reported to Cabinet every quarter as part of the Forecast of Outturn reports and Cabinet received the latest report on 15 November 2017. A range of reserves are being utilised to support MTFP(8). Details are as follows:

(a) **MTFP Redundancy and ER/VR Reserve** – this reserve was originally created in 2010 with a balance of £26.9 million. The reserve has been replenished on several occasions since 2010. In total an additional £30.642 million has been added to the original reserve and at the end of 2017/18, it is forecast that the balance on the reserve will be £10 million i.e. a sum of £47.5 million will have been expended over the 2010/11 to 2017/18 period in support of the MTFP. Having this reserve in place will be a major factor in managing the savings realisation process effectively across the MTFP(8) period. This reserve will continue to be closely monitored;

(b) **Budget Support Reserve** - It is forecast that an additional £0.5 million of the BSR will be utilised to support the MTFP in 2018/19. The residual balance of £29.5 million will be available to support the budget in later years when savings required are expected to be more challenging and the level of this reserve will be reviewed as part of the final accounts closedown and through the development of MTFP(8);

(c) **Cash Limit Reserves** – service groupings continue to utilise Cash Limit Reserves to enable re-profiling of when MTFP savings are realised. These reserves will continue to be carefully monitored.

145 Between the period 2011/12 to 2018/19 it is forecast that circa £80 million of reserves, including the BSR, will have been utilised to support the MTFP. It is recommended at this stage that the current Reserve Policy of maintaining the

General Reserve of between 5% and 7.5% of the Net Budget Requirement is retained. This will result in a General Reserve range of up to £30 million.

146 A balanced MTFP model has been developed after taking into account the assumptions detailed in this report. The MTFP model is summarised below.

Table 21 – MTFP(8) Model Summary

	2018/19	2019/20	2020/21	2021/22	Total
	£m	£m	£m	£m	£m
Variance in Resource Base	(17.826)	(4.886)	(3.050)	(7.650)	**(33.412)**
Budget Pressures	20.507	14.535	16.222	13.250	**64.514**
Previous use of one off funds	12.622	0.500	0	0	**13.122**
Use of Budget Support Reserve	(0.500)	0	0	0	**(0.500)**
Savings Required	**14.803**	**10.149**	**13.172**	**5.600**	**43.724**

Recommendations

147 **It is recommended that Members:**

(a) agree the forecast 2019/20 to 2021/22 MTFP(8) financial position;

(b) set aside sufficient sums in Earmarked Reserves as is considered to be prudent. The Corporate Director of 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;

(c) 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 £30 million.

Capital Budget 2017/18 to 2021/22

148 The capital budget was last approved by Cabinet on 15 November 2017. Since that date capital budgets have continued to be challenged and reviewed and some additional resources have been received which have augmented the capital programme. After taking these adjustments into account Table 22 details the latest revised capital budget for the period 2017/18 to 2020/21 including the details of the financing of this capital expenditure. Further details of the current capital programme can be found at Appendix 7.

Table 22 – Current Capital Budget 2017/18 to 2020/21

Service Grouping	2017/18	2018/19	2019/20	2020/21	Total
	£m	£m	£m	£m	£m
Adults and Health	0.326	0	0	0	0.326
CYPS	19.825	23.983	0	0	43.808
REAL	81.244	61.885	26.516	2.699	172.344
Resources	6.308	6.061	4.366	4.000	20.735
Transformation & P.	3.680	2.841	0	0	6.521
TOTAL	**111.383**	**94.770**	**30.882**	**6.699**	**243.734**
Financed by					
Grants/Contributions	53.697	34.028	7.070	0	94.795
Revenue/Reserves	5.320	0	0	0	5.320
Capital Receipts	17.591	22.439	0	0	40.030
Borrowing	34.775	38.303	23.812	6.699	103.589
TOTAL	**111.383**	**94.770**	**30.882**	**6.699**	**243.734**

Capital Considerations in the MTFP(8) Process

149 Service groupings developed capital bid submissions during the summer 2017 alongside the development of revenue MTFP(8) proposals. Bids were submitted in the main for 2019/20 to maintain the two year rolling programme approach to the capital budget. Bids were also submitted for 2018/19 which were deemed to be priority. The Capital Member Officer Working Group (MOWG) had considered the capital bid submissions taking the following into account:

(a) Service grouping assessment of priority;

(b) Affordability based upon the availability of capital financing. This process takes into account the impact of borrowing upon the revenue budget;

(c) Whether schemes could be self-financing i.e. capital investment would generate either revenue savings or additional income to repay the borrowing costs to fund the schemes.

150 Whilst considering capital bid proposals, MOWG has continued to recognise the benefits of committing to a longer term capital programme to aid effective planning and programming of investment. At the same time MOWG also recognised the need for caution in committing the council to high levels of prudential borrowing at this stage for future years.

Available Capital Financing – Capital Grants

151 Capital grants for 2018/19 are in line with the forecasts built into MTFP(8) although the allocation for Schools Capitalised Maintenance is still to be confirmed.

152 The table below provides details of the indicative 2019/20 capital grant allocations included in plans. If the actual allocations for 2019/20 vary from the forecast then the capital budget may need to be adjusted accordingly.

Table 23 – Forecast Capital Grants Utilised in Support of the MTFP(8) Capital Programme

Capital Grant	2019/20
	£m
Disabled Facilities	5.300
LTP – Highways/Pot Hole funding	12.487
LTP - Integrated Transport	2.726
School Maintenance/Basic Need	9.105
School Devolved Capital	1.378
TOTAL	**30.996**

Capital Receipt Forecast

153 In the majority of cases, capital receipts received are utilised to support the overall council capital programme. Capital receipts are generated from asset sales and from VAT shelter arrangements in relation to previous council housing stock transfers within the former district councils. Normally Registered Social Landlords cannot recover VAT. The VAT shelter agreed with Revenues and Customs (HMRC) allows recovery normally over a 15 year period. The benefit of this is shared between the council and the landlord. Asset sales in the main relate to land sales which are generated from the council's Asset Disposal Programme.

154 In a small number of circumstances, primarily in relation to former schools sites, capital receipts via land sales are ring fenced to particular schemes. In other cases estimated capital receipts have been offset by selective demolition of redundant buildings on sites declared surplus and being marketed for sale.

155 In the 2015 Autumn Statement the Chancellor of the Exchequer announced that local authorities would be given flexibility under certain circumstances to utilise capital receipts to finance one off revenue costs associated with service transformation and reform.

156 The government has identified that revenue expenditure would qualify to be financed from capital receipts in the following circumstances:

(a) Qualifying expenditure is expenditure on any project designed to generate ongoing revenue savings in the delivery of public services and/or transform service delivery to reduce costs or to improve the quality of service delivery in future years;

(b) The key criteria to use when deciding whether expenditure can be funded by the capital receipts flexibility is that it is forecast to generate

ongoing savings to an authority's, or several authorities', and/or to another public sector body's net current expenditure;

(c) Within this definition, it is for individual local authorities to decide whether or not a project qualifies for the flexibility;

(d) The Secretary of State believes that individual local authorities or groups of authorities are best placed to decide which projects will be most effective for their areas;

(e) Set up and implementation costs of any new processes or arrangements can be counted as qualifying expenditure. However, the ongoing revenue costs of the new processes or arrangements cannot be classified as qualifying expenditure.

157 The government believes that it is important that individual authorities demonstrate the highest standard of accountability and transparency. It is required that each authority should prepare a strategy that includes separate disclosure of the individual projects that will be funded or part funded through capital receipts flexibility and that the strategy is approved by full council or the equivalent. This strategy can be included as part of the annual budget documentation and approved by full council or the equivalent at the same time as the annual budget.

158 At this stage, it is not considered that there are a large range of opportunities for the council to utilise this new flexibility. Careful consideration also needs to be given to the other options of funding such expenditure as identified above e.g. from contingencies or from reserves. Notwithstanding this it is recognised that it would not be unreasonable for the council to consider utilising this new flexibility to finance severance costs associated with the MTFP process.

159 On that basis to ensure that the council has this option available it will be recommended that as part of the council's overall approach to efficiency that it is noted at this stage that capital receipts could be utilised to finance severance costs.

160 If this option is adopted there will be a natural impact upon the financing of the capital programme. In former years the council has set a target of £10 million of capital receipts income to support the capital programme. A target of £10 million is in place for 2018/19 which was included in MTFP(7). It is also recommended at this stage that a £10 million sum is included in the 2019/20 capital financing budget. It is recognised, however, that it is becoming more difficult to achieve the £10 million target as the availability of land for sale reduces. This position will be reviewed during development of MTFP(9).

161 If a decision is made and agreed by Cabinet in the future to utilise capital receipts to finance severance costs then the impact upon the capital financing budget will need to be considered.

162 During 2018/19 there may be other opportunities that manifest for the council to utilise this new capital receipts flexibility to finance service transformation and reform one off costs. If there is a business case in this regard Cabinet approval will be sought and the case in question included in a formal Efficiency Strategy.

One Off Revenue Funding

163 The council continues to recognise the importance of investing in capital infrastructure and the need to boost the local economy. With this in mind it is recommended that advantage is taken of the following one off revenue funding streams to support the capital programme:

(a) **Collection Fund Surplus** – the Quarter 2 Forecast of Outturn report to Cabinet on 15 November 2017 detailed that it was forecast that there would be a £7.506 million surplus on the council tax / business rates collection fund for 2017/18. This one off funding benefit is required to be utilised in setting the 2018/19 budget.

Prudential Borrowing

164 The council continues to sensibly utilise prudential borrowing to fund capital investment. The current budget available for prudential borrowing alongside additional growth across the MTFP(8) period will enable the council to fully fund the capital programme.

Approval of Additional Capital Schemes

165 A comprehensive 2018/19 capital programme was approved as part of MTFP(7) in line with the council policy of developing a two year rolling capital programme. The need to continue to invest in capital infrastructure is seen as an essential means of maintaining and regenerating the local economy whilst supporting job creation. Additional investment will maintain and improve infrastructure across the county, help retain existing jobs, create new jobs and ensure the performance of key council services are maintained and improved.

166 After considering all factors, including the availability of capital finance, MOWG has recommended that the following additional value of schemes be approved for inclusion in the MTFP(8) capital programme. Full details of the additional schemes can be found in Appendix 8.

Table 24 – Additional Capital Schemes for 2018/19 to 2021/22

Service Grouping	2018/19	2019/20	2020/21	2021/22	TOTAL
	£m	£m	£m	£m	£m
CYPS	0	12.583	0	0	12.583
REAL	9.089	71.622	10.300	0.700	91.712
Resources	0	2.745	0	0	2.745
T & P	0.250	9.775	0	0	10.025
TOTAL	**9.339**	**96.726**	**10.300**	**0.700**	**117.065**

167 The new schemes detailed in Appendix 8 will ensure that the council continues to invest in priority projects and essential maintenance programmes. Examples of additional investments are detailed below:

(a) **Replacement HQ (2018/19 – 2021/22 - £46.4 million**) – a sum of £46.4 million has been included at this stage for the replacement HQ. This sum is to cover the cost of the HQ build and any required additional car park requirements;

(b) **History Centre (2018/19 and 2019/20 - £7.8 million) –** the total scheme is forecast to cost between £14.8 million and £17.7 million. A HLF bid will be submitted which if approved would part fund the development. This initial funding allocation will enable the scheme to progress. It is expected that any funding shortfall will be funded as a priority in MTFP(9);

(c) **Highways Maintenance (2019/20 - £18.418 million) -** in line with previous years, a sum in addition to the LTP grant of £11.556 million and pot hole grants of £1.862 million will be invested into highways maintenance;

(d) **Horden Rail Station (2019/20 - £0.75 million) -** this will bring the council investment in this £10.55 million scheme to £3 million. The additional investment from the council will be matched against funding from the New Stations fund and against funding from the LEP to enable this scheme to progress;

(e) **Finance Durham (2019/20 - £0.985 million) -** this further tranche of investment will bring the total investment to £10 million. The investment will continue progress in the investment of loans and equity in County Durham businesses to assist them to grow and thrive, supporting the local economy;

(f) **New Primary School – Escomb Primary (2019/20 - £2.1 million) -** New housebuilding in Bishop Auckland is placing excessive pressure upon school places. The optimum solution in this circumstance would be the building of a new two form entry primary school. A housing developer has agreed to gift the required land in this regard and has been required to grant a £2.1 million Section 106 contribution to build costs. In total build costs are forecast to be £6.3 million. The £2.1 million included in MTFP(8) will need to be matched with a further £2.1 million in MTFP(9).

168 After taking into account the adjustments detailed in this report and the additional schemes the revised capital budget and its financing will be as follows:

Table 25 – New MTFP(8) Capital Programme

Service Grouping	2017/18	2018/19	2019/20	2020/21 to 21/22	Total
	£m	**£m**	**£m**	**£m**	**£m**
Adults and Health	0.326	0.000	0.000	0.000	0.326
CYPS	19.825	23.983	12.583	0.000	56.391
REAL	81.244	70.974	98.138	13.699	264.056
Resources	6.308	6.061	7.111	4.000	23.480
Transformation & P.	3.680	3.091	9.775	0.000	16.546
TOTAL	**111.383**	**104.109**	**127.607**	**17.699**	**360.799**
Financed by					
Grants/Contributions	53.697	34.028	38.066	0.000	125.791
Revenue/Reserves	5.320	9.339	38.167	0.000	52.826
Capital Receipts	17.591	22.439	10.000	0.000	50.030
Borrowing	34.775	38.303	41.374	17.699	132.152
TOTAL	**111.383**	**104.109**	**127.607**	**17.699**	**360.799**

Recommendations

169 **It is recommended that Members:**

(a) approve the revised 2017/18 capital budget of £111.383 million;

(b) approve the additional capital schemes detailed at Appendix 8. These schemes will be financed from additional capital grants, from capital receipts, from one off revenue funding and from prudential borrowing;

(c) note the option for the council to utilise capital receipts to finance severance costs utilising the new flexibilities in this regard. The utilisation of such flexibility will require the approval of Cabinet;

(d) approve the MTFP(8) Capital Budget of £360.799 million for 2017/18 to 2021/22 detailed in Table 25.

2018/19 Savings Proposals

Transformation and Partnerships

170 To date spending reductions of just over £6.5 million have been achieved over the course of MTFP (1) – (7). In 2018/19 a further £0.48 million is required bringing the total amount of savings since 2011 to circa £7 million.

171 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, through the new transformation programme.

172 Since 2011 much of the service grouping's savings have been realised through reduction of management and support services. In 2017/18 savings

were made through AAP Revenue Reduction, grant reductions, and reductions in staffing.

173 In 2018/19 there will be a full service review following the unitisation of policy, performance and planning type services in 2017. There will not be a reduction in AAP budgets.

174 For 2018/19 onwards Transformation and Partnerships will be facilitating additional back office savings and increasing productivity across the council as part of the Transformation Programme in addition to a review of the service grouping will continue in order to identify further savings.

Adult and Health Services

175 In 2018/19 savings of £5.6 million are required.

176 The service continues to be faced with a significant amount of change both internally with the reorganisation of the service grouping and externally including the continuing demographic pressures arising from an ageing population with increasingly complex needs and support requirements, statutory changes for personal independence payments and new partnering arrangements between health and social care.

177 In 2018/19 a range of proposals will be implemented to ensure that services to vulnerable users are protected whilst the budget savings are achieved. Proposals include a review of direct provision of in house services, use of consistent eligibility criteria and a review of charging income in a number of areas.

178 A number of service areas will be reviewed and restructured to gain maximum efficiency savings including reviews of community based services, environmental health and consumer protection and non-front line activity in public health.

Children and Young People's Services

179 In 2018/19 savings of £2.7 million are required.

180 All efforts continue to be made to minimise the impact as far as possible upon vulnerable people in line with the MTFP consultation views expressed by the public. There will be reviews of operating models and working practices alongside the development of opportunities to work in a more integrated way with external partners. Where possible the decision to re-profile savings has been taken to further minimise impact for service users.

181 The service will be seeking to increase the income through the expansion of traded services as well as reduce expenditure through a number of service reviews and back office savings through the development of new technologies and more efficient ways of working.

182 A review will be undertaken to develop new partnership arrangements for early help services whilst further savings will be sought across all teams in the service including staffing and non-staffing budgets.

183 Further small scale savings will be achieved from proposals previously agreed to review home to school transport, utilising safe walking routes.

Regeneration and Local Services

184 Neighbourhood Services and Regeneration and Economic Development have also undergone significant organisational change and have been amalgamated to form the single service grouping Regeneration and Local Services (ReaL), reducing the number of Corporate Directors by one. Spending reductions of £55.3 million have been achieved over the course of MTFP (1) - (7) for Regeneration and Local Services with a further £4.9 million required in 2018/19. Since 2011 the total amount saved by this service grouping to the end of 2018/19 will be in excess of £60 million.

185 Throughout the previous MTFPs, both service groupings had focused on protecting front line services, looking to restructure and review teams and wherever possible to deliver savings through more efficient ways of working, while also maintaining a high level of service, working with partners to deliver our economic ambitions.

186 Areas where further efficiency reviews will be carried out in 2018/19 include fleet, buildings and facilities, grounds maintenance, and culture and sport. There will also be savings made from restructures of Economic Development, transport and planning teams and this will include a proportionate reduction in supplies and services.

187 Waste also continues to be an area in which savings have been identified, with additional income being generated from garden waste and bulky waste charges along with a review of the strategic waste service.

188 Whilst every effort has been made to minimise impact of frontline services in previous years it will become increasingly difficult in the future as austerity continues.

Resources

189 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 £16.5 million.

190 In 2018/19 a further £0.6 million reduction is required. This will mean from 2011 to the end of 2017/18 reductions totalling £17.1 million will have been made.

191 All areas of the service grouping will be undergoing further reviews and restructuring during 2018/19 in order to deliver the savings required in these

areas. This will include a review and further restructuring of HR, Legal Services, Corporate Finance, Revenues and Benefits, Internal Audit and Digital and Customer Services.

192 The service grouping also manage a range of additional savings from corporate areas including renegotiated contract prices for concessionary fares, additional dividends, and reductions of the insurance budget and annual Minimum Revenue Provision (MRP) charge.

193 These proposals will deliver a further £3.7 million of savings for MTFP(7) with additional savings in 2018/19 achieved from the annual subscription to the Association of North East Councils (ANEC) which is no longer required. On top of the £8.6 million achieved to date since 2013 this will bring the total corporate savings in 2018/19 to circa £12 million.

Recommendation

194 **It is recommended that Members:**

(a) **note the approach taken by service groupings to achieve the required savings.**

Equality Impact Assessment of the Medium Term Financial Plan

195 The equality impact of these savings proposals is an essential element that Members must consider in this decision making process. This section provides an update on the outcomes of the equality impact assessment of the MTFP(8) to date, and summarises the potential cumulative impact of the 2018/19 proposals.

196 The aim of this equality analysis is to:

(a) identify any disproportionate impact on service users or staff based on the protected characteristics of age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex and sexual orientation;

(b) identify any mitigating actions, which can be taken to reduce negative impact where possible;

(c) ensure that we avoid unlawful discrimination as a result of MTFP decisions;

(d) ensure the effective discharge of the council's public sector equality duty.

197 As in previous years, equality impact assessments are being considered throughout the decision-making process, alongside the development of MTFP(8). This is required to ensure MTFP process decisions are both fair and lawful. The process is in line with the Equality Act 2010 which, amongst other things, makes discrimination unlawful in relation to the protected

characteristics listed above and requires reasonable adjustments for disabled people. The public sector equality duty requires us to pay ‘due regard’ to the need to:

(a) eliminate discrimination, harassment and victimisation and any other conduct that is prohibited under the Act;

(b) advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it;

(c) foster good relations between persons who share a relevant protected characteristic and persons who do not share it.

198 All of the savings options presented at Appendix 3 have been subject to initial equality impact assessments from services where applicable. Existing assessments from previous years are in place where there is a residual saving or a continuation of a savings proposal. A number of proposals do not require an assessment, for example those involving savings in supplies or reduced insurance premiums.

199 A number of successful judicial reviews in respect of local authorities discharge of the public sector equality duty, reinforce the need for robust consideration of the public sector equality duties and the impact on service users with protected characteristics in the decision-making process. Members must take full account of the duties and accompanying evidence when considering the MTFP proposals.

200 Throughout the period of MTFP planning through to setting the MTFP(8) budget in February 2018, the equality impact assessments have been developed alongside emerging savings proposals. Any relevant results of consultation activity have been included in the assessments and all assessments are continually updated as further information becomes available. Final assessments will be considered as part the decision-making process for each individual proposal.

201 In terms of the ongoing programme of budget decisions, the council has taken steps to ensure that impact assessments:

(a) 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;

(b) are based on relevant evidence, including consultation where appropriate, to provide a robust assessment;

(c) objectively consider any negative impacts and alternatives or mitigating actions so that they support fair and lawful decision making;

(d) are closely linked to the wider MTFP decision-making process;

(e) build on previous assessments to provide an ongoing picture of cumulative impact.

Impact Assessments for 2018/19 Savings Proposals

202 A total of 46 savings proposals are listed in Appendix 9 together with a description of the proposal, any positive or negative impacts, potential or otherwise, on groups with protected characteristics and any mitigation we propose to undertake to lessen anticipated negative impacts.

203 Key impacts and mitigations are summarised below and Members are asked to note this equality analysis and that detailed in Appendix 9 when considering the savings proposed in this report.

204 In many cases, savings proposals have no overall equality impact in terms of service delivery or staff. Where potential impacts are evident and the individual savings proposal is subject to further decision making outside of this report a full equality assessment is undertaken.

205 These individual equality impact assessments reflect detailed information about the impact of the changes and include any relevant mitigating actions at the point of decision. Where further decision making is required to finalise how these proposals will be implemented the impact assessments will be updated.

206 Proposals include potential service user impacts across all protected characteristics, but, most commonly around age, gender and disability characteristics. In addition, staffing reviews have potential impacts across all protected characteristics. Fair treatment of staff will be ensured through agreed corporate HR procedures contained within the council's Change Management Toolkit.

207 Specific potential impacts of MTFP(8) saving proposals are summarised by service grouping below.

(a) **Adult and Health Services (AHS)**

Adults and Health Services have a range of proposed savings some of which reflect ongoing savings agreed in previous years. Ongoing savings include the review of direct provision of in-house services, the consistent and effective use of existing eligibility criteria and increased charging income in respect of adult care provision. At this stage, changes to be made to the operating models for in-house services are not anticipated to affect the level of service provided. Those eligible for support will continue to receive that support subject to ongoing annual review and consistent application of eligibility criteria.

New proposals include a mix of changes to service provision as well as staffing reviews. Specifically, changes affecting new service users include bringing charging policies in line with the latest Department of

Health guidelines with adverse effects derive from increased care costs.

A review of community-based services will reduce the use of short term support funding available to supplement Adult Social Care. At this stage the actual equality impact on these services is considered negligible as alternative funding has been secured.

Service users affected by AHS proposals tend to be older and/or have a disability. In addition, a higher proportion of older service users are female and furthermore women are more likely to be affected in their role as primary carers.

Other changes involve staffing reviews across a range of services. These reviews have potential impacts across all protected characteristics. Fair treatment of staff will be ensured through agreed corporate HR procedures contained within the Change Management Toolkit;

(b) **Children and Young People Services (CYPS)**

Savings proposals for Children and Young People's Services largely reflect service and staffing reviews. These include a review of Children's Services which is likely to restructure how children's social care and early help for families are delivered.

Reviews of Education Services and business support / administration are also included. These reviews have potential impacts across the protected characteristics including disability. Adapting the service delivery model for the sensory support team will align responsibilities with schools and funding arrangements for other children with SEND, supporting the capability of staff in all schools with reference to children with sensory impairment, and will continue to meet statutory duties under SEND legislation. Equality impact assessments will be further developed as savings proposals progress to implementation stages.

The opening of a fifth residential unit at Aycliffe Secure Centre will generate income. Furthermore, this will also promote our commitment to equality as it will provide an additional service for vulnerable children and young people.

(c) **Regeneration and Local Services (ReaL)**

The proposals in ReaL Services have been developed with the intention of minimising front line impacts in all areas of the service grouping.

The review in Culture and Sport will involve changes to development services in sport and the arts, with further operational reductions across the service. The nature of service delivery in this area mainly

involves targeted interventions. Whilst this saving may result in fewer new programmes being introduced, it is unlikely to affect existing users. There are potential impacts in terms of reduced access to targeted interventions for future users which are more likely to affect gender, and or age disability related characteristics.

There is an increase in charging for garden waste with the option of a discounted multi-year deal to ease the impact. Furthermore, households are reminded that they can share garden waste bins with neighbours which will also cut costs and help mitigate impact. There is also a small increase in charges for bulky waste collection. These proposals are likely to have a greater impact on older or disabled residents who may have limited means to access alternative ways of disposing of their garden or bulky waste. The proposal is mitigated, in-part, by the introduction of a points system which means customers can mix smaller and larger items in a single collection which may make some collections cheaper, where the number of items is low.

There are proposed reductions in the safer communities budget which currently provides low level intervention to tackle anti-social behaviour. At this stage it is not anticipated that these changes will have an equality impact.

There are some areas relating to staffing savings with no expected service impact. This includes proposed service reviews for planning, economic development and transport. Equality impact assessments will be developed as savings proposals develop to implementation stage.

(d) **Resources**

Resources proposals involve staffing reviews, the majority of which do not affect the public-facing services. There could be some minimal customer impact in term of the processing of benefit applications due to the re-structure and reductions in non-staffing budget for the financial support service (assessment, awards and payment, income and support). However, at this stage impact is thought to be minimal because proposals will seek to delete vacant posts and freeze new recruitment. In order to maintain performance there will be continuing challenge of systems and processes and maximisation of efficiencies through continued channel migration and automation of processes.

Staffing reviews have potential impacts across all protected characteristics and relevant equality impact assessments will be developed as savings proposals develop to implementation stage.

(e) **Transformation and Partnerships (T&P)**

There is a single proposal for the Transformation and Partnerships service grouping to undertake a service and staffing review, the

majority of which will not affect the public-facing services. Staffing reviews have potential impacts across all protected characteristics and relevant equality impact assessments will be developed as savings proposals develop to implementation stage.

Cumulative Impacts

208 Carrying out equality analysis on MTFP proposals helps us reflect on their cumulative impacts across the range of protected characteristics and to compare with previous years. Throughout the last five years of austerity, the approach of the council has taken is 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.

209 For example, in previous years our successful transfer to local community groups of leisure centres and community facilities, the ongoing work on the Durham Ask and increases in income generated are all ways in which Durham County Council is reducing the equalities impacts of government budget cuts.

210 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.

211 Generally, previous changes to universal services such as street lighting or bin collection are less likely to have a disproportionate impact on any one specific group. However, there are exceptions such as reductions in contracted public bus services, changes to libraries' opening hours and changes to leisure centres. Changes to dedicated services such as social care, day care and home to school transport may also disproportionately impact particular groups such as people with a disability, older people and women and those with a caring responsibility and we have taken steps to monitor the impact and mitigate where possible. Generally, these include ensuring service users can make informed choices or find alternatives where possible, implementing new or improved ways of working, working with partners and providing transitional, or more flexible, arrangements to reduce the initial impact. However, in some cases it is not possible to entirely mitigate against impact such as increases in charging.

212 Proposed savings in the 2018/19 MTFP comprise a mix of savings intended to:

(a) continue to realise saving already agreed;

(b) continue to reduce management and back office posts, accommodation costs, supplies and services and review our working arrangements to achieve efficiencies;

(c) continue to find new ways of working and generating income including more effective commissioning of services, investing in changes that will reduce our future expenditure and focussing on priority service users.

213 While many of the specific savings proposals are different from previous years the impacts on protected groups are broadly similar to previous MTFPs. Again similar to previous MTFP processes mitigating actions are being considered and planned where assessments have identified negative impacts on protected groups. Generally, these include ensuring service users can make informed choices or find alternatives where possible, implementing new or improved ways of working, working with partners and providing transitional, or more flexible, arrangements to reduce the initial impact.

214 There are a number of MTFP(8) proposals relating to staffing reviews, the impacts of which are comparable to those reported in previous years. Services continue to be required to follow corporate HR procedures to ensure fair and consistent treatment, for example, by making reasonable adjustments employees with a disability.

215 Furthermore, in many cases negative impacts for employees can be minimised by progressing requests for early retirement, voluntary redundancy and through redeployment. There remains, however, potential impacts for staff relating to all protected characteristics. In terms of age, employees over 55 may feel greater pressure to take early retirement and younger staff may see their risk as greater as they may carry more significant financial burdens, such as mortgages or young families. There are potential impacts for both men and women depending on the gender structure of the specific service under review.

216 Overall, the staffing profile shows almost two thirds of staff employed across the Council are female 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.

Key Findings and Next Steps

217 The equality impact of these savings proposals is an essential element that Members must consider in this decision making process. This section has provided an update on the outcomes of the equality impact assessments of

the MTFP(8) proposals to date, and summarises the potential cumulative impact of the 2018/19 proposals.

218 It is likely that the key equality impacts will relate to age, gender and disability, similar to previous years. Some savings proposals represent continuing savings from previous years, and the equalities impacts and mitigating actions are summarised earlier in the report and detailed in Appendix 9. Where further decision making was necessary these proposals have been supported by individual equality impact assessments.

219 Other proposals are at an earlier stage. As these proposals are further developed, services, with support from the corporate equalities team, will be asked to identify the level of equalities assessment required.

220 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. 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 equality impact assessments will also be considered in the final decision making process for savings where appropriate.

Recommendations

221 **It is recommended that Members:**

(a) consider the equality impacts identified and mitigating actions both outlined in the report above and detailed in Appendix 9;

(b) 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;

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

Workforce Considerations

222 MTFP(1) which covered the period from 2011 to 2015 originally forecast a reduction in posts of 1,950 against a savings target of £123.5 million. Since MTFP(1) however, the savings target has increased significantly with the revised savings targets up to the end of 2021/22 being £252.7 million.

223 Looking ahead, with the significant savings plans of £14.8 million in 2018/19 there will be further reductions in workforce numbers. For 2018/19 the forecast is a further reduction of approximately 155 posts including the deletion of an anticipated 57 vacant posts. It is currently forecast that by the

end of 2018/19 the reduction in post numbers will be 2,921 of which 784 will have been via the deletion of vacant posts.

224 Further detailed planning is underway to identify the forecasted numbers for future years and recognising the principles adopted to date in workforce reduction exercises within service groupings, the council will take all possible steps to avoid compulsory redundancies and minimise the impact upon the workforce in these next stages of change. The continued approach of forward planning, retaining vacant posts in anticipation of any required change, seeking volunteers for early retirement and/or voluntary redundancy and maximising redeployment opportunities for the workforce will minimise wherever possible the necessity for compulsory redundancies in the process.

225 In addition, the way that work is organised and jobs are designed will continue to be reviewed by service groupings. This will ensure that as changes continue to be made, the council maximises the capacity of the remaining workforce through skills development and the introduction of flexibility into the way work is organised, in order to maximise the capability of the remaining workforce.

226 Consideration will also need to be given to the revised national grading structure included in the National Employers 2019/20 pay offer and its implementation within the council.

Pay Policy

227 The Localism Act 2011 requires the council to prepare and publish a pay policy statement annually which sets out the authority's policy relating to the remuneration of its Chief Officers and how this compares with the policy on the remuneration of its lowest paid employees.

228 The first policy document was approved by a resolution of the council prior to 31 March 2012 and a policy must then be published by the end of March for each subsequent year, although the policy can be amended by a resolution of the council during the year.

229 Additionally, the Act requires that in relation to Chief Officers the policy must set out the authority's arrangements relating to:

(a) the level and elements of remuneration for each Chief Officer;

(b) remuneration of Chief Officers on recruitment;

(c) increases and additions to remuneration for each Chief Officer;

(d) the use of performance-related pay for Chief Officers;

(e) the use of bonuses for Chief Officers;

(f) the approach to the payment of Chief Officers on their ceasing to hold office under or to be employed by the authority;

(g) the publication of and access to information relating to remuneration of Chief Officers.

230 The Pay Policy Statement at Appendix 10 is for council consideration and outlines the details for the authority for 2018/19, in line with the above requirements.

Recommendations

231 **It is recommended that Members:**

(a) approve the Pay Policy Statement at Appendix 10.

Risk Assessment

232 The council has previously recognised that a wide range of financial risks need to be managed and mitigated across the medium term. The risks faced are exacerbated by the council's growing responsibility for business rates and council tax support. All risks will be assessed continually throughout the MTFP(8) period. Some of the key risks identified include:

(a) ensuring the achievement of a balanced budget and financial position across the MTFP(8) period;

(b) ensuring savings plans are risk assessed across a range of factors e.g. impact upon customers, stakeholders, partners and employees;

(c) government funding reductions are based upon the Local Government Finance Settlement. A four year finance settlement was previously secured and should provide certainty in relation to RSG reductions for 2019/20. There is still a risk however that a deterioration in the public finances could result in further savings targets for local government in excess of those agreed to date;

(d) the outcome of the government's Fair Funding review which is expected to be implemented in 2020/21. This review could result in significant increases or reductions in government funding support for the Council;

(e) the localisation of council tax support which passed the risk for any increase in council tax benefit claimants onto the council. Activity in this area will need to be monitored carefully with medium term projections developed in relation to estimated volume of claimant numbers;

(f) the council retaining 49% of all business rates collected locally but also being responsible for settling all rating appeals including any liability prior to 31 March 2013. Increasing business rate reliefs and appeals settlements continue to make this income stream highly volatile and will require close monitoring to fully understand the implications upon MTFP(8);

(g) the impact of future increases in inflationary factors such as the National Living Wage and pay awards which will need to be closely monitored;

(h) the council continuing to experience increases in demand for social care services. Although some allowance is made for demand increases across the MTFP(8) period this issue will need to be closely monitored;

(i) the impact of Brexit, which could affect future government finance settlements, inflation and European funding.

Recommendations

233 **It is recommended that Members:**

(a) note the risks to be managed over the MTFP(8) period.

Dedicated Schools Grant (DSG) and School Funding 2018/19

234 DSG is a specific earmarked grant provided by the Government which provides the major source of funding for schools and the provision of support to them.

235 From 2018/19 the DSG is split into four 'blocks': Schools, Central School Services, High Needs and Early Years. The schools block is ring-fenced but local authorities retain limited flexibility to transfer up to 0.5% of their schools block funding into another block, with the approval of the schools forum. Movements from the central school services block to the schools block or from the high needs block to any other block are not subject to any statutory limits, and can be made in consultation with the schools forum. Movement from the early years block can be made in compliance with the early years pass through rate conditions and in consultation with the schools forum.

Schools Block

236 The Schools Block funds the funding formula for mainstream primary and secondary schools in respect of the education of pupils from Reception to Year 11. Funding for these schools is currently distributed according to a local formula determined by the council, after consultation with the Schools Forum and schools.

237 The local formula must comply with statutory regulations and there are significant limitations over what factors can be applied in the local formula, which significantly limits the discretion of local authorities in determining their local formulas and currently requires that at least 80% of funding is distributed through factors related to pupil numbers and needs.

238 The local formula set by the council applies to all mainstream schools – maintained and academy equally dependent on their pupil numbers and profiles. There is no difference in terms of DSG funding provision save for

academies receiving their funding allocations on an academic year, whereas maintained schools receive their DSG funding on a financial year basis.

239 In September 2017, the government announced that local formulas will be replaced by a National Funding Formula (NFF), with effect from 2020-21. Subject to legislation to provide the necessary powers, from 2020/21 the government intends to determine funding to individual schools via the NFF.

240 The government has encouraged local authorities to move their local formulas towards the NFF based allocations over the next two years and in 2018/19 DSG allocations to local authorities' Schools Blocks have been based on notional NFF allocations. This has resulted in an estimated £4 million increase in the Schools Block allocation for Durham.

241 In response to the planned replacement of local formulas, the council has considered its approach to setting a local formula for 2018-19 and 2019-20. In previous years changes to the formula have been relatively minor, to minimise turbulence in funding for schools from year-to-year. After consideration of a number of options, and consultation with the Schools Forum members, all Schools (via the Schools Extranet) and with the Children and Young people's Overview and Scrutiny Committee, Cabinet decided in December to adopt a transitional formula from 2018-19. The intention being to reduce the differences between the current local formula and the NFF over the next two years, so that schools do not experience a cliff-edge in respect of funding allocations when the NFF replaces local formula in 2020/21.

242 The consultation in relation to the 2018-19 local formula used estimates of 2018-19 funding and school data (pupil numbers and numbers of pupils eligible for additional funding). The transitional formula has now been updated to take account of actual funding and actual school data, provided by the DfE, in mid-December.

243 The draft formula to be applied in 2018/19, which is subject to approval from the DfE, is summarised in the table below:

Table 26 – Mainstream Primary and Secondary Funding Formula 2018-19

		Pupils / Eligible Pupils	**Factor Values**	**Allocation**	
			£	**£**	
Basic funding per pupil	Primary	39,186.58	2,781.61	109,001,761	36.51%
	KS3	15,231.00	3,723.55	56,713,336	18.99%
	KS4	9,216.00	4,802.69	44,261,587	14.82%
Deprivation	Free School Meals (Primary)	8,835.48	147.46	1,302,922	0.44%
	Free School Meals (Secondary)	4,578.00	1,956.48	8,956,781	3.00%
	FSM6 (Primary)	12,348.52	180.98	2,234,828	0.75%
	FSM6 (Secondary)	8,198.09	263.09	2,156,839	0.72%

		Pupils / Eligible Pupils	Factor Values	Allocation	
			£	£	
	IDACI Band F (Primary)	5,187.19	358.46	1,859,405	0.62%
	IDACI Band E (Primary)	5,670.50	436.63	2,475,905	0.83%
	IDACI Band D (Primary)	4,486.74	541.61	2,430,062	0.81%
	IDACI Band C (Primary)	3,087.98	616.43	1,903,514	0.64%
	IDACI Band B (Primary)	3,099.34	723.62	2,242,760	0.75%
	IDACI Band A (Primary)	2,172.80	1,164.15	2,529,457	0.85%
	IDACI Band F (Secondary)	3,055.53	349.73	1,068,600	0.36%
	IDACI Band E (Secondary)	3,488.07	439.36	1,532,517	0.51%
	IDACI Band D (Secondary)	2,723.82	537.37	1,463,706	0.49%
	IDACI Band C (Secondary)	1,811.99	608.57	1,102,725	0.37%
	IDACI Band B (Secondary)	1,811.67	706.16	1,279,321	0.43%
	IDACI Band A (Secondary)	1,231.68	1,113.25	1,371,172	0.46%
English as an Additional Language	Primary	732.82	172.60	126,484	0.04%
	Secondary	87.08	464.18	40,422	0.01%
Low Prior Attainment	Primary	10,049.00	691.58	6,949,720	2.33%
	Secondary	4,566.22	756.43	3,454,012	1.16%
Minimum per-pupil funding				33,564	0.01%
Total for pupil-led factors				**256,491,400**	**85.90%**
Lump sum	Primary	215.00	143,333.33	30,816,667	10.32%
	Secondary	31.00	153,333.33	4,753,333	1.59%
Sparsity	Primary		8,333.33	97,408	0.03%
	Secondary		21,666.67	21,522	0.01%
Total for school-led factors				**35,688,930**	**11.95%**
Total for premises factors				**6,401,415**	**2.14%**
Total funding				**298,581,745**	**100.00%**

244 Pupil numbers and the numbers of pupils who attract additional needs funding are taken from the October 2017 schools census and are provided by the DfE.

245 Further information relating to the factors included in the table above is outlined below:

(a) Free School Meals provides funding based on the number of pupils recorded as eligible for a free meal in the preceding October's school census;

(b) FSM6 is a measure of deprivation and provides funding based on the number of pupils who have been recorded as eligible for Free School Meals on any schools census in the last six years;

(c) IDACI (Income Deprivation Affecting Children Index) is a subset of the Index of Multiple Deprivation. In accordance with statutory regulation there are seven bands in the formula, with Band A being for the pupils

most likely to suffer deprivation and Band G being the lowest band. Regulations do not allow funding for Band G;

(d) Minimum per pupil funding provides additional funding where the total of pupil-led funding plus the lump sum and sparsity funding falls below a minimum value, which has been set at £3,300 for primary schools and £4,600 for secondary schools, based on interim values used in the NFF;

(e) Sparsity funding is provided for small schools in sparsely populated areas. In Durham this only assists schools in the Dales;

(f) Premises-led factors provide funding for rates, split-site schools, the PFI contract affordability gap, and an exceptional factor for a school that shares it sports facilities with a leisure centre.

246 The use of a transitional formula means that the council has the option to reconsider the formula in 2019-20, to take account of any changes in government policy in respect of the NFF or the timetable.

Central School Services Block (CSSB)

247 The CSSB has been newly created for 2018/19 to fund local authorities for the statutory duties that they hold for both maintained schools and academies. The CSSB brings together:

(a) funding previously allocated through the retained duties element of the Education Services Grant (ESG);

(b) funding for ongoing central functions, such as admissions, previously top-sliced from the schools block;

(c) residual funding for historic commitments, previously top-sliced from the schools block.

High Needs Block (HNB)

248 The High Needs Block provides funding for pupils with high cost Special Educational Needs (SEN), i.e. those pupils requiring provision in specialist settings costing more than £10,000 per year or those pupils in mainstream primary and secondary schools whose provision costs more than £6,000 per year. The SEN provision that is funded from the High Needs Block is as follows:

(a) specialist placements in out-of-County settings;

(b) place based funding for special schools;

(c) top-up funding to reflect additional costs for individual pupil support in both special and mainstream schools;

(d) SEN support services.

249 Allocations for 2018-19 are based on a new High Needs National Funding Formula, which has replaced the old system based on local authority historical spend. The new allocation is £1.14 million more than the allocation in 2017-18.

Early Years

250 The Early Years Block provides funding for universal provision for 3 and 4 year old children (up to a 570 hours per annum) and extended provision for 3 and 4 year children from eligible working families (up to a further 570 hours per annum). The services are delivered by maintained nursery schools, nursery units in primary schools and academies, and Private, Voluntary and Independent (PVI) sector providers.

251 A provisional allocation has been provided by the Department for Education (DfE), based on the 2017/18 allocation at this stage. The actual 2018/19 allocation will not be announced until the summer, based on the number of eligible children recorded in the January 2018 pupil census.

252 Funding is also provided through the Early Years Block to provide free early education places for eligible 2 year-olds from lower income households. The allocation is based on participation and a provisional allocation has been provided by the DfE based on census data taken in January 2017. The DfE will not announce the actual 2018/19 allocations until July 2018, which will be based on the number of eligible children participating in early education recorded in the January 2018 census.

253 Early Years Pupil Premium is also funded through the Early Years Block and a provisional allocation has been provided by the DfE, again based on the 2016/17 allocations. As with the other elements of the Early Years funding, the 2018/19 final allocation will not be announced until the summer, based on the number of eligible children recorded in the January 2018 pupil census. The funding rate of £0.53 per hour in 2017/18 continues into 2018/19, which equates to £302.10 for each eligible child taking up the full 570 hours of state funded early education.

254 As part of the Early Years National Funding Formula, the Council is required to implement a universal base rate for all providers. This is of concern to maintained nursery schools, which have higher costs than other providers, (e.g. the cost of employing a head teacher) and which currently receive additional funding through a formula; the formula includes a deprivation element, a lump sum and an allowance for rates. The DfE have recognised that maintained nursery schools provide a high quality provision, often in deprived areas and has allocated supplementary funding in addition to National Funding Formula to ensure that authorities can continue to provide funding to these schools through a formula in 2018/19.

Pupil Premium

255 Pupil premium for pupils older than early years, is provided for a number of categories of need. For schools and academies in Durham the funding for 2017/18 is £26.202 million. Pupil Premium rates for 2017/18 and 2018/19 are shown in the following table:

Table 27 – Pupil Premium Rates

	£ / eligible pupil		
	17/18	**18/19**	**Increase**
Deprivation Pupil Premium – Primary	£1,320	£1,320	-
Deprivation Pupil Premium – Secondary	£935	£935	-
Looked After Children	£1,900	£2,300	£400
Children adopted from care or who have left care	£1,900	£2,300	£400
Service Children	£300	£300	-

256 The numbers of pupils eligible for pupil premium for 2018/19 will be provided by the DfE in the summer term this year.

257 DSG and Pupil Premium funding for 2018/19 is shown in the following table:

Table 28 – DSG and Pupil Premium Funding

DSG Block	**Pupils**	**Allocation**
		£m
Early Years Block (*3-4 yr olds-universal*)	7,341	18.035
Early Years Block (*3-4 yr olds-working parents*)	2,660	6.535
Early Years Block (2 yr olds)	1,839	*5.450*
Early Years Block (*EYPP*)		0.379
Early Years Block (*Maintained Nursery School supplement*)		1.274
Early Years Block (*Disability Access Fund*)		0.133
Schools Block		298.582
High Needs Block		45.710
Central School Services Block		2.828
Total DSG		***378.926***
Pupil Premium (2017-18 figure)		*26.202*
TOTAL		**405.128**

258 Primary and secondary formula funding for academies in County Durham is estimated to be £88.024 million, based on the local formula allocations. This funding is recouped by the Education Funding Agency and allocated directly to the individual schools, leaving £317.104 million of DSG funding payable to the council for maintained schools.

Recommendation

259 **It is recommended that Members:**

(a) note the position on the Dedicated Schools Grant;

(b) approve the updated formula set out in Table 26 above, which is in line with the position agreed by Cabinet in December 2017, and authorise the Corporate Director of Resources to approve any amendments required following review by the DfE.

Discretionary Rate Relief – Review of Discretionary Rate Relief Policy

260 On 8 March 2017, as part of the Spring Budget, the Chancellor of the Exchequer announced a range of measures to reduce Business Rates liabilities following the national revaluation applicable from April 2017, summarised as follows:

(a) £435 million of support for businesses facing significant increases in their bills, including:

(i) support for small businesses losing Small Business Rate Relief (SBRR) as a result of the revaluation, where increases would be limited to the greater of £600 or the real terms transitional relief cap for small businesses each year;

(ii) providing local authorities with funding to support £300 million of discretionary relief, to allow them to provide support to individual hard cases in their local area;

(iii) the gross funding made available to County Durham to fund the new discretionary relief scheme is 2017/18 is £663,000 reducing to £332,00 in 2019/19; £133,000 in 2019/20 and £19,000 in 2020/21;

(iv) the local policy was approved by the Council in July 2017.

(b) The government also introduced a £1,000 business rate discount for public houses with a rateable value of up to £100,000, subject to state aid limits for businesses with multiple properties, for one year from 1 April 2017.

261 In making these announcements, the government stated that local authorities would be fully compensated, by way of s31 grant, for the loss of income because of these measures, with specific grant funding supplied to fund the Local Discretionary Relief scheme. No new legislation was required to deliver the schemes as these were to be applied under the Discretionary Rate Relief policies adopted by individual authorities.

262 The council's Discretionary Rate Relief Policy was updated to reflect the Spring Budget announcements and approved by Cabinet in July 2017.

263 With regards to the Local Discretionary Relief Scheme, to be eligible for this new relief, businesses needed to meet the following criteria:

(a) Have a rateable value of less than £200,000 (i.e. is classed as a small or medium sized businesses);

(b) Have had an increase in rateable value following the 2017 revaluation;

(c) The ratepayer has a continuing liability i.e. was liable for business rates on 31/03/17 and continues to remain liable for business rates (to ensure the support is targeted to those small and medium sized businesses adversely impacted by the business rates revaluation);

(d) As a result of the above the rate payer has seen a net increase of over £600 in their rates bill in 2017/18.

264 Cabinet previously agreed that properties that continue to meet the above criteria would receive the following discounts:

(a) 2017/18 - 50% of the increase above £600;

(b) 2018/19 - 25% of the increase above £600;

(c) 2019/20 - 10% of the increase above £600;

(d) 2021/22 - 2% of the increase above £600.

265 Due to the dynamics of the rating list, i.e. changes in rateable values due to alterations and appeals, ratepayers vacating premises etc. Cabinet gave delegated authority to the Corporate Director of Resources, in consultation with the Cabinet Portfolio Holder for Finance, to vary the percentage relief awarded so that the total amount of government grant received by Durham County Council was fully awarded to support local businesses.

266 The total amount awarded under the Local Discretionary Relief scheme agreed by Cabinet in July totalled £538,152 at 30 November 2017, which was £124,848 below the grant available in 2017/18. All businesses meeting the Council's eligibility criteria had been awarded a 50% discount above £600.

267 To ensure that the full amount of grant funding made available each year for the Local Discretionary Relief scheme is awarded to businesses in the county, the amount of discount that can be awarded in each year has been reassessed and revised as follows:

(a) 2017/18 - 60% of the increase above £600;

(b) 2018/19 - 27% of the increase above £600;

(c) 2019/20 - 15% of the increase above £600;

(d) 2020/21 - 5% of the increase above £600.

268 The Local Discretionary Relief scheme will continue to be monitored and reviewed, with increases to the awards to small businesses retrospectively applied should we need to in order to maximise spend against available grant in year.

269 In the Autumn Budget 2017 the Chancellor announced that the £1,000 discount for public houses would be extended by a further year into 2018/19. The existing guidance and terms for the current scheme will continue to apply in the same way as in 2017/18 – eligible pubs with a rateable value of below £100,000 will receive a £1,000 discount on their bill.

270 The council's Discretionary Rates Relief Policy has been updated to reflect the changes to the Local Discretionary Relief scheme awards identified above and to extend the eligibility for the £1,000 discount for public houses for a further year and is attached at Appendix 11.

271 The updated Policy also removes references to the New Build Empty Property Relief and Transitional Relief (2015) schemes as these have now ceased following the revaluation in April 2017 and the expiry of the six month window for backdated claims under these schemes. Both these schemes operated during the two year extension to the revaluation that was initially due in April 2015.

Recommendations

272 **It is recommended that Members:**

(a) approve the updated Discretionary Rates Relief and Business Rates Hardship Relief Policy attached at Appendix 11;

(b) note that the Local Discretionary Relief scheme will continue to be monitored and reviewed, with delegated approval given to the Corporate Director of Resources, in consultation with the Cabinet Member for Finance, to vary the percentage awards to small businesses retrospectively should we need to in order to maximise spend against the available grant in year and to vary the rates applied to new applications should the need arise.

Prudential Code

273 This section outlines the council's prudential indicators for 2018/19 to 2021/22 and sets out the expected treasury operations for this period. It fulfils four key legislative requirements:

(a) The reporting of the prudential indicators, setting out the expected capital activities as required by the CIPFA Prudential Code for Capital Finance in Local Authorities as shown at Appendix 12;

(b) The council's Minimum Revenue Provision (MRP) Policy, which sets out how the council will pay for capital assets through revenue each year (as required by Regulation under the Local Government and Public Involvement in Health Act 2007) as shown at Appendix 12;

(c) The Treasury Management Strategy statement which sets out how the council's treasury service will support the capital decisions taken above, the day to day treasury management and the limitations on activity through treasury prudential indicators. The key indicator is the 'Authorised Limit', the maximum amount of debt the council could afford in the short term, but which would not be sustainable in the longer term. This is the Affordable Borrowing Limit required by section 3 of the Local Government Act 2003. This is in accordance with the CIPFA Code of Practice on Treasury Management and the CIPFA Prudential Code and shown at Appendix 12;

(d) The investment strategy which sets out the council's criteria for choosing investment counterparties and limiting exposure to the risk of loss. This strategy is in accordance with the CLG Investment Guidance and is also shown in Appendix 12.

274 The above policies and parameters provide an approved framework within which the officers undertake the day to day capital and treasury activities.

Recommendations

275 **It is recommended that Members:**

(a) agree the Prudential Indications and Limits for 2018/19 – 2021/22 contained within the Appendix 12 of the report, including the Authorised Limit Prudential Indicator;

(b) agree the Minimum Revenue Provision (MRP) Statement contained within Appendix 12 which sets out the council's policy on MRP;

(c) agree the Treasury Management Strategy and the treasury Prudential Indicators contained within Appendix 12;

(d) agree the Investment Strategy 2018/19 contained in the Treasury Management Strategy (Appendix 12 including the detailed criteria).

Summary of Recommendations

276 Detailed below is a summary of the recommendations Cabinet wish to recommend to full council for approval:

(a) **2018/19 Revenue Budget**

(i) approve the identified base budget pressures included in paragraph 115;

(ii) approve the investments detailed in the report;

(iii) approve the 2018/19 savings plans detailed in Appendix 3;

(iv) approve a 2.99% 2018/19 council tax increase and a further 2% increase which relates to the Adult Social Care precept, totalling 4.99%;

(v) approve the 2018/19 Net Budget Requirement of £395.278 million.

(b) **MTFP(8)**

(i) agree the forecast 2018/19 to 2021/22 MTFP(8) financial position;

(ii) set aside sufficient sums in Earmarked Reserves as is considered prudent. The Corporate Director of 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 £30 million.

(c) Capital Budget

(i) approve the revised 2017/18 capital budget of £111.383 million;

(ii) approve the additional capital schemes detailed at Appendix 8. These schemes will be financed from additional capital grants, from capital receipts and from prudential borrowing;

(iii) note the option for the council to utilise capital receipts to finance severance costs utilising the new flexibilities in this regard. The utilisation of such flexibility will require the approval of Cabinet;

(iv) approve the MTFP(8) Capital Budget of £360.799 million for 2017/18 to 2021/22 detailed in Table 25.

(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 both outlined in the report above and detailed in Appendix 9;

(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 and Terms and Conditions Changes**

(i) approve the Pay Policy Statement at Appendix 10.

(g) **Risk Assessment**

(i) note the risks to be managed over the MTFP(8) period.

(h) **Dedicated Schools Grant**

(i) note the position of the Dedicated Schools Grant;

(ii) approve the updated formula set out in Table 26, which is in line with the position agreed by Cabinet in December 2017, and authorise the Corporate Director of Resources to approve any amendments required following review by the DfE.

(i) **Discretionary Rate Relief**

(i) note the changes to the council's Discretionary Rate Relief Policy, as set out in the report, and agree the revised policy as attached at Appendix 11;

(ii) note that the Local Discretionary Relief scheme will continue to be monitored and reviewed, with delegated approval given to the Corporate Director of Resources, in consultation with the Cabinet Member for Finance, to vary the percentage awards to small businesses retrospectively should we need to in order to maximise spend against the available grant in year and to vary the rates applied to new applications should the need arise.

(j) **Prudential Code**

(i) agree the Prudential Indications and Limits for 2018/19 – 2021/22 contained within the Appendix 12 of the report, including the Authorised Limit Prudential Indicator;

(ii) agree the Minimum Revenue Provision (MRP) Statement contained within Appendix 12 which sets out the council's policy on MRP;

(iii) agree the Treasury Management Strategy and the treasury Prudential Indicators contained within Appendix 12;

(iv) agree the Investment Strategy 2018/19 contained in the Treasury Management Strategy (Appendix 12 including the detailed criteria).

Background Documents

- Local Government Finance Act 1988 (as amended) - Section 47
- Localism Act 2011 (as amended) - Section 69

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Appendix 1 - Implications

Finance – The report sets out recommendations on the 2018/19 Budget and for the MTFP(8) period 2018/19 – 2021/22. The revisions to the Discretionary Rate Relief and Hardship Relief Policies relate to announcements made in the March and November 2017 budget statements.

The government stated that local authorities would be fully compensated, by way of s31 grant, for the loss of income because of these measures, which were announced after budgets had been set for 2017/18.

The gross funding made available to County Durham to fund the Local Discretionary Relief scheme in 2017/18 is £663,000, reducing to £332,000 in 2018/19; £133,000 in 2019/20; and £19,000 in 2020/21. Any unspent grant must be returned to the government and cannot be carried over to the following year.

The council initially awarded 50% relief over £600 of those who were eligible under the policy criteria established by Cabinet in July 2017. Following a review of the scheme the amount awarded in 2017/18 was increased to 60% relief over £600.

Staffing – The impact of the MTFP upon staffing is detailed within the report.
In terms of the changes to Business Rates Discretionary and Hardship Relief Policies, there are no additional staffing implications associated with this report. Processing applications under this policy is managed from within existing resources within the Assessments and Awards Team within Finance and Transactional Services, Resources

Risk – A robust approach to Risk Assessment across the MTFP process has been followed including individual risk assessment of savings plans.

In terms of the Discretionary Rate Relief Policy, given the scope and nature of the organisations supported through this policy any changes which would reduce entitlement would have reputational risks to the Council and financial risks to the individual organisations.

The proposals set out in this report seek to extend and enhance current arrangements in line with Government policy. The amendments made to the Discretionary Rate Relief and Hardship Relief Policy ensures that the Council's Policy is in line with legislative requirements and announcements made in the March and November 2017 Budget statements.

The financial implications arising from the application of the Policy will continue to be carefully monitored and reviewed, with increases to the awards to small businesses retrospectively applied should we need to in order to maximise spend against the available grant in year. This risk is considered manageable within the existing projections, but will need careful monitoring going forward.

Equality and Diversity/ Public Sector Equality Duty - Under section 149 of the Equality Act 2010 all public authorities must, in the exercise of their functions, "have due regard to the need to" eliminate conduct that is prohibited by the Act. Such conduct includes discrimination, harassment and victimisation related to protected characteristics but also requires public authorities to have due regard to the need to advance equality of opportunity and foster good relations between persons who share a "relevant protected characteristic" and persons who do not. This means consideration of equality analysis and impacts is an essential element that Members must take into account when considering these savings proposals.

Accommodation – The council's Corporate Asset Management Plan is aligned to the corporate priorities contained within the Council Plan. Financing for capital investment priorities is reflected in the MTFP Model.

Crime and Disorder – It is recognised that the changes proposed in this report could have a negative impact on crime and disorder in the county. However, the Council will continue to work with the Police and others through the safe Durham Partnership on strategic crime and disorder and to identify local problems and target resources to them.

Human Rights – Any human rights issues will be considered for each of the proposals as they are developed and decisions made to take these forward. There are no human right implications from the information within the report.

Consultation – Full information on the MTFP(8) consultation process are contained in the report. The Grant Determinations published on the new Local Discretionary Relief scheme stated there was a requirement to consult with the major precepting authorities (Police and Fire) and the Combined Authority on the Councils proposed scheme.

This was undertaken in June 2017, with the Police and the Fire and Rescue Services both supportive of the council's scheme. The scheme was also shared with the North East Combined Authority (NECA).

Procurement – Wherever possible procurement savings are reflected in service groupings' savings plans.

Disability Issues – All disability related analysis is summarised in the equality impact assessment section of this report and detailed in the accompanying individual Equality Impact Assessments.

The council's Disability Partnership was invited to take part in this consultation and targeted work was undertaken with people with learning disabilities.

Legal Implications – The council has a statutory responsibility to set a balanced budget for 2018/19. It also has a fiduciary duty not to waste public resources. 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 seek to ensure that the council's policy is in line with legislative requirements. Any changes to the Discretionary Rate Relief and Hardship Relief Policies need to be approved by Cabinet.