

**Budget for Best Value 2018/2019
&
Capital Programme to 2020/2021**



Hartlepool Borough Council

**Budget for Best Value 2018/2019
&
Capital Programme to 2020/2021**

**C. LITTLE
DIRECTOR OF FINANCE & POLICY
FINANCE DIVISION**

ISSUED APRIL 2018

MEDIUM TERM FINANCIAL STRATEGY 2018/2019 TO 2020/2021

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OVERVIEW OF 2018/19 BUDGET AND COUNCIL TAX

Hartlepool Borough Council has set a budget for 2018/19 of £87 million to help meet the cost of increasing pressures on Adult Social Care.

The Council implemented a 4.9% increase in Council Tax, made up of two components. Firstly, a 2.9% general Council Tax rise, which includes 1% to ease pressure on Children's Social Care. Secondly, a 2% increase specifically for Adult Social Care, shifting the burden away from Central Government and on to council taxpayers.

The overall increase is the equivalent of 97p a week for a Band A household, or £50.51 a year.

The increase is designed to protect vital services following significant cuts in Government funding and an ongoing increase in demand for services as a result of Hartlepool's ageing population.

The amount of Council Tax payable for each property band for Hartlepool Council services in 2018/19 is shown in the table below.

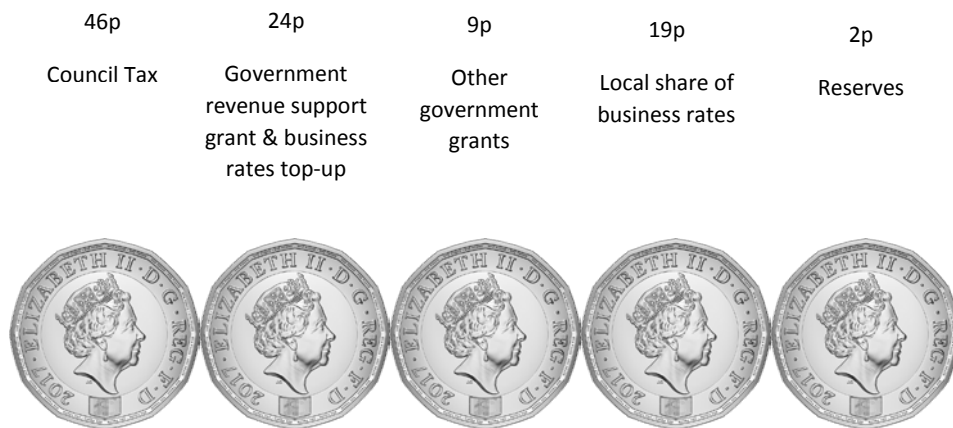
Property in band	Band	HBC Precept	Adult Social Care Levy	Total Council Tax for Hartlepool Council Services
54.90%	A	£1,012.34	£69.01	£1,081.35
16.90%	B	£1,181.05	£80.52	£1,261.57
14.20%	C	£1,349.78	£92.02	£1,441.80
7.50%	D	£1,518.50	£103.52	£1,622.02
3.80%	E	£1,855.95	£126.52	£1,982.47
1.60%	F	£2,193.39	£149.53	£2,342.92
1.00%	G	£2,530.84	£172.53	£2,703.37
0.10%	H	£3,037.00	£207.04	£3,244.04

NOTE: The Adult Social Care levy (£103.52) combines the amount charged in 2016/17 (£28.37), the 2017/18 levy (£44.22) and the 2018/19 levy (£30.93). The 2018/19 levy (2%) is based on the 2017/18 overall Council Tax precept (£1,546.23).

Nearly 70% of the council's budget (70p in every £1) goes on providing Social Care for Adult and Children's Services. The biggest demand is for Adult Social Care services. Adult Care provides:

- Support to more than 2,000 carers.
- Adult Social Care support to almost 5,000 people across the town.
- 4,800 items of equipment have been provided in the last 12 months.

Where each £1 spent by the Council comes from



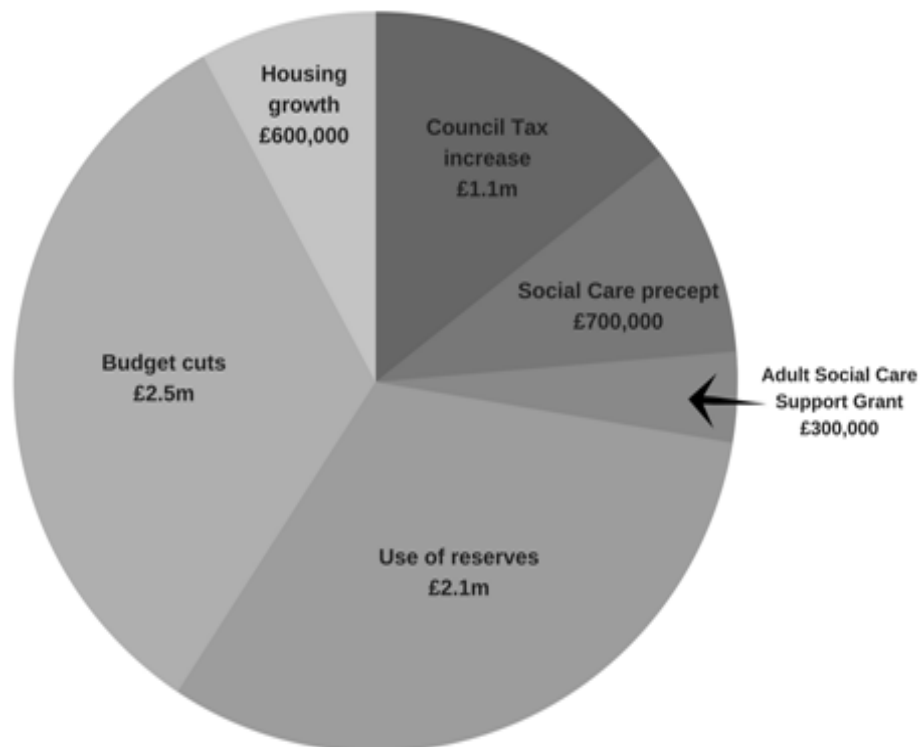
How each £1 of Council Tax is spent



Since 2010, council services have been affected by a significant reduction in Government funding. The Government has confirmed that further funding reductions will be made in 2018/19 and 2019/20.

Government Funding	2013/14 £46.4m	➔	2019/20 £25.5m	=	Reduction of almost £500 for every household in the borough
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How we addressed the 2018/19 budget deficit of £7.3m:



In 2016/17, the Government recognised the financial pressures on councils and implemented the Adult Social Care precept. This change enables councils to increase Council Tax to partly offset Government funding reductions and the increased cost of services.

There is, however, plenty of good news too and the Council has secured external funding to help pay for investment in the town. Work is well underway on £8m of projects to regenerate key parts of our town. Construction has started on a scheme to revitalise the Church Street and Church Square area and construction has also begun on a scheme to revitalise the Seaton Carew seafront.

We continue to strive to make Hartlepool a vibrant, welcoming and inspiring place to live, work, invest and grow up in.

SECTION A

Council 22nd February 2018

COUNCIL REPORT

22 February 2018



Report of: Finance and Policy Committee

Subject: MEDIUM TERM FINANCIAL STRATEGY (MTFS)
2018/19 TO 2019/20 AND FINANCIAL OUTLOOK
FROM 2020/21

1. PURPOSE OF REPORT

1.1 The purposes of the report are to enable Council to consider:

- i) the recommendations from the Finance and Policy Committee in relation to the 2018/19 Council Tax level for Hartlepool Council services; and
- ii) approve the detailed statutory Council Tax calculations for 2018/19, which incorporate Council Tax precepts set by other organisations.

2. BACKGROUND

- 2.1 In accordance with the Constitution the Finance and Policy Committee is required to develop budget and Council Tax proposals for the forthcoming year for consideration by Council. Details of savings proposals were considered and approved by Council on 14th December and this included an indicative Council Tax increase (including the Social Care precept) of 4.9% for 2018/19. Based on the approved savings the detailed budgets for 2018/19 are set out in the attached booklet.
- 2.2 Members noted that the level of Council Tax for 2018/19 would be determined by Council in February 2018, to reflect the Government's actual 2018/19 Council Tax referendum limit. Final 2018/19 Council Tax proposals are summarised in section 4.
- 2.3 This report also details the statutory 2018/19 Council Tax calculations which the Council is required to undertake to incorporate the Council Tax levels approved by 'precepting bodies', i.e. the Police and Crime Commissioner, Cleveland Fire Authority and Parish Councils. Individual 'precepting bodies' are responsible for setting their own Council Tax levels in accordance with the specific Government Council Tax referendum principles applying. Further information is provided in section 5.

3. ISSUES CONSIDERED BY FINANCE AND POLICY COMMITTEE ON 12th FEBRUARY 2018

3.1 The detailed report considered by Finance and Policy Committee on the 12th February 2018 is included in the separate booklet issued with the agenda.

3.2 To enable Members to consider the recommendations referred by Finance and Policy Committee the following paragraphs provide a summary of the key issues impacting on the Council's financial position.

3.3 Local Government Finance Settlement 2018/19 and 2019/20

3.4 The Government has confirmed the previously announced Revenue Support Grant (RSG) cuts for 2018/19 and 2019/20. This means the Council will have faced nine consecutive years of cuts in RSG.

3.5 The Government has increased the 2018/19 and 2019/20 core Council Tax referendum limit from 2% to 3% to recognise the financial pressures facing councils, including the increased costs of Looked after Children.

3.6 For authorities with Adult Social Care responsibilities the previously announced Adult Social Care precept limits remain. These arrangements continue the Adult Social Care precept of an additional 2% for three years up to 2019/20, with flexibility to increase the precept to 3% in 2017/18 and 2018/19, provided the increases do not exceed 6% between 2017/18 and 2019/20.

3.7 Figures provided by the Department for Housing, Communities and Local Government (DHCLG) show that these proposals will continue to switch funding for council services from national taxation (i.e. Revenue Support Grant, Top-up grant and Business Rates) to Council Tax as highlighted in the following table:

Changes in Core Spending Power of Councils 2015/16 to 2019/20
(figures are based on 2018/19 DHCLG Provisional Local Government Finance Settlement)

	2015/16	2019/20	Increase/ (decrease) in overall funding
Settlement Funding Assessment (Total of Revenue Support Grant, Top-up grant and Business Rates income)	48.0%	32.4%	(15.6%)
Council Tax	49.3%	61.5%	12.2%
Other Grants	2.7%	6.1%	3.4%
Total Core Spending Power	100.0%	100.0%	0%

3.8 Impact of Settlement on the Council 2018/19

3.9 Confirmation of the RSG cuts for 2018/19 and 2019/20 means that the Council will have to continue reducing expenditure and increasing Council Tax to balance the budget.

3.10 For 2018/19 this confirms the gross budget deficit of **£7.314m**. This is before:

- the impact on the 2018 national pay award, which will increase recurring costs by £950,000 in 2018/19. Council has agreed this amount will be funded from the one off resources released from the reserves review to provide a longer lead time to identify permanent budget savings; and
- the impact of Looked after Children's pressures of £2.5m, which will be funded from reserves in 2018/19.

3.11 Savings approved by Council on 14th December, plus the planned use of the Budget Support Fund and increased Council Tax income from forecast housing growth covers **£5.529m (i.e. 75%)** of the gross 2018/19 deficit of **£7.314m**. As detailed in the December MTFS the remaining 2018/19 deficit of **£1.785m** (i.e. 25%) can be funded by increasing Council Tax by 4.9% (including the Adult Social Care precept).

3.12 The Finance and Policy Committee were advised that the final Local Government Finance settlement was issued on 6th February and this confirmed the previously announced RSG cuts. The final settlement provided additional Adult Social Care Support Grant of £150m for 2018/19. This is one off funding and is being funded from an anticipated underspend in existing Government departmental budgets. Hartlepool's allocation is £313,000. As this is one off funding the Finance and Policy Committee has recommended that this amount is used to reduce the use of Budget Support Fund reserve in 2018/19. This proposal will then enable these resources to be carried forward and earmarked towards reducing the 2019/20 budget deficit, which is currently forecast to be between £5.232m and £6.013m.

3.13 The report to Finance and Policy Committee on 12th February 2018 advised Members that the Government's 2018/19 Council Tax referendum limit is 6%, consisting of a core referendum limit of 3% and an Adult Social Care precept of 3%. The report detailed the impact of increasing Council Tax by a further 1%, i.e. a 5.9% increase.

3.14 The Finance and Policy Committee considered the options in relation to the 2018/19 Council Tax increase and determined to recommend a 4.9% increase, which secures the recurring income required to balance the 2018/19 budget.

3.15 Impact of Settlement on the Council 2019/20

3.16 The updated MTFs report advised Members that if the Government does not provide additional funding for Looked after Children pressures and the national pay award the 2019/20 forecast deficit will increase from £1.363m to £6.013m.

3.17 Capital Budget Update

3.18 The Finance and Policy Committee report provides an update of the capital budgets as detailed in Appendix A, to reflect Government capital allocations announced since the initial proposals were approved by Council in December 2017.

4. MTFs RECOMMENDATIONS REFERRED BY FINANCE AND POLICY COMMITTEE FOR COUNCIL'S CONSIDERATION AND APPROVAL

4.1 In summary the Finance and Policy Committees final recommendations for Council to consider and approve are as follows:

- i) Approve a 2% Adult Social Care precept for 2018/19;
- ii) Approve a 2.9% base Council Tax increase for 2018/19 and to note that when account is taken of the recommended Adult Social Care precept the total increase for Hartlepool Council services is 4.9%;
- iii) Approve the detailed 2018/19 budgets set out in section 2 of the attached booklet, which reflect the savings approved by Council on 14th December 2017.
- iv) Approve the updated capital budgets as set out in Appendix A, which reflect Government capital allocations announced since the initial proposals were approved by Council in December 2017, and note that detailed proposals for using ring fenced capital resources for the Local Transport Plan and Schools Capital Programme will be reported to the relevant Policy Committee for approval.
- v) Approve the proposals to use the one off 2018/19 Adult Social Care Support Grant of £313,000, announced by the Government on 6th February, to reduce the use of the Budget Support Fund reserve in 2018/19. This proposal will then enable these resources to be carried forward and earmarked towards reducing the 2019/20 budget deficit, which is currently forecast to be between £5.232m and £6.013m.

5. STATUTORY COUNCIL TAX CALCULATIONS, INCORPORATING PRECEPTING AUTHORITIES DECISIONS

5.1 In accordance with Local Government Finance Act 1992 and relevant regulations the Council is required to approve the statutory Council Tax

calculation incorporating the Council Tax levels set by individual precepting authorities i.e. the Police and Crime Commissioner, Cleveland Fire Authority and individual parish councils.

- 5.2 Individual ‘precepting bodies’ are responsible for setting their own Council Tax levels in accordance with the specific Government Council Tax referendum principles applying and which meet their own budgetary requirements. The Government has set the following Council Tax referendum limits for 2018/19 and 2019/20:

Type of Authority	Government Council Tax Referendum Limits 2018/19 and 2019/20
Police and Crime Commissioners	Increases of up to £12 in Band D Council Tax in 2018/19 and 2019/20
Fire and Rescue Authorities	Increases of up to 3% in 2018/19 and 2019/20
Town and Parish councils	No referendum limits have been set and the Government intends to defer setting limits for three years, subject to town and parish councils exercising Council Tax restraint.

- 5.3 The statutory Council Tax calculations are an administrative responsibility that the Council as the statutory ‘billing authority’ is required to undertake once the Council has set its own Council Tax level (as detailed in section 4) and the individual precepting authorities have set their own Council Tax levels.

- 5.4 For Members information, for areas without a parish council, which is 90% of Hartlepool households, the overall Council Tax increase for 2018/19 is 4.9%, which reflects the following increases approved by the Council, the Police and Crime Commissioner and Cleveland Fire Authority. The table also includes the Government’s 2018/19 Council Tax referendum limits for the different types of authority.

	Council Tax increase	Government Council Tax referendum limit
Hartlepool Council (includes 2% Social Care Precept)	4.9%	6%
Police and Crime Commissioner #	5.6%	£12
Cleveland Fire Authority (CFA) ##	2.9%	3%
Total increase	4.9%	

Police and Crime Commissioner percentage increase is based on a £12 increase for a Band D property.

This is the increase recommended by the CFA Executive Committee and the final decision will be made by the CFA at the full Authority meeting on 16th February 2018.

- 5.5 Based on the increases detailed above the following table summarises the Council Tax for 2018/19, for areas without a parish. The Adult Social Care precept is the cumulative amount and includes the 2% increase for 2018/19.

	Council Tax Bands							
	A	B	C	D	E	F	G	H
	£ p	£ p	£ p	£ p	£ p	£ p	£ p	£ p
Hartlepool Borough Council Basic Amount without parishes or special items	1,012.34	1,181.05	1,349.78	1,518.50	1,855.95	2,193.39	2,530.84	3,037.00
Hartlepool Borough Council Adult Social Care Precept	69.01	80.52	92.02	103.52	126.52	149.53	172.53	207.04
Office of Police and Crime Commissioner	151.03	176.20	201.37	226.54	276.88	327.22	377.57	453.08
Fire Authority	50.12	58.47	66.83	75.18	91.89	108.59	125.30	150.36
Areas without a Parish Council	1,282.50	1,496.24	1,710.00	1,923.74	2,351.24	2,778.73	3,206.24	3,847.48

- 5.6 Council is requested to approve the statutory Council Tax calculations detailed in Appendix B, which includes the Council Tax increases approved by the individual precepting authorities.

6. CONTACT OFFICER

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FORECAST CAPITAL RESOURCES AND EXPENDITURE COMMITMENTS 2018/19 TO 2020/21

TABLE 1 - FORECAST CAPITAL RESOURCES

	Forecast Resources 2018/2019				Forecast Resources 2019/2020 (Provisional)				Forecast Resources 2020/2021 (Provisional)			
	Prudential Borrowing	Other Capital Funding	Capital Grants	Total	Prudential Borrowing	Other Capital Funding	Capital Grants	Total	Prudential Borrowing	Other Capital Funding	Capital Grants	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Service Specific Capital Grants												
Devolved Formula Capital (Schools) *	0	0	128	128	0	0	128	128	0	0	128	128
Disabled Facilities Grant (Better Care Fund) **	0	0	931	931	0	0	931	931	0	0	931	931
Local Transport Plan	0	0	0	0	0	0	0	0	0	0	0	0
Highway Maintenance	0	0	1,054	1,054	0	0	1,054	1,054	0	0	1,054	1,054
Pot Holes	0	0	98	98	0	0	98	98	0	0	98	98
Incentive Funding	0	0	99	99	0	0	99	99	0	0	99	99
Integrated Transport Block	0	0	719	719	0	0	719	719	0	0	719	719
Schools Capital Programme #	0	0	4,828	4,828	0	0	1,098	1,098	0	0	655	655
	0	0	7,857	7,857	0	0	4,127	4,127	0	0	3,684	3,684
Departmental Prudential Borrowing - Funded from Specific Business Cases												
Replacement Wheelie Bins	90	0	0	90	90	0	0	90	90	0	0	90
Waste Disposal Contract Extension	1,872	0	0	1,872	0	0	0	0	0	0	0	0
Vehicle Procurement (Tables 2 - 4)	1,643	75	0	1,718	1,726	0	0	1,726	1,601	0	0	1,601
	3,605	75	0	3,680	1,816	0	0	1,816	1,691	0	0	1,691
Housing Revenue Account Schemes												
Empty Property Purchasing Scheme approved 30-10-17 ##	550	495	335	1,380	0	0	0	0	0	0	0	0
	550	495	335	1,380	0	0	0	0	0	0	0	0
Total Forecast Resources	4,155	570	8,192	12,917	1,816	0	4,127	5,943	1,691	0	3,684	5,375

* Devolved Formula Capital allocation for Schools is an estimate based on the 2017/18 allocation. The Government has stated that the 2017/18 allocation could be used as an indication of future allocations.

** Better Care Fund is continuing in 2018/19, however detailed DFG allocations have yet to be announced by the Government. Estimates are based on 2017/18 allocations and an assumption that the Better Care Fund will continue in 2019/20 and 2020/21.

Schools Capital Programme includes an estimate of £0.655m Schools Condition Grant for 2018/19 and future years as actual allocations have yet to be announced by the Government. This is based on the 2017/18 allocation which the Government has stated is indicative of future allocations. In addition the Council has received a Basic Need funding allocation for 2018/19 and 2019/2020, this is reflected in the above figures.

An external funding bid for £0.335m will be submitted to the HCA and is an indicative estimate based on current per property funding levels.

SUPPORTING STATUTORY RESOLUTIONS - COUNCIL TAX INCREASE

- 1 Full Council needs to approve the following supporting statutory amounts which must be calculated by the Council for 2018/2019 in accordance with the Local Government Finance Act 1992 and relevant regulations:
- i) To note that on 8th January 2018 the Finance and Policy Committee approved the 2018/19 Council Tax Base for:
- The whole Council area as 24,021.0 Band D equivalents in accordance with Section 31B of the Local Government Finance Act 1992, as amended; and
 - For dwellings in those parts of its area to which a Parish precept relates as follows:

Parish Council Tax bases (Band D Equivalents)

Dalton Piercy	104.0	Greatham	575.5
Elwick	583.1	Hart	317.0
Headland	721.5	Newton Bewley	33.4

- 2 That the Council Tax requirement for the Council's own purposes (excluding Parish precepts) is £38,962,542.
- 3 That the following amounts be calculated by the Council for in accordance with Sections 31 to 36 of the Local Government Finance Act 1992 and relevant regulations:-
- (a) £75,062,840 Being the aggregate of the amounts which the Council estimates for the items set out in Section 31A (2) of the Local Government Finance Act 1992 and relevant regulations.
- (b) £36,067,700 Being the aggregate of the sums which the Council estimate will be payable to it in respect of Revenue Support Grant £10,799,776, Non Domestic Rating Income of £14,877,880, Top up Funding of £10,124,609 and the estimate to be received from the Collection Fund of £265,435 as at 31st March 2018, in accordance with Section 97 (3) of the Local Government Finance Act 1988 and the Local Government Charges for England (Collection Fund Surpluses and Deficits) Regulations 1995 amended.
- (c) £38,995,140 Being the amount by which the aggregate at 3 (a) above exceeds the aggregate at 3 (b) above, calculated by the Council in accordance with Section 31A (4) of the Act as its Council Tax requirement for the year (including Parish precepts).

- (d) £1,623.38 Being the amount calculated by the Council in accordance with Section 31B of the Local Government Finance Act 1992, as the basic amount of Council Tax for the year (including Parish precepts).
- (e) £32,598 Parish Precepts Being the aggregate amount of all special items referred to in Section 34 (1) of the Local Government Finance Act 1992.
- £14,637 Concurrent Services - as detailed in Table 1.
Concurrent Services
- (f) £1,622.02 Being the amount calculated by the Council in accordance with Section 34 (2) of the Local Government Finance Act 1992, as the basic amount of Council Tax for the year 2018/19 (excluding Parish precepts), which has the effect of increasing the Council's element of Council Tax by 4.9%.
- 4** The Basic Council Tax for 2018/19 calculated in accordance with Section 34 (3) for dwellings in those areas that have a Parish precept as set out in Table 2.
- 5** Approve in accordance with Sections 30 and 36 of the Local Government Finance Act 1992, the aggregate amounts shown in Table 3 the amounts of Council Tax for 2018/19 for each part of the Council's area and each of the categories of dwellings.
- 6** Approve that the Council's basic amount of Council Tax for 2018/19 of £1,622.02, detailed in 3 (f) above is not excessive in accordance with the principles approved under section 52ZB of the Local Government Finance Act 1992 and that no local referendum will be carried out in relation to Chapter 4ZA of the Local Government Finance Act 1992.
- 7** Approve the amount of Council Tax including the Cleveland Fire Authority and the Office of the Police and Crime Commissioner precepts, in accordance with Section 40 of the Local Government Finance Act 1992 and the relevant inclusion of amounts of Council Tax for each category of dwelling in accordance with Sections 43 to 47 of the Act as set out in Table 3.

TABLE 1 - Council Tax For Parish Councils 2018/2019

	Precept (1)	Parish Tax Base (2)	Parish Council Tax (3) [=(1)/(2)]	Basic Council Tax (4)	Billing Authority/s Council Tax (5) [=(3)+(4)]	Precept met from Council Tax Support Scheme	Concurrent Services	Total Payment to Parish
Parishes	£ p		£ p	£ p	£ p	£ p	£ p	£ p
Dalton Piercy	6,554	104.0	63.02	1,622.02	1,685.04	446	2,510	9,510
Elwick	11,595	583.1	19.89	1,622.02	1,641.91	405	7,160	19,160
Greatham	2,749	575.5	4.78	1,622.02	1,626.80	451	1,385	4,585
Hart	6,060	317.0	19.12	1,622.02	1,641.14	255	3,582	9,897
Headland	5,526	721.5	7.66	1,622.02	1,629.68	2,474	0	8,000
Newton Bewley	114	33.4	3.41	1,622.02	1,625.43	6	0	120
	32,598					4,037	14,637	51,272

TABLE 2 - Council Taxes For Each Property Band 2018/2019**(Including Parish Precepts but excluding Office of Police and Crime Commissioner & Fire Authority)**

Parishes	Council Tax Bands							
	A £ p	B £ p	C £ p	D £ p	E £ p	F £ p	G £ p	H £ p
Dalton Piercy	1,123.36	1,310.58	1,497.82	1,685.04	2,059.49	2,433.95	2,808.40	3,370.08
Elwick	1,094.61	1,277.04	1,459.48	1,641.91	2,006.77	2,371.64	2,736.51	3,283.82
Greatham	1,084.53	1,265.29	1,446.05	1,626.80	1,988.31	2,349.82	2,711.33	3,253.60
Hart	1,094.09	1,276.44	1,458.79	1,641.14	2,005.83	2,370.53	2,735.23	3,282.28
Headland	1,086.46	1,267.53	1,448.61	1,629.68	1,991.83	2,353.98	2,716.14	3,259.36
Newton Bewley	1,083.63	1,264.22	1,444.83	1,625.43	1,986.64	2,347.85	2,709.06	3,250.86
Areas without a Parish Council	1,081.35	1,261.57	1,441.80	1,622.02	1,982.47	2,342.92	2,703.37	3,244.04

TABLE 3 - Council Taxes For Each Property Band 2018/2019**(Including Parish Precepts, Office of Police and Crime Commissioner & Fire Authority)**

Parishes	Council Tax Bands							
	A £ p	B £ p	C £ p	D £ p	E £ p	F £ p	G £ p	H £ p
Dalton Piercy	1,324.51	1,545.25	1,766.02	1,986.76	2,428.26	2,869.76	3,311.27	3,973.52
Elwick	1,295.76	1,511.71	1,727.68	1,943.63	2,375.54	2,807.45	3,239.38	3,887.26
Greatham	1,285.68	1,499.96	1,714.25	1,928.52	2,357.08	2,785.63	3,214.20	3,857.04
Hart	1,295.24	1,511.11	1,726.99	1,942.86	2,374.60	2,806.34	3,238.10	3,885.72
Headland	1,287.61	1,502.20	1,716.81	1,931.40	2,360.60	2,789.79	3,219.01	3,862.80
Newton Bewley	1,284.78	1,498.89	1,713.03	1,927.15	2,355.41	2,783.66	3,211.93	3,854.30
Areas without a Parish Council	1,282.50	1,496.24	1,710.00	1,923.74	2,351.24	2,778.73	3,206.24	3,847.48

FINANCE AND POLICY

12th February 2018



Report of: CORPORATE MANAGEMENT TEAM

Subject: MEDIUM TERM FINANCIAL STRATEGY (MTFS)
2018/19 TO 2019/20 AND FINANCIAL OUTLOOK
FROM 2020/21

1.0 TYPE OF DECISION/APPLICABLE CATEGORY

1.1 Budget and Policy Framework.

2.0 PURPOSE OF REPORT

2.1 The purpose of this report is to update the MTFS to reflect the Local Government Finance settlement announcement and to enable Members to finalise the detailed 2018/19 Council Tax proposals to be referred to Council on 22nd February 2018.

3.0 BACKGROUND

3.1 At the Council meeting on 14th December 2017 the budget proposals referred from the Finance and Policy Committee were approved and this included an indicative Council Tax increase (including the 3% Social Care precept) of 4.9% for 2018/19. Members noted that the level of Council Tax for 2018/19 would be determined by Council in February 2018, to reflect the Government actual 2018/19 Council Tax referendum limit.

3.2 In summary the approved 2018/19 budget proposals, including an indicative Council Tax increases in line with the Government's previously announced referendum limit enable a balanced budget to be set for 2018/19. The indicative 2018/19 Council Tax increase generates recurring income of **£1.785m** and this addresses approximately **25%** of the 2018/19 gross deficit. The remaining 75% of the 2018/19 deficit has been addressed from a combination of forecast housing growth, budget savings and use of reserves.

3.3 The budget strategy also reduces the core budget deficit for 2019/20 to £1.363m, as summarised below:

Summary of measures to reduce 2018/19 and 2019/20 gross budget deficits

	2018/19	2019/20	Total 2018/19 and 2019/20
	£'m	£'m	£'m
Gross Deficit	7.314	3.758	11.072
Less - Social Care Precept (3% 2018/19, 0% 2019/20)	(1.093)	0	(1.093)
Less - Council Tax increase 1.9%	(0.692)	(0.740)	(1.432)
Less - Growth in Council Tax base (742 Band D equivalent properties over the period 2018/19 and 2019/20)	(0.574)	(0.478)	(1.052)
Sub Total – Deficit after Council Tax increases and forecast housing growth	4.955	2.540	7.495
Less – Use of Budget Support Fund	(2.448)	(0.257)	(2.705)
Less – Savings approved February 2017	(1.685)	(0.785)	(2.470)
Less – Savings approved December 2017	(0.822)	(0.135)	(0.957)
Cuts still to be identified	0	1.363	1.363

3.4 The core budget deficits summarised in the above table excluded the impact of:

- **Looked After Children budget pressures** – as reported previously these pressures currently total approximately £2.5m and in 2018/19 will be funded from one off resources. This strategy is designed to provide a longer lead time to either reduce these pressures, or for the Government to recognise this is a national issue and provide additional funding. However, as reported previously there is a significant risk that neither of these measures will be achieved and this could therefore increase the budget deficit for 2019/20 by **£2.5m**;
- **National Local Government Pay awards April 2018 and April 2019** – as reported verbally by the Leader to Council on 14th December 2017 the Employers organisation made a pay offer for April 2018 and April 2019 on 5th December 2017. This pay offer reflects pay restraint which has applied for the last five years and for the majority of staff provides annual cost of living pay increases for the next two years of 2%. For lower paid staff higher annual pay increases will apply.

Over the next two years the national pay offer will increase the Council's total recurring pay costs by 5.8%, which is broadly in line with the national increase of 5.7%. The budget forecast had provided for annual pay increases of 1% in line with the Government's previously announced pay cap.

For 2018/19 the additional pay cost will be approximately £0.950m and as approved by full Council will be funded from the one off resources released from the reserves review. The recurring additional cost from 2019/20 will be £2.150m and unless the Government provide additional funding as part of the 2019/20 Local Government Finance settlement will have to be funded by identifying additional budget reductions in 2019/20.

3.5 In summary the Looked after Children's budget pressure and impact of the national pay award could increase the 2019/20 budget deficit from **£1.363m** to **£6.013m**.

4.0 **LOCAL GOVERNMENT FINANCE SETTLEMENT ANNOUNCEMENT 2018/19**

4.1 The Government presented the settlement to Parliament on 19th December 2017 and this covered the following key issues:

- **Revenue Support Grant (RSG) 2018/19 and 2019/20** - the Government confirmed the previously announced RSG cuts, which means that local authorities will have faced nine years of RSG cuts by 2019/20. As reported previously these cuts have had a disproportionate impact on authorities, including Hartlepool, which are more dependent on RSG and have less ability to fund services from Council Tax and Business Rates income. Confirmation of these cuts means that the Council will have to implement the planned 2018/19 and 2019/20 budget cuts;
- **Council Tax referendum limit 2018/19 and 2019/20** – the Government has increased the core Council Tax referendum limit from 2% to 3% to recognise the financial pressures facing councils, including the increased costs of Looked after Children.

For authorities with Adult Social Care responsibilities the previously announced Adult Social Care precept limits remain. These arrangements continue the Adult Social Care precept of an additional 2% for three years up to 2019/20, with flexibility to increase the precept to 3% in 2017/18 and 2018/19, provided the increases do not exceed 6% between 2017/18 and 2019/20.

Whilst, the increase in the core Council Tax referendum limit and Social Care precept increases financial flexibility and secures recurring Council Tax income, this change is more beneficial to more affluent areas where the additional Council Tax increases will raise more recurring resources. For example, Department of Communities and Local Government figures show that:

- Wokingham Council could raise Council Tax income of £34 per resident if they implement a Council Tax increase up to the 2018/19 referendum limit; whereas
- Hartlepool could only raise £24 per resident; and
- This means Wokingham can potentially raise approximately £1m of recurring income more than Hartlepool.

The budget pressures in relation to Adult Social Care and Looked after Children are affecting the majority of authorities, and are particularly affecting authorities serving more deprived communities. Therefore, it would have been better for Hartlepool if the Government had recognised these issues by providing additional grant funding, rather than relying upon a further increase in Council Tax.

Council Tax income forecasts issued by the Government as part of the 2018 settlement indicate that the Government expects that authorities will make full use of the increase in Council Tax referendum limits. The Government's forecasts expect that by 2019/20 the national amount raised from Council Tax will be **£28.047 billion**, compared to **£22.036 billion** in 2015/16, an increase of **27.3%**. In cash terms the increase is **£6.011 billion**, which includes an additional **£1.824 billion** if all authorities implement the Adult Social Care precept.

- **Core Spending Power**

The Government's Core Spending Power forecasts highlight a number of key issues:

- Gross Core Spending Power for England in 2019/20 will be only **2.1%** higher than in 2015/16. Over this period councils have faced significant demographic pressures in relation to Adult Social Care, increasing costs in relation to Looked after Children, inflation pressures and unfunded increases in the National Living Wage.
- Net Core Spending Power for England excluding the Adult Social Care Precept in 2019/20 will be **1.9%** less than in 2015/16. When account is taken of inflation over this period the real term reduction is nearer **10%**.

- A continued switch in the funding of council services from national taxation to Council Tax as highlighted in the following table:

Changes in Core Spending Power of Councils 2015/16 to 2019/20
(figures are based on 2018/19 DCLG Provisional Local Government Finance Settlement)

	2015/16	2019/20	Increase/ (decrease) in overall funding
Settlement Funding Assessment (Total of Revenue Support Grant, Top-up grant and Business Rates income)	48.0%	32.4%	(15.6%)
Council Tax	49.3%	61.5%	12.2%
Other Grants (Total of Improved Better Care Fund, New Homes Bonus and Rural Services Delivery Grant)	2.7%	6.1%	3.4%
Total Core Spending Power	100.0%	100.0%	0%

- **Business Rates Retention** – as reported previously the Government indicated their intention to move from the current 50% Business Rates Retention to 100%, although it was unclear whether this would apply from 2019/20 or 2020/21.

The Government has now indicated that they intend to move to 75% Business Rates Retention from 2020/21. This change will not require primary legislation, which would be required for 100% retention.

As part of the implementation of 75% Business Rates Retention the Government has stated that Revenue Support Grant and Public Health Grant will be replaced by the additional Business Rates income retained by local authorities.

- **Fair Funding Review (FFR)** – the Government issued a detailed consultation document on the FFR on the same day as the settlement announcement. The Government has indicated that the FFR will be implemented from 2020/21, alongside the move from 50% to 75% Business Rates Retention. Responses to the FFR consultation need to be submitted by 12th March 2018 and a detailed report will be submitted to a future meeting to enable Members to consider the Council's response.

5.0 IMPACT OF SETTLEMENT ON THE COUNCIL

- 5.1 Government figures show that over the five year period of 2015/16 to 2019/20 the Council’s core spending power will only increase by **£1.089m**, an increase of only **1.3%**, which is significantly less than the national core spending increase of **2.1%**. When account is taken of inflation and budget pressures in relation to Adult Social Care and Looked after Children there is a real terms reduction in funding for councils of **10%** over this period.
- 5.2 Government core spending power figures also show that Hartlepool continues to fund a lower proportion of spending from Council Tax and a higher proportion from the Settlement Funding Assessment and Other grants, as summarised in the table below. This position exposes the Council to a higher level of financial risk than other councils when the Government implements 75% Business Rates Retention and completes the Fair Funding Review as a greater proportion of the Council’s recurring resources will be affected by these changes.

National and Hartlepool Core Spending Power funding sources 2019/20

	National	Hartlepool
Settlement Funding Assessment #	32.4%	43.4%
Council Tax	61.5%	49.1%
Other Grants ##	6.1%	7.5%
Total Core Spending Power	100.0%	100.0%

Revenue Support Grant, Top-up grant and Business Rates income.

Improved Better Care Fund, New Homes Bonus and Rural Services Delivery Grant.

- 5.3 The Settlement announcement details a range of Government policy announcements which will impact on the Council in both the short and medium term as detailed in the following paragraphs.
- 5.4 **Short Tem Impact - 2018/19**
- 5.5 In February 2017 Council approved an indicative Council Tax increase for 2018/19 of 4.9%, which reflected the Government’s previous core Council Tax referendum limit of 2% and Social Care precept of 3%.
- 5.6 The Government’s decision in December 2017 to increase the core Council Tax referendum limit for 2018/19 and 2019/20 from 2% to 3% recognises the financial pressures facing councils, including Looked after Children pressures.
- 5.7 The main advantage of the Government’s decision to increase the core referendum limit is that it secures recurring income. This would not necessarily be the case if the Government had provided additional grant funding. The downsides of the Government’s Council Tax policy are that it :

- continues to shift the burden of funding local services from national taxation to Council Tax; and
- does not recognise that individual authorities benefit differently from increasing Council Tax by an additional 1%.

5.8 In view of the Government's increased Council Tax referendum limits it is recommended that Members consider a revised Council Tax increase up to the Government's new referendum limits of 5.9% for 2018/19 and 2.9% for 2019/20. The advantages of implementing these increases are that they will:

- i) Secure additional Council Tax income of £365k in 2018/19, which can be used to support Looked after Children budget pressures;
- ii) Secure recurring additional Council Tax income of £781k in 2019/20, which would contribute towards the recurring Looked after Children pressure of £2.5m;
- iii) Reduces the budget cuts required in 2019/20 by £781k;
- iv) Secure a higher level of **recurring** Council Tax income to underpin the medium term financial sustainability of the Council in light of the Government's proposed changes in the funding system for local authorities planned for 2020/21.

5.9 Alternatively Members may wish to retain an overall 4.9% Council Tax increase for 2018/19, based on a 2.9% core increase, plus a 2% Adult Social Care precept. This option would then potentially enable a 3.9% increase to be implemented in 2019/20, based on a 2.9% core increase, plus a 1% Adult Social Care precept. This option would not secure additional income of £365k in 2018/19, although it would secure recurring income of £788k in 2019/20.

5.10 Either of the above Council Tax options would be sufficient to secure the 2018/19 Council Tax income required to achieve the MTFS proposals approved by Council in December.

- 5.11 The following table compares the above options with the indicative Council Tax increases approved in February:

Comparison of alternative Council Tax options

	Council Tax increase		Additional recurring Council Tax income compared to current MTFS forecast	
	2018/19	2019/20	2018/19	2019/20
	<u>Current MTFS forecasts</u>			
Core Council Tax increase	1.9%	1.9%		
Adult Social Care precept	3.0%	0.0%		
Total	4.9%	1.9%	0	0
<u>December 2018 Government Referendum limits (paragraph 5.8)</u>				
Core Council Tax increase	2.9%	2.9%		
Adult Social Care precept	3.0%	0.0%		
Total	5.9%	2.9%	£365k	£781k
<u>Alternative phasing up to Government Referendum Limits (paragraph 5.9)</u>				
Core Council Tax increase	2.9%	2.9%		
Adult Social Care precept	2.0%	1.0%		
Total	4.9%	3.9%	0	£788k

- 5.12 The following table summarises the impact of the potential additional 1% Council Tax increase for 2018/19 on households:

Comparison of weekly Council Tax with a 4.9% or 5.9% increase for 2018/19

Percentage of properties	Property Band	Weekly increase in Council Tax for non LCTS households		
		with 4.9% increase	with 5.9% increase	Additional increase
		£.p	£.p	pence
55.0%	A	0.97	1.17	0.20
16.9%	B	1.13	1.36	0.23
14.2%	C	1.30	1.56	0.26
7.4%	D	1.46	1.75	0.29
3.8%	E	1.78	2.14	0.36
1.6%	F	2.10	2.53	0.43
1.0%	G	2.43	2.92	0.49
0.1%	H	2.92	3.50	0.58

5.13 Medium Term impact – 2020/21

5.14 For Hartlepool, and many other authorities, the additional retained Business Rates income of moving from a 50% scheme to a 75% scheme will not be sufficient to replace the lost grant income. Therefore, the Government will need to address this shortfall by either increasing the ‘Top Up’ grant allocated to authorities with a low business rates base, or address this position through the FFR.

5.15 As summarised in the following table this is a significant financial risk for Hartlepool as the forecast funding shortfall is £8.413m, which equates to 11.4% of the 2019/20 net General Fund budget:

	£'m
2019/20 Revenue Support Grant	7.780
2019/20 Public Health Grant	8.533
Sub Total	16.313
Less - 2019/20 increase in retained Business Rates income moving from 50% to 75%	(7.900)
Forecast funding shortfall arising from implementation of 75% Business Rates Retention	8.413

5.16 In view of the above position the FFR review will be critical to the financial sustainability of the Council in 2020/21 and future years. As this stage there is insufficient information available to assess the impact of the FFR and changes to the Business Rates system on the Council. Further reports will be submitted when more information is available.

5.17 This uncertainty underlines the importance of securing the highest level of recurring Council Tax income by increasing Council Tax in line with Government Council Tax referendum limits, which reflects the Government’s continued policy of shifting the funding burden for local services from national taxation to Council Tax payers.

6.0 FIVE YEAR CAPITAL PLAN

6.1 An update of the capital budgets is detailed in Appendix A, to reflect Government capital allocations announced since the initial proposals were approved by Council in December 2017.

7.0 EQUALITY AND DIVERSITY CONSIDERATIONS

7.1 Members are aware from previous MTFS reports that in making financial decisions the Council is required to demonstrate that those decisions are made in a fair, transparent and accountable way, considering the needs and the rights of different members of the community. This is achieved through assessing the impact that changes to policies, procedures and practices could have on different equality groups. The Equality & Human Rights

Commission has published a guide for decisions-makers which has been used by officers assessing the impact of individual savings proposals.

7.2 Equality Impact Assessments (EIA) have therefore been undertaken where required and were reported in the previous MTFS report. Each EIA identified whether:

- there is no impact or no major change to the service;
- adjustments or changes should be made to the proposal;
- the proposal should continue even though there may be an adverse impact, or;
- the proposal should be stopped or removed.

7.3 An overall central assessment had also been undertaken to determine the cumulative impact of the savings proposals on each individual “protected characteristic”. This assessment demonstrated that the savings proposals do not have an overall potential impact on any one area and there is no requirement to arrange further corporate consultation in relation to the budget proposals. There have been no changes arising from the issues detailed in this report.

8.0 LEGAL CONSIDERATIONS

8.1 In accordance with the Local Government Finance Act 1992 local authorities have a statutory responsibility to set their council tax at a level which will balance their budget. The budget decisions approved by Council in December 2017 and the council tax recommendations detailed in this report will enable the Council to comply with this requirement.

9.0 CHILD AND FAMILY POVERTY

9.1 There are no specific child and family poverty considerations relating to this report. Previous decisions made by the Council to retain a 12% Local Council Tax Support Scheme for 2018/19, maintained the real term value of Local Welfare Support funding and earmark additional one off funding for the Child and Family Poverty Reserve will have a positive impact on child and family poverty issues.

10.0 STAFF CONSIDERATIONS

10.1 An assessment of the staffing impact of the approved 2018/19 savings proposals was included in the previous MTFS report. There are no changes arising from the issues detailed in this report.

11.0 ASSET MANAGEMENT CONSIDERATIONS

11.1 There are no specific asset management considerations relating to this report.

12.0 CONSULTATION

- 12.1 Details of consultation on the budget reductions were reported in the previous MTFs report. There are no changes arising from the issues detailed in this report.

13. CONCLUSIONS

- 13.1 The Government issued the 2018/19 Local Government Finance Settlement on 19th December 2017 and this confirmed that Local Government funding cuts will continue until 2019/20. This means the sector will have faced nine consecutive years of funding cuts – which is unprecedented.
- 13.2 The cuts in Government funding have had a disproportionate impact on Councils, including Hartlepool, which were more dependent on Government grant in 2010/11. These authorities also had least ability to fund services locally from Council Tax owing to the make-up of the Council Tax base – i.e. a high proportion of properties in the low Council Tax bands. For example, 56% of Hartlepool's properties are in Band A, compared to 25% nationally.
- 13.3 As reported previously the current funding system, which was introduced in 2013/14, commenced a fundamental shift in the balance of funding for council services. Government figures published in December 2017 confirm this shift will continue until at least 2019/20 and means that a lower proportion of spending is funded from Government Grant and a higher proportion from Council Tax. Over the period 2015/16 to 2019/20 this shift is significant as highlighted in the following table:

Shift in Balance of Funding 2015/16 to 2019/20
(based on Government Core Spending Power figures published December 2017)

National figures				Hartlepool figures		
2015/16	2019/20	Increase/ (decrease) in overall funding		2015/16	2019/20	Increase/ (decrease) in overall funding
48.0%	32.4%	(15.6%)	Settlement Funding	59.9%	43.4%	(16.5%)
49.3%	61.5%	12.2%	Assessment #	38.1%	49.1%	11.0%
2.7%	6.1%	3.4%	Council Tax	2.0%	7.5%	5.5%
100.0%	100.0%		Other Grant ##	100.0%	100.0%	
			Total Core Spending Power			

Revenue Support Grant, up-up grant and Business Rates income

Improved Better Care Fund, New Homes Bonus & Rural Services Delivery Grant.

- 13.4 As part of the December 2017 Settlement announcement the Government increased the core Council Tax referendum limit from 2% to 3% for 2018/19 and 2019/20. The Government's decision recognises the financial pressures facing councils, including Looked after Children pressures.
- 13.5 For Hartlepool the increase in the core Council Tax referendum limit from 2% to 3% would enable additional **recurring** Council Tax income of approximately £0.8m to be generated by 2019/20. This additional income would contribute towards the recurring Looked after Children pressure of £2.5m.
- 13.6 Based on the referendum limits announced by the Government in December 2017 it is now recommended that Members consider a Council Tax increase for 2018/19 of 5.9%, consisting of a core Council Tax increase of 2.9% and Social Care precept of 3%. It is also recommended that Members consider a core Council Tax increase for 2019/20 of 2.9%. There would be no additional Social Care precept in 2019/20 as the Government limit is 6% over the period 2017/18 to 2019/20. These proposals would secure a higher level of **recurring** 2019/20 Council Tax income which is critical for medium term financial sustainability of the Council and managing financial risks, including:
- Continuing Looked after Children pressures;
 - The impact of the recent pay offer covering 2018/19 and 2019/20;
 - Government policy of shifting the cost of funding council services from national taxation to Council Tax. Authorities which do not increase Council Tax in line with Government Council Tax referendum limits will find it difficult to argue for increased Government funding; and
 - Significant uncertainty regarding the implementation of a 75% Business Rates retention scheme and completion of the Fair Funding Review.
- 13.7 Alternatively Members may wish to maintain the previously approved 2018/18 Council Tax increase of 4.9%, but change the mix so that this increase is made up of a core increase of 2.9%, plus a Social Care precept of 2%. This option would secure the 2018/19 income of **£1.785m** already built into the budget proposals approved by Council in December 2017.

- 13.8 In terms of the risks which can be quantified the Council now faces a budget deficit of between approximately £5.2m and £6m in 2019/20, as follows:

	Worst Case £'m	Best Case £'m
Existing forecast deficit (as detailed paragraph 3.2)	1.363	1.363
Add Forecast Recurring Looked after Children pressures	2.500	2.500
Add Recurring additional pay costs arising from national pay offer of 2% per annum, plus higher annual increases for lower paid	2.150	2.150
Less Recurring Council Tax income from implementing 2018/19 and 2019/20 increases in line with Government referendum limits	0	(0.781)
Forecast 2019/20 budget deficit	6.013	5.232

- 13.9 To put the above deficits into context an initial analysis of the overall budget of £84m in 2019/20 has been completed. This indicates that between £66m and £70m of the overall budget relates to existing recurring commitments, including Adult Social Care, Looked after Children, refuse collection and disposal, loan repayment etc., which cannot be reduced. Therefore, the forecast budget deficit in 2019/20 will have to be identified by cutting the remaining £14m to £18m of the budget – this would equate to cuts in these areas of between approximately 40% and 30%.
- 13.10 A further report on developing a strategy to address the increased 2019/20 deficit will be reported to a future meeting.

14. RECOMMENDATIONS

- 14.1 It is recommended that Members

- i) Note the increase in the core Council Tax referendum limit from 2% to 3% for 2018/19 and 2019/20 announced by the Government in December 2017;
- ii) Note that the provisional 2018/19 Local Government Finance Settlement states that “in recognition of higher than expected inflation and the pressures on services such as social care and policing, the Government has decided to make changes to the Council Tax referendum principles”;
- iii) Note there is no change in the Adult Social Care precept arrangements for 2018/19 and 2019/20;

- 14.2 Determine which of the following 2018/19 Council Tax options is referred to Council:
- i) A 2018/19 Council Tax increase in line with the Government's December 2017 Council Tax referendum limit of 5.9% (consisting for core increase of 2.9%, plus Adult Social Care precept of 3%); OR
 - ii) A 2018/19 Council Tax increase in line with the indicative increase approved as part of the December 2017 MTFS proposals approved by Council of 4.9% (consisting for core increase of 2.9%, plus Adult Social Care precept of 2%).
- 14.3 To note that recommendations 14.2 (i) will secure £365k of additional Council Tax income in 2018/19 towards Looked after Children pressures;
- 14.4 To note that recommendations 14.2 (ii) will not secure £365k of additional Council Tax income in 2018/19;
- 14.5 To seek Council approval of the updated capital budgets detailed in Appendix A, which reflect Government capital allocations announced since the initial proposals were approved by Council in December 2017.

15. REASON FOR RECOMMENDATIONS

- 15.1 To enable the Finance and Policy Committee to approve the 2018/19 Council Tax proposals to be referred to Council for approval.

16.0 BACKGROUND PAPERS

The following background papers were used in the preparation of this report:-

Council - Medium Term Financial Strategy (MTFS) 2017/18 to 2019/20 - 25th February 2017

Finance and Policy Committee - Medium Term Financial Strategy (MTFS) 2018/19 to 2019/20 - 24th July 2017

Finance and Policy Committee - Medium Term Financial Strategy (MTFS) 2018/19 to 2019/20 - 18th September 2017

Finance and Policy Committee - Medium Term Financial Strategy (MTFS) 2018/19 to 2019/20 -22nd November 2017.

17.0 CONTACT OFFICERS

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FORECAST CAPITAL RESOURCES AND EXPENDITURE COMMITMENTS 2018/19 TO 2020/21

TABLE 1 - FORECAST CAPITAL RESOURCES

	Forecast Resources 2018/2019				Forecast Resources 2019/2020 (Provisional)				Forecast Resources 2020/2021 (Provisional)			
	Prudential Borrowing	Other Capital Funding	Capital Grants	Total	Prudential Borrowing	Other Capital Funding	Capital Grants	Total	Prudential Borrowing	Other Capital Funding	Capital Grants	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Service Specific Capital Grants												
Devolved Formula Capital (Schools) *	0	0	128	128	0	0	128	128	0	0	128	128
Disabled Facilities Grant (Better Care Fund) **	0	0	931	931	0	0	931	931	0	0	931	931
Local Transport Plan	0	0	0	0	0	0	0	0	0	0	0	0
Highway Maintenance	0	0	1,054	1,054	0	0	1,054	1,054	0	0	1,054	1,054
Pot Holes	0	0	98	98	0	0	98	98	0	0	98	98
Incentive Funding	0	0	99	99	0	0	99	99	0	0	99	99
Integrated Transport Block	0	0	719	719	0	0	719	719	0	0	719	719
Schools Capital Programme #	0	0	4,828	4,828	0	0	1,098	1,098	0	0	655	655
	0	0	7,857	7,857	0	0	4,127	4,127	0	0	3,684	3,684
Departmental Prudential Borrowing - Funded from Specific Business Cases												
Replacement Wheelie Bins	90	0	0	90	90	0	0	90	90	0	0	90
Waste Disposal Contract Extension	1,872	0	0	1,872	0	0	0	0	0	0	0	0
Vehicle Procurement (Tables 2 - 4)	1,643	75	0	1,718	1,726	0	0	1,726	1,601	0	0	1,601
	3,605	75	0	3,680	1,816	0	0	1,816	1,691	0	0	1,691
Housing Revenue Account Schemes												
Empty Property Purchasing Scheme approved 30-10-17 ##	550	495	335	1,380	0	0	0	0	0	0	0	0
	550	495	335	1,380	0	0	0	0	0	0	0	0
Total Forecast Resources	4,155	570	8,192	12,917	1,816	0	4,127	5,943	1,691	0	3,684	5,375

* Devolved Formula Capital allocation for Schools is an estimate based on the 2017/18 allocation. The Government has stated that the 2017/18 allocation could be used as an indication of future allocations.

** Better Care Fund is continuing in 2018/19, however detailed DFG allocations have yet to be announced by the Government. Estimates are based on 2017/18 allocations and an assumption that the Better Care Fund will continue in 2019/20 and 2020/21.

Schools Capital Programme includes an estimate of £0.655m Schools Condition Grant for 2018/19 and future years as actual allocations have yet to be announced by the Government. This is based on the 2017/18 allocation which the Government has stated is indicative of future allocations. In addition the Council has received a Basic Need funding allocation for 2018/19 and 2019/2020, this is reflected in the above figures.

An external funding bid for £0.335m will be submitted to the HCA and is an indicative estimate based on current per property funding levels.

<p style="text-align: center;">COUNCIL</p> <p style="text-align: center;">MINUTES OF PROCEEDINGS</p> <p style="text-align: center;">22 February 2018</p>

The meeting commenced at 7.00 pm in the Civic Centre, Hartlepool

PRESENT:-

The Ceremonial Mayor (Councillor Beck) presiding:

COUNCILLORS:

C Akers-Belcher	S Akers-Belcher	Barclay
Black	Buchan	Clark
Cranney	Fleming	Hall
Hamilton	Harrison	James
Lauderdale	Lindridge	Martin-Wells
McLaughlin	Moore	Dr Morris
Richardson	Riddle	Smith
Springer	Tennant	Thomas
Trueman		

Officers: Gill Alexander, Chief Executive
Peter Devlin, Chief Solicitor
Chris Little, Director of Finance and Policy
Hayley Martin, Head of Legal Services (Place)
Ed Turner, Communications and Marketing Manager
Amanda Whitaker, David Cosgrove, Democratic Services Team

Prior to the commencement of the meeting, the Ceremonial Mayor referred in terms of regret to the recent death of Honorary Alderman Russell Hart. Members stood in silence as a mark of respect.

95. APOLOGIES FOR ABSENT MEMBERS

Councillors Belcher, Cook, Hind, Hunter, Loynes and Robinson.

96. DECLARATIONS OF INTEREST FROM MEMBERS

None.

97. BUSINESS REQUIRED BY STATUTE TO BE DONE BEFORE ANY OTHER BUSINESS

None.

98. MINUTES OF PROCEEDINGS

The Minutes of Proceedings of the Council held on the 14 December 2017, having been laid before the Council.

RESOLVED - That the minutes be confirmed.

The minutes were thereupon signed by the Chairman.

99. QUESTIONS FROM MEMBERS OF THE COUNCIL ON THE MINUTES OF THE PREVIOUS MEETING OF THE COUNCIL

None.

100. BUSINESS REQUIRED BY STATUTE

None.

101. ANNOUNCEMENTS

The Ceremonial Mayor announced that his fundraising curry night would be held on 26 February. An invitation was extended to all to attend.

102. TO DISPOSE OF BUSINESS (IF ANY) REMAINING FROM THE LAST MEETING AND TO RECEIVE THE REPORT OF ANY COMMITTEE TO WHICH SUCH BUSINESS WAS REFERRED FOR CONSIDERATION.

None.

103. TO RECEIVE REPORTS FROM THE COUNCIL'S COMMITTEES

None.

104. TO CONSIDER ANY OTHER BUSINESS SPECIFIED IN THE SUMMONS OF THE MEETING

None.

105. REPORT FROM THE POLICY COMMITTEES

- (a) Proposal in relation to the Council's budget and policy framework
 - (i) Medium Term Financial Strategy (MTFS) 2018/19 to 2019/20 and Financial Outlook from 2020/21

The report enabled Council to consider the recommendations from the Finance and Policy Committee in relation to the 2018/19 Council Tax level for Hartlepool Council services and to approve the detailed statutory Council Tax calculations for 2018/19, which incorporated Council Tax precepts set by other organisations.

Details of savings proposals had been considered and approved by Council on 14th December and this had included an indicative Council Tax increase (including the Social Care precept) of 4.9% for 2018/19. Based on the approved savings the detailed budgets for 2018/19 were set out in the booklet which had been circulated with Council documentation. The detailed report considered by Finance and Policy Committee on the 12th February 2018 had been circulated also.

The Leader of the Council highlighted the five year Council Tax freeze previously implemented by the Council. The Leader also indicated that this arrangement ended when the Government removed the specific grant paid to Authorities which froze Council Tax and introduced revised Council Tax referendum limits. It was also highlighted that further changes to Council Tax were introduced in 2016/17 when the Government introduced the Adult Social Care precept. These changes continued to shift the burden for funding services from national taxation on to Council Tax. For 2018/19 Government Council Tax referendum limits allow authorities with Adult Social Care responsibilities to increase Council Tax by up to 6% (including a 3% Adult Social Care precept).

The report to Council detailed the statutory 2018/19 Council Tax calculations which the Council was required to undertake to incorporate the Council Tax levels approved by 'precepting bodies', i.e. the Cleveland Police and Crime Commissioner, Cleveland Fire Authority and Parish Councils. In order to enable Members to consider the recommendations referred by Finance and Policy Committee the Council report provided a summary of the key issues impacting on the Council's financial position.

The MTFS recommendations referred by Finance and Policy Committee for council's consideration and approval were presented as follows:-

- i) Approve a 2% Adult Social Care precept for 2018/19;
- ii) Approve a 2.9% base Council Tax increase for 2018/19 and to note that when account is taken of the recommended Adult Social Care precept the total increase for Hartlepool Council services is 4.9%;

- iii) Approve the detailed 2018/19 budgets set out in section 2 of the attached booklet, which reflect the savings approved by Council on 14th December 2017.
- iv) Approve the updated capital budgets as set out in Appendix A, which reflect Government capital allocations announced since the initial proposals were approved by Council in December 2017, and note that detailed proposals for using ring fenced capital resources for the Local Transport Plan and Schools Capital Programme will be reported to the relevant Policy Committee for approval.
- v) Approve the proposals to use the one off 2018/19 Adult Social Care Support Grant of £313,000, announced by the Government on 6th February, to reduce the use of the Budget Support Fund reserve in 2018/19. This proposal will then enable these resources to be carried forward and earmarked towards reducing the 2019/20 budget deficit, which is currently forecast to be between £5.232m and £6.013m.

The recommendations were moved by Councillor C Akers-Belcher, subject to recommendation (ii) above being amended to reflect 1% of the 2.9% increase in Council Tax being identified to support the budget pressures on Children's Social Care as had been agreed by the Finance and Policy Committee.

The Committee's recommendations, and amendment proposed to recommendation (ii), were seconded by Councillor Cranney.

Members debated issues arising from the report including the background to the recommendations submitted by the Committee. A number of Members expressed their opposition to the proposed Council Tax increase and expressed concerns regarding previous financial decisions. It was highlighted that the recommendations had been agreed by the Finance and Policy Committee with cross-party and unanimous support. It was highlighted also the opportunities which all Members had had prior to the Council meeting to consider the proposals and to put forward alternative sources of funding.

An amendment was moved by Councillor Hall and seconded by Councillor Lauderdale as follows:-

“That the £1.5m balance of the Regeneration Projects Budget recent allocated by the joint meeting of the Regeneration Services and Finance and Policy Committees on 22 January 2018 be re-directed to the General Fund and be utilised to support adult and children's social care.”

The Chief Solicitor referred Members to Council Procedure Rule 16 which stated that a motion or amendment to rescind, or having the effect of rescinding, a decision made at a meeting of Council within the past 6 months cannot be moved.

The Chief Solicitor added that in accordance with Council Procedure Rule 17.6 in relation to voting on budget decisions, immediately after any vote is taken at

a budget decision meeting of an authority there must be recorded in the minutes of the proceedings of that meeting the names of the persons who cast a vote for the decision or against the decision or who abstained from voting.

In accordance with Council Procedure Rule 17.5 of the Constitution, a recorded vote was taken on the MTFs recommendations referred by the Finance and Policy Committee, including the amendment proposed by Councillor C Akers-Belcher and seconded by Councillor Cranney:-.

Those in favour:

Councillors C Akers-Belcher, S Akers-Belcher, Barclay, Beck, Clark, Cranney, Hamilton, Harrison, James, Lindridge, Martin-Wells, McLaughlin, Morris, Richardson, Thomas and Trueman.

Those against:

Councillors Black, Buchan, Fleming, Hall, Lauderdale, Moore, Riddle, Smith, Springer and Tennant.

Those abstaining:

None.

The vote was carried.

It was highlighted that in accordance with the Local Government Finance Act 1992 and relevant regulations the Council was required to approve the statutory Council Tax calculation incorporating the Council Tax levels set by individual precepting authorities i.e. the Cleveland Police and Crime Commissioner, Cleveland Fire Authority and individual parish councils. It was highlighted that the statutory Council Tax calculations are an administrative responsibility that the Council as the statutory 'billing authority' is required to undertake once the Council has set its own Council Tax level and the individual precepting authorities have set their own Council Tax levels. It was noted that for areas without a parish council, which is 90% of Hartlepool households, the overall Council Tax increase for 2018/19 is 4.9%, which reflected the increases approved by the Council, the Cleveland Police and Crime Commissioner and Cleveland Fire Authority. Based on the increases detailed in the report, a table was presented which summarised the Council Tax for 2018/19, for areas without a parish. It was noted that the Adult Social Care precept was the cumulative amount and included the 2% increase for 2018/19.

In accordance with Council Procedure Rule 17.5 of the Constitution, a recorded vote was taken on the statutory council tax calculations, incorporating the decisions of precepting authorities:-.

Those in favour:

Councillors C Akers-Belcher, S Akers-Belcher, Barclay, Beck, Black, Buchan, Clark, Cranney, Fleming, Hall, Hamilton, Harrison, James, Lauderdale,

Lindridge, Martin-Wells, McLaughlin, Moore, Morris, Richardson, Riddle, Smith, Tennant, Thomas and Trueman.

Those against:

None

Those abstaining:

Councillor Springer.

The vote was carried.

(b) Proposal for Departure from the Budget and Policy Framework

None.

106. MOTIONS ON NOTICE

The following Motion had been submitted on notice:-

“There is a rise in the use of food banks across the country, this is linked to welfare reform and the roll out of Universal Credit. The Trussell Trust report that many people are having to choose between buying food or fuel. We know that welfare reform is affecting many people, including people in work and low paid jobs. Austerity is affecting women more and therefore ‘period poverty’ is a reality and forces many women to choose between putting food on the table and buying sanitary products. This affects both adult women and girls, in a recent survey by Plan International UK, it was found that 10% of 14-24 year olds surveyed had been unable to buy sanitary products and there are girls missing out on their education because they cannot afford sanitary protection. Women and girls do not have a choice whether to have a period or not. For a family where there is a mother and two daughters who have periods, the average cost per month of buying sanitary products is £20. Where women cannot afford sanitary products they are using socks, toilet roll and even napkins from fast food restaurants.

Scotland are leading the way and piloting a scheme in Aberdeen, where women can have an S-Card, similar to the C-Card scheme for condoms. The S-card enables a woman to go into a pharmacy and exchange for free sanitary products. Some food banks and community hubs may have sanitary products women can access but these are not open seven days a week. There needs to be a system where women in need can easily access free sanitary products to meet a basic need, maintain dignity and hygiene.

Hartlepool Borough Council believes:

- That no woman in the Tees Valley should be forced into poverty due to her periods.
- No girl should miss school because of her period.
- No woman should miss work or college because of her period.

The Council pledges its full support for the Tees Valley Free Period campaign.

This Council will commit to further work and explore how a similar scheme to Scotland would operate and be funded in Hartlepool.”

Signed: Councillors Clark, Richardson, James, Harrison and C Akers-Belcher.

On moving the Motion, Councillor Clark expressed his appreciation to Emma Chesworth and her colleagues from the ‘Free Period Campaign’ who had contacted him to discuss the issue and the effects on women and girls in Hartlepool and the wider Tees Valley. In presenting the rationale for submission of the Motion to Council, Councillor Clark called on Council to support the Motion and the Campaign by the Free Period Group to look at what more could be done to end this ‘injustice in society’

The Motion was seconded by Councillor Harrison who highlighted the unfairness of the cost of sanitary towels and urged the Council to support the Motion and to follow the lead of Scotland.

A vote was taken by show of hands.

The motion was agreed unanimously.

CHIEF EXECUTIVE’S REPORT

107. TREASURY MANAGEMENT STRATEGY

Council was requested to approve the recommended Treasury Management Strategy for 2018/2019. The Local Government Act 2003 required the Council to ‘have regard to’ the CIPFA Prudential Code and to set prudential indicators for the next three years to ensure that the Authority’s capital investment plans were affordable, prudent and sustainable. The Act, therefore, requires the Council to determine a Treasury Management Strategy for borrowing and to prepare an Annual Investment Strategy, which sets out the Council’s policies for managing its investments and for giving priority to the security and liquidity of those investments. The Secretary of State has issued Guidance on Local Government Investments which came into force on 1st April, 2004. This guidance recommends that all Local Authorities produce an Annual Investment Strategy that is approved by full Council, which was also included in the report.

The Council is required to nominate a body to be responsible for ensuring effective scrutiny of the Treasury Management Strategy and policies, before making recommendations to Council. This responsibility has been allocated to

the Audit and Governance Committee. The recommended Treasury Management Strategy was considered by the Audit and Governance Committee on the 24th January 2018 and this report is attached as Appendix 1. The Audit and Governance Committee scrutinised the proposed Treasury Management strategy and approved that the recommended strategy be referred to full Council.

RESOLVED – Council noted the report and the recommendation from the Audit and Governance Committee to approve the following detailed recommendations for the 2018/19 Treasury Management Strategy and related issues;

Borrowing Strategy 2018/19

- i) Core borrowing requirement – following the securing of exceptionally low interest rates approve that the remainder of the under borrowing is netted down against investments.
- ii) To note that in the event of a change in economic circumstances that the Director of Finance and Policy may take out additional borrowing if this secures the lowest long term interest cost.
- iii) Borrowing required for business cases – Approve the strategy of internally borrowing for business cases to mitigate counterparty risk, reduce borrowing costs and generate an internal investment return. Note that if this strategy is adopted that action may be taken by Director of Finance and Policy to externally borrow for these schemes if an interest rates rise is expected.

Investment Strategy 2018/19

- iv) Approve that Svenska Handelsbanken be brought into line with other category A counterparties and no longer identified separately
- v) Approve the Counterparty limits as set out in paragraph 8.8 of Appendix 1.

Minimum Revenue Provision (MRP) Statement

- vi) Approve the MRP statement outlined in paragraph 9.3 of Appendix 1.

Prudential Indicators 2018/19

- xi) Approve the prudential indicators outlined in Appendix B of Appendix 1.

108. NEW POLITICAL GROUP

Council was informed that in accordance with the Council's Constitution, the Local Government and Housing Act 1989 and the Local Government (Committees and Political Groups) Regulations 1990 (specifically regulation 7

(i) the following Members have formed a new political group 'Hartlepool Independent Group': -

Councillors Tennant (Group Leader), Moore (Deputy Leader), Buchan, Springer and Fleming.

The formation of this new Political Group replaced the UKIP Group.

RESOLVED – That the report be noted.

109. EU PROCUREMENT THRESHOLDS

Council was requested to note that from the 1st January 2018 the EU Procurement thresholds under the European Public Contracts Directive (2014/24/EU) relating to works, goods and supplies were revised which would require consequent amendment to the Council's Contract Procedure Rules. The thresholds would now be engaged for works contracts which exceeded the amount of £4,551,413 for works contracts and the sum of £181,302 for goods and services. The Monitoring Officer had delegated authority under Article 15 of the Councils Constitution to make such changes to the Constitution '.... that comply with legislation or statutory guidance'.

RESOLVED – That the position be noted.

110. THE TEES VALLEY COMBINED AUTHORITY (BORROWING) REGULATIONS 2018

The Chief Executive reported that the Tees Valley Combined Authority had been established through an Order made on 1 April 2016. Subsequent Orders had been made (which required the consent of the constituent councils) which had been the subject of earlier Council reports. Information had been received via the Combined Authority that a draft statutory instrument 'The Tees Valley Combined Authority (Borrowing) Regulations 2018', appended to the report, had been received together with an explanatory note as to its effect. In essence the regulations provide for the Combined Authority *'to borrow money for a purpose relevant to its statutory functions.'* Tabled at the meeting for the consideration of Members was a confidential copy of draft statutory instrument 'The Combined Authorities (Borrowing) Regulations 2018'.

It was noted that Section 23(5) of the Local Government Act, 2003, specified that a combined authority had a power to borrow money for a purpose relevant to its transport functions only, unless otherwise provided for by the Secretary of State through regulations. Consequently, these draft regulations extended the ability to borrow *for a purpose relevant to all of its statutory functions'*. The Constitution of the Combined Authority has application to the decision making process concerning the budget and borrowing of the Combined Authority, which reflects statutory requirements. The Investment Plan of the Combined Authority which dealt with the allocation of resources, includes borrowing and requires the agreement of the Combined Authority as part of the annual budget

setting process and also for any 'in year' changes. Reports have either been taken or are pending to seek approval from the other constituent councils but which are also contingent on a formal request from the Secretary of State to confirm each council's consent to the making of these regulations.

Following presentation of the report, the Leader of the Council proposed that consideration of the item be deferred. It was highlighted to Members that as part of his involvement in the budget process for the Combined Authority, he had challenged the decision making process with particular reference to accountability in the Combined Authority. Members were referred to authority delegated to the Mayor and the Managing Director of the Combined Authority to spend up to £1million. The Leader of the Council had proposed that the limit be reduced to £250,000 and for the delegation to be in conjunction with the appropriate Portfolio Holder. As the Mayor had disagreed with the proposal, the amendment had not been accepted.

It was moved by Councillor C Akers-Belcher and seconded by Councillor Cranney:-

"That consideration of the item be deferred to the next meeting of Council and representatives of the Tees Valley Combined Authority be invited to make a presentation to all Council Members on decision making and accountability within TVCA".

A vote, taken by show of hands, was carried.

RESOLVED –

- (i) That consideration of the regulations be deferred to the March meeting of Council.
- (ii) That Tees Valley Combined Authority be invited to make a presentation to all Council Members on decision making and accountability within TVCA

111. RESPONSE TO COUNCIL MOTION

Members were reminded that at the Council meeting held on the 26th October 2017, it was agreed that letters should be sent to the Government, Northern Rail and Rail North regarding proposals to remove the guarantee of a guard on Northern Rail trains.

Appended to the report was a copy of the response which had been received from the Minister responsible for rail, the response from Northern Rail and the response from Rail North.

RESOLVED – That the responses from the Minister of State, Northern Rail and Rail North be noted.

112. PUBLIC QUESTION

None.

113. QUESTIONS FROM MEMBERS OF THE COUNCIL

- a) Questions to the Chairs about recent decisions of Council Committees and Forums without notice under Council Procedure Rule 12.1

None.

- b) Questions on notice to the Chair of any Committee or Forum under Council Procedure Rule 12.2

None.

- c) Questions on notice to the Council representatives on the Cleveland Police and Crime Panel and Cleveland Fire Authority

None.

- d) Minutes of the meetings held by the Cleveland Fire Authority and the Police and Crime Panel

The minutes of the meetings of the Cleveland Fire Authority held on 13 October 2017 and the Cleveland Police and Crime Panel held on the 15 November, 2017 were noted.

The meeting concluded at 7.55 p.m.

CEREMONIAL MAYOR

FINANCE AND POLICY COMMITTEE

22 November 2017



Report of: CORPORATE MANAGEMENT TEAM

Subject: MEDIUM TERM FINANCIAL STRATEGY (MTFS)
2018/19 TO 2019/20 AND FINANCIAL OUTLOOK
FROM 2020/21

1.0 TYPE OF DECISION/APPLICABLE CATEGORY

1.1 Budget and Policy Framework.

2.0 PURPOSE OF REPORT

2.1 The purpose of this report is to update the MTFS and to enable Members to finalise the detailed 2018/19 budget proposals to be referred to Council on 14th December 2017.

3.0 BACKGROUND

3.1 At Finance and Policy Committee on 24th July 2017 the detailed budget timetable for 2018/19 was approved. In accordance with this timetable budget proposals are scheduled to be considered by Council in December 2017 and the level of Council Tax will be determined by Council in February 2018.

3.2 MTFS update reports were considered by Finance and Policy Committee on 24th July 2017 and 18th September 2017. This reports repeats the key issues identified in these earlier reports to ensure all Members have the same information when they consider the budget proposals at Council in December. As stated in previous reports, despite the impact of continuing austerity and cuts in Government funding, the Council needs to remain ambitious for the town to achieve the objectives set out in the approved Council Plan.

3.3 The Council Plan 2017 to 2020 sets out the priorities we are committed to delivering and is based around six strategic priorities:

- Growing our economy, jobs and skills;
- Regenerating our town;
- Developing and promoting Hartlepool as a great place to live;
- Developing new services for people and communities;

- Building better beginnings and futures for our children and young people;
 - Providing effective leadership based upon innovation and efficiency.
- 3.4 A report to Council on 23rd February 2017 approved the MTFS 2017/18 to 2019/20. The multi-year MTFS enabled a balanced budget be set for 2017/18. It also approved savings of £1.685m in 2018/19 and £0.785m in 2019/20 to begin to reduce the budget deficits in these years
- 3.5 However, the savings proposals approved for 2018/19 and 2019/20 did not address the full deficits and savings of £2.320m still need to be identified. This deficit is after reflecting forecast increases in Council Tax income and the use of the Budget Support Fund, as summarised below:

Summary of measures to reduce 2018/19 and 2019/20 gross budget deficits

	2018/19	2019/20	Total 2018/19 and 2019/20
	£'m	£'m	£'m
Gross Deficit	7.314	3.758	11.072
Less - Social Care Precept (3% 2018/19, 0% 2019/20)	(1.093)	0	(1.093)
Less - Council Tax increase 1.9%	(0.692)	(0.740)	(1.432)
Less - Growth in Council Tax base (742 Band D equivalent properties over the period 2018/19 and 2019/20)	(0.574)	(0.478)	(1.052)
Sub Total – Deficit after Council Tax increases and forecast housing growth	4.955	2.540	7.495
Less – Use of Budget Support Fund	(2.448)	(0.257)	(2.705)
Less – Savings approved February 2017	(1.685)	(0.785)	(2.470)
Cuts still to be identified	0.822	1.498	2.320

- 3.6 Updates of the MTFS have confirmed the financial forecasts detailed in the previous paragraph and also highlighted the continuing financial risks facing local authorities over the next few years. This underlines the importance of ensuring the Council sets balanced budgets for 2018/19 and 2019/20. For 2019/20 this needs to be based on minimising the use of one off funding to avoid deferring a budget deficit to 2020/21.
- 3.7 The MTFS forecasts are currently based on the Government's 1% pay cap remaining in place for 2018/19 and 2019/20. If actual pay awards are greater than 1% and the Government does not provide additional funding, the budget deficit will increase. Each additional 1% equates to an increase in the budget deficit of approximately £0.400m.

3.8 The financial position facing the public sector for 2020/21 and future years is extremely uncertain and will depend on the state of the economy, including the impact of Brexit, policies adopted at a national level in relation to the overall size of the public sector and the level of national debt.

3.9 For Local Authorities policies implemented by the Government will have a significant impact and cover the following key issues:

- **100% Business Rates Retention** - the exclusion of a bill to move from 50% to 100% Business Rates Retention creates significant financial uncertainty regarding future funding arrangements for local authorities;
- **Business Rates indexation** - confirmation by the Treasury at the end of July 2017 that Business Rates indexation will switch from RPI (Retail Prices Index) to CPI (Consumer Prices index) from 2020 will be welcomed by the businesses. However, from local government's perspective this change will result in lower annual increases in this income stream, which will not keep pace with increases in the cost of delivering existing services;
- **Reform of the Local Government funding system** - the Government has indicated that work is continuing on a 'Fair Funding' review and they will be consulting on proposals during 2017. However, without 100% Business Rates Retention it is unclear how any changes will be funded. The Department for Communities and Local Government has recently indicated that this may not be implemented until 2020/21;
- **Adult Social Care funding** - the significant financial challenges in this area were recognised by the Government prior to the General Election and short term funding has been provided. The Government has indicated they will be consulting on a number of options regarding the long term funding arrangements in due course;
- **Children's Social Care funding** - many councils, including Hartlepool, are experiencing significant financial pressures in this area. The Local Government Association (LGA) has recently issued a report warning of the significant financial challenges facing children's social care services. The LGA report shows that three quarters of English councils exceeded their budget for children's services last year, totalling a £605m overspend. The LGA forecast a £2 billion funding gap by 2020. This issue has not yet been recognised by the Government providing increased funding;
- **National Council Tax policy** - following a policy of encouraging Council Tax freezes for five years there was a significant shift in Government policy with the introduction of the Adult Social Care precept for the period 2016/17 to 2019/20. Government Council Tax policy for 2020/21 and future years will have a significant impact on the financial sustainability of councils;

- **Public Sector pay levels and funding arrangements** - public sector pay has been subject to a prolonged period of restraint and the Government had previously indicated that a 1% Public Sector pay cap would continue for 2018/19 and 2019/20. However, there have been increasing calls on the Government to remove the pay cap and to fund higher pay increases. If the Government remove the pay cap there will be significant financial pressures if additional Government funding is not provided for public sector organisations, including councils.

3.10 Autumn Budget 2017 and Local Government Finance Settlement for 2018/19

3.11 The Chancellor previously announced that the Government will move to a single major fiscal event each year and from 2017 this will mean the Government's budget will be published in the Autumn. The Chancellor has indicated that the 2017 Autumn statement will be presented to Parliament on 22nd November 2017. Details of any announcements which impact on the Council will be reported to a future meeting. It is hoped that the Chancellor will clarify the Government's position in relation to the public sector pay cap, and if this is lifted confirm that additional funding will be provided. If the cap is lifted, but additional funding is not provided this will increase the budget deficits facing the Council.

3.12 The Local Government Finance Settlement for 2018/19 will be issued in December 2017 and is the third year of the Government's four year settlement offer. As 97% of local authorities signed up for a four year settlement it is not anticipated that there will be any significant changes to the funding levels previously announced by the Government. If there are any changes details will be reported to a future meeting.

3.13 Financial Outlook 2020/21

3.14 As reported previously the Government did not include legislation in the Queen's speech to introduce 100% Business Rates Retention, or set out a timetable for completing a Fair Funding Review (FFR) to underpin the implementation of 100% Business Rates Retention. The FFR is critically important to addressing imbalances in service needs and the level of Business Rates and Council Tax income generated by individual councils.

3.15 These proposals are the most significant changes in the local government funding system since the introduction of 50% Business Rates Retention and will be implemented after the sector has faced nine consecutive years of Government funding cuts.

3.16 In late October 2017 the Department for Communities and Local Government issued an initial work plan for completing the FFR to enable a new funding formula and 100% Business Rates retention to be introduced. Under the draft plan these changes will be implemented from April 2020,

which aligns with the end of the current four-year settlement and a fresh Government spending review.

- 3.17 The FFR work plan table implies that individual authorities will not know the detailed impact of the FFR until summer or autumn at the earliest 2019. The work plan shows that the results from the children's services review will not be completed until October 2019, which is only six weeks before the provisional local government funding settlement announcement for 2020/21. This timetable makes financial planning for 2020/21 extremely challenging as key funding allocations will not be known until about eight weeks before the 2020/21 budget needs to be set. Further updates will be provided when more information becomes available.
- 3.18 In the meantime, the uncertainty regarding the outcome of the FFR underlines the importance of setting balanced budgets for 2018/19 and 2019/20, and of minimising the use one-off resources to support the 2019/20 budget.

4.0 STRATEGY FOR MANAGING RESIDUAL BUDGET DEFICITS 2018/19 AND 2019/20

- 4.1 As reported in September further work was completed over the summer to identify additional corporate and departmental budget savings for 2018/19 and 2019/20. These issues have also been considered by individual policy committees. In broad terms Members accept that these proposals are necessary to address the impact of continuing cuts in Government funding and the following issue was identified as requiring referral to Council as part of the MTFS proposals:

- **Finance and Policy Committee**

As the 18 month period stated by the owners to the CPO inspector for completing those works expires in December the Committee considered the options in relation to the use of the £0.600m of resources previously allocated for the Longscar redevelopment. Members determined that the final budget proposals to be referred to Council in December should recommend the transfer of this funding to the overall Regeneration capital budget for the town. This proposal is included within the recommendations at the end of this report.

- 4.2 The additional savings considered by individual Policy Committees will enable a balanced budget to be set for 2018/19 and reduce the current forecast 2019/20 deficit to £1.363m, as summarised below:

	2018/19 £'000	2019/20 £'000	Total £'000
Savings still to be identified – detailed in paragraph 3.5	822	1,498	2,320
Less Corporate savings/updated planning assumptions - details paragraph 4.4	(544)	(135)	(679)
Less Additional Departmental savings - details included in Appendix B.	(278)	0	(278)
Revised Savings still to be identified	0	1,363	1,363

4.3 The revised 2019/20 deficit excludes:

- the impact of ongoing Looked after Children's budget pressures. If this issue is not addressed through a combination of managing demand and / or the Government providing additional funding the 2019/20 deficit may increase by **£2.5m** i.e. a total forecast deficit of approximately **£3.9m**;
- the impact of the Government ending the public sector pay cap and not providing Councils with additional funding to meet increased pay costs. Each additional 1% equates to an increase in the budget deficit of approximately £400,000.

4.4 Details of the '**Corporate savings/updated planning assumptions**' are summarised in the following table and further details are provided in Appendix A:

Corporate savings/updated planning assumptions

	2018/19 Pressures /(Saving) £'000	2019/20 Pressures /(Saving) £'000	Total Pressures /(Saving) £'000
National Living Wage increases	(400)	(350)	(750)
IT inflation reduction	(100)	0	(100)
General Fund inflation	(77)	0	(77)
Specific Grant regimes inflation	(56)	0	(56)
Council Tax base	(160)	0	(160)
New Home Bonus	245	15	260
Waste Contract	80	0	80
Members Allowances	74	0	74
Income Risk Contingency	(150)	200	50
Total corporate savings/updated planning assumptions	(544)	(135)	(679)

- 4.5 Details of the departmental savings proposals for 2018/19, covering initial proposals approved in February of £1.685m and the additional savings proposals identified for 2018/19 of £278,000, have been considered by individual policy committees and are summarised in Appendix B. Departmental savings proposals for 2019/20 approved in February are summarised in Appendix C.
- 4.6 In addition it is recommended that Inspirations Garden Centre is closed as despite officer's best efforts to address the financial performance of this facility it continues to operate at a loss. It has also not been possible to secure an alternative provider to run the café. Closure of the garden centre will enable the Council to market this site for redevelopment, including the Cemetery Lodge and Car Park. If Members approve this proposal a further report on the development opportunities will be brought to a future meeting.
- 4.7 **Child and Family Poverty Initiatives**
- 4.8 The 2016/17 budget set aside one-off resources to support Child and Family Poverty initiatives and detailed proposals for using these resources have been approved by Finance and Policy Committee. There is a separate report on the agenda detailing proposals for allocating the remaining resources.
- 4.9 As outlined in the Reserves Review report a one-off amount of £24,000 is available to transfer to the Child and Family Poverty Reserve from the residual balance of the Community Grant Pool reserve.
- 4.10 As agreed at the Joint Finance and Policy / Children's Services Committee meeting on 12th June 2017 additional funding for Child and Family Poverty initiatives may be available depending on the outcome of the submission to the Tees Valley Combined Authority for funding towards the Centre for Excellence and Creative Arts. If successful, then all, or part of the £136,000 Trading Standards fine income will not be needed for that project and will be transferred to the Child and Family Poverty Reserve.
- 4.11 In addition, a recurring amount of £20,000 is available from a saving in external audit fees arising from the Council's decision to join the national procurement arrangements for external audit services.
- 4.12 The resources identified in the previous paragraphs could either be allocated to support Child and Family Poverty Initiatives, or other priorities identified by Members.
- 5.0 FIVE YEAR CAPITAL PLAN**
- 5.1 The February 2017 MTFS report indicated that the Council will continue to play a significant role in the physical regeneration and development of the town over the next five years. The Council Plan set out the key regeneration

and development priorities and indicated that many of these issues have a medium to longer term lead time.

- 5.2 To deliver major parts of the five year capital plan the Council will need to attract external grants and private sector investment. To secure this investment the Council needs to provide the confidence to invest in Hartlepool and this has been underpinned by actions taken to progress the Local Plan, master plan major development sites (including sites for housing developments), the acquisition of the Waterfront site, support of the CCAD development by relocating the former depot site and the completion of the Housing Market Renewal programme.
- 5.3 Work to secure future external grants and private sector investment is progressing and details will be reported to future meetings when funding is secured.
- 5.4 The following table details the Council's key regeneration and development priorities and the progress made since the February 2017 MTFS:

Key Priorities	Progress since February 2017 MTFS
Development of the Waterfront	Funding of £0.680m secured for feasibility and detailed business case design.
Development of Church Street	External Funding of £5.782m secured to match fund Council funding of £2.706m. Works commenced October 2017.
Development of Sports and Leisure facilities	Officers continue to explore potential External Funding opportunities.
Development at Seaton Carew	External funding of £0.863m secured towards overall £1.3m improvement scheme which is now underway.
Investment in new roads to enable housing developments to be implemented	Funding bids submitted for Elwick bypass.
Continued investment in social housing	HRA business plan considered by Finance and Policy Committee 30.10.17. External funding bids for £0.355m will be submitted to the HCA to match fund HRA Prudential Borrowing.
Civic and community buildings	Schemes to be funded from the £1m Building Condition budget of £552k have been approved by Finance and Policy Committee. Detailed plans to invest £0.8m in the Borough Hall have been approved by Finance and Policy Committee.

- 5.5 The February 2017 MTFS earmarked one off Council resources of £4.949m towards the achievement of these priorities.
- 5.6 In addition £1.5m was allocated for capital investment to address priorities identified during the 'Your say, our future' consultation in relation a broad range of local quality of life, public realm and infrastructure investment. On 27th March 2017 Finance and Policy Committee approved schemes to the value of £0.345m. Proposals for the remaining funding will be submitted to a future meeting.
- 5.7 Capital investment in schemes funded from specific Government grants for Schools, Disabled Facilities Grant and the Local Transport Plan will also continue over the next three years. Indicative Government funding allocations for 2017/18 to 2019/20 are detailed in Appendix D.
- 5.8 The Council will also use Prudential Borrowing to replace operational vehicles as this is the most cost effective way of funding these assets over more than one financial year within existing departmental revenue budgets. Details of the replacement programme for 2018/19 and 2019/20 are also detailed in Appendix D.
- 5.9 The four Tees Valley Authorities have negotiated an extension of the existing waste disposal contract to 2025, which secures the best value for the four authorities. As part of this arrangement the four authorities will make a lump sum payment in March 2018 to pay for works to ensure the facility remains operational until 2025. This arrangement secures a significant financial saving compared to the option of paying for these works through an increase in the annual contract price over the period 2020 to 2025. To facilitate this one off payment the Council will make a funding swap and use revenue resources already set aside for other capital schemes. This will then be replaced with Prudential Borrowing and the resulting repayment costs of £80,000 have been included in the revenue budget, as detailed in section 4.

6.0 RISK ISSUES AND ROBUSTNESS OF BUDGET FORECASTS – DIRECTOR OF FINANCE AND POLICY'S PROFESSIONAL ADVICE

- 6.1 As indicated in previous years the Local Government Act 2003 introduced a statutory requirement on an Authority's Section 151 Chief Finance Officer to advise Members on the robustness of the budget forecasts and the adequacy of the proposed level of reserves. If Members ignore this advice, the Act requires the Authority to record this position. This later provision is designed to recognise the statutory responsibilities of the Section 151 Officer and in practice is not a situation I would expect to arise for this Authority.
- 6.2 In response to the continuing financial challenges facing councils CIPFA (Chartered Institute of Public Finance and Accountancy) issued guidance last year reminding Section 151 Officers and their authorities of the statutory responsibilities when setting budgets. This advice reinforces statutory

requirements and provides practical guidance to help Section 151 Officer's discharge their responsibilities.

6.3 The Director of Finance and Policy can advise Members that in his professional opinion the budget proposals for 2018/19 are robust and this advice is based on the following factors being in place:

- A risk assessment of the measures identified to address the gross budget deficit of £7.314m has been completed which identifies those measures which can be implemented easily and the proposals requiring closer management and / or further action to ensure they are achieved, as summarised overleaf;

Measure to reduce gross budget deficit	£'m	Risk	RAG rating
Forecast Council Tax increase and housing growth	2.359	Government change referendum limits or housing growth not achieved. This is assessed as low risk as the Government have recently consulted on the proposed referendum limits for 2018/19.	Amber/ Green
Corporate savings	0.544	None	Green
Budget Support Fund	2.448	Funding is not available. This is low risk as funding has been earmarked and does not need to be reallocated to offset the 2017/18 forecast budget overspend	Green
Savings Proposals 2018/19	1.963	Council does not approve savings proposal to be considered in February 2018.	Amber
	7.314		

- The assumption that Members will approve the proposals identified to bridge the 2018/19 budget gap and proposals to reduce the budget gap for 2019/20. If these proposals are not approved the budget forecasts will not be robust as overall expenditure will inevitably exceed available resources;
- The MTFs forecasts are predicated on significant growth in Council Tax income over the next two years, reflecting both housing growth and annual increases in line with the Government's national Council Tax policy,

including implementing annual Adult Social Care precepts. If these increases are not achieved there will be an increase in the forecast budget deficits and the budget cuts which will need to be implemented;

- The assessment by the Corporate Management Team of the achievability and sustainability of proposed budget reductions for 2018/19. The assessment of the proposed savings reflects the process adopted for identifying, managing and implementing these measures. This includes action taken in the current year to implement proposals early to ensure a full year saving is achieved in 2018/19. It also reflects a risk assessment of proposed savings based on an assessment of the level of pay, non-pay savings and increased income savings. In relation to the level of pay savings for 2018/19 this reflects management action taken to hold posts vacant where possible to avoid the need for compulsory redundancies as part of the 2018/19 budget process;
- The detailed work undertaken by individual Directors (and their senior managers) in conjunction with my staff regarding the preparation of detailed budget forecasts, including income forecasts;
- Prudent provision for the cost of living pay award impacting over the next three years and the costs of implementing both the Hartlepool Living Wage and the National Living wage. There is a risk that if the Government removes the 1% pay cap and does not provide additional funding for pay awards above 1% that the forecast budget deficit will increase. Each additional 1% pay award not funded by the Government would increase the budget deficit by approximately £0.4m;
- A prudent provision for inflation on non pay budgets and income budgets for the next three years. Following the Brexit referendum the risks in relation to inflation have increased. These factors will need to be reviewed on an annual basis;
- A prudent view of the net costs of the Authority's overall cash flow, including the repayment of Prudential Borrowing;
- An assessment of financial risks and the measures to mitigate these risks as detailed in Appendix E;
- An assessment of the key financial assumptions underpinning the 2017/18 budget as detailed in Appendix F;
- An assessment of the impact of using Departmental Reserves to help manage demand risk over the next three years and the arrangements for managing demand. As indicated in section 4 the MTFs for 2018/19 is predicated on using significant one off Departmental Reserves to manage the impact of ongoing Looked after Children's budget pressures. This strategy should, provided there is no further increase in caseload, avoid these issues impacting in 2018/19. However, if this issue is not addressed through a combination of managing demand and / or the Government

providing additional funding the 2019/20 deficit may increase by £2.5m i.e. a total forecast deficit of approximately £3.9m. This area will be monitored carefully and updates included in the 2018/19 budget monitoring reports.

- 6.4 Previous reports identified a number of significant financial risks over the period of the MTFS and indicated that there may need to be flexibility around the timing of funding for individual risks. These risks remain and strategies adopted for managing these issues also underpin the Director of Finance and Policy advice on the robustness of the budget. These issues cover the following:

i) Redundancy and Early Retirement costs

This risk reflects the scale of the budget deficits over the MTFS period and the impact these cuts will have on staffing levels. For the 2018/19 these costs will mainly relate to voluntary redundancies as management action is currently anticipated to minimise compulsory redundancies for 2018/19. However, this is not sustainable and given the scale of budget cuts which will be required over the period of the MTFS there will be significant redundancy and early retirement costs in future years. Therefore, the existing provision for redundancy and early retirement costs is still the level recommended by the Director of Finance and Policy and the Corporate Management Team.

ii) Achievement of remaining Capital Receipts target of £2.753m

This risk has reduced significantly over the last two years owing to the completion of land sales. As previously reported the capital receipt in relation to the Hart land sale is anticipated to be the largest capital receipt achieved over the next three years but owing to the phased basis on which monies are likely to be received it will not make a significant contribution to the target until 2020/21. In the short-term the position can be managed on a temporary basis using Prudential Borrowing.

iii) Business Rate Retention Risks

Financial risks continue in relation to Business Rates income over the period 2018/19 to 2019/20, including appeals against the 2017 rating list and risks arising from NHS Foundation Trusts applying for Mandatory Business Rate Relief. This is a national issue and the Local Government Association has raised concerns regarding this issue with the Department for Communities and Local Government as the NHS funding regime is based on Business Rates being payable by individual Trusts.

From 2020/21 there is a risk that the implementation of the 100% Business Rates retention system will place additional financial risks on local authorities. These risks will need to be assessed when the Government provide more details on how the 100% Business Rate retention system will operate, including the arrangements for equalising resources across the country. In addition, at a national level, the value of additional Business

Rates income to be allocated to local authorities will exceed Revenue Support Grant which will be removed when the 100% system is implemented. This is an extremely complex issue and whilst the Government may get the balance of additional services and funding right at a national level, there is a significant risk that this may not be the case at a local level. There have been a number of examples over recent years where additional responsibilities transferred to the Council have not been matched by additional funding allocations, particularly where additional responsibilities are driven by deprivation factors. For example, localisation of Council Tax support has had the greatest impact on deprived areas and these authorities suffered disproportionate grant cuts over the last 6 years.

- 6.5 The robustness advice also reflects an assessment of the reserves being used to support the budget and the reserves earmarked to manage financial risks and to fund one off commitments. These issues are considered in the detailed review of reserves report elsewhere on the agenda for this meeting.

7.0 EQUALITY AND DIVERSITY CONSIDERATIONS

- 7.1 Members are aware from previous MTFs reports that in making financial decisions the Council is required to demonstrate that those decisions are made in a fair, transparent and accountable way, considering the needs and the rights of different members of the community. This is achieved through assessing the impact that changes to policies, procedures and practices could have on different equality groups. The Equality and Human Rights Commission has published a guide for decisions-makers which has been used by Officers assessing the impact of individual savings proposals.

- 7.2 Equality Impact Assessments (EIA) have therefore been undertaken where required and have been included as part of the proposal reports to Policy Committee (separate booklet issued with agenda papers) to enable Members to satisfy themselves that they are able to consider fully the potential impact of the proposed changes when making their decisions. Each EIA has identified whether:

- There is no impact or no major change to the service;
- adjustments or changes should be made to the proposal;
- the proposal should continue even though there may be an adverse impact, or;
- the proposal should be stopped or removed.

- 7.3 An overall central assessment has been undertaken to determine the cumulative impact of the savings proposals on each individual “protected characteristic”. This assessment demonstrates that the savings proposals do not have an overall potential impact on any one area and there is no requirement to arrange further corporate consultation in relation the budget proposals.

8.0 LEGAL CONSIDERATIONS

8.1 There are no specific legal considerations relating to this report.

9.0 CHILD AND FAMILY POVERTY

9.1 The proposals to allocate additional funding to the Child and Family Poverty Reserve will help address Child and Family Poverty issues. There are no other specific child and family poverty considerations relating to this report.

10.0 STAFF CONSIDERATIONS

10.1 An assessment of the staffing impact of the 2018/19 savings proposals approved in February 2017, revisions to these proposals and the additional 2018/19 proposals has been completed. This has identified that 25 posts are proposed to be deleted from 1st April 2018 as part of the recommended savings proposals.

10.2 This includes 15 posts which can be managed through a combination of managing vacancies, or approving voluntary redundancies where this can be accommodated within operational requirements. At this stage it is anticipated that the remaining 10 posts may unfortunately result in compulsory redundancies.

10.3 However, as was the case in previous years, the Corporate Management Team will seek to maximise staffing reductions which can be achieved by managing vacancies and accepting requests for voluntary redundancies, to reduce the number of compulsory redundancies. This approach will also seek to maximise redeployment opportunities.

11.0 ASSET MANAGEMENT CONSIDERATIONS

11.1 There are no specific assets management considerations relating to this report.

12.0 CONSULTATION

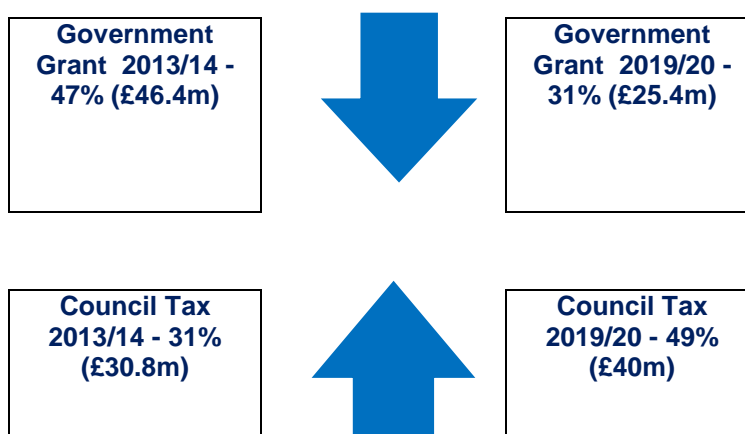
12.1 The majority of the approved savings for 2018/19 and 2019/20 were subject to consultation as part of the 2017/18 budget process. The additional savings proposals for 2018/19 and 2019/20 mainly relate to corporate savings or departmental savings which can be implemented without impacting on services. Therefore, consultation with the Trade Unions and Business Sector will focus on providing an update of the position outlined in this report.

13.0 CONCLUSIONS

13.1 The Government has previously confirmed that Local Government funding cuts will continue until 2019/20. This means the sector will have faced nine consecutive years of funding cuts – which is unprecedented.

- 13.2 The cuts in Government funding have had a disproportionate impact on Councils, including Hartlepool, which were more dependent on Government grant in 2010/11. These authorities also had least ability to fund services locally from Council Tax owing to the make-up of the Council Tax base – i.e. a high proportion of properties in the low Council Tax bands. For example, 56% of Hartlepool’s properties are in Band A, compared to 25% nationally.
- 13.3 Since the current funding system was introduced in 2013/14, which included the implementation of 50% Business Rates retention, there has been a fundamental shift in the balance of funding for council services. This shift will continue until at least 2019/20 and means that a lower proportion of spending is funded from Government Grant and a higher proportion from Council Tax. This shift has been significant for Hartlepool as highlighted in the following table:

Shift in Balance of Funding 2013/14 to 2019/20



- 13.4 At the same time as managing significant cuts in funding Councils have also faced increased financial pressures from unfunded legislative changes, for example the National Level Wage. In addition, demand for services, particularly over the last few years in relation to Adult Services and Children’s Services has increased.
- 13.5 The Government recognised the Adult Social care pressures through the Adult Social Care Council Tax precept and the provision of additional funding in the March 2017 budget.
- 13.6 The additional March funding for Adult Social Care is front loaded and therefore does not provide a permanent solution to Adult Social Care financial pressures. The Government has indicated they will be consulting on proposals to develop a long term funding model for Adult Social Care. Details will be reported to Members when this information becomes available.

- 13.7 The Government has not provided additional funding for Children's Services and this issue is becoming a priority for Local Government. The Government FFR work plan shows that the results from the children's services review will not be completed until October 2019, which is only six weeks before the provisional local government funding settlement announcement for 2020/21. A recent Local Government Association report indicated that 75% of Councils over spent on Children's Services in 2016/17 and by 2020 a national funding gap of £2 billion is forecast.
- 13.8 As Members are aware Children's Services pressures have previously been identified as the most significant financial risk facing the Council. To address this issue significant one off resources have been allocated to support this area in 2017/18 and 2018/19. Additional one off resources will be required in 2018/19 to provide a longer lead time to either reduce demand, which will be extremely challenging, or for the Government to provide additional funding. If neither of these measures is forthcoming the forecast 2019/20 budget deficit will increase by £2.5m.
- 13.9 To address the significant financial challenges facing the Council in 2018/19 and 2019/20 the Council approved a multi-year financial strategy in February 2017. This strategy is critically dependant on:
- Implementing planned Council Tax increases in line with the Government's policy of continuing to shift the funding of local services from Government grant (i.e. national taxation) to Council Tax. This includes the Social Care precept;
 - Achievement of forecast housing growth;
 - The phased use of reserves to help manage budget reductions over the period 2017/18 to 2019/20 and;
 - Achieving proposed savings;
- 13.10 The proposals in this report detail changes to the approved 2018/19 and 2019/20 savings to reflect changes in circumstances since February. In addition, further savings proposals are outlined to address departmental pressures and to make a contribution towards addressing the remaining 2018/19 budget shortfalls to enable a balanced budget to be set.
- 13.11 The position for 2019/20 is less positive and a significant budget deficit remains. Proposals for addressing the remaining 2019/20 savings of £1.363m will be developed during 2018/19. As indicated early in the report this could increase by a further £2.5m if Looked after Children's pressures cannot be reduced, or the Government do not recognise this as a national issues and provide additional funding.
- 13.12 Achievement of further savings for 2019/20 will be challenging and will require further changes and the prioritisation of services. To put this into context the net General Fund budget in 2019/20 will be approximately £81

million, compared to nearly £91m in 2013/14. This is a cash reduction of £10m. The real terms reduction after reflecting inflation and cost pressures since 2013/14 is nearer £18m.

- 13.13 Clearly, the Council will not be able to provide the same level of service in 2019/20 as it did in 2013/14 with a cash budget reduced from £91m to £81m. Therefore, whilst a balanced budget can be set for 2018/19 on the basis of proposals detailed in this report, there will be significant challenges in achieving a balanced budget for 2019/20.
- 13.14 Many of the measures implemented over the last seven years cannot be repeated and the Council has already reduced the 2010/11 staffing baseline by 13% - a reduction of 488 posts
- 13.15 The Government's responses to the financial challenges facing Children's Services and Adult Services will be key to determining the scale of cuts required in 2019/20 and the future sustainability of Local Government.
- 13.16 The multi-year strategy being adopted by the Council is designed to manage the impact of continuing cuts in Government funding on a phased basis to minimise, as far as is possible within the reduced resources available to the Council, the impact on services and jobs. The strategy also aims to ensure the Council is in the best possible financial position to manage the challenges and uncertainty facing councils in 2020/21 and future years.
- 13.17 Based on recent Government announcements it is anticipated that 100% Business Rates Retention and the results of the FFR review will be implemented for 2020/21. However, based on the Government's work plan for completing the necessary detailed work to implement and consulting on these fundamental changes to the local government funding system, it is not expected that the impact on individual authorities will be known until summer or autumn 2019 at the earliest. This will make financial planning for 2020/21 extremely challenging and underlines the importance of setting a balanced budget for 2019/20, which minimises the use of reserves.

14.0 RECOMMENDATIONS

- 14.1 It is recommended that Members of the Committee approve the following proposals are referred to full Council on 14th December 2017:-
- (i) As approved by this Committee on 18th September 2017 to note that the 18 months period stated by the owners to the CPO inspector for completing the works expires in December 2017. As these works have not commenced Members determined to seek Council approval to transfer the £0.600m of funding previously earmarked for this project to the overall Regeneration capital budget for the town;
 - (ii) Approve the departmental savings proposals for 2018/19 and 2019/20 detailed in Appendices B and C, including the closure of Inspirations Garden Centre, and to note that these proposals are largely

unchanged from the initial savings proposals approved in February 2017;

- (iii) Approve the new 2018/19 and 2019/20 corporate savings detailed in paragraph 4.4;
- (iv) Note that further savings will need to be identified to address the currently forecast residual budget deficit for 2019/20 of £1.363m and to note that this deficit may increase to £3.863m if additional Government funding is not provided for Children's Services pressures, or demand for these services cannot be reduced;
- (v) Note that if the Government ends the public sector pay cap of 1% and does not provide additional funding that each additional 1% increase above the current cap will increase costs by £0.400m per annum, which may increase the current 2018/19 and 2019/20 budget deficits;
- (vi) Note that as 2018/19 is the third year of a four year settlement for Local Government there are unlikely to be any changes to the previously announced Government funding allocations for 2018/19. In the unlikely event that there are any changes when the 2018/19 Local Government Finance Settlement is issued details will be reported to a future meeting;
- (vii) Approve the proposal that the one-off residual balance on the Community Pool reserve (£24,000) and recurring External Audit fee saving (£20,000) are transferred to the Child and Family Poverty Reserve and to seek delegated authority to Finance and Policy Committee to determine use of these resources;
- (viii) Approve the recommendation agreed at the Joint Finance and Policy / Children's Services Committee meeting on 12th June 2017 that if the submission to the Tees Valley Combined Authority for funding towards the Centre for Excellence and Creative Arts is successful that all/part of the £136,000 Trading Standards fine income will not be needed for that project and will be transferred to the Child and Family Poverty Reserve;
- (ix) Approve the detailed capital expenditure proposals detailed in Appendix D, which reflects the issues detailed in section 5. To note that any changes to the provisional scheme/programme specific Government allocations will be reported to the relevant Policy Committee once final allocations are known;
- (x) Note the advice of the Director of Finance and Policy in relation to budget risks and robustness advice detailed in section 6.

15.0 REASON FOR RECOMMENDATIONS

- 15.1 To enable the Finance and Policy Committee to approve the 2018/19 and 2019/20 budget proposals to be referred to Council for approval.

16.0 BACKGROUND PAPERS

- 16.1 The following background papers were used in the preparation of this report:-

Council - Medium Term Financial Strategy (MTFS) 2017/18 to 2019/20 - 25th February 2017

Finance and Policy Committee - Medium Term Financial Strategy (MTFS) 2018/19 to 2019/20 - 24th July 2017

Finance and Policy Committee - Medium Term Financial Strategy (MTFS) 2018/19 to 2019/20 - 18th September 2017

17.0 CONTACT OFFICERS

- 17.1 Chris Little
Director of Finance and Policy
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APPENDIX A**CORPORATE SAVINGS/ UPDATED PLANNING ASSUMPTIONS**

	2018/19 Pressures /(Saving)	2019/20 Pressures /(Saving)	Total Pressures /(Saving)
	£'000	£'000	£'000
<p>National Living Wage (NLW) increases</p> <p>The Government is not providing additional funding to councils to meet the additional costs on external contracts arising from the introduction of the NLW.</p> <p>Prudent provisions for forecast annual increases in the NLW were included in the MTFS on the basis of information available at the time. This included the anticipation that the full 'target' NLW would be achieved with equal annual increases.</p> <p>These forecasts have been updated to reflect the impact of continued low levels of pay increases across most private and public sector organisation. As a result it is now anticipated that actual NLW increases over the next two years (2018/19 and 2019/20) will be lower than forecast within the current MTFS. Therefore, it is recommended that the budget provision included for these increases can be reduced.</p> <p>Whilst, this proposal will provide a temporary reduction in the costs of funding the NLW, these additional costs have simply been deferred to 2020/21 and future years.</p> <p>The recommendation to reduce the NLW budget for 2018/19 and 2019/20 does not impact of the Council's approved policy in relation to the Hartlepool Living Wage. The Hartlepool Living Wage will continue to be increased in line with the national cost of living pay award for Local Government employees until such time as the NLW has caught up. At that stage Hartlepool Living Wage will be set at the higher of the NLW, or the Hartlepool Living Wage updated by the Local Government annual pay award.</p>	(400)	(350)	(750)

	2018/19 Pressures /(Saving) £'000	2019/20 Pressures /(Saving) £'000	Total Pressures /(Saving) £'000
<p>IT inflation reduction</p> <p>The existing contract includes an efficiency target based on limiting annual contract increases to RPI less 2%. As this increase is less than the inflation provision included in the MTFS forecasts a budget savings will be achieved for 2018/19. The position for 2019/20 will be reviewed, although a saving is not expected at this stage as inflation is forecast to increase.</p>	(100)	0	(100)
<p>General Fund inflation</p> <p>The provision for non pay inflation will be reduced from 2.5% to 2.4% for 2018/19.</p>	(77)	0	(77)
<p>Specific Grant regimes inflation</p> <p>A small number of recurring grant regimes are provided on a cash basis. The MTFS forecast includes an inflation provision to ensure these services can be maintained. The amount required can be reduced.</p>	(56)	0	(56)
<p>Council Tax base</p> <p>Reflects an additional increase in the forecast growth in the Council Tax base for 2018/19.</p>	(160)	0	(160)
<p>New Home Bonus</p> <p>Reflects the impact of changes in the New Homes Bonus regime which reduces the national amount allocated and a reduction in the period this funding is paid for from 6 to 4 years.</p>	245	15	260
<p>Waste Contract</p> <p>Provision to meet increased costs of extending the existing contract to 2025.</p>	80	0	80
<p>Members Allowances</p> <p>Reflects full year impact of Independent Remuneration Panel recommendations.</p>	74	0	74

	2018/19 Pressures /(Saving)	2019/20 Pressures /(Saving)	Total Pressures /(Saving)
	£'000	£'000	£'000
Income Risk Contingency	(150)	200	50
This budget is allocated to manage corporate income risks and can be reduced for 2018/19. However, this is a temporary saving and needs to be replaced and topped-up for 2019/20 to reflect increased risk and uncertainty in that year.			
Total corporate savings/updated planning assumptions	(544)	(135)	(679)

4.1 APPENDIX B

SUMMARY OF SAVINGS 2018/19

Finance & Policy Committee - Chief Executives Department	2018/19 Savings Approved February 2017 £'000	Additional Proposed Savings 2018/19 £'000	Total Proposed Savings £'000
Removal of vacant posts/changes in operational arrangements	171	0	171
Cash freeze on non pay budgets and review of non pay budgets to reflect historic spend	59	0	59
Re-alignment of income budgets to reflect historic trends	70	0	70
Total for Finance and Policy Committee - Chief Executives	300	0	300

Finance and Policy Committee - Regeneration & Neighbourhoods Department	2018/19 Savings Approved February 2017 £'000	Additional Proposed Savings 2018/19 £'000	Total Proposed Savings £'000
Community Safety	0	50	50
Total for Finance and Policy Committee - Public Health Grant	0	50	50

Finance and Policy Committee - Public Health Department	2018/19 Savings Approved February 2017 £'000	Additional Proposed Savings 2018/19 £'000	Total Proposed Savings £'000
Community Hubs	83	0	83
Total for Community Hubs	83	0	83

4.1 APPENDIX B**SUMMARY OF SAVINGS 2018/19**

Adult Services Committee - Child and Adult Department	2018/19 Savings Approved February 2017 £'000	Additional Proposed Savings 2018/19 £'000	Total Proposed Savings £'000
Review of Prevention and Housing Related Support (Adult Services)	150	0	150
Child & Adult Services - Increased Departmental Salary Abatement Target	0	8	8
Income Generation - Increase room hire and conference income at the two venues managed across Adult Services and Children's Services - CIL and CETL	0	50	50
Total Adult Services Committee:	150	58	208

Children's Services Committee - Child and Adult Department	2018/19 Savings Approved February 2017 £'000	Additional Proposed Savings 2018/19 £'000	Total Proposed Savings £'000
Other - to be identified; this will be achieved by implementing the following savings:-			
- Children's 5-19 Activities	160	0	160
- Children's Early Intervention - deletion of vacant posts; ceasing cafe facility at Rossmere Children's Centre; deleting an admin post; non-pay savings and core costs associated with Rift House and St Helen's children's centre budgets following service provision ceasing at these sites and transferring to the respective schools	248	0	248
Increased Departmental Salary Abatement	92	0	92
Education Services Income Generation	30	0	30
Children Services Income	10	0	10
Total Children's Services Committee:	540	0	540

4.1 APPENDIX B**SUMMARY OF SAVINGS 2018/19**

Regeneration Services Committee - Public Health Department	2018/19 Savings Approved February 2017 £'000	Additional Proposed Savings 2018/19 £'000	Total Proposed Savings £'000
Service Reviews #	100	0	100
Total Regeneration Services Committee (Regeneration and Neighbourhoods)	100	0	100

includes savings of £30,000 to be delayed to 2019/20 by using departmental reserves in 2018/19 to provide time to explore alternative funding options.

Neighbourhood Services Committee - Regeneration and Neighbourhoods Department	2018/19 Savings Approved February 2017 £'000	Additional Proposed Savings 2018/19 £'000	Total Proposed Savings £'000
Transport and Infrastructure	50	0	50
Environmental Services	360	0	360
Traffic and Transport	0	40	40
Sustainable Transport	0	20	20
Highways Trading	0	20	20
Passenger Transport	0	40	40
Total for Neighbourhood Services Committee	410	120	530

Regeneration Services Committee - Public Health Department	Proposed Savings 2018/19 £'000	Proposed Savings 2018/19 £'000	Total Proposed Savings £'000
Public Protection	25	0	25
Sport and Recreation	50	0	50
Total Regeneration Committee (Public Health General Fund Savings)	75	0	75

4.1 APPENDIX B

SUMMARY OF SAVINGS 2018/19

Regeneration Services Committee - Regeneration & Neighbourhoods Department	Proposed Savings 2018/19 £'000	Proposed Savings 2018/19 £'000	Total Proposed Savings £'000
Economic Development	0	50	50
Housing	0	80	80
Planning	0	20	20
Total Regeneration Committee (Regeneration & Neighbourhoods Department)	0	150	150

Regeneration & Neighbourhood Services Income Pressure	0	(100)	(100)
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Inflation on 2017/18 savings	27	0	27
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GRAND TOTAL	1,685	278	1,963
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4.1 APPENDIX C**SUMMARY OF SAVINGS 2019/20**

Finance & Policy Committee - Chief Executives Department	Total Proposed Savings Approved February 2017
	£'000
Further review of management and operational structures	235
Total for Finance and Policy Committee - Chief Executives	235

Finance and Policy Committee - Public Health Department	Total Proposed Savings Approved February 2017
	£'000
Community Hubs	(76)
Total for Community Hubs	(76)

Children's Services Committee - Child and Adult Department	Total Proposed Savings Approved February 2017
	£'000
Other - previously to be identified - now from cessation of Youth Service provision	296
Education Services Income	10
Service Reconfiguration and Data Management	41
Premature Retirement Commitment	10
Inflation Freeze	34
Total Children's Services Committee:	391

4.1 APPENDIX C

SUMMARY OF SAVINGS 2019/20

Neighbourhood Services Committee - Regeneration and Neighbourhoods Department	Total Proposed Savings Approved February 2017
	£'000
Environmental Services	160
Total for Neighbourhood Services Committee	160

Regeneration Services Committee - Regeneration and Neighbourhoods Department	Total Proposed Savings Approved February 2017
	£'000
Public Protection	25
Sport and Recreation	50
Total Regeneration Committee (Public Health General Fund Savings)	75

GRAND TOTAL	785
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FORECAST CAPITAL RESOURCES AND EXPENDITURE COMMITMENTS 2018/19 TO 2020/21

TABLE 1 - FORECAST CAPITAL RESOURCES

	Forecast Resources 2018/2019				Forecast Resources 2019/2020 (Provisional)				Forecast Resources 2020/2021 (Provisional)			
	Prudential Borrowing	Other Capital Funding	Capital Grants	Total	Prudential Borrowing	Other Capital Funding	Capital Grants	Total	Prudential Borrowing	Other Capital Funding	Capital Grants	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Service Specific Capital Grants												
Devolved Formula Capital (Schools) *	0	0	128	128	0	0	128	128	0	0	128	128
Disabled Facilities Grant (Better Care Fund) **	0	0	931	931	0	0	931	931	0	0	931	931
Local Transport Plan	0	0	0	0	0	0	0	0	0	0	0	0
Highway Maintenance	0	0	1,054	1,054	0	0	1,054	1,054	0	0	1,054	1,054
Pot Holes	0	0	98	98	0	0	98	98	0	0	98	98
Incentive Funding	0	0	99	99	0	0	99	99	0	0	99	99
Integrated Transport Block	0	0	719	719	0	0	719	719	0	0	719	719
Schools Capital Programme #	0	0	4,828	4,828	0	0	1,098	1,098	0	0	655	655
	0	0	7,857	7,857	0	0	4,127	4,127	0	0	3,684	3,684
Departmental Prudential Borrowing - Funded from												
Specific Business Cases												
Replacement Wheelie Bins	90	0	0	90	90	0	0	90	90	0	0	90
Waste Disposal Contract Extension	1,872	0	0	1,872	0	0	0	0	0	0	0	0
Vehicle Procurement (Tables 2 - 4)	1,643	75	0	1,718	1,726	0	0	1,726	1,601	0	0	1,601
	3,605	75	0	3,680	1,816	0	0	1,816	1,691	0	0	1,691
Housing Revenue Account Schemes												
Empty Property Purchasing Scheme approved 30-10-17 ##	550	495	335	1,380	0	0	0	0	0	0	0	0
	550	495	335	1,380	0	0	0	0	0	0	0	0
Total Forecast Resources	4,155	570	8,192	12,917	1,816	0	4,127	5,943	1,691	0	3,684	5,375

* Devolved Formula Capital allocation for Schools is an estimate based on the 2017/18 allocation. The Government has stated that the 2017/18 allocation could be used as an indication of future allocations.

** Better Care Fund is continuing in 2018/19, however detailed DFG allocations have yet to be announced by the Government. Estimates are based on 2017/18 allocations and an assumption that the Better Care Fund will continue in 2019/20 and 2020/21.

Schools Capital Programme includes an estimate of £0.655m Schools Condition Grant for 2018/19 and future years as actual allocations have yet to be announced by the Government. This is based on the 2017/18 allocation which the Government has stated is indicative of future allocations. In addition the Council has received a Basic Need funding allocation for 2018/19 and 2019/2020, this is reflected in the above figures.

An external funding bid for £0.335m will be submitted to the HCA and is an indicative estimate based on current per property funding levels.

2018/19 FINANCIAL RISK MANAGEMENT**Risk Rating**

A simplified version of the Risk Assessment criteria used in the Council's Risk Management Strategy has been used to rank budget risks. This assessment rates risk using the convention of green/amber/red, as defined below, although different levels of risk within each category have not been defined. The risk assessment helps inform the Council's budget monitoring process as it identifies areas that need to be monitored more closely than other budgets. These procedures help ensure that departments can manage budgets and services within the overall departmental resource allocation and the Council's overall financial management framework, which enable departments to establish reserves for significant risks and to carry forward under and over spends between financial years.

The value of expenditure/income on individual areas, together with the percentage of the authority's net budget, are shown in the table below to highlight the potential impact on the Council's overall financial position.

Green - these are unlikely events which would have a low financial impact.

Amber - these are possible events which would have a noticeable financial impact.

Red - these are almost certain to occur and would have a very significant impact. Provision would need to be made for such events in the budgets.

CORPORATE RISKS

Financial Risk	Risk Rating	2018/19 Base Budget £'000	Budget as %age net budget	Description of Risk and Summary of Risk Management Arrangements
Pay	Amber	57,082	77%	The MTFS includes provision for a 1% pay award from 1st April 2018 which is the level of the Government Public Sector pay cap. However, there have been increasing calls on the Government to remove the pay cap and to fund higher pay increases. If the Government remove the pay cap there will be significant financial pressures if additional Government funding is not provided for public. For each additional 1% the budget deficit increases by £0.400m.
Higher costs of borrowing and/ or lower investment returns	Green	2,911	4%	This budget covers annual principal repayments and net interest on the Council's borrowings and investments. Interest payable on Council's borrowings or interest earned on investments could be higher or lower than forecast. The Treasury Management Strategy details how these risks will be managed and establishes an appropriate framework of controls for managing these risks. This strategy is based upon the CFO's assessment of future interest rates, which is itself supported by the detailed interest rate forecasts and market intelligence provided by the Council's Treasury Management Advisors. The unprecedented low levels of interest rates have resulted in a significant reduction in investment income this change has not had a significant impact on the MTFS as the MTFS takes a prudent approach and only includes investment income on an annual basis.
Planned Maintenance Budget	Amber	231	0.3%	Much of the Council's building stock is in poor condition and the Corporate Risk Register identifies this as a "red" risk. From 2002/03 the Council provided 2.5% real term growth for this budget to start addressing these issues.
Schools Buy-Back Income	Amber	2,633	3.5%	Buy back income underpins a range of services provided by the Council. This income budget is reliant on the Schools continuing to buy back the services.
Education Services Grant	Red	614	0.8%	The grant is distributed between LA's and Academies pro-rata to the number of pupils for whom each is responsible. As schools in Hartlepool convert to Academy status in the future then the funding for education services received by the LA will reduce which could impact on service delivery.
Failure to comply with relevant local authority financial legislation/regulations, NI and taxation regulations.	Amber	0	N/A	The Council will take appropriate steps to ensure it keeps up to date with changing legislation and regulations. There is nothing to indicate that the Council faces any specific material risk in these areas.

CHILD & ADULT SERVICES

Financial Risk	Risk Rating	2018/19 Base Budget £'000	Budget as %age net budget	Description of Risk and Summary of Risk Management Arrangements
Increased Demand for Looked After Children Placements	Red	6,000	8.1%	There is a national trend of increasing numbers and increased costs for the placement of children looked after. This particular area is highly volatile and potentially subject to unexpected increases in the numbers of children. This area includes in-house foster placements, independent foster placements with an agency, special guardianship, residence order and leaving care allowances as well as residential placements. This area has historically overspent with this overspend being funded from reserves - only the base budget figure is shown. If this issue is not addressed through a combination of managing demand and / or the Government providing additional funding the 2019/20 deficit may increase by £2.5m i.e. a total forecast deficit of approximately £3.9m;
Dedicated Schools Grant - High Needs Block	Amber	8,912	12.0%	This funding has been cash limited at 2012/13 levels. Schools are required to fund the first £6k of costs from their own budget and post-16 funding for all high needs students aged 0-25 years. There is a risk that insufficient funding exists to meet the needs of all high needs pupils.
Dedicated Schools Grant - De-Delegated Services	Amber	595	0.8%	There are a number of services provided by the LA which are funded from retained DSG. The LA delegates this funding into school budgets and then requesting approval from Schools Forum to de-delegate these budgets back to the LA for all non-Academy schools. Academy schools retain this funding although they would have the opportunity to 'buy-back' these services from the LA. As schools in Hartlepool convert to Academy status in the future then there is the potential for funding to be reduced which could impact on service
Demographic changes in Older People	Red	9,900	13.3%	Increasing number of elderly people, high percentage of chronic health problems and market pressures on price, including the National Living Wage. The individual nature of contribution towards social care provision is such that the financial circumstances of each individual can differ substantially. The level of the value of people's assets and savings can differ significantly and demographic changes can impact on levels of contribution. Increased pressure on intermediate care services and ensuring discharge from hospital is not delayed. Older people needs becoming more complex due to increased life expectancy.
Demographic changes in Working Age Adults	Red	8,300	11.2%	Increasing numbers of people with learning disabilities surviving into adulthood with increasingly complex needs. The changes reflect the increased demand from those moving from children's services through the transition process.
Better Care Fund	Amber	6,949	9.4%	The Better Care Fund consists of revenue funding and capital funding (not shown). The Pooled Budget Partnership Board and Health and Wellbeing Board approve schemes and monitor BCF expenditure. The risks include BCF grant funding not continuing in future years, funding being reduced and the performance related element not being achieved. The figure shown excludes the Improved Better Care Fund allocation (iBCF).
Non-achievement of income targets - CCG contributions towards Joint Packages.	Amber	4,900	6.6%	CCG (Clinical Commissioning Group) income is received to contribute to cover the costs of packages for individuals with social care needs. Risks exist for joint packages whereby an individuals circumstances can change and the level at which the CCG are liable to contribute can decrease.

REGENERATION & NEIGHBOURHOODS

Financial Risk	Risk Rating	2018/19 Base Budget £'000	Budget as %age net budget	Description of Risk and Summary of Risk Management Arrangements
Car Parking	Amber	1,570	2.1%	Budget forecasts are based on revised charges and actual income achieved in previous years. There is a risk that the planned level of income may not be achieved as car parking income is falling nationally.
Fee Income - Planning & Building Control	Amber	715	1.0%	The fee income target must be achieved to fund part of the department's expenditure budget. This income cannot be controlled or easily estimated. Achieving the target depends on sufficient numbers/size of applications being received, national economic conditions such as interest rates being sufficiently favourable to encourage development and, in the case of Building Control, the section being able to successfully compete with the private sector.
Highways Maintenance	Amber	1,430	1.9%	A lack of major investment from Central Government is leading to a deterioration in the network. This is a national position and funding is needed to raise conditions generally. Maintenance budgets are under pressure as a result and the position will be closely monitored each month. Conditions surveys will be used to support the Highways Five Year Maintenance Programme and Capital and Revenue budgets will be applied accordingly.
Non-achievement of income targets - Cultural Services	Amber	320	0.4%	The nature of Cultural Services budgets are such that the majority of income is generated through admissions/usage of the services on offer. If this usage falls below targets then income will be reduced. This amount of income at risk has reduced as a result of the transfer of the Maritime Experience to National Museum of the Royal Navy
Home to School Transport Costs	Amber	1,360	1.8%	The Department's home to school transport contracts are regularly reviewed to ensure competitive prices and best value. Provision of transport is determined by the HTS Transport policy but costs are directly influenced by the needs of pupils which vary from term to term. The highest area of spending relates to the requirement to transport special needs pupils which is demand led, invariably requires escorts and is difficult to control other than to ensure all individual arrangements are procured as economically as possible by the Passenger Transport service.
Trading Accounts	Amber	20,000	26.9%	The department has a wide range of trading operations which generate income by charging clients both internal and external to the Council. This includes services such as school catering, highways, building maintenance, garage, passenger transport as well as professional fees which funds the salaries of staff in property and engineering related services. This income is not certain and depends on local and national economic conditions and can be volatile in response to reductions in client budgets and the Councils capital programme.

PUBLIC HEALTH

Financial Risk	Risk Rating	2018/19 Base Budget £'000	Budget as %age net budget	Description of Risk and Summary of Risk Management Arrangements
Non-achievement of income targets - Markets and Licensing	Amber	460	0.6%	Budget forecasts are based on historical charges with inflation applied. There is an expectation that this level of income may not be achieved particularly the income in relation to Markets.
Non-achievement of income targets - Sport, Leisure and Recreation	Amber	1,720	2.3%	The nature of Sport, Leisure and Recreation budgets are such that the majority of income is generated through admissions/usage of the services on offer. If this usage falls below targets then income will be reduced. Budget Forecasts are based on revised charges and trends from previous years which indicate the budget should be achievable. Position will be monitored closely throughout the year.

SUMMARY OF KEY FINANCIAL ASSUMPTIONS UNDERPINNING THE BUDGET

Budget Assumption	Financial Standing and Management
The treatment of inflation and interest rates	<p>The proposed resource allocations for 2018/19 include 2.5% for anticipated general inflation on non pay expenditure and 1% for pay expenditure as previously indicated by the Public Sector pay cap. However, there have been increasing calls on the Government to remove the pay cap and to fund higher pay increases. If the Government remove the pay cap there will be significant financial pressures if additional Government funding is not provided for public sector organisations, including councils. For each additional 1% the budget deficit would increase by £0.400m.</p> <p>In addition, where it is anticipated that costs will increase by more than inflation these issues have been specifically reflected in the pressures included within the budget requirement.</p> <p>Interest exposure is managed through the Treasury Management Strategy.</p>
The treatment of demand led pressures	<p>Individual Policy Chairs and Directors are responsible for managing services within the limit of resource allocations and departmental Risk and Strategic Change Provisions. If these resources are inadequate the Council's Managed</p> <p>Under/Overspends Policy provides flexibility to manage the change over more than one financial year.</p>
The treatment of planned efficiency savings/productivity gains	<p>Where departmental efficiencies are planned it is the individual Directors responsibility to ensure they are implemented. Any under achievement would be dealt with on a temporary basis through the managed overspend rules until a permanent efficiency is achieved. The main areas of efficiencies in 2018/19 are departmental savings. Work undertaken during 2017/18 to deliver these savings in advance makes the 2018/19 budget position more robust and sustainable.</p>
The availability of other funding to deal with major contingencies and the adequacy of provisions	<p>The Council's approved Managed Underspend and Strategic Risk and Change initiatives are well understood and provide departments with financial flexibility to manage services more effectively. These arrangements help to avoid calls on the Council's corporate reserves.</p> <p>The Council's insurance arrangements are a balance between external insurance premiums and internal self insurance. The value of the Council's insurance fund has been assessed and is adequate to meet known reserves on outstanding claims.</p>
The strength of financial reporting arrangements and the Authority's track record of budget monitoring	<p>The Council's financial reporting arrangements include the identification of forecast outturns for both revenue and capital areas. These arrangements ensure problems are identified and corrective action taken before the year end, either at departmental or corporate level. These arrangements have worked well and have enabled the Council to strengthen the Balance Sheet over the last few years.</p>

MTFS REPORT

SUPPORTING INFORMATION – REPORTS CONSIDERED BY INDIVIUAL POLICY COMMITTEES

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NEIGHBOURHOOD SERVICES COMMITTEE

11th September 2017



Report of: DIRECTOR OF REGENERATION AND
NEIGHBOURHOODS

Subject: SAVINGS PROGRAMME 2018/19

1. TYPE OF DECISION/APPLICABLE CATEGORY

1.1 Budget and Policy Framework.

2. PURPOSE OF REPORT

2.1 The purpose of this report is to enable Members to consider proposals to achieve further savings in 2018/19.

3. BACKGROUND

3.1 A comprehensive report on the “Council Plan and Medium Term Financial Strategy – Capital and Revenue” was considered at the Finance and Policy Committee on 2nd December 2016. The report stated that despite the impact of continuing austerity and cuts in Government funding the Council needs to remain ambitious for the town.

3.2 The Council Plan 2017 to 2020 sets out the priorities we are committed to delivering and is based around six strategic priorities:

- Growing our economy, jobs and skills;
- Regenerating our town;
- Developing and promoting Hartlepool as a great place to live;
- Developing new services for people and communities;
- Building better beginnings and futures for our children and young people;
- Providing effective leadership based upon innovation and efficiency.

3.3 A report to Council on 23rd February 2017 approved the Medium Term Financial Strategy (MTFS) 2017/18 to 2019/20. The multi-year MTFS enabled a balanced budget be set for 2017/18. It also approved savings of

£1.685m in 2018/19 and £0.785m in 2019/20 to begin to reduce the budget deficits in these years

- 3.4 However, the savings proposals approved for 2018/19 and 2019/20 did not address the full deficits and savings of £2.320m still need to be identified. This deficit is after reflecting forecast increases in Council Tax income and the use of the Budget Support Fund, as summarised below:

Summary of measures to reduce 2018/19 and 2019/20 gross budget deficits

	2018/19	2019/20	Total 2018/19 and 2019/20
	£'m	£'m	£'m
Gross Deficit	7.314	3.758	11.072
Less - Social Care Precept (3% 2018/19, 0% 2019/20)	(1.093)	0	(1.093)
Less - Council Tax increase 1.9%	(0.692)	(0.740)	(1.432)
Less - Growth in Council Tax base (742 Band D equivalent properties over the period 2018/19 and 2019/20)	(0.574)	(0.478)	(1.052)
Sub Total – Deficit after Council Tax increases and forecast housing growth	4.955	2.540	7.495
Less – Use of Budget Support Fund	(2.448)	(0.257)	(2.705)
Less – Savings approved February 2017	(1.685)	(0.785)	(2.470)
Cuts still to be identified	0.822	1.498	2.320

- 3.5 An update of the MTFs was considered by Finance and Policy Committee on 24th July and this confirmed the financial forecasts detailed in the previous paragraph. The update report also highlighted the continuing financial risks facing local authorities over the next few years. This underlines the importance of ensuring the Council sets balanced budgets for 2018/19 and 2019/20. For 2019/20 this needs to be based on minimising the use of one off funding to avoid deferring a budget deficit to 2020/21.
- 3.6 The MTFs forecasts are currently based on the Government's 1% pay cap remaining in place for 2018/19 and 2019/20. If actual pay awards are greater than 1% and the Government does not provide additional funding, the budget deficit will increase. Each additional 1% equates to an increase in the budget deficit of approximately £400,000.
- 3.7 The financial position facing the public sector for 2020/21 and future years is extremely uncertain and will depend on the state of the economy, including the impact of Brexit, policies adopted at a national level in relation to the overall size of the public sector and the level of national debt.

3.8 For Local Authorities policies implemented by the national Government will have a significant impact and cover the following key issues:

- **100% Business Rates Retention** - the exclusion of a bill to move from 50% to 100% Business Rates Retention creates significant financial uncertainty regarding future funding arrangements for local authorities;
- **Business Rates indexation** - confirmation by the Treasury at the end of July 2017 that Business Rates indexation will switch from RPI (Retail Prices Index) to CPI (Consumer Prices Index) from 2020 will be welcomed by the businesses. However, from local government's perspective this change will result in lower annual increases in this income stream, which will not keep pace with increases in the cost of delivering existing services.
- **Reform of the Local Government funding system** - the Government has indicated that work is continuing on a 'Fair Funding' review and they will be consulting on proposals during 2017. However, without 100% Business Rates Retention it is unclear how any changes will be funded. The Department for Communities and Local Government has recently indicated that this may not be implemented until 2020/21. Based on our current understanding of the significant work which needs to be completed before the Government can consult on detailed proposals the suggestion that any changes will be delayed until 2020/21 seems realistic;
- **Adult Social Care funding** - the significant financial challenges in this area were recognised by the Government prior to the General Election and short term funding has been provided. The Government has indicated they will be consulting on a number of options regarding the long term funding arrangements in due course;
- **Children's Social Care funding** - many councils, including Hartlepool, are experiencing significant financial pressures in this area. The Local Government Association (LGA) has recently issued a reporting warning of the significant financial challenges facing children's social care services. The LGA report shows that three quarter of English councils exceeded their budget for children's services last year, totalling a £605m overspend. The LGA forecast a £2 billion funding gap by 2020. This issue has not yet been recognised by the Government providing increased funding;
- **National Council Tax policy** - following a policy of encouraging Council Tax freezes for five years there was a significant shift in Government policy when they introduction of the Adult Social Care precept for the period 2016/17 to 2019/20. Government Council Tax policy for 2020/21 and future years will have a significant impact on the financial sustainability of councils.

- **Public Sector pay levels and funding arrangements** - public sector pay has been subject to a prolonged period of restraint and the Government had previously indicated that a 1% Public Sector pay cap would continue for 2018/19 and 2019/20. However, there have been increasing calls on the Government to remove the pay cap and to fund higher pay increases. If, or when, the Government remove the pay cap there will be significant financial pressures if additional Government funding is not provided for public sector organisations, including councils.

- 3.9 A further update report will be considered by Finance and Policy Committee on 18th September 2017 and detailed corporate savings which can be achieved in 2018/19 and 2019/20 to reduce the savings still to be identified from £2.320m to £1.641m. As these measures are front loaded this provides a slightly longer lead time to implement additional savings and the revised deficits for these years are as follows:

	2018/19 £'000	2019/20 £'000	Total £'000
Savings still to be identified	822	1,498	2,320
Less Corporate savings/updated planning assumptions	(544)	(135)	(679)
Revised Savings still to be identified	278	1,363	1,641

- 3.10 Additional savings proposals to be considered by individual Policy Committees in September are designed to address the remaining 2018/19 deficit of £278,000. Proposals to address the remaining forecast 2019/20 deficit will be developed during 2017/18 and will be reported to future meetings.

4. SAVINGS PROPOSALS 2018/19 AND 2019/20 – INCLUDING FINANCIAL CONSIDERATIONS

- 4.1 The 2018/19 and 2019/20 savings proposals approved in February 2017 are summarised below:

Neighbourhood Services Committee – Regeneration and Neighbourhoods Department	Approved Savings 2018/19 £'000	Approved Savings 2019/20 £'000	Total Approved Savings £'000
Transport and Infrastructure	50		50
Environmental Services	360	160	520
Heritage and Countryside	10	10	20
Total Neighbourhood's Services Committee:	420	170	590

4.2 In relation to the 2018/19 approved savings work is progressing to implement these proposals and Members are advised that the savings will be achieved as planned. With regard to the £410,000 savings to be identified from Transport & Infrastructure and Environmental Services this will be achieved by implementing the following savings:

- **Transport and Infrastructure - £50,000**

The LED Street lighting replacement programme originally included an element energy and maintenance savings which were achieved and identified as part of the overall business case. It was anticipated at the time they may be additional energy savings to be sought however we felt it was prudent to wait for the full scheme to be operational for a period of time and close monitoring of service utility rates before releasing further savings.

- **Environmental Services £360,000**

By reviewing operating practices across street cleansing, grounds maintenance and waste collection we can reduce the need for casual and seasonal staff. This will involve staff working across different service areas. It will involve an increase in flexibility by all to improve productivity which in turn will reduce the need for vehicles in some cases. Downtime on vehicles can be reduced if working practices change to maximise demand in certain services at peak times, which subsequently will bring vehicle and fuel savings. These changes will involve the reduction of mechanical processes in some areas of the town which can be replaced with manual cleaning rounds. Grounds maintenance vehicles can also be reduced to reflect the initiatives already put in place that reduce the level of grass cutting e.g. low maintenance alternatives and wild flowers. Further work will be carried out to reduce maintenance costs on vehicles.

- **Heritage and Countryside £20,000**

Deletion of one third post plus some non-pay budget savings.

4.3 Further work will be required to implement the 2019/20 approved savings and details will be reported to Members next year of any proposed changes to these plans.

4.4 In addition to the savings proposals outlined above the following additional savings are recommended for implementation over the next two years. Part of these savings needs to be earmarked to fund departmental budget pressures. Departmental pressures relate to cost associated with domestic waste and recycling collection services and the Household Waste Recycling Centre on Burn Road. In addition the income risk reserves set aside for Building Control, Planning and Economic Development and Car Parking inflation have been fully used in 2016/2017 so there is no reserve funding currently to manage this risk going forward.

- 4.5 As summarised in the following table the net impact of these savings and pressures is a net saving towards the remaining budget deficits for 2018/19.

	Pressure /(saving) 2018/19 £'000
Additional savings	
Regeneration	
Economic Development	(50)
Housing	(80)
Planning	(20)
Neighbourhoods	
Highways Trading account	(20)
Traffic & Transport	(40)
Sustainable transport	(20)
Passenger Transport	(40)
Finance & Policy	
Community Safety	(50)
Sub Total – Recommended additional savings	(320)
Less Departmental pressures	100
Additional savings towards remaining budget deficit	(220)

- 4.6 In relation to the 2018/19 savings referred to in table above they will be achieved by implementing the following :

- **Highways Trading - £20,000**

Income generation – review current service model we either grow to take on larger capital schemes and therefore spread our overheads or we reduce to basic maintenance provision, seeking an alternative delivery model for other works, recognising the overhead will have to be adsorbed elsewhere across the division. Members will receive details regarding this option as part of the detailed trading account review currently taking place.

- **Traffic & Transport - £40,000**

The Assistant Director for Environment & Neighbourhoods is currently undertaking a review of trading accounts which will result in the restructure of this service area, and the deletion of one vacant post and potentially one compulsory redundancy

- **Sustainable Transport £20,000**

Reduce concessionary fares budget

- **Passenger Transport - £40,000**

Review Trading Capacity and Home to School Transport criteria

5. RISK IMPLICATIONS

- 5.1 There are a number of risks implicit in the delivery of any package of savings and it is important to recognise these as part of any decision making. The primary risk relates to maintaining capacity to deliver the front line services and support to the Council/departments.
- 5.2 It is considered that the proposed 2018/19 savings can be delivered, although not without difficulty or some degree of risk. This can be managed in the coming year; however achieving these savings becomes more difficult each year.
- 5.3 There are a number of risks implicit in the delivery of any package of savings and it is important to recognise these as part of any decision making. There are a number of risks in these changes, particularly taken in the context of previous savings which have been made. The assessments which have been undertaken, the summary of the conclusions from this are included in the sections above in the context they have been described are viewed as being manageable but with there being a significant need to review workloads, priorities and for the potential scaling back of a number of current activities in line with the resources available.
- 5.4 It is considered that these savings can be delivered, although not without difficulty or some degree of risk but that this can be managed over the three years, however achieving these savings becomes more difficult each year, which is the case in other departments. The following points highlight the key risks;
- Reduced staff morale. Where restructuring or reducing budgets has a continuing impact as the level of staff left to deliver services, it is essential to engage fully with those staff in order to ensure services are delivered in an effective and efficient way.
 - Reduced operational budgets can lead to a reduced ability to deliver key targets, outputs and outcomes.
 - Response times to enquiries and subsequent actions.
 - Income targets not been met.
 - Insufficient reserve to fund posts.
 - Reputational damage for the Council. With the continued reduction in budgets and the ability to deliver frontline services through reduced staffing capacity, there is a real danger the Council's reputation will suffer. There may be an increase in the number of complaints or a reduction in the level of customer satisfaction.

- 5.5 A key risk to note is the increase in relation to income generation targets within the Division. Close monitoring of budgets in year is essential to manage the risk of not achieving these targets. In the event that income targets cannot be achieved reserves may be used to support services in the short term, however, alternative permanent savings will need to be identified and this will need to form part of a prioritisation exercise to review which services may need to reduce.

6 LEGAL CONSIDERATIONS

- 6.1 There are no legal considerations to this report.

7 CONSULTATION

- 7.1 The majority of the approved savings for 2018/19 and 2019/20 were subject to consultation as part of the 2017/18 budget process. Where these proposals have changed significantly they will be subject to separate consultation alongside any additional savings proposed for 2018/19 and 2019/20. This consultation will include Trade Unions and individual staff groups affected by the proposals.

8. CHILD AND FAMILY POVERTY

- 8.1 The proposed budget savings have been identified that will have the least impact on frontline services. There are no significant Child and Family Poverty impacts associated with these savings.

9. EQUALITY AND DIVERSITY CONSIDERATIONS

- 9.1 For each of the proposed savings areas where there is likely to be a direct impact on customers/service users and/or staff, consideration is given to the impact across each of the protected characteristic groups. This is recorded through an Equality Impact Assessment (see **Appendix 1**).
- 9.2 This impact assessment will be reviewed by the Corporate Equality Group alongside those for the other Department savings proposals. An overall Equality Impact Assessment will be undertaken to identify if there is any Council-wide cumulative impact on protected groups from the savings proposals for the next three years.

10. SECTION 17 OF THE CRIME AND DISORDER ACT 1998 CONSIDERATIONS

- 10.1 Whilst all services across the Council are sighted on their section 17 obligations when reviewing services, as outlined in section 3 of this report, the Environment and Neighbourhoods Division is responsible for some core statutory responsibilities in relation to preventing crime and disorder and the co-ordination of activity to improve community safety and cohesion whilst Community Safety falls under the remit of Finance and Policy Committee it is recognised that community safety impacts on neighbourhoods.
- 10.2 In undertaking this review the Division has therefore taken particular care to ensure that these statutory responsibilities continue to be sustained by the Division and are supported by the proposed realignment of the Community Engagement elements of the service.

11. STAFF CONSIDERATIONS

- 11.1 There will be staffing implications associated with the savings proposals considered by individual Policy Committee and these will be managed at a corporate level by the Finance and Policy Committee. This approach will seek to maximise staffing reductions which can be achieved by managing vacancies and accepting requests for voluntary redundancies, where this can be achieved within the requirements of the service. Where compulsory redundancies cannot be avoided the corporate approach will seek to maximise redeployment opportunities.

12. ASSET MANAGEMENT CONSIDERATIONS

- 12.1 There are no asset management considerations relating to this report.

13. CONSULTATION

- 13.1 The majority of the approved savings for 2018/19 and 2019/20 were subject to consultation as part of the 2017/18 budget process. Where these proposals have changed significantly they will be subject to separate consultation alongside any additional savings proposed for 2018/19 and 2019/20. This consultation will include Trade Unions and individual staff groups affected by the proposals.

14. CONCLUSION

- 14.1 The Council approved a multi-year financial strategy in February 2017, which included the phased use of reserves to help manage budget reduction over the period 2017/18 to 2019/20. The strategy also approved savings for implementation in 2018/19 and 2019/20 to begin to address the budget deficits for these years.
- 14.2 The proposals in this report details changes to the approved 2018/19 and 2019/20 savings to reflect changes in circumstances since February. In addition, further savings proposals are outlined to address departmental pressures and to make a contribution towards addressing the remaining 2018/19 and 2019/20 budget shortfalls.
- 14.3 At a corporate level the proposal identified for individual Policy Committees will enable a balanced budget to be set for 2018/19. The position for 2019/20 is less positive and a significant budget deficit remains. Proposals for addressing the remaining 2019/20 of £1.363m will be developed during 2017/18.
- 14.4 Achievement of further savings for 2019/20 will be challenging and will require further changes, whilst ensuring services are maintained as far as practical, or the implications of reducing capacity are reflected in service requirements.
- 14.5 There are a number of risks which may increase the 2019/20 deficit, including the funding arrangements for Children's Services and the actual level of pay awards. These issues will be kept under review and details of any changes will be reported to future meetings.
- 14.6 The multi-year strategy being adopted by the Council is designed to manage the impact of continuing cuts in Government funding on a phased basis to minimise, as far as is possible within the reduced resources available to the Council, the impact on services and jobs. The strategy also aims to ensure the Council is in the best possible financial position to manage the challenges and uncertainty facing councils in 2020/21 and future years.
- 14.7 Recognising the austere climate and the savings the Council has to achieve in line with Government Policy, the department has aligned and prioritised resources to focus on the Council's ambition to develop and promote Hartlepool as a great place to live. The Council's recent "*Your say, our future*" consultation reaffirmed the importance of the local environment to residents and highlighted the need for the Community and the Council to work together to improve the area and also reduce demand on services.
- 14.8 It is important to note that in addition to the savings required to support the Council's overall savings programme it has been necessary to identify savings to fund budget pressures within the department which are referred to above. In addition to the financial pressures on operating budgets the

Department continues to operate a number of trading activities on a commercial basis. These services face separate pressures each year as they are required to generate sufficient income to fund the associated operating costs. Inflation must be found each year to “stand still” financially and in an ever increasing competitive market place this can sometimes be difficult to achieve.

15. RECOMMENDATIONS

- 15.1 It is recommended that Members of the Committee note the content of the report and formulate a response to be presented to Finance and Policy Committee on 20th November 2017.

16. REASON FOR RECOMMENDATIONS

- 16.1 The proposals included in this report have been identified as being sustainable and deliverable.

17. BACKGROUND PAPERS

- 17.1 The following background papers were used in the preparation of this report:-

Council - Medium Term Financial Strategy (MTFS) 2017/18 to 2019/20 - 25th February 2017

Finance and Policy Committee - Medium Term Financial Strategy (MTFS) 2018/19 to 2019/20 - 24th July 2017

18. CONTACT OFFICERS

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APPENDIX 1

Impact Assessment Form

Department	Division	Section	Owner/Officer
<i>Regeneration and Neighbourhoods</i>	<i>Neighbourhoods</i>		<i>Denise Ogden</i>
Service, policy, practice being reviewed/changed or planned	<ul style="list-style-type: none"> • Concessionary Fares • Environmental Services • Transport and Infrastructure • Building Design and Construction • Community Safety and Engagement • Vehicle Fleet • Income Generation 		
Why are you making the change?	<ol style="list-style-type: none"> 1. Financial savings required by the Council in response to reduced Government funding. 2. Respond to changing service delivery expectations from communities and users. 3. To provide services in a more efficient and responsive manner. 		
How might this impact (positively/negatively) on people who share protected characteristics?			
		<i>Please tick</i>	
		POSITIVELY	NEGATIVELY
Age			
<ul style="list-style-type: none"> • Concessionary Fares Reduction in budget is based on the level of costs currently being incurred and is not anticipated to impact on service users many of whom are aged or affect the statutory duty placed upon the Authority. • Environmental Services • Transport and Infrastructure • Building Design and Construction • Community Safety and Engagement • Vehicle Fleet • Income Generation At present no significant negative impacts have been identified for users in relation to the above. 			
Disability			
<ul style="list-style-type: none"> • Concessionary Fares Reduction in budget is based on the level of costs currently being incurred and is not anticipated to impact on service users some of whom are disabled or affect the statutory duty placed upon the Authority. • Environmental Services • Transport and Infrastructure • Building Design and Construction • Community Safety and Engagement • Vehicle Fleet • Income Generation At present no significant negative impacts have been identified for users in relation to the above. 			

Gender Re-assignment		
<ul style="list-style-type: none"> • Concessionary Fares • Environmental Services • Transport and Infrastructure • Building Design and Construction • Community Safety and Engagement • Vehicle Fleet • Income Generation <p>At present no significant negative impacts have been identified for users in relation to the above.</p>		
Race		
<ul style="list-style-type: none"> • Concessionary Fares • Environmental Services • Transport and Infrastructure • Building Design and Construction • Community Safety and Engagement • Vehicle Fleet • Income Generation <p>At present no significant negative impacts have been identified for users in relation to the above.</p>		
Religion		
<ul style="list-style-type: none"> • Concessionary Fares • Environmental Services • Transport and Infrastructure • Building Design and Construction • Community Safety and Engagement • Vehicle Fleet • Income Generation <p>At present no significant negative impacts have been identified for users in relation to the above.</p>		
Gender		
<ul style="list-style-type: none"> • Concessionary Fares • Environmental Services • Transport and Infrastructure • Building Design and Construction • Community Safety and Engagement • Vehicle Fleet • Income Generation <p>At present no significant negative impacts have been identified for users in relation to the above.</p>		
Sexual Orientation		
<ul style="list-style-type: none"> • Concessionary Fares • Environmental Services • Transport and Infrastructure • Building Design and Construction • Community Safety and Engagement • Vehicle Fleet • Income Generation <p>At present no significant negative impacts have been identified for users in relation to the above.</p>		
Marriage & Civil Partnership		

<ul style="list-style-type: none"> • Concessionary Fares • Environmental Services • Transport and Infrastructure • Building Design and Construction • Community Safety and Engagement • Vehicle Fleet • Income Generation <p>At present no significant negative impacts have been identified for users in relation to the above.</p>
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Pregnancy & Maternity		
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<ul style="list-style-type: none"> • Concessionary Fares • Environmental Services • Transport and Infrastructure • Building Design and Construction • Community Safety and Engagement • Vehicle Fleet • Income Generation <p>At present no significant negative impacts have been identified for users in relation to the above.</p>
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<p>Has there been consultation /is consultation planned with people who will be affected by this policy? How has this affected your decision making?</p>	<p>The following has been or will be considered and where appropriate will be used to inform decisions regarding the proposed changes:</p> <ul style="list-style-type: none"> • Organisational structures. • Job Descriptions. • Single Status and Job Evaluation • Established HR Procedures (Redundancy selection criteria is based on objective matters which are not related to any protected groups). • Service reviews and research. • Information from service users <ul style="list-style-type: none"> - 'Your Say Our Future' consultation - Satisfaction surveys - Regular liaison meetings with users, providers and partners - Neighbourhood forums and resident groups - Transport liaison groups - Ward Councillor feedback <p>Concessionary Fares The amount paid for concessionary fares depends on a number of factors, ie the costs incurred by bus operators, the price of an adult fare, and the number of passengers travelling. Based on actual costs incurred, this budget can be reduced by £30k in 2017/18. These savings are not anticipated to affect the statutory duties placed upon the Authority.</p> <p>Environmental Services Savings can potentially be achieved from reviewing the operating practices across the service. Reduced casual and seasonal staff, improved productivity and changes in working practices are anticipated. Downtime on vehicles could be reduced as well as the number of mechanical processes. It is expected that there will be reductions in staffing through ER/VR's and some compulsory redundancies may be unavoidable. Any future restructuring</p>
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	<p>will be subject to consultation with staff concerned. The changes are not anticipated to affect the statutory duties placed upon the Authority.</p> <p>Transport and Infrastructure It is anticipated that a restructure will take place involving the merger of Highways services with Transport and Traffic and services will be realigned. Additional savings can be generated as a result of the Street Lighting replacement programme through energy savings and a reduction in maintenance costs. These savings are not anticipated to affect the statutory duties placed upon the Authority. The reduction in resources may however require the loss of up to 3 full time posts. Any future restructuring will be subject to detailed consultation with staff concerned.</p> <p>Building Design and Construction A £20k saving is anticipated from the rationalisation and reduction in the size of the stores facility.</p> <p>Community Safety and Engagement A review is underway to explore how the Council strengthens and builds capacity in communities and continues to retain a level of service that reflects the Councils statutory duties. This review may however lead to a reduction of up to 2 FTE posts. Any restructuring would be subject to detailed consultation with staff concerned.</p> <p>Vehicle Fleet Following changes in several service areas and the recent move to the new depot at Tofts Farm it is anticipated that fleet costs can be reduced.</p> <p>Income Generation Income generation opportunities have been examined and proposals regarding introducing new charges and increasing existing charges have been set out. Benchmarking data has been used to compare the Council with other local authorities. The fees and charges relate to discretionary services and may be set according to the nature of the service being offered and prevailing market conditions.</p>
<p>As a result of your decision how can you mitigate negative/maximise positive outcomes and foster good relationships?</p>	<p>Equality impacts on particular groups and staff have been considered as part of the savings programme. The proposals, as they stand, will have minimal if any impact on equality and statutory services will not be affected. Where staff may be affected, impacts will be considered further as savings options are agreed but will include:-</p> <ul style="list-style-type: none"> • Early Retirement/Voluntary Redundancy opportunities – these will be in line with the Council’s HR policy and staff will be appropriately advised and supported throughout the process. • Compulsory Redundancy – any requirements will be addressed in line with Council’s HR policies and staff affected will be supported and advised throughout the process. Where appropriate Council

	<p>job vacancies will be earmarked as redeployment opportunities for anyone in the workforce deemed to be at risk of redundancy.</p> <ul style="list-style-type: none"> • Reconfiguration of services and merging of functions – No specific impact on users and communities identified. However it is noted that there will be increased pressure on staff to deliver services and potential reduced flexibility and effectiveness of service. 		
Describe how you will address and monitor the impact	<p>The proposed changes will be addressed and monitored by the appropriate managers and front line staff through existing methods as appropriate. These are likely to include:</p> <ul style="list-style-type: none"> - Public surveys and questionnaires - CRM data - Complaints (informal and formal) - Budget monitoring data - Liaison meetings with users and providers - Neighbourhood forums - Ward Councillor feedback <p>If necessary the appropriate management level will need to address any emerging concerns.</p> <p>The equality impact of the following item will be monitored particularly closely:-</p> <p>Concessionary Fares This is a volatile budget and demand led and therefore there is a risk that the budget will be insufficient to meet the costs incurred by aged and/or disabled service users. The budget situation will be closely monitored. If costs do arise over and above the reduced budget level, alternative savings will need to be identified in the department.</p>		
	<p>2. Adjust/Change Policy n/a</p>		
	<p>3. Adverse Impact but Continue as is n/a</p>		
	<p>4. Stop/Remove Policy/Proposal n/a</p>		
Initial Assessment	8/11/16	Reviewed	22/11/16
Completed		Published	

NEIGHBOURHOOD SERVICES COMMITTEE

16th October 2017



Report of: DIRECTOR OF REGENERATION AND
NEIGHBOURHOODS

Subject: SAVINGS PROGRAMME 2018-19

1. TYPE OF DECISION/APPLICABLE CATEGORY

1.1 Budget and Policy Framework.

2. PURPOSE OF REPORT

2.1 The purpose of this report is to enable Members to consider proposals to achieve further savings for 2018/19 following a report presented to Neighbourhood Services Committee on 11th September 2017.

3. BACKGROUND

3.1 At the previous meeting of Neighbourhood Services Committee, Members were reminded of the savings proposals approved by Council on 23rd February, 2017 for 2018/19 and 2019/20 which begin to reduce the budget deficits in these years. This report set out that the savings approved did not address the full deficit and savings of £2.320m still needed to be identified. As a result additional savings were outlined for implementation over the next two years and part of these savings would be earmarked to fund Departmental pressures in 2018/19.

3.2 Before Members could agree the additional savings proposals identified for 18/19, they requested that an additional report be brought back to Committee that further defined the savings. In addition members requested that this report provide further detail regarding the Environmental Services target of £360,000 previously approved, and this is provided below.

- **Environmental Services – £360,000**
By reviewing operating practices across street cleansing, grounds maintenance and waste collection we can reduce the need for casual and seasonal staff. This will involve staff working across different service areas. It will involve an increase in flexibility by all to improve productivity which in turn will reduce the need for vehicles in some cases. Downtime on vehicles can be reduced if working practices change to maximise demand in certain services at peak times, which subsequently will bring vehicle and fuel savings. These changes will involve the reduction of mechanical processes in some areas of the town which can be replaced with manual cleaning rounds. Grounds maintenance vehicles can also be reduced to reflect the initiatives already put in place that reduce the level of grass cutting e.g. low maintenance alternatives and wild flowers. Further work will be carried out to reduce maintenance costs on vehicles.
This saving is currently being achieved through a move to generic working within the grounds maintenance and cleansing teams, which has seen a reduction in the number of casual staff being required and employed, a reduction in overtime payments, a reduced number of cleansing vehicles in operation and the planting of more wildflower meadows that reduce our grass cutting operations.

4. PROPOSALS

- 4.1 The additional savings proposals recommended to address the remaining 2018/19 forecast deficit of £278,000, which were put forward in the previous report are detailed below and in line with the Committee's request, more details on each of the proposals have been added:

- **Highways Trading – £20,000**

Income generation – review current service model we either grow to take on larger capital schemes and therefore spread our overheads or we reduce to basic maintenance provision, seeking an alternative delivery model for other works, recognising the overhead will have to be adsorbed elsewhere across the division. Members will receive details regarding this option as part of the detailed trading account review currently taking place.

The Council currently has an in house highways team that help to deliver the maintenance and upkeep of our highway network by repairing footpaths and roads, in-filling potholes, creating new walkways, etc. At present the Service is funded from the income it generates and therefore the proposal put forward will expect this particular service to bring in additional income of £20k from Capital or external works to help support the Council's general fund position.

- **Traffic and Transport – £40,000**

The Assistant Director for Environment and Neighbourhood Services is currently undertaking a review of trading accounts which will result

in the restructure of this service area, and the deletion of one vacant post and potentially one compulsory redundancy.

The deletion of a vacant post in this particular team will enable the Council to achieve this particular savings target with minimal implications on service delivery.

- **Sustainable Transport – £20,000**

Reduce concessionary fares budget.

The amount paid will depend on a number of factors. The costs incurred by bus operators, the price of an adult fare and the number of passengers travelling. In recent years increases have been required in this area and an inflationary uplift is therefore applied to this budget each year. Based on actual costs incurred and projected this budget can be reduced by £20k in 2018/19. This is a volatile budget and is demand led which means that there is a risk associated with this saving. The situation will be monitored closely and in the event that costs do begin to rise an alternative saving will need to be identified in the Department. This reduction will have no impact in the offering of concessionary fares which and can be delivered from the existing budget remaining.

- **Passenger Transport – £40,000**

Review Trading Capacity and Home to School Transport criteria.

The Budget for home to School Transport is needs driven and costs will vary depending on pupil demographics as well as route efficiencies. The budget is set to fund higher levels of need and based on current and recent levels of demand it is possible to reduce this budget in 18/19. With any demand led budget there is always a risk that demand will increase and costs will rise. Trends will be closely monitored and in the event that demand does exceed the budget provision in future years, alternative savings will be identified within the Department. This service also includes a Trading element which will be part of the detailed trading account review that is currently taking place, therefore part of the proposals put forward will involve this particular service generating additional income or seeking efficiencies in service delivery which will have minimal impact on service provision.

5. RISK IMPLICATIONS

- 5.1 There are a number of risks implicit in the delivery of any package of savings and it is important to recognise these as part of any decision making. The primary risk relates to maintaining capacity to deliver the front line services and support to the Council/departments.
- 5.2 It is considered that the proposed 2018/19 savings can be delivered, although not without difficulty or some degree of risk. This can be

managed in the coming year; however achieving these savings becomes more difficult each year.

- 5.3 A key risk to note is the increase in relation to income generation targets within the Division. Close monitoring of budgets in year is essential to manage the risk of not achieving these targets. In the event that income targets cannot be achieved reserves may be used to support services in the short term, however, alternative permanent savings will need to be identified and this will need to form part of a prioritisation exercise to review which services may need to reduce.

6. FINANCIAL CONSIDERATIONS

- 6.1 The financial considerations are included within the report as these set out the proposed savings programme for 2018/19 for Environment and Neighbourhood Services.

7. LEGAL CONSIDERATIONS

- 7.1 There are no legal considerations attached to this report.

8. CONSULTATION

- 8.1 The majority of the approved savings for 2018/19 and 2019/20 were subject to consultation as part of the 2017/18 budget process. Where these proposals have changed significantly they will be subject to separate consultation alongside any additional savings proposed for 2018/19 and 2019/20. This consultation will include Trade Unions and individual staff groups affected by the proposals.

9. CHILD AND FAMILY POVERTY

- 9.1 The proposed budget savings have been identified that will have the least impact on frontline services. There are no significant Child and Family Poverty impacts associated with these savings.

10. EQUALITY AND DIVERSITY CONSIDERATIONS

- 10.1 An Equality Impact Assessment was included as part of the previous to Committee on 11th September 2017.

**11. SECTION 17 OF THE CRIME AND DISORDER ACT 1998
CONSIDERATIONS**

- 11.1 Whilst all services across the Council are sighted on their section 17 obligations when reviewing services, as outlined in section 3 of this report, the Environment and Neighbourhoods Division is responsible for some core statutory responsibilities in relation to preventing crime and disorder and the co-ordination of activity to improve community safety and cohesion whilst Community Safety falls under the remit of Finance and Policy Committee it is recognised that community safety impacts on neighbourhoods.
- 11.2 In undertaking this review the Division has therefore taken particular care to ensure that these statutory responsibilities continue to be sustained by the Division and are supported by the proposed realignment of the Community Engagement elements of the service.

12. STAFF CONSIDERATIONS

- 12.1 There will be staffing implications associated with the savings proposals considered by individual Policy Committee and these will be managed at a corporate level by the Finance and Policy Committee. This approach will seek to maximise staffing reductions which can be achieved by managing vacancies and accepting requests for voluntary redundancies, where this can be achieved within the requirements of the service. Where compulsory redundancies cannot be avoided the corporate approach will seek to maximise redeployment opportunities

13. ASSET MANAGEMENT CONSIDERATIONS

- 13.1 There are no asset management considerations relating to this report.

14. RECOMMENDATIONS

- 14.1 It is recommended that Members of the Committee note the content of the report and formulate a response on the additional savings proposed to be presented to Finance and Policy Committee on 20th November 2017.

15. REASONS FOR RECOMMENDATIONS

- 15.1 The proposals included in this report have been identified as being sustainable and deliverable.

16. BACKGROUND PAPERS

- 16.1 The following background papers were used in the preparation of this report:

Council – Medium Term Financial Strategy (MTFS) 2017/18 to 2019/20 – 25th February 2017

Finance and Policy Committee – Medium Term Financial Strategy (MTFS) 2018/19 to 2019/20 – 24th July 2017

Neighbourhood Services Committee – Savings Programme 2018/19 – 11th September 2017

17. CONTACT OFFICER

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CHILDREN'S SERVICES COMMITTEE

12 September 2017



Report of: DIRECTOR OF CHILDREN'S AND JOINT COMMISSIONING SERVICES

Subject: SAVINGS PROGRAMME 2018/19 AND 2019/20 – CHILDREN'S SERVICES

1. TYPE OF DECISION/APPLICABLE CATEGORY

1.1 Budget and Policy Framework.

2. PURPOSE OF REPORT

2.1 The purpose of this report is to enable Members to consider proposals to achieve further savings in 2018/19 and 2019/20.

3. BACKGROUND

3.1 A comprehensive report on the "Council Plan and Medium Term Financial Strategy – Capital and Revenue" was considered at the Finance and Policy Committee on 2nd December 2016. The report stated that despite the impact of continuing austerity and cuts in Government funding the Council needs to remain ambitious for the town.

3.2 The Council Plan 2017 to 2020 sets out the priorities we are committed to delivering and is based around six strategic priorities:

- Growing our economy, jobs and skills;
- Regenerating our town;
- Developing and promoting Hartlepool as a great place to live;
- Developing new services for people and communities;
- Building better beginnings and futures for our children and young people;
- Providing effective leadership based upon innovation and efficiency.

3.3 A report to Council on 23rd February 2017 approved the Medium Term Financial Strategy (MTFS) 2017/18 to 2019/20. The multi-year MTFS enabled a balanced budget be set for 2017/18. It also approved savings of

£1.685m in 2018/19 and £0.785m in 2019/20 to begin to reduce the budget deficits in these years

- 3.4 However, the savings proposals approved for 2018/19 and 2019/20 did not address the full deficits and savings of £2.320m still need to be identified. This deficit is after reflecting forecast increases in Council Tax income and the use of the Budget Support Fund, as summarised below:

Summary of measures to reduce 2018/19 and 2019/20 gross budget deficits

	2018/19	2019/20	Total 2018/19 and 2019/20
	£'m	£'m	£'m
Gross Deficit	7.314	3.758	11.072
Less - Social Care Precept (3% 2018/19, 0% 2019/20)	(1.093)	0	(1.093)
Less - Council Tax increase 1.9%	(0.692)	(0.740)	(1.432)
Less - Growth in Council Tax base (742 Band D equivalent properties over the period 2018/19 and 2019/20)	(0.574)	(0.478)	(1.052)
Sub Total – Deficit after Council Tax increases and forecast housing growth	4.955	2.540	7.495
Less – Use of Budget Support Fund	(2.448)	(0.257)	(2.705)
Less – Savings approved February 2017	(1.685)	(0.785)	(2.470)
Cuts still to be identified	0.822	1.498	2.320

- 3.5 An update of the MTFs was considered by Finance and Policy Committee on 24th July and this confirmed the financial forecasts detailed in the previous paragraph. The update report also highlighted the continuing financial risks facing local authorities over the next few years. This underlines the importance of ensuring the Council sets balanced budgets for 2018/19 and 2019/20. For 2019/20 this needs to be based on minimising the use of one off funding to avoid deferring a budget deficit to 2020/21.
- 3.6 The MTFs forecasts are currently based on the Government's 1% pay cap remaining in place for 2018/19 and 2019/20. If actual pay awards are greater than 1% and the Government does not provide additional funding, the budget deficit will increase. Each additional 1% equates to an increase in the budget deficit of approximately £400,000.
- 3.7 The financial position facing the public sector for 2020/21 and future years is extremely uncertain and will depend on the state of the economy, including the impact of Brexit, policies adopted at a national level in relation to the overall size of the public sector and the level of national debt.

3.8 For local authorities, policies implemented by the national Government will have a significant impact and cover the following key issues:

- **100% Business Rates Retention** - the exclusion of a bill to move from 50% to 100% Business Rates Retention creates significant financial uncertainty regarding future funding arrangements for local authorities;
- **Business Rates indexation** - confirmation by the Treasury at the end of July 2017 that Business Rates indexation will switch from RPI (Retail Prices Index) to CPI (Consumer Prices index) from 2020 will be welcomed by the businesses. However, from local government's perspective this change will result in lower annual increases in this income stream, which will not keep pace with increases in the cost of delivering existing services.
- **Reform of the Local Government funding system** - the Government has indicated that work is continuing on a 'Fair Funding' review and they will be consulting on proposals during 2017. However, without 100% Business Rates Retention it is unclear how any changes will be funded. The Department for Communities and Local Government has recently indicated that this may not be implemented until 2020/21. Based on our current understanding of the significant work which needs to be completed before the Government can consult on detailed proposals the suggestion that any changes will be delayed until 2020/21 seems realistic;
- **Adult Social Care funding** - the significant financial challenges in this area were recognised by the Government prior to the General Election and short term funding has been provided. The Government has indicated they will be consulting on a number of options regarding the long term funding arrangements in due course;
- **Children's Social Care funding** - many councils, including Hartlepool, are experiencing significant financial pressures in this area. The Local Government Association (LGA) has recently issued a report warning of the significant financial challenges facing children's social care services. The LGA report shows that three quarter of English councils exceeded their budget for children's services last year, totalling a £605m overspend. The LGA forecast a £2 billion funding gap by 2020. This issue has not yet been recognised by the Government providing increased funding;
- **National Council Tax policy** - following a policy of encouraging Council Tax freezes for five years there was a significant shift in Government policy when they introduction of the Adult Social Care precept for the period 2016/17 to 2019/20. Government Council Tax policy for 2020/21 and future years will have a significant impact on the financial sustainability of councils.

- **Public Sector pay levels and funding arrangements** - public sector pay has been subject to a prolonged period of restraint and the Government had previously indicated that a 1% Public Sector pay cap would continue for 2018/19 and 2019/20. However, there have been increasing calls on the Government to remove the pay cap and to fund higher pay increases. If, or when, the Government remove the pay cap there will be significant financial pressures if additional Government funding is not provided for public sector organisations, including councils.

3.9 A further update report was considered by Finance and Policy Committee on 18th September 2017 and detailed corporate savings which can be achieved in 2018/19 and 2019/20 to reduce the savings still to be identified from £2.320m to £1.641m. As these measures are front loaded this provides a slightly longer lead time to implement additional savings and the revised deficits for these years are as follows:

	2018/19 £'000	2019/20 £'000	Total £'000
Savings still to be identified	822	1,498	2,320
Less Corporate savings/updated planning assumptions	(544)	(135)	(679)
Revised Savings still to be identified	278	1,363	1,641

3.10 Additional savings proposals to be considered by individual Policy Committees in September are designed to address the remaining 2018/19 deficit of £278,000. Proposals to address the remaining forecast 2019/20 deficit will be developed during 2017/18 and will be reported to future meetings.

4. SAVINGS PROPOSALS 2018/19 AND 2019/20 – INCLUDING FINANCIAL CONSIDERATIONS

4.1 The 2018/19 and 2019/20 savings proposals approved in February 2017 are summarised below:

Children's Services Committee - Child and Adult Department	Approved Savings 2018/19 £'000	Approved Savings 2019/20 £'000	Total Approved Savings £'000
Other - to be identified from Children's Centres, Commissioned Services, Short Breaks and Better Childhood Programme	500	296	796
Education Services Income Generation	30	10	40
Children Services Income	10	0	10
Service Reconfiguration and Data Management	0	41	41
Premature Retirement Commitment	0	10	10
Inflation Freeze	0	34	34
Total Children's Services Committee:	540	391	931

4.2 In relation to the 2018/19 approved savings work is progressing to implement these proposals and Member are advised that the savings will be achieved as planned. With regard to the £500,000 savings to be identified from Children's Centres, Commissioned Services, Short Breaks and Better Childhood Programme this will be achieved by implementing the following savings:

- **Children's Early Intervention - £56,000**
Deletion of vacant posts (2 x Family Support Worker).
- **Children's Early Intervention - £192,000**
Staffing savings from ceasing the cafe facility at Rossmere Children's Centre and from deleting an admin post within Children's Services.
Non-Pay savings achieved from reducing budgets that have historically underspent and core costs associated with Rift House and St Helen's children's centre budgets following service provision ceasing at these sites and transferring to the respective schools.
- **Departmental Salary Abatement - £92,000**
Increase salary abatement target to reflect turnover of staff and incremental progression.
- **Children's 5 to 19 activities - £160,000**
Following the decision to provide a one year grant for the 5 – 19 activities programme during 2017/18 to support the development of the Young People's Foundation, the balance of the saving will be realised

in 2018/19. The Young People's Foundation is now fully constituted and it is anticipated that activities for children and young people will be supported via external funding through this newly formed Foundation from 2018/19 onwards.

- 4.3 In relation to Education, the continuing success of the Centre for Excellence in Teaching and Learning and services such as educational psychology will enable additional income to be provided. The income generation target for 2018/19 for the Education team is **£30,000**.
- 4.4 Further work will be required to implement the 2019/20 approved savings and details will be reported to Members next year of any proposed changes to these plans.
- 4.5 In addition to the savings proposals outlined in the previous paragraph the following additional savings that will impact on children's services are recommended for implementation over the next two years. A number of these savings are managed across Adult Services and Children's Services and have not been apportioned to individual service areas. Part of these savings needs to be earmarked to fund departmental budget pressures. As summarised in the following table the net impact of these savings and pressures is a net saving towards the remaining budget deficits for 2018/19:

	Pressure /(saving) 2018/19 £'000
Additional savings	
(i) Departmental Salary Abatement target An overall increase of £100,000 can be included in the base budget to reflect turnover of staff and incremental progression. Of this amount £92,000 is allocated towards achieving the approved 2018/19 savings, as detailed in paragraph 4.2.	(8)
(ii) Income Generation Increase room hire and conference income at the two venues managed across Adult Services and Children's Services - CIL and CETL.	(50)
Sub Total – Recommended additional savings	(58)
Less Departmental pressures	0
Additional savings towards remaining budget deficit	(58)

5. RISK IMPLICATIONS

- 5.1 There are a number of risks implicit in the delivery of any package of savings and it is important to recognise these as part of any decision making. The primary risk relates to maintaining capacity to deliver the front line services and support to the Council/departments.

- 5.2 It is considered that the proposed 2017/18 savings can be delivered, although not without difficulty or some degree of risk. This can be managed in the coming year; however achieving these savings becomes more difficult each year.
- 5.3 There is a risk that external funding will not be available for the continuation of young people's activities. However the development of a partnership approach through the Young People's Foundation is aimed at mitigating this risk.
- 5.4 There is a risk that a further reduction in early intervention services may lead to an increase in the demand for specialist services as families reach crisis point. This will need to be monitored.

6. EQUALITY AND DIVERSITY CONSIDERATIONS

- 6.1 Children, young people and families will be supported based on need to ensure that support is available to those that need it.

7. LEGAL CONSIDERATIONS

- 7.1 There are no legal considerations at this time.

8. CHILD AND FAMILY POVERTY

- 8.1 Reductions in budgets available to support children and their families will reduce the range and choice of services available. The impact of the savings will be monitored to determine whether these affect the levels of child and family poverty.

9. STAFF CONSIDERATIONS

- 9.1 There will be staffing implications associated with the savings proposals considered by individual Policy Committees and these will be managed at a corporate level by the Finance and Policy Committee. This approach will seek to maximise staffing reductions which can be achieved by managing vacancies and accepting requests for voluntary redundancies, where this can be achieved within the requirements of the service. Where compulsory redundancies cannot be avoided the corporate approach will seek to maximise redeployment opportunities. There are staffing implications associated with savings proposals for Children's Services in 2018/19 as detailed in the proposals at 4.2.

10. ASSET MANAGEMENT CONSIDERATIONS

- 10.1 There are no asset management considerations within this report.

11. CONSULTATION

- 11.1 The majority of the approved savings for 2018/19 and 2019/20 were subject to consultation as part of the 2017/18 budget process. Where these proposals have changed significantly they will be subject to separate consultation alongside any additional savings proposed for 2018/19 and 2019/20. This consultation will include Trade Unions and individual staff groups affected by the proposals.

12. CONCLUSION

- 12.1 The Council approved a multi-year financial strategy in February 2017, which included the phased use of reserves to help manage budget reduction over the period 2017/18 to 2019/20. The strategy also approved savings for implementation in 2018/19 and 2019/20 to begin to address the budget deficits for these years.
- 12.2 The proposals in this report details changes to the approved 2018/19 and 2019/20 savings to reflect changes in circumstances since February. In addition, further savings proposals are outlined to address departmental pressures and to make a contribution towards addressing the remaining 2018/19 and 2019/20 budget shortfalls.
- 12.3 At a corporate level the proposal identified for individual Policy Committees will enable a balanced budget to be set for 2018/19. The position for 2019/20 is less positive and a significant budget deficit remains. Proposals for addressing the remaining 2019/20 of £1.363m will be developed during 2017/18.
- 12.4 Achievement of further savings for 2019/20 will be challenging and will require further changes, whilst ensuring services are maintained as far as practical, or the implications of reducing capacity are reflected in service requirements.
- 12.5 There are a number of risks which may increase the 2019/20 deficit, including the funding arrangements for Children's Services and the actual level of pay awards. These issues will be kept under review and details of any changes will be reported to future meetings.
- 12.6 The multi-year strategy being adopted by the Council is designed to manage the impact of continuing cuts in Government funding on a phased basis to minimise, as far as is possible within the reduced resources available to the Council, the impact on services and jobs. The strategy also aims to ensure

the Council is in the best possible financial position to manage the challenges and uncertainty facing councils in 2020/21 and future years.

- 12.7 The achievement of further savings in children's services has been challenging in the context of increasing demand for social care services and associated budget pressures. The proposals outlined in this report reflect the department's efforts to contribute to reducing the budget deficit whilst maintaining a responsive and needs led service for children, young people and their families.

13. RECOMMENDATIONS

- 13.1 It is recommended that Members of the Committee note the content of the report and formulate a response to be presented to Finance and Policy Committee on 20th November 2017.

14. REASON FOR RECOMMENDATIONS

- 14.1 The proposals included in this report have been identified as being sustainable and deliverable.

15. BACKGROUND PAPERS

- 15.1 The following background papers were used in the preparation of this report:-

Council - Medium Term Financial Strategy (MTFS) 2017/18 to 2019/20 - 25th February 2017

Finance and Policy Committee - Medium Term Financial Strategy (MTFS) 2018/19 to 2019/20 - 24th July 2017

16. CONTACT OFFICERS

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mark.patton@hartlepool.gov.uk 01429 523733

Department	Division	Section	Owner/Officer	
CHILDREN'S AND JOINT COMMISSIONING SERVICES			SALLY ROBINSON	
Service, policy, practice being reviewed/changed or planned	SAVINGS PROGRAMME 2018/19 AND 2019/20– CHILDREN'S SERVICES			
Why are you making the change?	Proposals for budget savings to reduce the budget deficit in accordance with the Council's Medium Term Financial Strategy			
How might this impact (positively/negatively) on people who share protected characteristics?				
			<i>Please tick</i>	
			POSITIVELY	NEGATIVELY
Age				
<i>No impact</i>				
Disability				
<i>No impact</i>				
Gender Re-assignment				
<i>No impact</i>				
Race				
<i>No impact</i>				
Religion				
<i>No impact</i>				
Gender				
<i>No impact</i>				
Sexual Orientation				
<i>No impact</i>				
Marriage & Civil Partnership				
<i>No impact</i>				
Pregnancy & Maternity				
<i>No impact</i>				
Has there been consultation /is consultation planned with people who will be affected by this policy? How has this affected your decision making?	The report will be considered by Children's Services Committee, Finance and Policy Committee and Council before decision is taken. There is no specific impact of the proposals on those with protected characteristics.			
As a result of your decision how can you mitigate negative/maximise positive outcomes and foster good relationships?	There is no specific impact of the proposals on those with protected characteristics.			

Describe how you will address and monitor the impact	1. No Impact - No Major Change The proposals will not impact positively or negatively on those with protected characteristics		
	2. Adjust/Change Policy <i>Please Detail</i>		
	3. Adverse Impact but Continue as is <i>Please Detail</i>		
	4. Stop/Remove Policy/Proposal <i>Please Detail</i>		
Initial Assessment	00/00/00	Reviewed	00/00/00
Completed	00/00/00	Published	00/00/00

ADULT SERVICES COMMITTEE

14 September 2017



Report of: Director of Adults and Community Based Services

Subject: SAVINGS PROGRAMME 2018/19 AND 2019/20

1.0 TYPE OF DECISION/APPLICABLE CATEGORY

1.1 Budget and Policy Framework.

2.0 PURPOSE OF REPORT

2.1 The purpose of this report is to enable Members to consider proposals to achieve further savings in 2018/19 and 2019/20.

3.0 BACKGROUND

3.1 A comprehensive report on the “Council Plan and Medium Term Financial Strategy – Capital and Revenue” was considered at the Finance and Policy Committee on 2 December 2016. The report stated that despite the impact of continuing austerity and cuts in Government funding the Council needs to remain ambitious for the town.

3.2 The Council Plan 2017 to 2020 sets out the priorities we are committed to delivering and is based around six strategic priorities:

- Growing our economy, jobs and skills;
- Regenerating our town;
- Developing and promoting Hartlepool as a great place to live;
- Developing new services for people and communities;
- Building better beginnings and futures for our children and young people;
- Providing effective leadership based upon innovation and efficiency.

3.3 A report to Council on 23 February 2017 approved the Medium Term Financial Strategy (MTFS) 2017/18 to 2019/20. The multi-year MTFS enabled a balanced budget be set for 2017/18. It also approved savings of £1.685m in 2018/19 and £0.785m in 2019/20 to begin to reduce the budget deficits in these years

- 3.4 However, the savings proposals approved for 2018/19 and 2019/20 did not address the full deficits and savings of £2.320m still need to be identified. This deficit is after reflecting forecast increases in Council Tax income and the use of the Budget Support Fund, as summarised below:

Summary of measures to reduce 2018/19 and 2019/20 gross budget deficits

	2018/19	2019/20	Total 2018/19 and 2019/20
	£'m	£'m	£'m
Gross Deficit	7.314	3.758	11.072
Less - Social Care Precept (3% 2018/19, 0% 2019/20)	(1.093)	0	(1.093)
Less - Council Tax increase 1.9%	(0.692)	(0.740)	(1.432)
Less - Growth in Council Tax base (742 Band D equivalent properties over the period 2018/19 and 2019/20)	(0.574)	(0.478)	(1.052)
Sub Total – Deficit after Council Tax increases and forecast housing growth	4.955	2.540	7.495
Less – Use of Budget Support Fund	(2.448)	(0.257)	(2.705)
Less – Savings approved February 2017	(1.685)	(0.785)	(2.470)
Cuts still to be identified	0.822	1.498	2.320

- 3.5 An update of the MTFs was considered by Finance and Policy Committee on 24 July 2017 and this confirmed the financial forecasts detailed in the previous paragraph. The update report also highlighted the continuing financial risks facing local authorities over the next few years. This underlines the importance of ensuring the Council sets balanced budgets for 2018/19 and 2019/20. For 2019/20 this needs to be based on minimising the use of one off funding to avoid deferring a budget deficit to 2020/21.
- 3.6 The MTFs forecasts are currently based on the Government's 1% pay cap remaining in place for 2018/19 and 2019/20. If actual pay awards are greater than 1% and the Government does not provide additional funding, the budget deficit will increase. Each additional 1% equates to an increase in the budget deficit of approximately £400,000.
- 3.7 The financial position facing the public sector for 2020/21 and future years is extremely uncertain and will depend on the state of the economy, including the impact of Brexit, policies adopted at a national level in relation to the overall size of the public sector and the level of national debt.

3.8 For Local Authorities, policies implemented by the national Government will have a significant impact and cover the following key issues:

- **100% Business Rates Retention** - the exclusion of a bill to move from 50% to 100% Business Rates Retention creates significant financial uncertainty regarding future funding arrangements for local authorities;
- **Business Rates indexation** - confirmation by the Treasury at the end of July 2017 that Business Rates indexation will switch from RPI (Retail Prices Index) to CPI (Consumer Prices index) from 2020 will be welcomed by the businesses. However, from local government's perspective this change will result in lower annual increases in this income stream, which will not keep pace with increases in the cost of delivering existing services.
- **Reform of the Local Government funding system** - the Government has indicated that work is continuing on a 'Fair Funding' review and they will be consulting on proposals during 2017. However, without 100% Business Rates Retention it is unclear how any changes will be funded. The Department for Communities and Local Government has recently indicated that this may not be implemented until 2020/21. Based on our current understanding of the significant work which needs to be completed before the Government can consult on detailed proposals the suggestion that any changes will be delayed until 2020/21 seems realistic;
- **Adult Social Care funding** - the significant financial challenges in this area were recognised by the Government prior to the General Election and short term funding has been provided. The Government has indicated they will be consulting on a number of options regarding the long term funding arrangements in due course;
- **Children's Social Care funding** - many councils, including Hartlepool, are experiencing significant financial pressures in this area. The Local Government Association (LGA) has recently issued a report warning of the significant financial challenges facing children's social care services. The LGA report shows that three quarter of English councils exceeded their budget for children's services last year, totalling a £605m overspend. The LGA forecast a £2 billion funding gap by 2020. This issue has not yet been recognised by the Government providing increased funding;
- **National Council Tax policy** - following a policy of encouraging Council Tax freezes for five years there was a significant shift in Government policy when they introduced the Adult Social Care precept for the period 2016/17 to 2019/20. Government Council Tax policy for 2020/21 and future years will have a significant impact on the financial sustainability of councils.

- **Public Sector pay levels and funding arrangements** - public sector pay has been subject to a prolonged period of restraint and the Government had previously indicated that a 1% Public Sector pay cap would continue for 2018/19 and 2019/20. However, there have been increasing calls on the Government to remove the pay cap and to fund higher pay increases. If, or when, the Government remove the pay cap there will be significant financial pressures if additional Government funding is not provided for public sector organisations, including councils.

3.9 A further update report was considered by Finance and Policy Committee on 18 September 2017 and detailed corporate savings which can be achieved in 2018/19 and 2019/20 to reduce the savings still to be identified from £2.320m to £1.641m. As these measures are front loaded this provides a slightly longer lead time to implement additional savings and the revised deficits for these years are as follows:

	2018/19 £'000	2019/20 £'000	Total £'000
Savings still to be identified	822	1,498	2,320
Less Corporate savings/updated planning assumptions	(544)	(135)	(679)
Revised Savings still to be identified	278	1,363	1,641

3.10 Additional savings proposals to be considered by individual Policy Committees in September 2017 are designed to address the remaining 2018/19 deficit of £278,000. Proposals to address the remaining forecast 2019/20 deficit will be developed during 2017/18 and will be reported to future meetings.

4.0 SAVINGS PROPOSALS 2018/19 AND 2019/20 – INCLUDING FINANCIAL CONSIDERATIONS

4.1 The 2018/19 and 2019/20 savings proposals approved in February 2017 are summarised below:

Adult Services Committee	Approved Savings 2018/19 £'000	Approved Savings 2019/20 £'000	Total Approved Savings £'000
Review of Prevention and Housing Related Support (Adult Services)	150	0	150
Total Adult Services Committee:	150	0	150

- 4.2 The 2018/19 approved saving of £150,000 represents the full year effect of a part year saving in 2017/18. This relates to the review of preventative services and housing related support within adult services which realised a part year saving in 2017/18 of £150,000 with the full year effect of £300,000 being achieved in 2018/19.
- 4.3 In 2018/19 and 2019/20 work is also being undertaken within Adult Services to manage pressures through demand management. There are pressures identified in a number of areas including; transition of complex cases from Children's Services to Adult Services; increased demand within adult mental health services and a recurrent financial pressure in relation to Deprivation of Liberty Safeguards.
- 4.4 While managing pressures is very challenging in the context of an ageing population and growing demand in some areas, there are early indications that the approach outlined in the Savings Report to Adult Services Committee in December 2016 is starting to have a positive impact. Initiatives that are contributing to the management of demand include:
- Better Care Fund developments targeted at admission avoidance;
 - Changes to the Resource Allocation System;
 - Implementation of the Adult Resource Panel, and
 - A revised approach to managing contingencies within Direct Payments.
- 4.5 In addition to the proposals outlined above, the following additional savings that will have an impact on Adult Services are recommended for implementation over the next two years. A number of these savings are managed across Adult Services and Children's Services and have not been apportioned to individual service areas. Part of these savings needs to be earmarked to fund departmental budget pressures. As summarised in the following table the impact of these savings and pressures is a net saving towards the remaining budget deficit for 2018/19:

	Pressure /(saving) 2018/19 £'000
Additional savings	
(i) Departmental Salary Abatement target An overall increase of £100,000 can be included in the base budget to reflect turnover of staff and incremental progression. This is a target that is managed across Children's Services and Adult Services with £92,000 contributing to the 2018/19 savings target for Children's Services.	(8)
(ii) Income Generation Increase room hire and conference income at the two venues managed across Adult Services and Children's Services - CIL and CETL.	(50)
Additional savings towards remaining budget deficit	(58)

5. RISK IMPLICATIONS

- 5.1 There are a number of risks implicit in the delivery of any package of savings and it is important to recognise these as part of any decision making. The primary risk relates to maintaining capacity to deliver the front line services and support to the Council/departments.
- 5.2 It is considered that the proposed 2017/18 savings can be delivered, although not without difficulty or some degree of risk. This can be managed in the coming year; however achieving these savings becomes more difficult each year.
- 5.3 There are risks associated with increasing the departmental salary abatement target as vacancies may not arise during the year or may be filled immediately and staff may move through the pay grades and reach the top of pay scale quicker than anticipated i.e. qualifications and experience based progression for Social Workers and Social Care Officers.
- 5.4 There are significant risks associated with achieving savings to manage pressures through demand management. Given the increasing demographic pressures from an ageing population and increasing numbers of adults with complex physical or learning disabilities there is a significant risk that demand will not reduce and may in fact increase. There are also risks that the cost of commissioning services to meet eligible assessed needs increases further linked work that is underway nationally in terms of fair cost of care for residential and domiciliary care. This may result in increased costs for services, even if demand can be constrained or reduced.
- 5.5 Sustainability beyond 2018/19 will require careful management and if the proposed approach does not deliver the savings required on a sustainable basis, alternative savings proposals will need to be identified.

6. EQUALITY AND DIVERSITY CONSIDERATIONS

- 6.1 By definition, all savings proposals within adult services will affect people who access adult services, including some of the most vulnerable groups within the local population. This includes all those who are over eighteen and assessed as having eligible needs (older people, people with learning disabilities, sensory loss or a physical disability, people with mental health

needs, people who have alcohol dependency or substance misuse issues and carers).

- 6.2 An assessment has indicated that none of the current proposals require an Equality Impact Assessment as the proposals will have limited impact on people accessing services and no disproportionate impact on people who share protected characteristics.

7. LEGAL CONSIDERATIONS

- 7.1 There are no legal considerations identified.

8. CHILD AND FAMILY POVERTY CONSIDERATIONS

- 8.1 There are no child and family poverty considerations identified.

9. STAFF CONSIDERATIONS

- 9.1 Staffing implications associated with the savings proposals considered by individual Policy Committees will be managed at a corporate level by the Finance and Policy Committee. This approach will seek to maximise staffing reductions which can be achieved by managing vacancies and accepting requests for voluntary redundancies, where this can be achieved within the requirements of the service. Where compulsory redundancies cannot be avoided the corporate approach will seek to maximise redeployment opportunities.
- 9.2 There are no staffing implications associated with savings proposals for Adult Services in 2018/19.

10. ASSET MANAGEMENT CONSIDERATIONS

- 10.1 There are no asset management considerations identified.

11. CONSULTATION

- 11.1 The majority of the approved savings for 2018/19 and 2019/20 were subject to consultation as part of the 2017/18 budget process. Where these proposals have changed significantly they will be subject to separate consultation alongside any additional savings proposed for 2018/19 and 2019/20. This consultation will include Trade Unions and individual staff groups affected by the proposals.

12. CONCLUSION

- 12.1 The Council approved a multi-year financial strategy in February 2017, which included the phased use of reserves to help manage budget reduction over the period 2017/18 to 2019/20. The strategy also approved savings for implementation in 2018/19 and 2019/20 to begin to address the budget deficits for these years.
- 12.2 The proposals in this report details changes to the approved 2018/19 and 2019/20 savings to reflect changes in circumstances since February. In addition, further savings proposals are outlined to address departmental pressures and to make a contribution towards addressing the remaining 2018/19 and 2019/20 budget shortfalls.
- 12.3 At a corporate level the proposal identified for individual Policy Committees will enable a balanced budget to be set for 2018/19. The position for 2019/20 is less positive and a significant budget deficit remains. Proposals for addressing the remaining 2019/20 of £1.363m will be developed during 2017/18.
- 12.4 Achievement of further savings for 2019/20 will be challenging and will require further changes, whilst ensuring services are maintained as far as practical, or the implications of reducing capacity are reflected in service requirements.
- 12.5 There are a number of risks which may increase the 2019/20 deficit, including the funding arrangements for Children's Services and the actual level of pay awards. These issues will be kept under review and details of any changes will be reported to future meetings.
- 12.6 The multi-year strategy being adopted by the Council is designed to manage the impact of continuing cuts in Government funding on a phased basis to minimise, as far as is possible within the reduced resources available to the Council, the impact on services and jobs. The strategy also aims to ensure the Council is in the best possible financial position to manage the challenges and uncertainty facing councils in 2020/21 and future years.
- 12.7 The achievement of further savings in Adult Services is challenging due to known pressures, potential pressures that are not yet quantified and the demand led nature of the service area. The proposals set out in this report to achieve a previously approved saving of £150,000 and further savings towards the remaining budget deficit for 2018/19 are based on further efficiencies and service reviews, with an expectation that service delivery can be transformed in 2018/19 and 2019/20 to manage pressures.

13. RECOMMENDATIONS

- 13.1 It is recommended that Members of the Committee note the content of the report and formulate a response to be presented to Finance and Policy Committee on 20 November 2017.

14. REASON FOR RECOMMENDATIONS

- 14.1 The proposals included in this report have been identified as being sustainable and deliverable.

15. BACKGROUND PAPERS

- 15.1 The following background papers were used in the preparation of this report:-

Council

Medium Term Financial Strategy 2017/18 to 2019/20 - 25 February 2017

Finance and Policy Committee

Medium Term Financial Strategy 2018/19 to 2019/20 - 24 July 2017

16. CONTACT OFFICER

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Director of Adults and Community Based Services
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REGENERATION SERVICES COMMITTEE

15 September 2017



Report of: DIRECTOR OF REGENERATION &
NEIGHBOURHOODS

Subject: SAVINGS PROGRAMME 2018/19

1. TYPE OF DECISION/APPLICABLE CATEGORY

1.1 Part of the Budget and Policy Framework.

2. PURPOSE OF REPORT

2.1 The purpose of this report is to enable Members to consider proposals to achieve further savings in 2018/19.

3. BACKGROUND

3.1 A comprehensive report on the “Council Plan and Medium Term Financial Strategy – Capital and Revenue” was considered at the Finance and Policy Committee on 2nd December 2016. The report stated that despite the impact of continuing austerity and cuts in Government funding the Council needs to remain ambitious for the town.

3.2 The Council Plan 2017 to 2020 sets out the priorities we are committed to delivering and is based around six strategic priorities:

- Growing our economy, jobs and skills;
- Regenerating our town;
- Developing and promoting Hartlepool as a great place to live;
- Developing new services for people and communities;
- Building better beginnings and futures for our children and young people;
- Providing effective leadership based upon innovation and efficiency.

3.3 A report to Council on 23rd February 2017 approved the Medium Term Financial Strategy (MTFS) 2017/18 to 2019/20. The multi-year MTFS enabled a balanced budget be set for 2017/18. It also approved savings of £1.685m in 2018/19 and £0.785m in 2019/20 to begin to reduce the budget deficits in these years.

- 3.4 However, the savings proposals approved for 2018/19 and 2019/20 did not address the full deficits and savings of £2.320m still need to be identified. This deficit is after reflecting forecast increases in Council Tax income and the use of the Budget Support Fund, as summarised below:

Summary of measures to reduce 2018/19 and 2019/20 gross budget deficits

	2018/19	2019/20	Total 2018/19 and 2019/20
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Gross Deficit	7.314	3.758	11.072
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Less - Council Tax increase 1.9%	(0.692)	(0.740)	(1.432)
Less - Growth in Council Tax base (742 Band D equivalent properties over the period 2018/19 and 2019/20)	(0.574)	(0.478)	(1.052)
Sub Total – Deficit after Council Tax increases and forecast housing growth	4.955	2.540	7.495
Less – Use of Budget Support Fund	(2.448)	(0.257)	(2.705)
Less – Savings approved February 2017	(1.685)	(0.785)	(2.470)
Cuts still to be identified	0.822	1.498	2.320

- 3.5 An update of the MTFs was considered by Finance and Policy Committee on 24th July and this confirmed the financial forecasts detailed in the previous paragraph. The update report also highlighted the continuing financial risks facing local authorities over the next few years. This underlines the importance of ensuring the Council sets balanced budgets for 2018/19 and 2019/20. For 2019/20 this needs to be based on minimising the use of one off funding to avoid deferring a budget deficit to 2020/21.
- 3.6 The MTFs forecasts are currently based on the Government's 1% pay cap remaining in place for 2018/19 and 2019/20. If actual pay awards are greater than 1% and the Government does not provide additional funding, the budget deficit will increase. Each additional 1% equates to an increase in the budget deficit of approximately £400,000.
- 3.7 The financial position facing the public sector for 2020/21 and future years is extremely uncertain and will depend on the state of the economy, including the impact of Brexit, policies adopted at a national level in relation to the overall size of the public sector and the level of national debt.
- 3.8 For Local Authorities policies implemented by the national Government will have a significant impact and cover the following key issues:

- **100% Business Rates Retention** - the exclusion of a bill to move from 50% to 100% Business Rates Retention creates significant financial uncertainty regarding future funding arrangements for local authorities;
- **Business Rates indexation** - confirmation by the Treasury at the end of July 2017 that Business Rates indexation will switch from RPI (Retail Prices Index) to CPI (Consumer Prices Index) from 2020 will be welcomed by the businesses. However, from local government's perspective this change will result in lower annual increases in this income stream, which will not keep pace with increases in the cost of delivering existing services.
- **Reform of the Local Government funding system** - the Government has indicated that work is continuing on a 'Fair Funding' review and they will be consulting on proposals during 2017. However, without 100% Business Rates Retention it is unclear how any changes will be funded. The Department for Communities and Local Government has recently indicated that this may not be implemented until 2020/21. Based on our current understanding of the significant work which needs to be completed before the Government can consult on detailed proposals the suggestion that any changes will be delayed until 2020/21 seems realistic;
- **Adult Social Care funding** - the significant financial challenges in this area were recognised by the Government prior to the General Election and short term funding has been provided. The Government has indicated they will be consulting on a number of options regarding the long term funding arrangements in due course;
- **Children's Social Care funding** - many councils, including Hartlepool, are experiencing significant financial pressures in this area. The Local Government Association (LGA) has recently issued a reporting warning of the significant financial challenges facing children's social care services. The LGA report shows that three quarter of English councils exceeded their budget for children's services last year, totalling a £605m overspend. The LGA forecast a £2 billion funding gap by 2020. This issue has not yet been recognised by the Government providing increased funding;
- **National Council Tax policy** - following a policy of encouraging Council Tax freezes for five years there was a significant shift in Government policy when they introduced the Adult Social Care precept for the period 2016/17 to 2019/20. Government Council Tax policy for 2020/21 and future years will have a significant impact on the financial sustainability of councils.
- **Public Sector pay levels and funding arrangements** - public sector pay has been subject to a prolonged period of restraint and the Government had previously indicated that a 1% Public Sector pay cap would continue for 2018/19 and 2019/20. However, there have been increasing calls on the Government to remove the pay cap and to fund

higher pay increases. If, or when, the Government remove the pay cap there will be significant financial pressures if additional Government funding is not provided for public sector organisations, including councils.

- 3.9 A further update report will be considered by Finance and Policy Committee on 18th September 2017 and detailed corporate savings which can be achieved in 2018/19 and 2019/20 to reduce the savings still to be identified from £2.320m to £1.641m. As these measures are front loaded this provides a slightly longer lead time to implement additional savings and the revised deficits for these years are as follows:

	2018/19 £'000	2019/20 £'000	Total £'000
Savings still to be identified	822	1,498	2,320
Less Corporate savings/updated planning assumptions	(544)	(135)	(679)
Revised Savings still to be identified	278	1,363	1,641

- 3.10 Additional savings proposals to be considered by individual Policy Committees in September are designed to address the remaining 2018/19 deficit of £278,000. Proposals to address the remaining forecast 2019/20 deficit will be developed during 2017/18 and will be reported to future meetings.

4. SAVINGS PROPOSALS 2018/19 AND 2019/20 – INCLUDING FINANCIAL CONSIDERATIONS

- 4.1 The 2018/19 and 2019/20 savings proposals approved in February 2017 are summarised below:

Regeneration Services Committee	Approved Savings 2018/19 £'000	Approved Savings 2019/20 £'000	Total Approved Savings £'000
Cultural services	30		30
Total regeneration Services Committee:	30		30

- 4.2 In relation to the 2018/19 approved savings work is progressing to implement these proposals and Member are advised that the savings will be achieved as planned. With regard to the savings to be identified from Cultural Services and Heritage and Countryside this will be achieved by implementing the following savings:

- **Cultural Services - £30,000**

Deletion of one post

- 4.3 In addition to the savings proposals outlined above the following additional savings are recommended for implementation over the next two years. Part of these savings needs to be earmarked to fund departmental budget pressures. Departmental pressures relate to cost associated with domestic waste and recycling collection services and the Household Waste Recycling Centre on Burn Road. In addition the income risk reserves set aside for Building Control, Planning and Economic Development and Car Parking inflation have been fully used in 2016/2017 so there is no reserve funding currently to manage this risk going forward.
- 4.4 As summarised in the following table the net impact of these savings and pressures is a net saving towards the remaining budget deficits for 2018/19.

	Pressure /(saving) 2018/19 £'000
Additional savings	
Regeneration	
Economic Development	(50)
Housing	(80)
Planning	(20)
Neighbourhoods	
Highways Trading account	(20)
Traffic & Transport	(40)
Sustainable transport	(20)
Passenger Transport	(40)
Finance & Policy	
Community Safety	(50)
Sub Total – Recommended additional savings	(320)
Less Departmental pressures	100
Additional savings towards remaining budget deficit	(220)

- 4.5 In addition to the savings proposals outlined above the following additional savings are recommended for implementation over the next two years. Part of these savings needs to be earmarked to fund departmental budget pressures. Departmental pressures relate to cost associated with domestic waste and recycling collection services and the Household Waste Recycling Centre on Burn Road. In addition the income risk reserves set aside for Building Control, Planning and Economic Development and Car Parking inflation have been fully used in 2016/2017 so there is no reserve funding currently to manage this risk going forward.
- 4.6 In relation to the 2018/19 savings referred to in table 4.4 above they will be achieved by implementing the following :

- **Economic Regeneration - £50,000**

Deletion of one vacant post (bumped redundancy)

- **Housing - £80,000**

Proposed restructure will result in the deletion of two posts through accepting voluntary redundancy requests.

- **Planning - £20,000**

Proposed restructure will result in the deletion of one fixed term contract post.

5. RISK IMPLICATIONS

- 5.1 There are a number of risks implicit in the delivery of any package of savings and it is important to recognise these as part of any decision making. The primary risk relates to maintaining capacity to deliver the front line services and support to the Council/departments.
- 5.2 It is considered that the proposed 2017/18 savings can be delivered, although not without difficulty or some degree of risk. This can be managed in the coming year; however achieving these savings becomes more difficult each year.
- 5.3 The risks are real and should not be ignored, particularly taken in the context of previous savings which have been made. The assessments which have been undertaken, the summary of the conclusions from this are included in the sections above in the context they have been described are viewed as being manageable but only with there being a significant need to review workloads, priorities and for the potential scaling back of a number of current activities in line with the resources available.
- 5.4 It is considered that these savings can be delivered, although not without difficulty or some degree of risk but that this can be managed in this year, however achieving these savings becomes more difficult each year, which is the case in other departments. The following points highlight the key risks;
- Reduced staff morale. Where restructuring or reducing budgets has a continuing impact as the level of staff left to deliver services, it is essential to engage fully with those staff in order services are delivered in an effective and efficient way.
 - Reduced operational budgets can lead to a reduced ability to deliver key targets, outputs and outcomes.
 - Response times to enquiries and subsequent actions.
 - Income targets not been met.
 - Insufficient reserve to fund posts.
 - Reputational damage for the Council. With the continued reduction in budgets and the ability to deliver frontline services through reduced staffing capacity, there is a real danger the Council's reputation will suffer. There may be an increase in the number of complaints or a reduction in the level of customer satisfaction.

- The Regeneration of the town and the key priorities referred to in the report are dependent upon capital funds, without external grants or loans we will not be able to deliver our ambitions and regenerate our town. The TVCA will be the vehicle for direct investment in the Tees Valley and it is essential the Council plays a full and active role within it.

6 EQUALITY AND DIVERSITY CONSIDERATIONS

- 6.1 For each of the proposed savings areas where there is likely to be a direct impact on customers/service users and/or staff, consideration is given to the impact across each of the protected characteristic groups. This is recorded through an Equality Impact Assessment (see **Appendix 1**).
- 6.2 More than 90% of the above savings will be made by reducing staffing levels (mainly from vacant posts and ER/VR applications and changes to funding arrangements) with some changes to day to day running costs and significant savings being made from different funding arrangements for the Tees Valley Combined Authority.
- 6.3 This impact assessment will be reviewed by the Corporate Equality Group alongside those for the other Department savings proposals. An overall Equality Impact Assessment will be undertaken to identify if there is any Council-wide cumulative impact on protected groups from the savings proposals for the current proposed savings framework.

7 LEGAL CONSIDERATIONS

- 7.1 There are no specific legal considerations relating to this report

8 CHILD AND FAMILY POVERTY

- 8.1 There are no specific child and family poverty considerations relating to this report.

9 STAFF CONSIDERATIONS

- 9.1 There will be staffing implications associated with the savings proposals considered by individual Policy Committee and these will be managed at a corporate level by the Finance and Policy Committee. This approach will seek to maximise staffing reductions which can be achieved by managing vacancies and accepting requests for voluntary redundancies, where this can be achieved within the requirements of the service. Where compulsory redundancies cannot be avoided the corporate approach will seek to maximise redeployment opportunities.

10 ASSET MANAGEMENT CONSIDERATIONS

- 10.1 There are no specific asset management considerations relating to this report.

11 CONSULTATION

- 11.1 The majority of the approved savings for 2018/19 and 2019/20 were subject to consultation as part of the 2017/18 budget process. Where these proposals have changed significantly they will be subject to separate consultation alongside any additional savings proposed for 2018/19 and 2019/20. This consultation will include Trade Unions and individual staff groups affected by the proposals.

12 CONCLUSION

- 12.1 The Council approved a multi-year financial strategy in February 2017, which included the phased use of reserves to help manage budget reduction over the period 2017/18 to 2019/20. The strategy also approved savings for implementation in 2018/19 and 2019/20 to begin to address the budget deficits for these years.
- 12.2 The proposals in this report details changes to the approved 2018/19 and 2019/20 savings to reflect changes in circumstances since February. In addition, further savings proposals are outlined to address departmental pressures and to make a contribution towards addressing the remaining 2018/19 and 2019/20 budget shortfalls.
- 12.3 At a corporate level the proposal identified for individual Policy Committees will enable a balanced budget to be set for 2018/19. The position for 2019/20 is less positive and a significant budget deficit remains. Proposals for addressing the remaining 2019/20 of £1.363m will be developed during 2017/18.
- 12.4 Achievement of further savings for 2019/20 will be challenging and will require further changes, whilst ensuring services are maintained as far as practical, or the implications of reducing capacity are reflected in service requirements.
- 12.5 There are a number of risks which may increase the 2019/20 deficit, including the funding arrangements for Children's Services and the actual level of pay awards. These issues will be kept under review and details of any changes will be reported to future meetings.
- 12.6 The multi-year strategy being adopted by the Council is designed to manage the impact of continuing cuts in Government funding on a phased basis to minimise, as far as is possible within the reduced resources available to the Council, the impact on services and jobs. The strategy also aims to ensure

the Council is in the best possible financial position to manage the challenges and uncertainty facing councils in 2020/21 and future years.

- 12.7 Recognising the austere climate and the savings the Council has to achieve in line with Government policy, the department has aligned and prioritised resources to focus on achieving the Council's ambition for Economic Growth and development.
- 12.8 It is important to note that in addition to the savings required to support the Council's overall savings programme it has been necessary to identify savings to fund budget pressures within the department. Pressures include the income pressures of £100k in relating to the cost associated with domestic waste and recycling collection services and the Household Waste Recycling Centre on Burn Road. In addition the income risk reserves set aside for Building Control, Planning and Economic Development and Car Parking inflation have been fully used in 2016/2017 so there is no reserve funding currently to manage this risk going forward. Inflation adds pressure each year and this should be removed as part of the budget build – which requires savings to be identified in other areas. There is a possibility of a 20% fee increase in Planning which will reduce the risk on planning income but we await full and final guidance. A reserve may be another way to manage this risk if budgets cannot be reduced permanently and would have to be considered as part of this year's reserves review.

13 **RECOMMENDATIONS**

- 13.1 It is recommended that Members of the Committee note the content of the report and formulate a response to be presented to Finance and Policy Committee on 20th November 2017.

14 **REASON FOR RECOMMENDATIONS**

- 14.1 The proposals included in this report have been identified as being sustainable and deliverable.

15 **BACKGROUND PAPERS**

- 15.1 The following background papers were used in the preparation of this report:-
- i. Council - Medium Term Financial Strategy (MTFS) 2017/18 to 2019/20 - 25th February 2017
 - ii. Finance and Policy Committee - Medium Term Financial Strategy (MTFS) 2018/19 to 2019/20 - 24th July 2017

16 CONTACT OFFICERS

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APPENDIX 1

EQUALITY AND DIVERSITY IMPACT ASSESSMENT

Department	Division	Section	Owner/Officer	
Regeneration and Neighbourhoods	Regeneration	All	Denise Ogden	
Function/Service	<ul style="list-style-type: none"> • Planning and Housing Services • Building Control • Economic Regeneration • Estates & Regeneration • Adult Education-Learning and Skills • Culture and Information 			
Information Available	<p>A significant range of information is available at both macro and micro levels. Socio economic data is provide by the Office of National Statistics, which can be broken down to local areas. In addition data is collected via employability and training programmes. Housing data is collected at both a national and local level. Cultural Services derive data directly from service users including residents using, libraries and community centres'. The development of the new Local Plan sets out a framework for growth thereby positively impacting on socio economic wellbeing.</p>			
Relevance <i>Identify which strands are relevant or may be affected by what you are reviewing or changing</i>	Age		X	
	Disability		X	
	Gender Re-assignment		X	
	Race		X	
	Religion			
	Gender		X	
	Sexual Orientation		X	
	Marriage & Civil Partnership		X	
	Pregnancy & Maternity		X	
	Information Gaps	<p>The proposals do not specifically impact on 3rd parties. There are no specific gaps in information relating to the proposals.</p>		
	What is the Impact	<p>The impact on Council employees has been minimised and the savings are largely based on ER/VR requests and deletion of vacant and fixed term posts. Impacts on service users has been minimised although in some instances response times maybe affected..</p>		
Addressing the impact	<p>The outcome of the impact assessment may be one or more of the following four outcomes; You must clearly set out your justification for the outcome/s.</p> <p>1. No Impact- No Major Change –</p>			
	<p>2. Adjust/Change Policy - Whilst at this stage the proposals for savings are not likely to have a significant adverse impact as noted in the main report a review should be carried out 6 months</p>			

APPENDIX 1

	after any changes are implemented in the areas that may see slower response times and possible reductions in the hours that services are available to the public. In addition progress on income targets should be reviewed at 6 month intervals.
	3. Adverse Impact but Continue -
	4. Stop/Remove Policy/Proposal –

Actions

It will be useful to record and monitor any actions resulting from your assessment to ensure that they have had the intended effect and that the outcomes have been achieved.

Action identified	Responsible Officer	By When	How will this be evaluated?

Date sent to Equality Rep for publishing	00/00/00
Date Published	00/00/00
Date Assessment Carried out	09/08/2016

**EXTRACT FROM MEDIUM TERM FINANCIAL STRATEGY REPORT
CONSIDERED BY FINANCE AND POLICY COMMITTEE 18TH SEPTEMBER 2017**

5.0 FINANCE AND POLICY COMMITTEE - SAVINGS PROPOSALS 2018/19 AND 2019/20 – INCLUDING FINANCIAL CONSIDERATIONS

5.1 The Committee's remit covers three departments and details of the savings proposals for these areas are provided in the following paragraphs.

5.2 Chief Executive's Department

5.3 The 2018/19 and 2019/20 savings proposals approved in February 2017 are summarised below:

Finance & Policy Committee - Chief Executive's Department	Approved Savings 2018/19 £'000	Approved Savings 2019/20 £'000	Total Approved Savings £'000
Further review of management and operational structures	300	235	535
Total for Finance and Policy Committee - Chief Executive's	300	235	535

5.4 In relation to the 2018/19 approved savings work is progressing to implement these proposals and Member are advised that the savings will be achieved by implementing the following proposals:

- **Removal of vacant posts/changes in operational arrangements - £171,000**
The savings will be achieved by restructuring across the department (£141,000) and the removal of overtime budgets (£30,000).
- **Running costs - £59,000**
Cash freeze of non pay budgets and review of non pay budgets to reflect historic spend.
- **Income budgets - £70,000**
Re-alignment of income budgets to reflect historic trends.

5.5 Further work will be required to implement the 2019/20 approved savings and details will be reported to Members next year of how these savings will be achieved.

5.6 Regeneration and Neighbourhoods

5.7 The 2018/19 and 2019/20 savings proposals approved in February 2017 are summarised below:

Finance & Policy Committee – Regeneration & Neighbourhoods	Approved Savings 2018/19 £'000	Approved Savings 2019/20 £'000	Total Approved Savings £'000
Service Review - £50,000 , The authority previous contributed £311k to the Tees Valley LEP. When the Combined Authority was established this reduced to £50k, although the MTFS had forecast a reduction to nil. The shortfall in finding this saving has been identified in Community safety budget through the collaboration between the authority and police service review. This includes reviewing current working practices, a number of options are being worked upon which will be reported to Members as part of the follow up to the introduction of the new integrated Community safety / policing model.	50	0	0
Total R&Ns Services Committee:	50	0	50

5.8 Public Health – General Fund

The 2018/19 and 2019/20 savings proposals approved in February 2017 are summarised below:

Finance & Policy Committee – Public Health Department	Approved Savings 2018/19 £'000	Approved Savings 2019/20 £'000	Total Approved Savings £'000
Community Hubs	83	(76)	7
Total for Finance and Policy Committee – Public Health	83	(76)	7

5.9 As reported to Finance and Policy Committee on 2nd December 2016 a three year savings strategy for Community Hubs was approved covering the financial years 2017/18 to 2019/20. This achieves a gross saving of £200,000 over this period. After reflecting the costs associated with Owton Manor Community Centre and West View Community Hub there is a net saving of £30,000 (£23,000 in 2017/18 and £7,000 in 2018/19 and 2019/20). The Community Hubs are now operational and work is progressing to achieve the budget savings.

5.10 Housing Benefit Administration Grant 2018/19

- 5.11 The savings detailed in the previous paragraph exclude the additional savings which will be required to address a further forecast cut in the Housing Benefit Administration grant in 2018/19. This will be the eighth year this grant has been cut. The 2017/18 grant is 39% less than the grant received in 2010/11. In line with the approach adopted for the General Fund budget vacant posts and requests for voluntary redundancy will be considered to address the funding reduction, alongside further measures to redesign services. However, it is becoming increasingly difficult to maintain service standards in this area, against a background of continuing cuts in the Housing Benefit Administration grant.
- 5.12 There will be more significant changes in this service area and the level of Government funding in 2019/20 owing to the impact of the roll-out of Universal Credit by the Government. This change will remove responsibility for administering Housing Benefit for working age households, although responsibility will remain with the Council for Housing Benefit for 3,100 pensioners. In addition, the Council will remain responsible for administering Local Council Tax Support for approximately 8,100 working age and 5,500 pensioner households. To address the impact of these changes and ensure the Council continues to support vulnerable households the Council will need review the arrangements for managing residual Housing Benefit responsibilities for pensioners and LCTS for both working age and pensioner households, with a reduced level of funding for administrative responsibilities. This review will also need to include other support services provided to these groups, such as User Property and Finance, to ensure the Council maximises support to vulnerable groups. Further information will be reported when it is provided by the Government.

SECTION B

Detailed Revenue Budgets by Department

ADULT & COMMUNITY BASED SERVICES
DETAILED REVENUE BUDGETS 2018/2019

2018/2019 BUDGET - ADULT AND COMMUNITY BASED SERVICES SUMMARY

Approved Budget 2017/2018	Service Unit	Budget Projection 2018/2019	Corporate Budget Reductions	Dept Budget Pressures	Dept Budget Reductions to Fund Pressures	One Off Costs	One Off Costs Funded From Depts Reserves	Total Budget 2018/2019 (2+3+4+5+6+7)
(1) £'000		(2) £'000	(3) £'000	(4) £'000	(5) £'000	(6) £'000	(7) £'000	(8) £'000
	Adult and Community Based Services							
0	Carers Support	0	0	0	0	0	0	0
2,520	Commissioning - Adults	2,768	(150)	0	0	0	0	2,618
1,471	Commissioning - Mental Health	1,694	0	0	0	0	0	1,694
9,880	Commissioning - Older People	10,912	0	0	0	0	0	10,912
8,049	Commissioning - Working Age Adults	8,408	0	0	0	0	0	8,408
(3)	Community Centres	(1)	0	0	0	0	0	(1)
0	Community Hubs	0	0	0	0	110	(110)	0
225	Complaints, Investigations & Public Information	240	0	0	0	31	(31)	240
179	Departmental Running Costs	187	0	0	0	75	(75)	187
674	Direct Care & Support Team	730	0	0	0	0	0	730
446	Learning Disability & Transition Social Work Teams	457	0	0	0	0	0	457
917	Libraries	950	(83)	0	0	0	0	867
3,040	Locality & Safeguarding Social Work Teams	3,143	0	0	0	0	0	3,143
(9)	Locality & Safeguarding R&N	(11)	0	0	0	0	0	(11)
739	Mental Health Services	756	0	0	0	0	0	756
439	Occupational Therapy Services & Disability Equipment	450	0	0	0	0	0	450
0	Public Health - Obesity	0	0	0	0	0	0	0
0	Public Health - Substance Misuse Operational	0	0	0	0	100	(100)	0
562	Sports, Leisure & Rec Facilities	590	(50)	140	(140)	77	(77)	540
266	Workforce Planning & Development	272	0	0	0	0	0	272
1,184	Working Age Adults Day Services	1,219	(25)	0	0	0	0	1,194
(150)	Departmental Salary Abatement Target	(150)	(50)	0	0	0	0	(200)
(125)	Contribution from Adult's Reserves towards Pressures (Funded from 'one-off' iBCF grant in 2018/19)	0	0	0	0	0	0	0
30,304	Net Budget Requirement	32,614	(358)	140	(140)	393	(393)	32,256

2018/2019 BUDGET - SERVICE UNIT: CARERS SUPPORT

Approved Budget 2017/2018	Service Unit	Budget Projection 2018/2019	Corporate Budget Reductions	Dept Budget Pressures	Dept Budget Reductions to Fund Pressures	One Off Costs	Total Budget 2018/2019 (2+3+4+5 +6)
(1) £'000		(2) £'000	(3) £'000	(4) £'000	(5) £'000	(6) £'000	(7) £'000
	Carers Support						
0	Direct costs - Employees	0	0	0	0	0	0
198	- Other	212	0	0	0	0	212
198	Total Direct Cost	212	0	0	0	0	212
0	Support Recharges	0	0	0	0	0	0
(198)	Income	(212)	0	0	0	0	(212)
0	Gross Budget Requirement	0	0	0	0	0	0
	Use Of Departmental Reserves						0
0	Net Budget Requirement	0	0	0	0	0	0

2018/2019 BUDGET - SERVICE UNIT: COMMISSIONING - ADULTS

Approved Budget 2017/2018	Service Unit	Budget Projection 2018/2019	Corporate Budget Reductions	Dept Budget Pressures	Dept Budget Reductions to Fund Pressures	One Off Costs	Total Budget 2018/2019 (2+3+4+5 +6)
(1) £'000		(2) £'000	(3) £'000	(4) £'000	(5) £'000	(6) £'000	(7) £'000
	Commissioning - Adults						
735	Direct costs - Employees	924	0	0	0	0	924
5,229	- Other	3,535	(150)	0	0	0	3,385
5,964	Total Direct Cost	4,459	(150)	0	0	0	4,309
196	Support Recharges	201	0	0	0	0	201
(3,640)	Income	(1,892)	0	0	0	0	(1,892)
2,520	Gross Budget Requirement	2,768	(150)	0	0	0	2,618
	Use Of Departmental Reserves						0
2,520	Net Budget Requirement	2,768	(150)	0	0	0	2,618

Corporate Budget Reductions

These relate to the full-year effect of the 2017/18 review of housing related support budgets.

2018/2019 BUDGET - SERVICE UNIT: COMMISSIONING - MENTAL HEALTH

Approved Budget 2017/2018	Service Unit	Budget Projection 2018/2019	Corporate Budget Reductions	Dept Budget Pressures	Dept Budget Reductions to Fund Pressures	One Off Costs	Total Budget 2018/2019 (2+3+4+5 +6)
(1) £'000		(2) £'000	(3) £'000	(4) £'000	(5) £'000	(6) £'000	(7) £'000
	Commissioning - Mental Health						
0	Direct costs - Employees	0	0	0	0	0	0
2,727	- Other	3,114	0	0	0	0	3,114
2,727	Total Direct Cost	3,114	0	0	0	0	3,114
0	Support Recharges	0	0	0	0	0	0
(1,256)	Income	(1,420)	0	0	0	0	(1,420)
1,471	Gross Budget Requirement	1,694	0	0	0	0	1,694
	Use Of Departmental Reserves						0
1,471	Net Budget Requirement	1,694	0	0	0	0	1,694

2018/2019 BUDGET - SERVICE UNIT: COMMISSIONING - OLDER PEOPLE

Approved Budget 2017/2018 (1) £'000	Service Unit	Budget Projection 2018/2019 (2) £'000	Corporate Budget Reductions (3) £'000	Dept Budget Pressures (4) £'000	Dept Budget Reductions to Fund Pressures (5) £'000	One Off Costs (6) £'000	Total Budget 2018/2019 (2+3+4+5+6) (7) £'000
	Commissioning - Older People						
0	Direct costs - Employees	0	0	0	0	0	0
23,151	- Other	24,204	0	0	0	0	24,204
23,151	Total Direct Cost	24,204	0	0	0	0	24,204
0	Support Recharges	0	0	0	0	0	0
(13,270)	Income	(13,292)	0	0	0	0	(13,292)
9,881	Gross Budget Requirement	10,912	0	0	0	0	10,912
	Use Of Departmental Reserves						0
9,881	Net Budget Requirement	10,912	0	0	0	0	10,912

2018/2019 BUDGET - SERVICE UNIT: COMMISSIONING - WORKING AGE ADULTS

Approved Budget 2017/2018 (1) £'000	Service Unit	Budget Projection 2018/2019 (2) £'000	Corporate Budget Reductions (3) £'000	Dept Budget Pressures (4) £'000	Dept Budget Reductions to Fund Pressures (5) £'000	One Off Costs (6) £'000	Total Budget 2018/2019 (2+3+4+5+6) (7) £'000
	Commissioning - Working Age Adults						
0	Direct costs - Employees	0	0	0	0	0	0
12,592	- Other	13,072	0	0	0	0	13,072
12,592	Total Direct Cost	13,072	0	0	0	0	13,072
0	Support Recharges	0	0	0	0	0	0
(4,543)	Income	(4,664)	0	0	0	0	(4,664)
8,049	Gross Budget Requirement	8,408	0	0	0	0	8,408
	Use Of Departmental Reserves						0
8,049	Net Budget Requirement	8,408	0	0	0	0	8,408

2018/2019 BUDGET - SERVICE UNIT: COMMUNITY CENTRES

Approved Budget 2017/2018 (1) £'000	Service Unit	Budget Projection 2018/2019 (2) £'000	Corporate Budget Reductions (3) £'000	Dept Budget Pressures (4) £'000	Dept Budget Reductions to Fund Pressures (5) £'000	One Off Costs (6) £'000	Total Budget 2018/2019 (2+3+4+5+6) (7) £'000
	Community Centres						
62	Direct costs - Employees	65	0	0	0	0	65
4	- Other	4	0	0	0	0	4
66	Total Direct Cost	69	0	0	0	0	69
0	Support Recharges	0	0	0	0	0	0
(69)	Income	(70)	0	0	0	0	(70)
(3)	Gross Budget Requirement	(1)	0	0	0	0	(1)
	Use Of Departmental Reserves						0
(3)	Net Budget Requirement	(1)	0	0	0	0	(1)

2018/2019 BUDGET - SERVICE UNIT: COMMUNITY HUBS

Approved Budget 2017/2018 (1) £'000	Service Unit	Budget Projection 2018/2019 (2) £'000	Corporate Budget Reductions (3) £'000	Dept Budget Pressures (4) £'000	Dept Budget Reductions to Fund Pressures (5) £'000	One Off Costs (6) £'000	Total Budget 2018/2019 (2+3+4+5 +6) (7) £'000
	Community Hubs						
0	Direct costs - Employees	0	0	0	0	0	0
0	- Other	0	0	0	0	110	110
0	Total Direct Cost	0	0	0	0	110	110
0	Support Recharges	0	0	0	0	0	0
0	Income	0	0	0	0	0	0
0	Gross Budget Requirement	0	0	0	0	110	110
0	Use Of Departmental Reserves					(110)	(110)
0	Net Budget Requirement	0	0	0	0	0	0

One off costs Funded from Department Reserves

One-off funding supports the costs associated with the West View Community Hub.

2018/2019 BUDGET - SERVICE UNIT: COMPLAINTS, INVESTIGATIONS & PUBLIC INFORMATION

Approved Budget 2017/2018 (1) £'000	Service Unit	Budget Projection 2018/2019 (2) £'000	Corporate Budget Reductions (3) £'000	Dept Budget Pressures (4) £'000	Dept Budget Reductions to Fund Pressures (5) £'000	One Off Costs (6) £'000	Total Budget 2018/2019 (2+3+4+5 +6) (7) £'000
	Complaints, Investigations & Public Information						
193	Direct costs - Employees	209	0	0	0	31	240
166	- Other	167	0	0	0	0	167
359	Total Direct Cost	376	0	0	0	31	407
0	Support Recharges	0	0	0	0	0	0
(134)	Income	(136)	0	0	0	0	(136)
225	Gross Budget Requirement	240	0	0	0	31	271
	Use Of Departmental Reserves					(31)	(31)
225	Net Budget Requirement	240	0	0	0	0	240

One off costs Funded from Department Reserves

This relates to a temporary post funded from Adult Reserves (former Care Act grant).

2018/2019 BUDGET - SERVICE UNIT: DEPARTMENTAL RUNNING COSTS

Approved Budget 2017/2018 (1) £'000	Service Unit	Budget Projection 2018/2019 (2) £'000	Corporate Budget Reductions (3) £'000	Dept Budget Pressures (4) £'000	Dept Budget Reductions to Fund Pressures (5) £'000	One Off Costs (6) £'000	Total Budget 2018/2019 (2+3+4+5 +6) (7) £'000
	Departmental Running Costs						
85	Direct costs - Employees	115	0	0	0	75	190
94	- Other	72	0	0	0	0	72
179	Total Direct Cost	187	0	0	0	75	262
0	Support Recharges	0	0	0	0	0	0
0	Income	0	0	0	0	0	0
179	Gross Budget Requirement	187	0	0	0	75	262
	Use Of Departmental Reserves					(75)	(75)
179	Net Budget Requirement	187	0	0	0	0	187

One off costs Funded from Department Reserves

This relates to the funding of departmental modern apprenticeships.

2018/2019 BUDGET - SERVICE UNIT: DIRECT CARE & SUPPORT TEAM

Approved Budget 2017/2018 (1) £'000	Service Unit	Budget Projection 2018/2019 (2) £'000	Corporate Budget Reductions (3) £'000	Dept Budget Pressures (4) £'000	Dept Budget Reductions to Fund Pressures (5) £'000	One Off Costs (6) £'000	Total Budget 2018/2019 (2+3+4+5+6) (7) £'000
	Direct Care & Support Team						
1,400	Direct costs - Employees	1,460	0	0	0	0	1,460
156	- Other	162	0	0	0	0	162
1,556	Total Direct Cost	1,622	0	0	0	0	1,622
0	Support Recharges	0	0	0	0	0	0
(882)	Income	(892)	0	0	0	0	(892)
674	Gross Budget Requirement	730	0	0	0	0	730
	Use Of Departmental Reserves						0
674	Net Budget Requirement	730	0	0	0	0	730

2018/2019 BUDGET - SERVICE UNIT: LEARNING DISABILITY & TRANSITIONS SOCIAL WORK TEAMS

Approved Budget 2017/2018 (1) £'000	Service Unit	Budget Projection 2018/2019 (2) £'000	Corporate Budget Reductions (3) £'000	Dept Budget Pressures (4) £'000	Dept Budget Reductions to Fund Pressures (5) £'000	One Off Costs (6) £'000	Total Budget 2018/2019 (2+3+4+5+6) (7) £'000
	Learning Disability & Transitions Social Work Teams						
487	Direct costs - Employees	498	0	0	0	0	498
7	- Other	8	0	0	0	0	8
494	Total Direct Cost	506	0	0	0	0	506
0	Support Recharges	0	0	0	0	0	0
(48)	Income	(49)	0	0	0	0	(49)
446	Gross Budget Requirement	457	0	0	0	0	457
	Use Of Departmental Reserves						0
446	Net Budget Requirement	457	0	0	0	0	457

2018/2019 BUDGET - SERVICE UNIT: LIBRARIES

Approved Budget 2017/2018 (1) £'000	Service Unit	Budget Projection 2018/2019 (2) £'000	Corporate Budget Reductions (3) £'000	Dept Budget Pressures (4) £'000	Dept Budget Reductions to Fund Pressures (5) £'000	One Off Costs (6) £'000	Total Budget 2018/2019 (2+3+4+5+6) (7) £'000
	Libraries						
755	Direct costs - Employees	782	(1)	0	0	0	781
223	- Other	229	(75)	0	0	0	154
978	Total Direct Cost	1,011	(76)	0	0	0	935
26	Support Recharges	27	(4)	0	0	0	23
(87)	Income	(88)	(3)	0	0	0	(91)
917	Gross Budget Requirement	950	(83)	0	0	0	867
	Use Of Departmental Reserves						0
917	Net Budget Requirement	950	(83)	0	0	0	867

Corporate Budget Reductions

Savings reflect the implementation of the Community Hub and Library Service review.

2018/2019 BUDGET - SERVICE UNIT: LOCALITY & SAFEGUARDING SOCIAL WORK TEAMS

Approved Budget 2017/2018	Service Unit	Budget Projection 2018/2019	Corporate Budget Reductions	Dept Budget Pressures	Dept Budget Reductions to Fund Pressures	One Off Costs	Total Budget 2018/2019 (2+3+4+5 +6)
(1) £'000		(2) £'000	(3) £'000	(4) £'000	(5) £'000	(6) £'000	(7) £'000
	Locality & Safeguarding Social Work Teams						
4,247	Direct costs - Employees	4,255	0	0	0	0	4,255
181	- Other	300	0	0	0	0	300
4,428	Total Direct Cost	4,555	0	0	0	0	4,555
0	Support Recharges	0	0	0	0	0	0
(1,388)	Income	(1,412)	0	0	0	0	(1,412)
3,040	Gross Budget Requirement	3,143	0	0	0	0	3,143
	Use Of Departmental Reserves						0
3,040	Net Budget Requirement	3,143	0	0	0	0	3,143

2018/2019 BUDGET - SERVICE UNIT: LOCALITY & SAFEGUARDING - R&N

Approved Budget 2017/2018	Service Unit	Budget Projection 2018/2019	Corporate Budget Reductions	Dept Budget Pressures	Dept Budget Reductions to Fund Pressures	One Off Costs	Total Budget 2018/2019 (2+3+4+5 +6)
(1) £'000		(2) £'000	(3) £'000	(4) £'000	(5) £'000	(6) £'000	(7) £'000
	Strategic Management						
149	Direct costs - Employees	151	0	0	0	0	151
74	- Other	76	0	0	0	0	76
223	Total Direct Cost	227	0	0	0	0	227
49	Support Recharges	50	0	0	0	0	50
(281)	Income	(288)	0	0	0	0	(288)
(9)	Gross Budget Requirement	(11)	0	0	0	0	(11)
	Use Of Departmental Reserves						0
(9)	Net Budget Requirement	(11)	0	0	0	0	(11)

2018/2019 BUDGET - SERVICE UNIT: MENTAL HEALTH SERVICES

Approved Budget 2017/2018	Service Unit	Budget Projection 2018/2019	Corporate Budget Reductions	Dept Budget Pressures	Dept Budget Reductions to Fund Pressures	One Off Costs	Total Budget 2018/2019 (2+3+4+5 +6)
(1) £'000		(2) £'000	(3) £'000	(4) £'000	(5) £'000	(6) £'000	(7) £'000
	Mental Health Services						
661	Direct costs - Employees	676	0	0	0	0	676
99	- Other	101	0	0	0	0	101
760	Total Direct Cost	777	0	0	0	0	777
0	Support Recharges	0	0	0	0	0	0
(21)	Income	(21)	0	0	0	0	(21)
739	Gross Budget Requirement	756	0	0	0	0	756
	Use Of Departmental Reserves						0
739	Net Budget Requirement	756	0	0	0	0	756

2018/2019 BUDGET - SERVICE UNIT: OCCUPATIONAL THERAPY EQUIPMENT

Approved Budget 2017/2018 (1) £'000	Service Unit	Budget Projection 2018/2019 (2) £'000	Corporate Budget Reductions (3) £'000	Dept Budget Pressures (4) £'000	Dept Budget Reductions to Fund Pressures (5) £'000	One Off Costs (6) £'000	Total Budget 2018/2019 (2+3+4+5 +6) (7) £'000
	Occupational Therapy Equipment						
0	Direct costs - Employees	0	0	0	0	0	0
497	- Other	507	0	0	0	0	507
497	Total Direct Cost	507	0	0	0	0	507
61	Support Recharges	63	0	0	0	0	63
(119)	Income	(120)	0	0	0	0	(120)
439	Gross Budget Requirement	450	0	0	0	0	450
	Use Of Departmental Reserves						0
439	Net Budget Requirement	450	0	0	0	0	450

Corporate Budget Reductions

These relate to inflationary savings on all non-pay budgets.

2018/2019 BUDGET - SERVICE UNIT:PUBLIC HEALTH - OBESITY

Approved Budget 2017/2018 (1) £'000	Service Unit	Budget Projection 2018/2019 (2) £'000	Corporate Budget Reductions (3) £'000	Dept Budget Pressures (4) £'000	Dept Budget Reductions to Fund Pressures (5) £'000	One Off Costs (6) £'000	Total Budget 2018/2019 (2+3+4+5 +6) (7) £'000
	Obesity						
83	Direct costs - Employees	83	0	1	0	0	84
16	- Other	16	0	0	(6)	0	10
99	Total Direct Cost	99	0	1	(6)	0	94
0	Support Recharges	0	0	0	0	0	0
(99)	Grant Income Recharge	(99)	0	(1)	6	0	(94)
0	Gross Budget Requirement	0	0	0	0	0	0
0	Use Of Departmental Reserves						0
0	Net Budget Requirement	0	0	0	0	0	0

Departmental Budget Pressures

Pressures relate to the cost of the pay award in 2018/19.

Departmental Budget Reductions to Fund Pressures

Savings relate to budget reductions across various supplies and services budgets.

2018/2019 BUDGET - SERVICE UNIT:PUBLIC HEALTH - SUBSTANCE MISUSE OPERATIONAL

Approved Budget 2017/2018 (1) £'000	Service Unit	Budget Projection 2018/2019 (2) £'000	Corporate Budget Reductions (3) £'000	Dept Budget Pressures (4) £'000	Dept Budget Reductions to Fund Pressures (5) £'000	One Off Costs (6) £'000	Total Budget 2018/2019 (2+3+4+5 +6) (7) £'000
	Substance Misuse Operational						
752	Direct costs - Employees	752	0	16	(67)	0	701
238	- Other	238	0	11	(113)	100	236
990	Total Direct Cost	990	0	27	(180)	100	937
0	Support Recharges	0	0	0	0	0	0
(990)	Grant Income Recharge	(990)	0	(27)	180	0	(837)
0	Gross Budget Requirement	0	0	0	0	100	100
0	Use Of Departmental Reserves					(100)	(100)
0	Net Budget Requirement	0	0	0	0	0	0

Departmental Budget Pressures

Pressures relate to inflation including the cost of the pay award in 2018/19.

Departmental Budget Reductions to Fund Pressures

Savings relate to the efficiencies achieved as part of the proposals to transform and integrate drug and alcohol support services. These budget reductions were required to meet the 2.5% cut to the ringenced Public Health Grant of £231,000 in 2018/19.

One off costs Funded from Department Reserves

Funding supports the budget for tier 4 treatment services.

2018/2019 BUDGET - SERVICE UNIT: SPORTS LEISURE & REC FACILITIES

Approved Budget 2017/2018 (1) £'000	Service Unit	Budget Projection 2018/2019 (2) £'000	Corporate Budget Reductions (3) £'000	Dept Budget Pressures (4) £'000	Dept Budget Reductions to Fund Pressures (5) £'000	One Off Costs (6) £'000	Total Budget 2018/2019 (2+3+4+5+6) (7) £'000
	Sports & Leisure						
1,867	Direct costs - Employees	1,893	0	0	0	77	1,970
471	- Other	481	0	0	0	11	492
2,338	Total Direct Cost	2,374	0	0	0	88	2,462
8	Support Recharges	8	0	0	0	0	8
(1,654)	Income	(1,662)	(50)	10	(140)	(11)	(1,853)
692	Gross Budget Requirement	720	(50)	10	(140)	77	617
(130)	Use Of Departmental Reserves	(130)		130		(77)	(77)
562	Net Budget Requirement	590	(50)	140	(140)	0	540

Corporate Budget Reductions

Savings relate to support from the Public Health ringfenced grant to support initiatives that deliver the public health outcomes.

Departmental Budget Pressures and Departmental Budget Reductions to Fund Pressures

Additional Public Health Funding has been provided to support eligible expenditure in Sport and Recreation in 2018/19. This will ensure access to services for all residents particularly those in poor health.

One off costs Funded from Department Reserves

Public Health Funding has been provided on a recurring basis to support eligible expenditure in Sport and Recreation in 2018/19. This has replaced reserves and will ensure access to services for all residents particularly those in poor health.

In addition to this, reserves are earmarked to fund specific projects in 2018/19 which are designed to achieve public health outcomes.

2018/2019 BUDGET - SERVICE UNIT: WORKFORCE PLANNING & DEVELOPMENT

Approved Budget 2017/2018 (1) £'000	Service Unit	Budget Projection 2018/2019 (2) £'000	Corporate Budget Reductions (3) £'000	Dept Budget Pressures (4) £'000	Dept Budget Reductions to Fund Pressures (5) £'000	One Off Costs (6) £'000	Total Budget 2018/2019 (2+3+4+5+6) (7) £'000
	Workforce Planning & Development						
191	Direct costs - Employees	195	0	0	0	0	195
135	- Other	137	0	0	0	0	137
326	Total Direct Cost	332	0	0	0	0	332
0	Support Recharges	0	0	0	0	0	0
(60)	Income	(60)	0	0	0	0	(60)
266	Gross Budget Requirement	272	0	0	0	0	272
	Use Of Departmental Reserves						0
266	Net Budget Requirement	272	0	0	0	0	272

2018/2019 BUDGET - SERVICE UNIT: WORKING AGE ADULTS DAY SERVICES

Approved Budget 2017/2018 (1) £'000	Service Unit	Budget Projection 2018/2019 (2) £'000	Corporate Budget Reductions (3) £'000	Dept Budget Pressures (4) £'000	Dept Budget Reductions to Fund Pressures (5) £'000	One Off Costs (6) £'000	Total Budget 2018/2019 (2+3+4+5+6) (7) £'000
	Working Age Adults Day Services						
708	Direct costs - Employees	737	0	0	0	0	737
548	- Other	558	0	0	0	0	558
1,256	Total Direct Cost	1,295	0	0	0	0	1,295
6	Support Recharges	6	0	0	0	0	6
(78)	Income	(82)	(25)	0	0	0	(107)
1,184	Gross Budget Requirement	1,219	(25)	0	0	0	1,194
	Use Of Departmental Reserves						0
1,184	Net Budget Requirement	1,219	(25)	0	0	0	1,194

Corporate Budget Reductions

These relate to an increased income target from room hire and conference income at the Centre for Independent Living.

CHIEF EXECUTIVES DEPARTMENT
DETAILED REVENUE BUDGETS 2018/2019

2018/2019 BUDGET - CHIEF EXECUTIVES DEPARTMENT SUMMARY

Approved Budget 2017/2018	Service Unit	Budget Projection 2018/2019	Corporate Budget Reductions	Dept Budget Pressures	Dept Budget Reductions to Fund Pressures	One Off Costs	One Off Costs Funded From Depts Reserves	Total Budget 2018/2019 (2+3+4+5+6+7)
(1) £'000		(2) £'000	(3) £'000	(4) £'000	(5) £'000	(6) £'000	(7) £'000	(8) £'000
(128)	Benefits	(134)	0	82	(82)	100	(100)	(134)
(902)	Central Administration Recharges	(925)	0	0	0	0	0	(925)
35	Civic Attendants	36	0	0	0	0	0	36
86	Communications and Marketing	86	(33)	0	0	0	0	53
992	Corporate Finance	1,029	(54)	0	0	0	0	975
629	Corporate Strategy & Public Consultation	649	(3)	7	0	0	0	653
(143)	Council Tax & Housing Benefits	(143)	0	0	0	0	0	(143)
911	Customer and Support Services	937	(21)	0	0	41	(41)	916
195	Democratic Services	199	0	0	0	0	0	199
40	Fraud	41	(41)	0	0	0	0	0
443	Human Resources & Health and Safety	456	(14)	20	(27)	98	(98)	435
230	Internal Audit	234	0	0	0	0	0	234
420	Legal Services	436	0	0	0	0	0	436
199	Municipal Elections and Registration of Electors	204	(37)	0	0	15	(15)	167
(80)	Other Office Services	(7)	0	0	0	0	0	(7)
92	Procurement	94	0	0	0	0	0	94
(110)	Registration Services	(113)	0	0	0	0	0	(113)
(44)	Reprographics	(45)	0	0	0	0	0	(45)
927	Revenues	933	(5)	0	0	0	0	928
(446)	Revenue & Benefits Central	(447)	(79)	0	0	0	0	(526)
71	Scrutiny Function	73	(7)	0	0	22	(22)	66
605	Shared Services	616	0	0	0	32	(32)	616
124	Support to Members	130	0	0	0	0	0	130
16	Training & Equality	16	(6)	0	0	0	0	10
401	Corporate Management Running Expenses	408	0	0	0	0	0	408
4,563	Net Budget Requirement	4,763	(300)	109	(109)	308	(308)	4,463

2018/2019 BUDGET - SERVICE UNIT: BENEFITS

Approved Budget 2017/2018	Service Unit	Budget Projection 2018/2019	Corporate Budget Reductions	Dept Budget Pressures	Dept Budget Reductions to Fund Pressures	One Off Costs	Total Budget 2018/2019 (2+3+4+5 +6)
(1) £'000		(2) £'000	(3) £'000	(4) £'000	(5) £'000	(6) £'000	(7) £'000
	Benefits						
742	Direct costs - Employees	758	0	0	(82)	0	676
37	- Other	37	0	0	0	0	37
779	Total Direct Cost	795	0	0	(82)	0	713
0	Support Recharges	0	0	0	0	0	0
(907)	Income	(929)	0	82	0	100	(747)
(128)	Gross Budget Requirement	(134)	0	82	(82)	100	(34)
0	Use Of Departmental Reserves					(100)	(100)
(128)	Net Budget Requirement	(134)	0	82	(82)	0	(134)

Departmental Budget Pressures

Budget pressures relate to a reduction in the DWP Housing Benefit Administration Grant.

Departmental Budget Reductions to Fund Pressures

Relates to 4 vacant posts within the Housing Benefit Section.

One off costs Funded from Department Reserves

Funding earmarked to address reduction in DWP Hosing Benefit Administration Grant.

2018/2019 BUDGET - SERVICE UNIT: CENTRAL ADMINISTRATION RECHARGES

Approved Budget 2017/2018	Service Unit	Budget Projection 2018/2019	Corporate Budget Reductions	Dept Budget Pressures	Dept Budget Reductions to Fund Pressures	One Off Costs	Total Budget 2018/2019 (2+3+4+5 +6)
(1) £'000		(2) £'000	(3) £'000	(4) £'000	(5) £'000	(6) £'000	(7) £'000
	Central Administration Recharges						
0	Direct costs - Employees	0	0	0	0	0	0
0	- Other	0	0	0	0	0	0
0	Total Direct Cost	0	0	0	0	0	0
0	Support Recharges	0	0	0	0	0	0
(902)	Income	(925)	0	0	0	0	(925)
(902)	Gross Budget Requirement	(925)	0	0	0	0	(925)
	Use Of Departmental Reserves						0
(902)	Net Budget Requirement	(925)	0	0	0	0	(925)

2018/2019 BUDGET - SERVICE UNIT: CIVIC ATTENDANTS

Approved Budget 2017/2018	Service Unit	Budget Projection 2018/2019	Corporate Budget Reductions	Dept Budget Pressures	Dept Budget Reductions to Fund Pressures	One Off Costs	Total Budget 2018/2019 (2+3+4+5 +6)
(1) £'000		(2) £'000	(3) £'000	(4) £'000	(5) £'000	(6) £'000	(7) £'000
	Civic Attendants						
46	Direct costs - Employees	47	0	0	0	0	47
0	- Other	0	0	0	0	0	0
46	Total Direct Cost	47	0	0	0	0	47
0	Support Recharges	0	0	0	0	0	0
(11)	Income	(11)	0	0	0	0	(11)
35	Gross Budget Requirement	36	0	0	0	0	36
	Use Of Departmental Reserves						0
35	Net Budget Requirement	36	0	0	0	0	36

2018/2019 BUDGET - SERVICE UNIT: COMMUNICATIONS AND MARKETING

Approved Budget 2017/2018	Service Unit	Budget Projection 2018/2019	Corporate Budget Reductions	Dept Budget Pressures	Dept Budget Reductions to Fund Pressures	One Off Costs	Total Budget 2018/2019 (2+3+4+5 +6)
(1) £'000		(2) £'000	(3) £'000	(4) £'000	(5) £'000	(6) £'000	(7) £'000
	<u>Communications and Marketing</u>						
167	Direct costs - Employees	171	(32)	0	0	0	139
72	- Other	72	(1)	0	0	0	71
239	Total Direct Cost	243	(33)	0	0	0	210
0	Support Recharges	0	0	0	0	0	0
(153)	Income	(157)	0	0	0	0	(157)
86	Gross Budget Requirement	86	(33)	0	0	0	53
	Use Of Departmental Reserves						0
86	Net Budget Requirement	86	(33)	0	0	0	53

Corporate Budget Reductions

The reduction relates to the deletion of a post within the Communications and Marketing Section and some savings on non pay budgets.

2018/2019 BUDGET - SERVICE UNIT: CORPORATE FINANCE

Approved Budget 2017/2018	Service Unit	Budget Projection 2018/2019	Corporate Budget Reductions	Dept Budget Pressures	Dept Budget Reductions to Fund Pressures	One Off Costs	Total Budget 2018/2019 (2+3+4+5 +6)
(1) £'000		(2) £'000	(3) £'000	(4) £'000	(5) £'000	(6) £'000	(7) £'000
	<u>Corporate Finance</u>						
1,507	Direct costs - Employees	1,555	(54)	0	0	0	1,501
110	- Other	113	0	0	0	0	113
1,617	Total Direct Cost	1,668	(54)	0	0	0	1,614
0	Support Recharges	0	0	0	0	0	0
(625)	Income	(639)	0	0	0	0	(639)
992	Gross Budget Requirement	1,029	(54)	0	0	0	975
	Use Of Departmental Reserves						0
992	Net Budget Requirement	1,029	(54)	0	0	0	975

Corporate Budget Reductions

The reduction relates to the deletion of reduced hours and overtime within the Corporate Finance Section.

2018/2019 BUDGET - SERVICE UNIT: CORPORATE STRATEGY & PUBLIC CONSULTATION

Approved Budget 2017/2018	Service Unit	Budget Projection 2018/2019	Corporate Budget Reductions	Dept Budget Pressures	Dept Budget Reductions to Fund Pressures	One Off Costs	Total Budget 2018/2019 (2+3+4+5 +6)
(1) £'000		(2) £'000	(3) £'000	(4) £'000	(5) £'000	(6) £'000	(7) £'000
	<u>Corporate Strategy & Public Consultation</u>						
651	Direct costs - Employees	671	0	0	0	0	671
21	- Other	21	(3)	0	0	0	18
672	Total Direct Cost	692	(3)	0	0	0	689
0	Support Recharges	0	0	0	0	0	0
(43)	Income	(43)	0	7	0	0	(36)
629	Gross Budget Requirement	649	(3)	7	0	0	653
	Use Of Departmental Reserves						0
629	Net Budget Requirement	649	(3)	7	0	0	653

Corporate Budget Reductions

The reduction relates to savings made on non pay budgets across the Corporate Strategy and Corporate ICT Section.

Departmental Budget Pressures

Budget pressures relate to reduced income generation in relation to the corporate website.

2018/2019 BUDGET - SERVICE UNIT: COUNCIL TAX & HOUSING BENEFITS

Approved Budget 2017/2018 (1) £'000	Service Unit	Budget Projection 2018/2019 (2) £'000	Corporate Budget Reductions (3) £'000	Dept Budget Pressures (4) £'000	Dept Budget Reductions to Fund Pressures (5) £'000	One Off Costs (6) £'000	Total Budget 2018/2019 (2+3+4+5 +6) (7) £'000
	Council Tax & Housing Benefits						
0	Direct costs - Employees	0	0	0	0	0	0
38,500	- Other	38,500	0	0	0	0	38,500
38,500	Total Direct Cost	38,500	0	0	0	0	38,500
0	Support Recharges	0	0	0	0	0	0
(38,643)	Income	(38,643)	0	0	0	0	(38,643)
(143)	Gross Budget Requirement	(143)	0	0	0	0	(143)
	Use Of Departmental Reserves						0
(143)	Net Budget Requirement	(143)	0	0	0	0	(143)

2018/2019 BUDGET - SERVICE UNIT: CUSTOMER/SUPPORT SERVICES

Approved Budget 2017/2018 (1) £'000	Service Unit	Budget Projection 2018/2019 (2) £'000	Corporate Budget Reductions (3) £'000	Dept Budget Pressures (4) £'000	Dept Budget Reductions to Fund Pressures (5) £'000	One Off Costs (6) £'000	Total Budget 2018/2019 (2+3+4+5 +6) (7) £'000
	Customer/Support Services						
870	Direct costs - Employees	895	(21)	0	0	0	874
41	- Other	42	0	0	0	41	83
911	Total Direct Cost	937	(21)	0	0	41	957
0	Support Recharges	0	0	0	0	0	0
0	Income	0	0	0	0	0	0
911	Gross Budget Requirement	937	(21)	0	0	41	957
	Use Of Departmental Reserves					(41)	(41)
911	Net Budget Requirement	937	(21)	0	0	0	916

Corporate Budget Reductions

The reduction relates to the deletion of a post within the Customer Support Section.

One off costs Funded from Department Reserves

Funding earmarked for development of the Firmstep System.

2018/2019 BUDGET - SERVICE UNIT: DEMOCRATIC SERVICES

Approved Budget 2017/2018 (1) £'000	Service Unit	Budget Projection 2018/2019 (2) £'000	Corporate Budget Reductions (3) £'000	Dept Budget Pressures (4) £'000	Dept Budget Reductions to Fund Pressures (5) £'000	One Off Costs (6) £'000	Total Budget 2018/2019 (2+3+4+5 +6) (7) £'000
	Democratic Services						
175	Direct costs - Employees	179	0	0	0	0	179
21	- Other	21	0	0	0	0	21
196	Total Direct Cost	200	0	0	0	0	200
0	Support Recharges	0	0	0	0	0	0
(1)	Income	(1)	0	0	0	0	(1)
195	Gross Budget Requirement	199	0	0	0	0	199
	Use Of Departmental Reserves						0
195	Net Budget Requirement	199	0	0	0	0	199

2018/2019 BUDGET - SERVICE UNIT: FRAUD

Approved Budget 2017/2018	Service Unit	Budget Projection 2018/2019	Corporate Budget Reductions	Dept Budget Pressures	Dept Budget Reductions to Fund Pressures	One Off Costs	Total Budget 2018/2019 (2+3+4+5 +6)
(1) £'000		(2) £'000	(3) £'000	(4) £'000	(5) £'000	(6) £'000	(7) £'000
	Fraud						
31	Direct costs - Employees	32	(32)	0	0	0	0
9	- Other	9	(9)	0	0	0	0
40	Total Direct Cost	41	(41)	0	0	0	0
0	Support Recharges	0	0	0	0	0	0
0	Income	0	0	0	0	0	0
40	Gross Budget Requirement	41	(41)	0	0	0	0
	Use Of Departmental Reserves						0
40	Net Budget Requirement	41	(41)	0	0	0	0

Corporate Budget Reductions

The reduction relates to the deletion of a post within the Fraud Section and some savings on non pay budgets.

2018/2019 BUDGET - SERVICE UNIT: HUMAN RESOURCES & HEALTH AND SAFETY

Approved Budget 2017/2018	Service Unit	Budget Projection 2018/2019	Corporate Budget Reductions	Dept Budget Pressures	Dept Budget Reductions to Fund Pressures	One Off Costs	Total Budget 2018/2019 (2+3+4+5 +6)
(1) £'000		(2) £'000	(3) £'000	(4) £'000	(5) £'000	(6) £'000	(7) £'000
	Human Resources & Health and Safety						
665	Direct costs - Employees	679	(8)	0	(18)	48	701
19	- Other	23	(6)	0	(9)	0	8
684	Total Direct Cost	702	(14)	0	(27)	48	709
0	Support Recharges	0	0	0	0	0	0
(241)	Income	(246)	0	20	0	50	(176)
443	Gross Budget Requirement	456	(14)	20	(27)	98	533
	Use Of Departmental Reserves					(98)	(98)
443	Net Budget Requirement	456	(14)	20	(27)	0	435

Corporate Budget Reductions

This relates to the reduction of a post within the HR Section and some savings on non pay budgets.

Departmental Budget Pressures

Budget pressures relate to a reduction in School and Academy Buyback income within the HR Section.

Departmental Budget Reductions to Fund Pressures

This relates to the reduction of a post within the HR Section and some savings on non pay budgets.

One off costs Funded from Department Reserves

Funding earmarked for the extension of a fixed term contract until 31st August, 2018.

Funding for a fixed term contract in relation to one-off work required to develop the Human Resources modules on ResourceLink.

Funding earmarked to address the loss of income from Schools and Academies.

2018/2019 BUDGET - SERVICE UNIT: INTERNAL AUDIT

Approved Budget 2017/2018	Service Unit	Budget Projection 2018/2019	Corporate Budget Reductions	Dept Budget Pressures	Dept Budget Reductions to Fund Pressures	One Off Costs	Total Budget 2018/2019 (2+3+4+5 +6)
(1) £'000		(2) £'000	(3) £'000	(4) £'000	(5) £'000	(6) £'000	(7) £'000
	Internal Audit						
253	Direct costs - Employees	258	0	0	0	0	258
6	- Other	6	0	0	0	0	6
259	Total Direct Cost	264	0	0	0	0	264
0	Support Recharges	0	0	0	0	0	0
(29)	Income	(30)	0	0	0	0	(30)
230	Gross Budget Requirement	234	0	0	0	0	234
	Use Of Departmental Reserves						0
230	Net Budget Requirement	234	0	0	0	0	234

2018/2019 BUDGET - SERVICE UNIT: LEGAL SERVICES

Approved Budget 2017/2018	Service Unit	Budget Projection 2018/2019	Corporate Budget Reductions	Dept Budget Pressures	Dept Budget Reductions to Fund Pressures	One Off Costs	Total Budget 2018/2019 (2+3+4+5 +6)
(1) £'000		(2) £'000	(3) £'000	(4) £'000	(5) £'000	(6) £'000	(7) £'000
	<u>Legal Services</u>						
562	Direct costs - Employees	581	0	0	0	0	581
38	- Other	38	0	0	0	0	38
600	Total Direct Cost	619	0	0	0	0	619
0	Support Recharges	0	0	0	0	0	0
(180)	Income	(183)	0	0	0	0	(183)
420	Gross Budget Requirement	436	0	0	0	0	436
	Use Of Departmental Reserves						0
420	Net Budget Requirement	436	0	0	0	0	436

2018/2019 BUDGET - SERVICE UNIT: MUNICIPAL ELECTIONS AND REGISTRATION OF ELECTORS

Approved Budget 2017/2018	Service Unit	Budget Projection 2018/2019	Corporate Budget Reductions	Dept Budget Pressures	Dept Budget Reductions to Fund Pressures	One Off Costs	Total Budget 2018/2019 (2+3+4+5 +6)
(1) £'000		(2) £'000	(3) £'000	(4) £'000	(5) £'000	(6) £'000	(7) £'000
	<u>Municipal Elections and Registration of Electors</u>						
135	Direct costs - Employees	138	(37)	0	0	0	101
66	- Other	68	0	0	0	15	83
201	Total Direct Cost	206	(37)	0	0	15	184
0	Support Recharges	0	0	0	0	0	0
(2)	Income	(2)	0	0	0	0	(2)
199	Gross Budget Requirement	204	(37)	0	0	15	182
	Use Of Departmental Reserves					(15)	(15)
199	Net Budget Requirement	204	(37)	0	0	0	167

Corporate Budget Reductions

The reduction relates to the Municipal Elections budget, but there has been a reserve created to manage the budget in future years.

One off costs Funded from Department Reserves

Funding earmarked to undertake further data cleansing on the Electoral Register.

2018/2019 BUDGET - SERVICE UNIT: OTHER OFFICE SERVICES

Approved Budget 2017/2018	Service Unit	Budget Projection 2018/2019	Corporate Budget Reductions	Dept Budget Pressures	Dept Budget Reductions to Fund Pressures	One Off Costs	Total Budget 2018/2019 (2+3+4+5 +6)
(1) £'000		(2) £'000	(3) £'000	(4) £'000	(5) £'000	(6) £'000	(7) £'000
	<u>Other Office Services</u>						
61	Direct costs - Employees	62	0	0	0	0	62
0	- Other	0	0	0	0	0	0
61	Total Direct Cost	62	0	0	0	0	62
8	Support Recharges	8	0	0	0	0	8
(149)	Income	(77)	0	0	0	0	(77)
(80)	Gross Budget Requirement	(7)	0	0	0	0	(7)
	Use Of Departmental Reserves						0
(80)	Net Budget Requirement	(7)	0	0	0	0	(7)

2018/2019 BUDGET - SERVICE UNIT: PROCUREMENT

Approved Budget 2017/2018	Service Unit	Budget Projection 2018/2019	Corporate Budget Reductions	Dept Budget Pressures	Dept Budget Reductions to Fund Pressures	One Off Costs	Total Budget 2018/2019 (2+3+4+5+6)
(1) £'000		(2) £'000	(3) £'000	(4) £'000	(5) £'000	(6) £'000	(7) £'000
	Procurement						
179	Direct costs - Employees	183	0	0	0	0	183
1	- Other	1	0	0	0	0	1
180	Total Direct Cost	184	0	0	0	0	184
0	Support Recharges	0	0	0	0	0	0
(88)	Income	(90)	0	0	0	0	(90)
92	Gross Budget Requirement	94	0	0	0	0	94
	Use Of Departmental Reserves						0
92	Net Budget Requirement	94	0	0	0	0	94

2018/2019 BUDGET - SERVICE UNIT: REGISTRATION SERVICES

Approved Budget 2017/2018	Service Unit	Budget Projection 2018/2019	Corporate Budget Reductions	Dept Budget Pressures	Dept Budget Reductions to Fund Pressures	One Off Costs	Total Budget 2018/2019 (2+3+4+5+6)
(1) £'000		(2) £'000	(3) £'000	(4) £'000	(5) £'000	(6) £'000	(7) £'000
	Registration Services						
16	Direct costs - Employees	16	0	0	0	0	16
9	- Other	9	0	0	0	0	9
25	Total Direct Cost	25	0	0	0	0	25
0	Support Recharges	0	0	0	0	0	0
(135)	Income	(138)	0	0	0	0	(138)
(110)	Gross Budget Requirement	(113)	0	0	0	0	(113)
	Use Of Departmental Reserves						0
(110)	Net Budget Requirement	(113)	0	0	0	0	(113)

2018/2019 BUDGET - SERVICE UNIT: REPROGRAPHICS

Approved Budget 2017/2018	Service Unit	Budget Projection 2018/2019	Corporate Budget Reductions	Dept Budget Pressures	Dept Budget Reductions to Fund Pressures	One Off Costs	Total Budget 2018/2019 (2+3+4+5+6)
(1) £'000		(2) £'000	(3) £'000	(4) £'000	(5) £'000	(6) £'000	(7) £'000
	Reprographics						
82	Direct costs - Employees	85	0	0	0	0	85
250	- Other	255	0	0	0	0	255
332	Total Direct Cost	340	0	0	0	0	340
0	Support Recharges	0	0	0	0	0	0
(376)	Income	(385)	0	0	0	0	(385)
(44)	Gross Budget Requirement	(45)	0	0	0	0	(45)
	Use Of Departmental Reserves						0
(44)	Net Budget Requirement	(45)	0	0	0	0	(45)

2018/2019 BUDGET - SERVICE UNIT: REVENUES

Approved Budget 2017/2018	Service Unit	Budget Projection 2018/2019	Corporate Budget Reductions	Dept Budget Pressures	Dept Budget Reductions to Fund Pressures	One Off Costs	Total Budget 2018/2019 (2+3+4+5 +6)
(1) £'000		(2) £'000	(3) £'000	(4) £'000	(5) £'000	(6) £'000	(7) £'000
	<u>Revenues</u>						
749	Direct costs - Employees	766	0	0	0	0	766
198	- Other	188	0	0	0	0	188
947	Total Direct Cost	954	0	0	0	0	954
14	Support Recharges	14	(5)	0	0	0	9
(34)	Income	(35)	0	0	0	0	(35)
927	Gross Budget Requirement	933	(5)	0	0	0	928
0	Use Of Departmental Reserves						0
927	Net Budget Requirement	933	(5)	0	0	0	928

Corporate Budget Reductions

A reduction from 3 vans to 2 vans for the Bailiff Team.

2018/2019 BUDGET - SERVICE UNIT: REVENUE & BENEFITS CENTRAL

Approved Budget 2017/2018	Service Unit	Budget Projection 2018/2019	Corporate Budget Reductions	Dept Budget Pressures	Dept Budget Reductions to Fund Pressures	One Off Costs	Total Budget 2018/2019 (2+3+4+5 +6)
(1) £'000		(2) £'000	(3) £'000	(4) £'000	(5) £'000	(6) £'000	(7) £'000
	<u>Revenue & Benefits Central</u>						
262	Direct costs - Employees	271	0	0	0	0	271
114	- Other	124	(9)	0	0	0	115
376	Total Direct Cost	395	(9)	0	0	0	386
0	Support Recharges	0	0	0	0	0	0
(822)	Income	(842)	(70)	0	0	0	(912)
(446)	Gross Budget Requirement	(447)	(79)	0	0	0	(526)
	Use Of Departmental Reserves						0
(446)	Net Budget Requirement	(447)	(79)	0	0	0	(526)

Corporate Budget Reductions

The reduction relates to non pay budgets and an increase in Court Costs fees.

2018/2019 BUDGET - SERVICE UNIT: SCRUTINY FUNCTION

Approved Budget 2017/2018	Service Unit	Budget Projection 2018/2019	Corporate Budget Reductions	Dept Budget Pressures	Dept Budget Reductions to Fund Pressures	One Off Costs	Total Budget 2018/2019 (2+3+4+5 +6)
(1) £'000		(2) £'000	(3) £'000	(4) £'000	(5) £'000	(6) £'000	(7) £'000
	<u>Scrutiny Function</u>						
70	Direct costs - Employees	72	(7)	0	0	22	87
1	- Other	1	0	0	0	0	1
71	Total Direct Cost	73	(7)	0	0	22	88
0	Support Recharges	0	0	0	0	0	0
0	Income	0	0	0	0	0	0
71	Gross Budget Requirement	73	(7)	0	0	22	88
0	Use Of Departmental Reserves					(22)	(22)
71	Net Budget Requirement	73	(7)	0	0	0	66

Corporate Budget Reductions

This relates to a reduction in staff hours within the Scrutiny Section.

2018/2019 BUDGET - SERVICE UNIT: SHARED SERVICES

Approved Budget 2017/2018	Service Unit	Budget Projection 2018/2019	Corporate Budget Reductions	Dept Budget Pressures	Dept Budget Reductions to Fund Pressures	One Off Costs	Total Budget 2018/2019 (2+3+4+5 +6)
(1) £'000		(2) £'000	(3) £'000	(4) £'000	(5) £'000	(6) £'000	(7) £'000
	Shared Services						
885	Direct costs - Employees	905	0	0	0	23	928
170	- Other	172	0	0	0	9	181
1,055	Total Direct Cost	1,077	0	0	0	32	1,109
0	Support Recharges	0	0	0	0	0	0
(450)	Income	(461)	0	0	0	0	(461)
605	Gross Budget Requirement	616	0	0	0	32	648
0	Use Of Departmental Reserves					(32)	(32)
605	Net Budget Requirement	616	0	0	0	0	616

One off costs Funded from Department Reserves

Funding earmarked for a fixed term two year contract in relation to one-off work on system development projects.
Funding earmarked for development of e-Forms.

2018/2019 BUDGET - SERVICE UNIT: SUPPORT TO MEMBERS

Approved Budget 2017/2018	Service Unit	Budget Projection 2018/2019	Corporate Budget Reductions	Dept Budget Pressures	Dept Budget Reductions to Fund Pressures	One Off Costs	Total Budget 2018/2019 (2+3+4+5 +6)
(1) £'000		(2) £'000	(3) £'000	(4) £'000	(5) £'000	(6) £'000	(7) £'000
	Support to Members						
71	Direct costs - Employees	75	0	0	0	0	75
53	- Other	55	0	0	0	0	55
124	Total Direct Cost	130	0	0	0	0	130
0	Support Recharges	0	0	0	0	0	0
0	Income	0	0	0	0	0	0
124	Gross Budget Requirement	130	0	0	0	0	130
	Use Of Departmental Reserves						0
124	Net Budget Requirement	130	0	0	0	0	130

2018/2019 BUDGET - SERVICE UNIT: TRAINING & EQUALITY

Approved Budget 2017/2018	Service Unit	Budget Projection 2018/2019	Corporate Budget Reductions	Dept Budget Pressures	Dept Budget Reductions to Fund Pressures	One Off Costs	Total Budget 2018/2019 (2+3+4+5 +6)
(1) £'000		(2) £'000	(3) £'000	(4) £'000	(5) £'000	(6) £'000	(7) £'000
	Training & Equality						
3	Direct costs - Employees	3	(3)	0	0	0	0
13	- Other	13	(3)	0	0	0	10
16	Total Direct Cost	16	(6)	0	0	0	10
0	Support Recharges	0	0	0	0	0	0
0	Income	0	0	0	0	0	0
16	Gross Budget Requirement	16	(6)	0	0	0	10
	Use Of Departmental Reserves						0
16	Net Budget Requirement	16	(6)	0	0	0	10

Corporate Budget Reductions

The reduction relates to some savings on non pay budgets.

2018/2019 BUDGET - SERVICE UNIT: CORPORATE MANAGEMENT RUNNING EXPENSES

These are 4 budgets, lettered from (A) to (D), which either do not fall within a specific Service unit.

Approved Budget 2017/2018	Service Unit	Budget Projection 2018/2019	Corporate Budget Reductions	Dept Budget Pressures	Dept Budget Reductions to Fund Pressures	One Off Costs	Total Budget 2018/2019 (2+3+4+5+6)
(1) £'000		(2) £'000	(3) £'000	(4) £'000	(5) £'000	(6) £'000	(7) £'000
	<u>Victoria Park</u>						
0	Direct costs - Employees	0	0	0	0	0	0
0	- Other	0	0	0	0	0	0
0	Total Direct Cost	0	0	0	0	0	0
0	Support Recharges	0	0	0	0	0	0
(18)	Income	(18)	0	0	0	0	(18)
(18)	Gross Budget Requirement A	(18)	0	0	0	0	(18)
	<u>Corporate Management Running Expenses</u>						
272	Direct costs - Employees	275	0	0	0	0	275
6	- Other	7	0	0	0	0	7
278	Total Direct Cost	282	0	0	0	0	282
0	Support Recharges	0	0	0	0	0	0
0	Income	0	0	0	0	0	0
278	Gross Budget Requirement B	282	0	0	0	0	282
	<u>Trade Union Representative</u>						
38	Direct costs - Employees	39	0	0	0	0	39
0	- Other	0	0	0	0	0	0
38	Total Direct Cost	39	0	0	0	0	39
24	Support Recharges	24	0	0	0	0	24
0	Income	0	0	0	0	0	0
62	Gross Budget Requirement C	63	0	0	0	0	63
	<u>Central Council Expenses</u>						
79	Direct costs - Employees	81	0	0	0	0	81
0	- Other	0	0	0	0	0	0
79	Total Direct Cost	81	0	0	0	0	81
0	Support Recharges	0	0	0	0	0	0
0	Income	0	0	0	0	0	0
79	Gross Budget Requirement D	81	0	0	0	0	81
401	Gross Budget Requirement of (A) to (E)	408	0	0	0	0	408
	Use Of Departmental Reserves						
401	Net Budget Requirement	408	0	0	0	0	408

CHILDREN'S AND JOINT COMMISSIONING SERVICES

DETAILED REVENUE BUDGETS 2018/2019

2018/2019 BUDGET - CHILDREN'S AND JOINT COMMISSIONING SERVICES SUMMARY

Approved Budget 2017/2018	Service Unit	Budget Projection 2018/2019	Corporate Budget Reductions	Dept Budget Pressures	Dept Budget Reductions to Fund Pressures	One Off Costs	One Off Costs Funded From Depts Reserves	Total Budget 2018/2019 (2+3+4+5+6+7)
(1) £'000		(2) £'000	(3) £'000	(4) £'000	(5) £'000	(6) £'000	(7) £'000	(8) £'000
	Children's and Joint Commissioning Services							
120	Central Support Services	167	0	0	0	0	0	167
12,403	Children & Families	13,135	(23)	2,500	0	0	0	15,612
2,672	Early Intervention Services	2,728	(390)	0	0	18	(18)	2,338
512	Other School Related Expenditure	512	0	0	0	0	0	512
6	Play & Care	9	(5)	0	0	0	0	4
0	Public Health - 0-19	0	0	0	0	0	0	0
472	Raising Educational Achievement	527	(35)	0	0	88	(88)	492
247	Special Educational Needs	257	(10)	0	0	186	(186)	247
744	Strategic Commissioning	827	0	0	0	0	0	827
250	Strategic Management	283	(10)	0	0	55	(55)	273
297	Youth Justice Service	301	0	0	0	0	0	301
	0 Dedicated Schools Grant - Early Years Block	0	0	0	0	0	0	0
(1,359)	Dedicated Schools Grant - Schools Block	(594)	0	0	0	0	0	(594)
	0 Dedicated Schools Grant - High Needs Block	0	0	0	0	85	(85)	0
1,411	Dedicated Schools Grant - Central School Services Bl	653	0	0	0	0	0	653
(150)	Departmental Salary Abatement Target	(150)	(50)	0	0	0	0	(200)
17,625	Net Budget Requirement	18,655	(523)	2,500	0	432	(432)	20,632

Approved Budget 2017/2018	Service Unit	Budget Projection 2018/2019	Corporate Budget Reductions	Dept Budget Pressures	Dept Budget Reductions to Fund Pressures	One Off Costs	One Off Costs Funded From Depts Reserves	Total Budget 2018/2019 (2+3+4+5+6+7)
(1) £'000		(2) £'000	(3) £'000	(4) £'000	(5) £'000	(6) £'000	(7) £'000	(8) £'000
	Children's and Joint Commissioning - Public Health							
761	Public Health - Statutory & Support Services	761	0	15	(39)	5	(5)	737
2,652	Public Health - Commissioning	2,652	0	7	(107)	13	(13)	2,552
990	Public Health - Substance Misuse	990	0	27	(180)	0	0	837
3,566	Public Health - Children's	3,566	0	0	0	0	0	3,566
740	Public Health - Adults	740	0	1	(61)	0	0	680
163	Public Health - Chief Execs	163	0	1	0	0	0	164
173	Public Health - Physical Activity	173	0	190	(85)	0	0	278
(8,995)	Public Health - Grant	(8,995)	0	231	0	0	0	(8,764)
50	Net Budget Requirement	50	0	472	(472)	18	(18)	50
17,675	Total Net Budget Requirement	18,705	(523)	2,972	(472)	450	(450)	20,682

2018/2019 BUDGET - SERVICE UNIT: CENTRAL SUPPORT SERVICES

Approved Budget 2017/2018	Service Unit	Budget Projection 2018/2019	Corporate Budget Reductions	Dept Budget Pressures	Dept Budget Reductions to Fund Pressures	One Off Costs	Total Budget 2018/2019 (2+3+4+5+6)
(1) £'000		(2) £'000	(3) £'000	(4) £'000	(5) £'000	(6) £'000	(7) £'000
	<u>Central Support Services</u>						
0	Direct costs - Employees	0	0	0	0	0	0
0	- Other	0	0	0	0	0	0
0	Total Direct Cost	0	0	0	0	0	0
473	Support Recharges	490	0	0	0	0	490
(353)	Income	(323)	0	0	0	0	(323)
120	Gross Budget Requirement	167	0	0	0	0	167
	Use Of Departmental Reserves						0
120	Net Budget Requirement	167	0	0	0	0	167

2018/2019 BUDGET - SERVICE UNIT: CHILDREN & FAMILIES

Approved Budget 2017/2018	Service Unit	Budget Projection 2018/2019	Corporate Budget Reductions	Dept Budget Pressures	Dept Budget Reductions to Fund Pressures	One Off Costs	Total Budget 2018/2019 (2+3+4+5+6)
(1) £'000		(2) £'000	(3) £'000	(4) £'000	(5) £'000	(6) £'000	(7) £'000
	<u>Children & Families</u>						
6,124	Direct costs - Employees	6,318	0	200	0	0	6,518
8,027	- Other	8,702	(18)	2,356	0	0	11,040
14,151	Total Direct Cost	15,020	(18)	2,556	0	0	17,558
119	Support Recharges	119	(5)	0	0	0	114
(1,867)	Income	(2,004)	0	(56)	0	0	(2,060)
12,403	Gross Budget Requirement	13,135	(23)	2,500	0	0	15,612
	Use Of Departmental Reserves						0
12,403	Net Budget Requirement	13,135	(23)	2,500	0	0	15,612

Corporate Budget Reductions

Inflationary savings across certain supplies and services budgets.

Department Budget Pressures

As identified in the February 2018 MTFS Report to Finance & Policy Committee, there is a current budget pressure of £2.5m arising from an increase in the number of looked after children and associated costs. This pressure is being funded in 2018/19 as part of the MTFS from a range of non-recurring resources.

The MTFS highlights the risk that if this pressure continues, the budget deficit will increase in 2019/20.

2018/2019 BUDGET - SERVICE UNIT: EARLY INTERVENTION SERVICES

Approved Budget 2017/2018	Service Unit	Budget Projection 2018/2019	Corporate Budget Reductions	Dept Budget Pressures	Dept Budget Reductions to Fund Pressures	One Off Costs	Total Budget 2018/2019 (2+3+4+5+6)
(1) £'000		(2) £'000	(3) £'000	(4) £'000	(5) £'000	(6) £'000	(7) £'000
	<u>Early Intervention Services</u>						
3,908	Direct costs - Employees	4,218	(103)	0	0	18	4,133
2,199	- Other	2,359	(294)	0	0	0	2,065
6,107	Total Direct Cost	6,577	(397)	0	0	18	6,198
60	Support Recharges	62	0	0	0	0	62
(3,495)	Income	(3,911)	7	0	0	0	(3,904)
2,672	Gross Budget Requirement	2,728	(390)	0	0	18	2,356
	Use Of Departmental Reserves					(18)	(18)
2,672	Net Budget Requirement	2,728	(390)	0	0	0	2,338

Corporate Budget Reductions

The savings relate to cessation of the '5-19' contract which it is anticipated will be supported via external funding through the Young People's Foundation, deletion of vacant posts, closure of the cafe facility at Rossmere Children's Centre, non-pay savings from budgets that have historically underspent, realignment of Children's Centre budgets and inflationary savings across supplies and services budgets.

One off costs Funded from Department Reserves

Reserve used to support the cost of operating the Selective Licensing scheme over years.

2018/2019 BUDGET - SERVICE UNIT: OTHER SCHOOL RELATED EXPENDITURE

Approved Budget 2017/2018	Service Unit	Budget Projection 2018/2019	Corporate Budget Reductions	Dept Budget Pressures	Dept Budget Reductions to Fund Pressures	One Off Costs	Total Budget 2018/2019 (2+3+4+5+6)
(1) £'000		(2) £'000	(3) £'000	(4) £'000	(5) £'000	(6) £'000	(7) £'000
	Other School Related Expenditure						
191	Direct costs - Employees	191	0	0	0	0	191
321	- Other	321	0	0	0	0	321
512	Total Direct Cost	512	0	0	0	0	512
0	Support Recharges	0	0	0	0	0	0
0	Income	0	0	0	0	0	0
512	Gross Budget Requirement	512	0	0	0	0	512
	Use Of Departmental Reserves						0
512	Net Budget Requirement	512	0	0	0	0	512

2018/2019 BUDGET - SERVICE UNIT: PLAY & CARE

Approved Budget 2017/2018	Service Unit	Budget Projection 2018/2019	Corporate Budget Reductions	Dept Budget Pressures	Dept Budget Reductions to Fund Pressures	One Off Costs	Total Budget 2018/2019 (2+3+4+5+6)
(1) £'000		(2) £'000	(3) £'000	(4) £'000	(5) £'000	(6) £'000	(7) £'000
	Play & Care						
108	Direct costs - Employees	111	0	0	0	0	111
25	- Other	25	0	0	0	0	25
133	Total Direct Cost	136	0	0	0	0	136
0	Support Recharges	0	0	0	0	0	0
(127)	Income	(127)	(5)	0	0	0	(132)
6	Gross Budget Requirement	9	(5)	0	0	0	4
	Use Of Departmental Reserves						0
6	Net Budget Requirement	9	(5)	0	0	0	4

2018/2019 BUDGET - SERVICE UNIT: PUBLIC HEALTH 0-19

Approved Budget 2017/2018	Service Unit	Budget Projection 2018/2019	Corporate Budget Reductions	Dept Budget Pressures	Dept Budget Reductions to Fund Pressures	One Off Costs	Total Budget 2018/2019 (2+3+4+5+6)
(1) £'000		(2) £'000	(3) £'000	(4) £'000	(5) £'000	(6) £'000	(7) £'000
	Public Health 0-19						
1,741	Direct costs - Employees	1,748	0	0	0	0	1,748
243	- Other	243	0	0	0	0	243
1,984	Total Direct Cost	1,991	0	0	0	0	1,991
0	Support Recharges	0	0	0	0	0	0
(1,566)	Grant Income Recharge	(1,566)	0	0	0	0	(1,566)
418	Gross Budget Requirement	425	0	0	0	0	425
(418)	Use Of Departmental Reserves	(425)		0			(425)
0	Net Budget Requirement	0	0	0	0	0	0

One off costs Funded from Department Reserves

One-off funding earmarked to support the transition of services in 2018/19.

2018/2019 BUDGET - SERVICE UNIT: RAISING EDUCATIONAL ACHIEVEMENT

Approved Budget 2017/2018	Service Unit	Budget Projection 2018/2019	Corporate Budget Reductions	Dept Budget Pressures	Dept Budget Reductions to Fund Pressures	One Off Costs	Total Budget 2018/2019 (2+3+4+5 +6)
(1) £'000		(2) £'000	(3) £'000	(4) £'000	(5) £'000	(6) £'000	(7) £'000
	Raising Educational Achievement						
1,078	Direct costs - Employees	1,239		0	0	0	1,239
471	- Other	400	(11)	0	0	88	477
1,549	Total Direct Cost	1,639	(11)	0	0	88	1,716
42	Support Recharges	37	0	0	0	0	37
(1,000)	Income	(1,149)	(24)	0	0	0	(1,173)
591	Gross Budget Requirement	527	(35)	0	0	88	580
591	Total Gross Budget Requirement	527	(35)	0	0	88	580
(119)	Use Of Departmental Reserves					(88)	(88)
472	Net Budget Requirement	527	(35)	0	0	0	492

Corporate Budget Reductions

The reductions relate to efficiency savings at the CETL and increased income targets for training and room hire.

One off costs Funded from Department Reserves

This relates to Transforming Tees and Education Commission Projects.

2018/2019 BUDGET - SERVICE UNIT: SPECIAL EDUCATIONAL NEEDS

Approved Budget 2017/2018	Service Unit	Budget Projection 2018/2019	Corporate Budget Reductions	Dept Budget Pressures	Dept Budget Reductions to Fund Pressures	One Off Costs	Total Budget 2018/2019 (2+3+4+5 +6)
(1) £'000		(2) £'000	(3) £'000	(4) £'000	(5) £'000	(6) £'000	(7) £'000
	Special Educational Needs						
1,140	Direct costs - Employees	1,130	0	0	0	86	1,216
393	- Other	255	0	0	0	100	355
1,533	Total Direct Cost	1,385	0	0	0	186	1,571
18	Support Recharges	18	0	0	0	0	18
(1,202)	Income	(1,146)	(10)	0	0	0	(1,156)
349	Gross Budget Requirement	257	(10)	0	0	186	433
(102)	Use Of Departmental Reserves					(186)	(186)
247	Net Budget Requirement	257	(10)	0	0	0	247

Corporate Budget Reductions

Education Psychology income budget has increased to reflect additional external income generation.

One off costs Funded from Department Reserves

This relates to specific grant funding for the implementation of SEND reform.

2018/2019 BUDGET - SERVICE UNIT: STRATEGIC COMMISSIONING

Approved Budget 2017/2018	Service Unit	Budget Projection 2018/2019	Corporate Budget Reductions	Dept Budget Pressures	Dept Budget Reductions to Fund Pressures	One Off Costs	Total Budget 2018/2019 (2+3+4+5 +6)
(1) £'000		(2) £'000	(3) £'000	(4) £'000	(5) £'000	(6) £'000	(7) £'000
	Strategic Commissioning						
749	Direct costs - Employees	825	0	0	0	0	825
130	- Other	138	0	0	0	0	138
879	Total Direct Cost	963	0	0	0	0	963
14	Support Recharges	14	0	0	0	0	14
(149)	Income	(150)	0	0	0	0	(150)
744	Gross Budget Requirement	827	0	0	0	0	827
0	Use Of Departmental Reserves						0
744	Net Budget Requirement	827	0	0	0	0	827

2018/2019 BUDGET - SERVICE UNIT: STRATEGIC MANAGEMENT

Approved Budget 2017/2018 (1) £'000	Service Unit	Budget Projection 2018/2019 (2) £'000	Corporate Budget Reductions (3) £'000	Dept Budget Pressures (4) £'000	Dept Budget Reductions to Fund Pressures (5) £'000	One Off Costs (6) £'000	Total Budget 2018/2019 (2+3+4+5+6) (7) £'000
	Strategic Management						
435	Direct costs - Employees	398	0	0	0	38	436
290	- Other	141	0	0	0	17	158
725	Total Direct Cost	539	0	0	0	55	594
0	Support Recharges	2	0	0	0	0	2
(227)	Income	(258)	(10)	0	0	0	(268)
498	Gross Budget Requirement	283	(10)	0	0	55	328
(248)	Use Of Departmental Reserves					(55)	(55)
250	Net Budget Requirement	283	(10)	0	0	0	273

Corporate Budget Reductions

The reduction relates to the increase in fee earning services.

2018/2019 BUDGET - SERVICE UNIT: YOUTH JUSTICE SERVICE

Approved Budget 2017/2018 (1) £'000	Service Unit	Budget Projection 2018/2019 (2) £'000	Corporate Budget Reductions (3) £'000	Dept Budget Pressures (4) £'000	Dept Budget Reductions to Fund Pressures (5) £'000	One Off Costs (6) £'000	Total Budget 2018/2019 (2+3+4+5+6) (7) £'000
	Youth Justice Service						
504	Direct costs - Employees	515	0	0	0	0	515
203	- Other	207	0	0	0	0	207
707	Total Direct Cost	722	0	0	0	0	722
0	Support Recharges	0	0	0	0	0	0
(410)	Income	(421)	0	0	0	0	(421)
297	Gross Budget Requirement	301	0	0	0	0	301
	Use Of Departmental Reserves						0
297	Net Budget Requirement	301	0	0	0	0	301

2018/19 BUDGET - SERVICE UNIT: DEDICATED SCHOOLS GRANT - EARLY YEARS BLOCK

Approved Budget 2017/2018 (1) £'000	Service Unit	Budget Projection 2018/2019 (2) £'000	Corporate Budget Reductions (3) £'000	Dept Budget Pressures (4) £'000	Dept Budget Reductions to Fund Pressures (5) £'000	One Off Costs (6) £'000	Total Budget 2018/2019 (2+3+4+5+6) (7) £'000
	Dedicated Schools Grant - Early Years Block						
60	Direct costs - Employees	62	0	0	0	0	62
2,851	- Other	6,059	0	0	0	0	6,059
2,911	Total Direct Cost	6,121	0	0	0	0	6,121
2,321	Support Recharges	25	0	0	0	0	25
(5,232)	Income	(6,146)	0	0	0	0	(6,146)
0	Gross Budget Requirement	0	0	0	0	0	0
	Use Of Departmental Reserves						0
0	Net Budget Requirement	0	0	0	0	0	0

This is an indicative budget which is subject to change owing to participation levels.

2018/2019 BUDGET - SERVICE UNIT: DEDICATED SCHOOLS GRANT - SCHOOLS BLOCK

Approved Budget 2017/2018	Service Unit	Budget Projection 2018/2019	Corporate Budget Reductions	Dept Budget Pressures	Dept Budget Reductions to Fund Pressures	One Off Costs	Total Budget 2018/2019 (2+3+4+5 +6)
(1) £'000		(2) £'000	(3) £'000	(4) £'000	(5) £'000	(6) £'000	(7) £'000
	Dedicated Schools Grant - Schools Block						
33	Direct costs - Employees	35		0	0	0	35
33,293	- Other	35,679		0	0	0	35,679
33,326	Total Direct Cost	35,714	0	0	0	0	35,714
0	Support Recharges			0	0	0	0
(34,685)	Income	(36,308)		0	0	0	(36,308)
(1,359)	Gross Budget Requirement	(594)	0	0	0	0	(594)
	Use Of Departmental Reserves						0
(1,359)	Net Budget Requirement	(594)	0	0	0	0	(594)

2018/2019 BUDGET - SERVICE UNIT: DEDICATED SCHOOLS GRANT - HIGH NEEDS BLOCK

Approved Budget 2017/2018	Service Unit	Budget Projection 2018/2019	Corporate Budget Reductions	Dept Budget Pressures	Dept Budget Reductions to Fund Pressures	One Off Costs	Total Budget 2018/2019 (2+3+4+5 +6)
(1) £'000		(2) £'000	(3) £'000	(4) £'000	(5) £'000	(6) £'000	(7) £'000
	Dedicated Schools Grant - High Needs Block						
0	Direct costs - Employees	0	0	0	0	0	0
6,336	- Other	6,893	0	0	0	85	6,978
6,336	Total Direct Cost	6,893	0	0	0	85	6,978
1,984	Support Recharges	2,483	0	0	0	0	2,483
(8,320)	Income	(9,376)	0	0	0	0	(9,376)
0	Gross Budget Requirement	0	0	0	0	85	85
	Use Of Departmental Reserves					(85)	(85)
0	Net Budget Requirement	0	0	0	0	0	0

One off costs Funded from Department Reserves

This relates to dedicated schools grant carried forward from previous years which will fund the projected shortfall in funding.

2018/2019 BUDGET - SERVICE UNIT: DEDICATED SCHOOLS GRANT - CENTRAL SCHOOL SERVICES BLOCK

Approved Budget 2017/2018	Service Unit	Budget Projection 2018/2019	Corporate Budget Reductions	Dept Budget Pressures	Dept Budget Reductions to Fund Pressures	One Off Costs	Total Budget 2018/2019 (2+3+4+5 +6)
(1) £'000		(2) £'000	(3) £'000	(4) £'000	(5) £'000	(6) £'000	(7) £'000
	Dedicated Schools Grant - Central School Services						
250	Direct costs - Employees	210	0	0	0	0	210
1,012	- Other	426	0	0	0	0	426
1,262	Total Direct Cost	636	0	0	0	0	636
38	Support Recharges	32	0	0	0	0	32
111	Income	(15)	0	0	0	0	(15)
1,411	Gross Budget Requirement	653	0	0	0	0	653
	Use Of Departmental Reserves						0
1,411	Net Budget Requirement	653	0	0	0	0	653

This is a new block for 2018/19 to fund central services.

2018/2019 BUDGET - SERVICE UNIT: STATUTORY & SUPPORT SERVICES

Approved Budget 2017/2018	Service Unit	Budget Projection 2018/2019	Corporate Budget Reductions	Dept Budget Pressures	Dept Budget Reductions to Fund Pressures	One Off Costs	Total Budget 2018/2019 (2+3+4+5+6)
(1) £'000		(2) £'000	(3) £'000	(4) £'000	(5) £'000	(6) £'000	(7) £'000
	<u>Public Health - Statutory & Support Services</u>						
691	Direct costs - Employees	691	0	13	0	0	704
70	- Other	70	0	2	(39)	5	38
761	Total Direct Cost	761	0	15	(39)	5	742
0	Support Recharges	0	0	0	0	0	0
	Income	0	0	0	0	0	0
761	Gross Budget Requirement	761	0	15	(39)	5	742
0	Use Of Departmental Reserves					(5)	(5)
761	Net Budget Requirement	761	0	15	(39)	0	737

Departmental Budget Pressures

Pressures relate to the cost of the pay award in 2018/19.

Departmental Budget Reductions to Fund Pressures

Savings relate to reductions across various supplies and services budgets in 2018/19.

One off costs Funded from Department Reserves

Reserves are earmarked to support specific projects in 2018/19.

2018/2019 BUDGET - SERVICE UNIT: PUBLIC HEALTH - COMMISSIONING

Approved Budget 2017/2018	Service Unit	Budget Projection 2018/2019	Corporate Budget Reductions	Dept Budget Pressures	Dept Budget Reductions to Fund Pressures	One Off Costs	Total Budget 2018/2019 (2+3+4+5+6)
(1) £'000		(2) £'000	(3) £'000	(4) £'000	(5) £'000	(6) £'000	(7) £'000
	<u>Public Health - Commissioning</u>						
0	Direct costs - Employees	0	0	0	0	0	0
2,659	- Other	2,659	0	0	(98)	13	2,574
2,659	Total Direct Cost	2,659	0	0	(98)	13	2,574
0	Support Recharges	0	0	0	0	0	0
	Income	0	0	0	0	0	0
2,659	Gross Budget Requirement	2,659	0	0	(98)	13	2,574
(7)	Use Of Departmental Reserves	(7)		7	(9)	(13)	(22)
2,652	Net Budget Requirement	2,652	0	7	(107)	0	2,552

Departmental Budget Reductions to Fund Pressures

Savings relate to a reduction in contract values following negotiations with providers. These budget reductions were required to meet the 2.5% cut to the ringfenced Public Health Grant of £231,000 in 2018/19.

One off costs Funded from Department Reserves

Reserves are earmarked to support specific projects in 2018/19.

2018/2019 BUDGET - SERVICE UNIT: PUBLIC HEALTH - SUBSTANCE MISUSE

Approved Budget 2017/2018	Service Unit	Budget Projection 2018/2019	Corporate Budget Reductions	Dept Budget Pressures	Dept Budget Reductions to Fund Pressures	One Off Costs	Total Budget 2018/2019 (2+3+4+5+6)
(1) £'000		(2) £'000	(3) £'000	(4) £'000	(5) £'000	(6) £'000	(7) £'000
	<u>Public Health - Substance Misuse</u>						
0	Direct costs - Employees	0	0	0	0	0	0
990	- Other	990	0	27	(180)	0	837
990	Total Direct Cost	990	0	27	(180)	0	837
0	Support Recharges	0	0	0	0	0	0
	Income	0	0	0	0	0	0
990	Gross Budget Requirement	990	0	27	(180)	0	837
0	Use Of Departmental Reserves						0
990	Net Budget Requirement	990	0	27	(180)	0	837

Departmental Budget Pressures

Pressures relate to the cost of inflation in 2018/19.

Departmental Budget Reductions to Fund Pressures

Savings relate to the efficiencies achieved as part of the proposals to transform and integrate drug and alcohol support services. These budget reductions were required to meet the 2.5% cut to the ringfenced Public Health Grant of £231,000 in 2018/19.

2018/2019 BUDGET - SERVICE UNIT: PUBLIC HEALTH - CHILDREN'S

Approved Budget 2017/2018 (1) £'000	Service Unit	Budget Projection 2018/2019 (2) £'000	Corporate Budget Reductions (3) £'000	Dept Budget Pressures (4) £'000	Dept Budget Reductions to Fund Pressures (5) £'000	One Off Costs (6) £'000	Total Budget 2018/2019 (2+3+4+5+6) (7) £'000
	Public Health - Children's						
0	Direct costs - Employees	0	0	0	0	0	0
3,566	- Other	3,566	0	0	0	0	3,566
3,566	Total Direct Cost	3,566	0	0	0	0	3,566
0	Support Recharges	0	0	0	0	0	0
0	Income	0	0	0	0	0	0
3,566	Gross Budget Requirement	3,566	0	0	0	0	3,566
0	Use Of Departmental Reserves						0
3,566	Net Budget Requirement	3,566	0	0	0	0	3,566

2018/2019 BUDGET - SERVICE UNIT: PUBLIC HEALTH ADULTS

Approved Budget 2017/2018 (1) £'000	Service Unit	Budget Projection 2018/2019 (2) £'000	Corporate Budget Reductions (3) £'000	Dept Budget Pressures (4) £'000	Dept Budget Reductions to Fund Pressures (5) £'000	One Off Costs (6) £'000	Total Budget 2018/2019 (2+3+4+5+6) (7) £'000
	Public Health - Adults						
0	Direct costs - Employees	0	0	0	0	0	0
740	- Other	740	0	1	(61)	0	680
740	Total Direct Cost	740	0	1	(61)	0	680
0	Support Recharges	0	0	0	0	0	0
0	Income	0	0	0	0	0	0
740	Gross Budget Requirement	740	0	1	(61)	0	680
0	Use Of Departmental Reserves						0
740	Net Budget Requirement	740	0	1	(61)	0	680

Departmental Budget Reductions to Fund Pressures

Savings relate to a reduction in the Public Health grant funding provided to support Older People Services in 2018/19. This reduction was required to meet the £231,000 cut to the ringfenced Public Health Grant in 2018/19.

2018/2019 BUDGET - SERVICE UNIT: PUBLIC HEALTH - CHIEF EXECS

Approved Budget 2017/2018 (1) £'000	Service Unit	Budget Projection 2018/2019 (2) £'000	Corporate Budget Reductions (3) £'000	Dept Budget Pressures (4) £'000	Dept Budget Reductions to Fund Pressures (5) £'000	One Off Costs (6) £'000	Total Budget 2018/2019 (2+3+4+5+6) (7) £'000
	Public Health - Chief Execs						
0	Direct costs - Employees	0	0	0	0	0	0
163	- Other	163	0	1	0	0	164
163	Total Direct Cost	163	0	1	0	0	164
0	Support Recharges	0	0	0	0	0	0
0	Income	0	0	0	0	0	0
163	Gross Budget Requirement	163	0	1	0	0	164
0	Use Of Departmental Reserves						0
163	Net Budget Requirement	163	0	1	0	0	164

Departmental Budget Pressures

Pressures relate to the cost of the pay award in 2018/19.

2018/2019 BUDGET - SERVICE UNIT: PUBLIC HEALTH - PHYSICAL ACTIVITY

Approved Budget 2017/2018	Service Unit	Budget Projection 2018/2019	Corporate Budget Reductions	Dept Budget Pressures	Dept Budget Reductions to Fund Pressures	One Off Costs	Total Budget 2018/2019 (2+3+4+5 +6)
(1) £'000		(2) £'000	(3) £'000	(4) £'000	(5) £'000	(6) £'000	(7) £'000
	<u>Public Health -Physical Activity</u>						
0	Direct costs - Employees	0	0	0	0	0	0
173	- Other	173	0	190	(85)	0	278
173	Total Direct Cost	173	0	190	(85)	0	278
0	Support Recharges	0	0	0	0	0	0
0	Income	0	0	0	0	0	0
173	Gross Budget Requirement	173	0	190	(85)	0	278
0	Use Of Departmental Reserves						0
173	Net Budget Requirement	173	0	190	(85)	0	278

Departmental Budget Pressures

Additional Public Health Funding has been provided to support eligible expenditure in Sport and Recreation in 2018/19. This will ensure access to services for all residents particularly those in poor health.

Departmental Budget Reductions to Fund Pressures

One-off support for Sports Development has been withdrawn in 2018/19 and additional funding has been allocated to fund other eligible expenditure within Sport and Recreation.

2018/2019 BUDGET - SERVICE UNIT: PUBLIC HEALTH - GRANT

Approved Budget 2017/2018	Service Unit	Budget Projection 2018/2019	Corporate Budget Reductions	Dept Budget Pressures	Dept Budget Reductions to Fund Pressures	One Off Costs	Total Budget 2018/2019 (2+3+4+5 +6)
(1) £'000		(2) £'000	(3) £'000	(4) £'000	(5) £'000	(6) £'000	(7) £'000
	<u>Public Health - Grant</u>						
0	Direct costs - Employees	0	0	0	0	0	0
0	- Other	0	0	0	0	0	0
0	Total Direct Cost	0	0	0	0	0	0
0	Support Recharges	0	0	0	0	0	0
(8,995)	Income	(8,995)	0	231	0	0	(8,764)
(8,995)	Gross Budget Requirement	(8,995)	0	231	0	0	(8,764)
0	Use Of Departmental Reserves						0
(8,995)	Net Budget Requirement	(8,995)	0	231	0	0	(8,764)

Departmental Budget Pressures

As part of the Spending Review in 2016/17 the Government announced that the Public Health Grant would reduce by 9.6% over a 4 year period. The reduction in 2018/19 was £231,000 which represents a 2.5% cut, and savings have been identified as part of the budget setting process to reduce the spend in relation to Public Health grant funded services.

REGENERATION & NEIGHBOURHOODS
DETAILED REVENUE BUDGETS 2018/2019

2018/2019 BUDGET - REGENERATION AND NEIGHBOURHOODS SUMMARY

Approved Budget 2017/2018	Service Unit	Budget Projection 2018/2019	Corporate Budget Reductions	Dept Budget Pressures	Dept Budget Reductions to Fund Pressures	One Off Costs	One Off Costs Funded From Depts Reserves	Total Budget 2018/2019 (2+3+4+5+6+7)
(1) £'000		(2) £'000	(3) £'000	(4) £'000	(5) £'000	(6) £'000	(7) £'000	(8) £'000
(50)	Adult Education	(50)	0	0	0	0	0	(50)
20	Archaeology	21	0	0	0	0	0	21
(216)	Building Design Team	(225)	0	0	0	0	0	(225)
(783)	Car Parking	(801)	0	0	0	0	0	(801)
848	Community Safety & Engagement	873	(50)	0	0	17	(17)	823
(84)	Construction Team	(62)	0	0	0	0	0	(62)
(13)	Coast, Countryside & Heritage	(12)	(20)	0	0	0	0	(32)
811	Consumer Services	852	(25)	0	0	0	0	827
(142)	Construction Support Service	(140)	0	0	0	0	0	(140)
616	Cultural & Visitor Services	622	(30)	0	0	0	0	592
508	Economic Regeneration	520	(50)	0	0	0	0	470
(4)	Employment & Skills	(4)	0	100	0	0	0	96
265	Enforcement Officers	272	0	0	0	0	0	272
396	Engineering & Design	402	0	0	0	0	0	402
(3)	Environmental Protection	(3)	0	0	0	0	0	(3)
(34)	Environmental Standards	(35)	0	0	0	0	0	(35)
738	Facilities Management	948	0	0	0	0	0	948
95	General Allotments	74	(50)	0	0	0	0	24
1,550	Grounds Maintenance	1,639	(177)	0	0	0	0	1,462
2,589	Highways & Transportation	2,652	(40)	0	0	0	0	2,612
(328)	Highways Trading	(318)	(20)	0	0	0	0	(338)
1,363	Passenger Transport	1,400	(40)	0	0	0	0	1,360
271	Planning & Development	285	0	0	(20)	0	0	265
129	Road Safety	129	0	0	0	0	0	129
(6)	Strategic Asset Management	2	0	0	(80)	0	0	(78)
537	Strategic Management & Admin	604	0	0	0	0	0	604
1,378	Street Cleansing	1,386	(127)	0	0	0	0	1,259
1,020	Street Lighting	1,044	(50)	0	0	0	0	994
2,427	Sustainable Transport (Inc Con Fares)	2,485	(20)	0	0	0	0	2,465
(57)	Vehicle Fleet	(36)	0	0	0	0	0	(36)
4,857	Waste & Environmental Services	4,988	(56)	0	0	0	0	4,932
18,698	Net Budget Requirement	19,512	(755)	100	(100)	17	(17)	18,757

2018/2019 BUDGET - SERVICE UNIT: ADULT EDUCATION

Approved Budget 2017/2018	Service Unit	Budget Projection 2018/2019	Corporate Budget Reductions	Dept Budget Pressures	Dept Budget Reductions to Fund Pressures	One Off Costs	Total Budget 2018/2019 (2+3+4+5 +6)
(1) £'000		(2) £'000	(3) £'000	(4) £'000	(5) £'000	(6) £'000	(7) £'000
	<u>Adult Education</u>						
697	Direct costs - Employees	714	0	0	0	0	714
362	- Other	358	0	0	0	0	358
1,059	Total Direct Cost	1,072	0	0	0	0	1,072
81	Support Recharges	80	0	0	0	0	80
(1,190)	Income	(1,202)	0	0	0	0	(1,202)
(50)	Gross Budget Requirement	(50)	0	0	0	0	(50)
0	Use Of Departmental Reserves						0
(50)	Net Budget Requirement	(50)	0	0	0	0	(50)

2018/2019 BUDGET - SERVICE UNIT: ARCHAEOLOGY

Approved Budget 2017/2018	Service Unit	Budget Projection 2018/2019	Corporate Budget Reductions	Dept Budget Pressures	Dept Budget Reductions to Fund Pressures	One Off Costs	Total Budget 2018/2019 (2+3+4+5 +6)
(1) £'000		(2) £'000	(3) £'000	(4) £'000	(5) £'000	(6) £'000	(7) £'000
	<u>Archaeology</u>						
85	Direct costs - Employees	86	0	0	0	0	86
7	- Other	8	0	0	0	0	8
92	Total Direct Cost	94	0	0	0	0	94
12	Support Recharges	12	0	0	0	0	12
(84)	Income	(85)	0	0	0	0	(85)
20	Gross Budget Requirement	21	0	0	0	0	21
0	Use Of Departmental Reserves						0
20	Net Budget Requirement	21	0	0	0	0	21

2018/2019 BUDGET - SERVICE UNIT: BUILDING DESIGN TEAM

Approved Budget 2017/2018	Service Unit	Budget Projection 2018/2019	Corporate Budget Reductions	Dept Budget Pressures	Dept Budget Reductions to Fund Pressures	One Off Costs	Total Budget 2018/2019 (2+3+4+5 +6)
(1) £'000		(2) £'000	(3) £'000	(4) £'000	(5) £'000	(6) £'000	(7) £'000
	<u>Building Design Team</u>						
1,028	Direct costs - Employees	930	0	0	0	0	930
234	- Other	240	0	0	0	0	240
1,262	Total Direct Cost	1,170	0	0	0	0	1,170
467	Support Recharges	478	0	0	0	0	478
(1,945)	Income	(1,873)	0	0	0	0	(1,873)
(216)	Gross Budget Requirement	(225)	0	0	0	0	(225)
0	Use Of Departmental Reserves						0
(216)	Net Budget Requirement	(225)	0	0	0	0	(225)

2018/2019 BUDGET - SERVICE UNIT: CAR PARKING

Approved Budget 2017/2018	Service Unit	Budget Projection 2018/2019	Corporate Budget Reductions	Dept Budget Pressures	Dept Budget Reductions to Fund Pressures	One Off Costs	Total Budget 2018/2019 (2+3+4+5 +6)
(1) £'000		(2) £'000	(3) £'000	(4) £'000	(5) £'000	(6) £'000	(7) £'000
	Car Parking						
158	Direct costs - Employees	166	0	0	0	0	166
630	- Other	645	0	0	0	0	645
788	Total Direct Cost	811	0	0	0	0	811
8	Support Recharges	7	0	0	0	0	7
(1,579)	Income	(1,619)	0	0	0	0	(1,619)
(783)	Gross Budget Requirement	(801)	0	0	0	0	(801)
0	Use Of Departmental Reserves						0
(783)	Net Budget Requirement	(801)	0	0	0	0	(801)

2018/2019 BUDGET - SERVICE UNIT: COMMUNITY SAFETY & ENGAGEMENT

Approved Budget 2017/2018	Service Unit	Budget Projection 2018/2019	Corporate Budget Reductions	Dept Budget Pressures	Dept Budget Reductions to Fund Pressures	One Off Costs	Total Budget 2018/2019 (2+3+4+5 +6)
(1) £'000		(2) £'000	(3) £'000	(4) £'000	(5) £'000	(6) £'000	(7) £'000
	Community Safety & Engagement						
616	Direct costs - Employees	635	(26)	0	0	0	609
365	- Other	342	(24)	0	0	17	335
981	Total Direct Cost	977	(50)	0	0	17	944
0	Support Recharges	0	0	0	0	0	0
(104)	Income	(75)	0	0	0	0	(75)
877	Gross Budget Requirement	902	(50)	0	0	17	869
(29)	Use Of Departmental Reserves	(29)				(17)	(46)
848	Net Budget Requirement	873	(50)	0	0	0	823

Corporate Budget Reductions

The savings reflect the new model of integrated working between the Police, Fire, and Councils Community Safety and Engagement Service, as approved by Finance and Policy Committee 30th October, 2017. These savings include a reconfiguration of the management and supervisory arrangements within the service to support the operational delivery of the new model.

One Off Costs Funded from Department Reserves

One off funding represents grant funding received in previous years which is earmarked to support specific projects in 2018/19 and funding carried forward in relation to Ward Member Budgets.

2018/2019 BUDGET - SERVICE UNIT: CONSTRUCTION TEAM

Approved Budget 2017/2018	Service Unit	Budget Projection 2018/2019	Corporate Budget Reductions	Dept Budget Pressures	Dept Budget Reductions to Fund Pressures	One Off Costs	Total Budget 2018/2019 (2+3+4+5 +6)
(1) £'000		(2) £'000	(3) £'000	(4) £'000	(5) £'000	(6) £'000	(7) £'000
	Construction Team						
1,450	Direct costs - Employees	1,472	0	0	0	0	1,472
2,677	- Other	2,677	0	0	0	0	2,677
4,127	Total Direct Cost	4,149	0	0	0	0	4,149
485	Support Recharges	485	0	0	0	0	485
(4,696)	Income	(4,696)	0	0	0	0	(4,696)
(84)	Gross Budget Requirement	(62)	0	0	0	0	(62)
	Use Of Departmental Reserves						0
(84)	Net Budget Requirement	(62)	0	0	0	0	(62)

2018/2019 BUDGET - SERVICE UNIT: CONSTRUCTION SUPPORT SERVICES

Approved Budget 2017/2018 (1) £'000	Service Unit	Budget Projection 2018/2019 (2) £'000	Corporate Budget Reductions (3) £'000	Dept Budget Pressures (4) £'000	Dept Budget Reductions to Fund Pressures (5) £'000	One Off Costs (6) £'000	Total Budget 2018/2019 (2+3+4+5 +6) (7) £'000
	Construction Support Services						
128	Direct costs - Employees	130	0	0	0	0	130
579	- Other	579	0	0	0	0	579
707	Total Direct Cost	709	0	0	0	0	709
120	Support Recharges	120	0	0	0	0	120
(969)	Income	(969)	0	0	0	0	(969)
(142)	Gross Budget Requirement	(140)	0	0	0	0	(140)
0	Use Of Departmental Reserves						0
(142)	Net Budget Requirement	(140)	0	0	0	0	(140)

2018/2019 BUDGET - SERVICE UNIT: CONSUMER SERVICES

Approved Budget 2017/2018 (1) £'000	Service Unit	Budget Projection 2018/2019 (2) £'000	Corporate Budget Reductions (3) £'000	Dept Budget Pressures (4) £'000	Dept Budget Reductions to Fund Pressures (5) £'000	One Off Costs (6) £'000	Total Budget 2018/2019 (2+3+4+5 +6) (7) £'000
	Consumer Services						
1,097	Direct costs - Employees	1,144	(25)	0	0	0	1,119
102	- Other	105	0	0	0	0	105
1,199	Total Direct Cost	1,249	(25)	0	0	0	1,224
27	Support Recharges	28	0	0	0	0	28
(415)	Income	(425)	0	0	0	0	(425)
811	Gross Budget Requirement	852	(25)	0	0	0	827
0	Use Of Departmental Reserves						0
811	Net Budget Requirement	852	(25)	0	0	0	827

Corporate Budget Reductions

Savings relate to staff costs which have reduced following a restructure.

2018/2019 BUDGET - SERVICE UNIT: CULTURAL & VISITOR SERVICES

Approved Budget 2017/2018 (1) £'000	Service Unit	Budget Projection 2018/2019 (2) £'000	Corporate Budget Reductions (3) £'000	Dept Budget Pressures (4) £'000	Dept Budget Reductions to Fund Pressures (5) £'000	One Off Costs (6) £'000	Total Budget 2018/2019 (2+3+4+5 +6) (7) £'000
	Cultural & Visitor Services						
460	Direct costs - Employees	472	0	0	0	0	472
600	- Other	531	0	0	0	0	531
1,060	Total Direct Cost	1,003	0	0	0	0	1,003
0	Support Recharges	0	0	0	0	0	0
(444)	Income	(381)	0	0	0	0	(381)
616	Gross Budget Requirement	622	0	0	0	0	622
0	Use Of Departmental Reserves	0	(30)	0	0	0	(30)
616	Net Budget Requirement	622	(30)	0	0	0	592

One Off Costs Funded from Department Reserves

Reserves have been used temporarily to support the overall running costs of the service, pending a service review that will seek to identify savings on a permanent basis.

2018/2019 BUDGET - SERVICE UNIT: ECONOMIC REGENERATION

Approved Budget 2017/2018	Service Unit	Budget Projection 2018/2019	Corporate Budget Reductions	Dept Budget Pressures	Dept Budget Reductions to Fund Pressures	One Off Costs	Total Budget 2018/2019 (2+3+4+5 +6)
(1) £'000		(2) £'000	(3) £'000	(4) £'000	(5) £'000	(6) £'000	(7) £'000
	Economic Regeneration						
472	Direct costs - Employees	523	(50)	0	0	0	473
320	- Other	326	0	0	0	0	326
792	Total Direct Cost	849	(50)	0	0	0	799
0	Support Recharges	1	0	0	0	0	1
(284)	Income	(330)	0	0	0	0	(330)
508	Gross Budget Requirement	520	(50)	0	0	0	470
	Use Of Departmental Reserves						0
508	Net Budget Requirement	520	(50)	0	0	0	470

Corporate Budget Reductions

Savings relate to staff costs which have reduced following a restructure.

2018/2019 BUDGET - SERVICE UNIT: EMPLOYMENT & SKILLS

Approved Budget 2017/2018	Service Unit	Budget Projection 2018/2019	Corporate Budget Reductions	Dept Budget Pressures	Dept Budget Reductions to Fund Pressures	One Off Costs	Total Budget 2018/2019 (2+3+4+5 +6)
(1) £'000		(2) £'000	(3) £'000	(4) £'000	(5) £'000	(6) £'000	(7) £'000
	Employment & Skills						
54	Direct costs - Employees	513	0	0	0	0	513
0	- Other	0	0	0	0	0	0
54	Total Direct Cost	513	0	0	0	0	513
48	Support Recharges	49	0	0	0	0	49
(106)	Income	(566)	0	100	0	0	(466)
(4)	Gross Budget Requirement	(4)	0	100	0	0	96
	Use Of Departmental Reserves						0
(4)	Net Budget Requirement	(4)	0	100	0	0	96

Departmental Budget Pressures

The pressure relates to a saving made in 2017/18 which aimed to generate general fund savings from Grant income. This has not been possible owing to changes in the Grant Regimes now available the this income budget has therefore been reduced in 2018/19.

2018/2019 BUDGET - SERVICE UNIT: ENVIRONMENTAL PROTECTION

Approved Budget 2017/2018	Service Unit	Budget Projection 2018/2019	Corporate Budget Reductions	Dept Budget Pressures	Dept Budget Reductions to Fund Pressures	One Off Costs	Total Budget 2018/2019 (2+3+4+5 +6)
(1) £'000		(2) £'000	(3) £'000	(4) £'000	(5) £'000	(6) £'000	(7) £'000
	Environmental Protection						
0	Direct costs - Employees	0	0	0	0	0	0
16	- Other	18	0	0	0	0	18
16	Total Direct Cost	18	0	0	0	0	18
10	Support Recharges	9	0	0	0	0	9
(29)	Income	(30)	0	0	0	0	(30)
(3)	Gross Budget Requirement	(3)	0	0	0	0	(3)
	Use Of Departmental Reserves						0
(3)	Net Budget Requirement	(3)	0	0	0	0	(3)

2018/2019 BUDGET - SERVICE UNIT: ENVIRONMENTAL STANDARDS

Approved Budget 2017/2018 (1) £'000	Service Unit	Budget Projection 2018/2019 (2) £'000	Corporate Budget Reductions (3) £'000	Dept Budget Pressures (4) £'000	Dept Budget Reductions to Fund Pressures (5) £'000	One Off Costs (6) £'000	Total Budget 2018/2019 (2+3+4+5+6) (7) £'000
	Environmental Standards						
0	Direct costs - Employees	0	0	0	0	0	0
7	- Other	7	0	0	0	0	7
7	Total Direct Cost	7	0	0	0	0	7
0	Support Recharges	0	0	0	0	0	0
(41)	Income	(42)	0	0	0	0	(42)
(34)	Gross Budget Requirement	(35)	0	0	0	0	(35)
0	Use Of Departmental Reserves						0
(34)	Net Budget Requirement	(35)	0	0	0	0	(35)

2018/2019 BUDGET - SERVICE UNIT: ENGINEERING & DESIGN

Approved Budget 2017/2018 (1) £'000	Service Unit	Budget Projection 2018/2019 (2) £'000	Corporate Budget Reductions (3) £'000	Dept Budget Pressures (4) £'000	Dept Budget Reductions to Fund Pressures (5) £'000	One Off Costs (6) £'000	Total Budget 2018/2019 (2+3+4+5+6) (7) £'000
	Engineering & Design						
358	Direct costs - Employees	407	0	0	0	0	407
562	- Other	573	0	0	0	0	573
920	Total Direct Cost	980	0	0	0	0	980
14	Support Recharges	14	0	0	0	0	14
(538)	Income	(592)	0	0	0	0	(592)
396	Gross Budget Requirement	402	0	0	0	0	402
0	Use Of Departmental Reserves						0
396	Net Budget Requirement	402	0	0	0	0	402

2018/2019 BUDGET - SERVICE UNIT: ENFORCEMENT OFFICERS

Approved Budget 2017/2018 (1) £'000	Service Unit	Budget Projection 2018/2019 (2) £'000	Corporate Budget Reductions (3) £'000	Dept Budget Pressures (4) £'000	Dept Budget Reductions to Fund Pressures (5) £'000	One Off Costs (6) £'000	Total Budget 2018/2019 (2+3+4+5+6) (7) £'000
	Enforcement Officers						
265	Direct costs - Employees	272	0	0	0	0	272
0	- Other	0	0	0	0	0	0
265	Total Direct Cost	272	0	0	0	0	272
	Support Recharges	0	0	0	0	0	0
	Income	0	0	0	0	0	0
265	Gross Budget Requirement	272	0	0	0	0	272
0	Use Of Departmental Reserves						0
265	Net Budget Requirement	272	0	0	0	0	272

2018/2019 BUDGET - SERVICE UNIT: FACILITIES MANAGEMENT

Approved Budget 2017/2018	Service Unit	Budget Projection 2018/2019	Corporate Budget Reductions	Dept Budget Pressures	Dept Budget Reductions to Fund Pressures	One Off Costs	Total Budget 2018/2019 (2+3+4+5 +6)
(1) £'000		(2) £'000	(3) £'000	(4) £'000	(5) £'000	(6) £'000	(7) £'000
	Facilities Management						
3,789	Direct costs - Employees	4,052	0	0	0	0	4,052
2,840	- Other	2,701	0	0	0	0	2,701
6,629	Total Direct Cost	6,753	0	0	0	0	6,753
319	Support Recharges	319	0	0	0	0	319
(6,210)	Income	(6,124)	0	0	0	0	(6,124)
738	Gross Budget Requirement	948	0	0	0	0	948
0	Use Of Departmental Reserves						0
738	Net Budget Requirement	948	0	0	0	0	948

2018/2019 BUDGET - SERVICE UNIT: GENERAL ALLOTMENTS

Approved Budget 2017/2018	Service Unit	Budget Projection 2018/2019	Corporate Budget Reductions	Dept Budget Pressures	Dept Budget Reductions to Fund Pressures	One Off Costs	Total Budget 2018/2019 (2+3+4+5 +6)
(1) £'000		(2) £'000	(3) £'000	(4) £'000	(5) £'000	(6) £'000	(7) £'000
	General Allotments						
66	Direct costs - Employees	67	0	0	0	0	67
105	- Other	85	0	0	0	0	85
171	Total Direct Cost	152	0	0	0	0	152
0	Support Recharges	0	0	0	0	0	0
(76)	Income	(78)	(50)	0	0	0	(128)
95	Gross Budget Requirement	74	(50)	0	0	0	24
0	Use Of Departmental Reserves						0
95	Net Budget Requirement	74	(50)	0	0	0	24

Corporate Budget Reductions

Savings relate to funding provided by Public Health to support the overall running costs of the service.

2018/2019 BUDGET - SERVICE UNIT: GROUNDS MAINTENANCE

Approved Budget 2017/2018	Service Unit	Budget Projection 2018/2019	Corporate Budget Reductions	Dept Budget Pressures	Dept Budget Reductions to Fund Pressures	One Off Costs	Total Budget 2018/2019 (2+3+4+5 +6)
(1) £'000		(2) £'000	(3) £'000	(4) £'000	(5) £'000	(6) £'000	(7) £'000
	Grounds Maintenance						
1,138	Direct costs - Employees	1,152	(86)	0	0	0	1,066
443	- Other	454	0	0	0	0	454
1,581	Total Direct Cost	1,606	(86)	0	0	0	1,520
477	Support Recharges	489	(91)	0	0	0	398
(508)	Income	(456)	0	0	0	0	(456)
1,550	Gross Budget Requirement	1,639	(177)	0	0	0	1,462
0	Use Of Departmental Reserves						0
1,550	Net Budget Requirement	1,639	(177)	0	0	0	1,462

Corporate Budget Reductions

The savings relate to a review of operating practices carried out as part of the Clean and Green Strategy/Service Review. The review has involved a change in working practices that has reduced the need for seasonal and casual staff. Vehicles have been reduced to reflect the initiatives put in place to reduce the level of grass cutting e.g. low maintenance alternatives.

2018/2019 BUDGET - SERVICE UNIT: COAST, COUNTRYSIDE & HERITAGE

Approved Budget 2017/2018	Service Unit	Budget Projection 2018/2019	Corporate Budget Reductions	Dept Budget Pressures	Dept Budget Reductions to Fund Pressures	One Off Costs	Total Budget 2018/2019 (2+3+4+5 +6)
(1) £'000		(2) £'000	(3) £'000	(4) £'000	(5) £'000	(6) £'000	(7) £'000
	<u>Coast, Countryside & Heritage</u>						
421	Direct costs - Employees	432	(7)	0	0	0	425
781	- Other	803	(13)	0	0	0	790
1,202	Total Direct Cost	1,235	(20)	0	0	0	1,215
14	Support Recharges	14	0	0	0	0	14
(1,229)	Income	(1,261)	0	0	0	0	(1,261)
(13)	Gross Budget Requirement	(12)	(20)	0	0	0	(32)
0	Use Of Departmental Reserves						0
(13)	Net Budget Requirement	(12)	(20)	0	0	0	(32)

Corporate Budget Reductions

Savings relate to a reduction in staff costs following a restructure in this area as well as savings across various supplies and services budgets.

2018/2019 BUDGET - SERVICE UNIT: HIGHWAYS & TRANSPORTATION

Approved Budget 2017/2018	Service Unit	Budget Projection 2018/2019	Corporate Budget Reductions	Dept Budget Pressures	Dept Budget Reductions to Fund Pressures	One Off Costs	Total Budget 2018/2019 (2+3+4+5 +6)
(1) £'000		(2) £'000	(3) £'000	(4) £'000	(5) £'000	(6) £'000	(7) £'000
	<u>Highways & Transportation</u>						
435	Direct costs - Employees	445	(40)	0	0	0	405
2,214	- Other	2,292	0	0	0	0	2,292
2,649	Total Direct Cost	2,737	(40)	0	0	0	2,697
18	Support Recharges	19	0	0	0	0	19
(78)	Income	(104)	0	0	0	0	(104)
2,589	Gross Budget Requirement	2,652	(40)	0	0	0	2,612
0	Use Of Departmental Reserves						0
2,589	Net Budget Requirement	2,652	(40)	0	0	0	2,612

Corporate Budget Reductions

Savings relate to staff costs which have reduced following a restructure.

2018/2019 BUDGET - SERVICE UNIT: HIGHWAYS TRADING

Approved Budget 2017/2018	Service Unit	Budget Projection 2018/2019	Corporate Budget Reductions	Dept Budget Pressures	Dept Budget Reductions to Fund Pressures	One Off Costs	Total Budget 2018/2019 (2+3+4+5 +6)
(1) £'000		(2) £'000	(3) £'000	(4) £'000	(5) £'000	(6) £'000	(7) £'000
	<u>Highways Trading</u>						
728	Direct costs - Employees	740	0	0	0	0	740
510	- Other	509	0	0	0	0	509
1,238	Total Direct Cost	1,249	0	0	0	0	1,249
624	Support Recharges	624	0	0	0	0	624
(2,190)	Income	(2,191)	(20)	0	0	0	(2,211)
(328)	Gross Budget Requirement	(318)	(20)	0	0	0	(338)
0	Use Of Departmental Reserves						0
(328)	Net Budget Requirement	(318)	(20)	0	0	0	(338)

Corporate Budget Reductions

Savings relate to additional income generated from Trading Activities.

2018/2019 BUDGET - SERVICE UNIT: PASSENGER TRANSPORT

Approved Budget 2017/2018	Service Unit	Budget Projection 2017/2018	Corporate Budget Reductions	Dept Budget Pressures	Dept Budget Reductions to Fund Pressures	One Off Costs	Total Budget 2017/2018 (2+3+4+5 +6)
(1) £'000		(2) £'000	(3) £'000	(4) £'000	(5) £'000	(6) £'000	(7) £'000
	Passenger Transport						
939	Direct costs - Employees	985	0	0	0	0	985
1,096	- Other	1,087	(20)	0	0	0	1,067
2,035	Total Direct Cost	2,072	(20)	0	0	0	2,052
394	Support Recharges	395	0	0	0	0	395
(1,066)	Income	(1,067)	(20)	0	0	0	(1,087)
1,363	Gross Budget Requirement	1,400	(40)	0	0	0	1,360
0	Use Of Departmental Reserves						0
1,363	Net Budget Requirement	1,400	(40)	0	0	0	1,360

Corporate Budget Reductions

Savings relate to additional income generated from Trading Activities and a reduction in the budget provision for Home to School Transport costs. Home to School Transport is a demand led service and costs are currently below budgeted levels.

2018/2019 BUDGET - SERVICE UNIT: PLANNING & DEVELOPMENT

Approved Budget 2017/2018	Service Unit	Budget Projection 2018/2019	Corporate Budget Reductions	Dept Budget Pressures	Dept Budget Reductions to Fund Pressures	One Off Costs	Total Budget 2018/2019 (2+3+4+5 +6)
(1) £'000		(2) £'000	(3) £'000	(4) £'000	(5) £'000	(6) £'000	(7) £'000
	Planning Services						
918	Direct costs - Employees	948	0	0	(20)	0	928
70	- Other	72	0	0	0	0	72
988	Total Direct Cost	1,020	0	0	(20)	0	1,000
12	Support Recharges	12	0	0	0	0	12
(729)	Income	(747)	0	0	0	0	(747)
271	Gross Budget Requirement	285	0	0	(20)	0	265
	Use Of Departmental Reserves						0
271	Net Budget Requirement	285	0	0	(20)	0	265

Departmental Budget Reductions to Fund Pressures

Savings relate to staff costs which have reduced following a restructure.

2018/2019 BUDGET - SERVICE UNIT: ROAD SAFETY

Approved Budget 2017/2018	Service Unit	Budget Projection 2018/2019	Corporate Budget Reductions	Dept Budget Pressures	Dept Budget Reductions to Fund Pressures	One Off Costs	Total Budget 2018/2019 (2+3+4+5 +6)
(1) £'000		(2) £'000	(3) £'000	(4) £'000	(5) £'000	(6) £'000	(7) £'000
	Road Safety						
404	Direct costs - Employees	402	0	0	0	0	402
277	- Other	277	0	0	0	0	277
681	Total Direct Cost	679	0	0	0	0	679
0	Support Recharges	0	0	0	0	0	0
(552)	Income	(550)	0	0	0	0	(550)
129	Gross Budget Requirement	129	0	0	0	0	129
0	Use Of Departmental Reserves						0
129	Net Budget Requirement	129	0	0	0	0	129

2018/2019 BUDGET - SERVICE UNIT: STRATEGIC MANAGEMENT & ADMIN

Approved Budget 2017/2018 (1) £'000	Service Unit	Budget Projection 2018/2019 (2) £'000	Corporate Budget Reductions (3) £'000	Dept Budget Pressures (4) £'000	Dept Budget Reductions to Fund Pressures (5) £'000	One Off Costs (6) £'000	Total Budget 2018/2019 (2+3+4+5 +6) (7) £'000
	<u>Strategic Management & Admin</u>						
571	Direct costs - Employees	594	0	0	0	0	594
68	- Other	121	0	0	0	0	121
639	Total Direct Cost	715	0	0	0	0	715
846	Support Recharges	866	0	0	0	0	866
(948)	Income	(977)	0	0	0	0	(977)
537	Gross Budget Requirement	604	0	0	0	0	604
0	Use Of Departmental Reserves						0
537	Net Budget Requirement	604	0	0	0	0	604

2018/2019 BUDGET - SERVICE UNIT: STREET LIGHTING

Approved Budget 2017/2018 (1) £'000	Service Unit	Budget Projection 2018/2019 (2) £'000	Corporate Budget Reductions (3) £'000	Dept Budget Pressures (4) £'000	Dept Budget Reductions to Fund Pressures (5) £'000	One Off Costs (6) £'000	Total Budget 2018/2019 (2+3+4+5 +6) (7) £'000
	<u>Street Lighting</u>						
0	Direct costs - Employees	0	0	0	0	0	0
1,020	- Other	1,044	(50)	0	0	0	994
1,020	Total Direct Cost	1,044	(50)	0	0	0	994
0	Support Recharges	0	0	0	0	0	0
0	Income	0	0	0	0	0	0
1,020	Gross Budget Requirement	1,044	(50)	0	0	0	994
0	Use Of Departmental Reserves						0
1,020	Net Budget Requirement	1,044	(50)	0	0	0	994

Corporate Budget Reductions

Budget reduction relates to additional savings on energy costs achieved following the completion of the Street Lighting LED replacement programme.

2018/2019 BUDGET - SERVICE UNIT: STRATEGIC ASSET MANAGEMENT

Approved Budget 2017/2018 (1) £'000	Service Unit	Budget Projection 2018/2019 (2) £'000	Corporate Budget Reductions (3) £'000	Dept Budget Pressures (4) £'000	Dept Budget Reductions to Fund Pressures (5) £'000	One Off Costs (6) £'000	Total Budget 2018/2019 (2+3+4+5 +6) (7) £'000
	<u>Strategic Asset Management</u>						
480	Direct costs - Employees	501	0	0	(39)	0	462
91	- Other	208	0	0	(41)	0	167
571	Total Direct Cost	709	0	0	(80)	0	629
32	Support Recharges	33	0	0	0	0	33
(609)	Income	(740)	0	0	0	0	(740)
(6)	Gross Budget Requirement	2	0	0	(80)	0	(78)
0	Use Of Departmental Reserves						0
(6)	Net Budget Requirement	2	0	0	(80)	0	(78)

Departmental Budget Reductions to Fund Pressures

Savings relate to staff costs which have reduced following a restructure of Housing Services and reduced running costs.

2018/2019 BUDGET - SERVICE UNIT: STREET CLEANSING

Approved Budget 2017/2018	Service Unit	Budget Projection 2018/2019	Corporate Budget Reductions	Dept Budget Pressures	Dept Budget Reductions to Fund Pressures	One Off Costs	Total Budget 2018/2019 (2+3+4+5 +6)
(1) £'000		(2) £'000	(3) £'000	(4) £'000	(5) £'000	(6) £'000	(7) £'000
	Street Cleansing						
754	Direct costs - Employees	747	(114)	0	0	0	633
138	- Other	142	0	0	0	0	142
892	Total Direct Cost	889	(114)	0	0	0	775
588	Support Recharges	602	(13)	0	0	0	589
(102)	Income	(105)	0	0	0	0	(105)
1,378	Gross Budget Requirement	1,386	(127)	0	0	0	1,259
0	Use Of Departmental Reserves						0
1,378	Net Budget Requirement	1,386	(127)	0	0	0	1,259

Corporate Budget Reductions

Savings relate to staff costs which have reduced following a restructure. A review of work programmes has also led to a reduction in the number of vehicles used by the service.

2018/2019 BUDGET - SERVICE UNIT: SUSTAINABLE TRANSPORT (Inc Concessionary Fares)

Approved Budget 2017/2018	Service Unit	Budget Projection 2018/2019	Corporate Budget Reductions	Dept Budget Pressures	Dept Budget Reductions to Fund Pressures	One Off Costs	Total Budget 2018/2019 (2+3+4+5 +6)
(1) £'000		(2) £'000	(3) £'000	(4) £'000	(5) £'000	(6) £'000	(7) £'000
	Sustainable Transport (Inc Concessionary Fares)						
0	Direct costs - Employees	0	0	0	0	0	0
2,427	- Other	2,485	(20)	0	0	0	2,465
2,427	Total Direct Cost	2,485	(20)	0	0	0	2,465
0	Support Recharges	0	0	0	0	0	0
0	Income	0	0	0	0	0	0
2,427	Gross Budget Requirement	2,485	(20)	0	0	0	2,465
0	Use Of Departmental Reserves						0
2,427	Net Budget Requirement	2,485	(20)	0	0	0	2,465

Corporate Budget Reductions

Savings relate to a reduction in the budget provision for Concessionary Fares. The budget reflects the negotiated position for the cost of Concessionary Fares which is currently below budgeted levels.

2018/2019 BUDGET - SERVICE UNIT: VEHICLE FLEET

Approved Budget 2017/2018	Service Unit	Budget Projection 2018/2019	Corporate Budget Reductions	Dept Budget Pressures	Dept Budget Reductions to Fund Pressures	One Off Costs	Total Budget 2018/2019 (2+3+4+5 +6)
(1) £'000		(2) £'000	(3) £'000	(4) £'000	(5) £'000	(6) £'000	(7) £'000
	Vehicle Fleet						
475	Direct costs - Employees	495	0	0	0	0	495
2,852	- Other	2,852	0	0	0	0	2,852
3,327	Total Direct Cost	3,347	0	0	0	0	3,347
321	Support Recharges	321	0	0	0	0	321
(3,705)	Income	(3,704)	0	0	0	0	(3,704)
(57)	Gross Budget Requirement	(36)	0	0	0	0	(36)
0	Use Of Departmental Reserves						0
(57)	Net Budget Requirement	(36)	0	0	0	0	(36)

2018/2019 BUDGET - SERVICE UNIT: WASTE & ENVIRONMENTAL SERVICES

Approved Budget 2017/2018	Service Unit	Budget Projection 2018/2019	Corporate Budget Reductions	Dept Budget Pressures	Dept Budget Reductions to Fund Pressures	One Off Costs	Total Budget 2018/2019 (2+3+4+5 +6)
(1) £'000		(2) £'000	(3) £'000	(4) £'000	(5) £'000	(6) £'000	(7) £'000
	<u>Waste & Environmental Services</u>						
1,796	Direct costs - Employees	1,784	(56)	0	0	0	1,728
2,898	- Other	3,047	0	0	0	0	3,047
4,694	Total Direct Cost	4,831	(56)	0	0	0	4,775
873	Support Recharges	886	0	0	0	0	886
(710)	Income	(729)	0	0	0	0	(729)
4,857	Gross Budget Requirement	4,988	(56)	0	0	0	4,932
0	Use Of Departmental Reserves						0
4,857	Net Budget Requirement	4,988	(56)	0	0	0	4,932

Corporate Budget Reductions

Savings relate to staff costs which have reduced following a restructure.

HOUSING REVENUE ACCOUNT
DETAILED REVENUE BUDGETS 2018/2019

HOUSING REVENUE ACCOUNT (HRA) 2018/19

This is a ringfenced account relating to the Council's rented housing. It was reopened on 1st April, 2016 as a result of the number of houses exceeding the Governments new limit of 200, which was announced in a Ministerial Statement on 20 March, 2015. Prior to this it was included within the Regeneration & Neighbourhoods Department budgets as 'Council Housing'.

	2018/2019 BUDGET
	£000
INCOME	
Dwelling Rents (Note 1)	(1,068)
Charges for services and facilities	(2)
Other Income	(26)
Income sub total	(1,096)
EXPENDITURE	
Major Repairs Allowance (Note 2)	281
Supervision and management (Note 3)	282
Repairs and maintenance	189
Rents, rates, taxes and other charges	13
Increase in provision for doubtful debts	35
Debt Management	9
Expenditure sub total	809
NET COST OF SERVICES	(287)
Interest payable	340
HRA investment income	(24)
DEFICIT/(SURPLUS) FOR THE YEAR	29
HRA BALANCE B/F	(538)
HRA BALANCE C/F	(509)

Note 1 - Rent setting is determined by the Government's policy to reduce rents by 1%.

Note 2 - This relates to amounts set aside to fund capital expenditure on major repairs.

Note 3 - Includes staffing costs, insurance, IT and central support services.

SECTION C

Treasury Management Strategy 2018/19



Report of: Chief Executive

Subject: BUSINESS REPORT (Extract)

1. TREASURY MANAGEMENT STRATEGY

This item enables the Council to approve the recommended Treasury Management Strategy for 2018/2019. The Local Government Act 2003 requires the Council to 'have regard to' the CIPFA Prudential Code and to set prudential indicators for the next three years to ensure that the Authority's capital investment plans are affordable, prudent and sustainable. The Act therefore requires the Council to determine a Treasury Management Strategy for borrowing and to prepare an Annual Investment Strategy, which sets out the Council's policies for managing its investments and for giving priority to the security and liquidity of those investments. The Secretary of State has issued Guidance on Local Government Investments which came into force on 1st April, 2004. This guidance recommends that all Local Authorities produce an Annual Investment Strategy that is approved by full Council, which is also included in this report.

The Council is required to nominate a body to be responsible for ensuring effective scrutiny of the Treasury Management Strategy and policies, before making recommendations to Council. This responsibility has been allocated to the Audit and Governance Committee. The recommended Treasury Management Strategy was considered by the Audit and Governance Committee on the 24th January 2018 and this report is attached as Appendix 1. The Audit and Governance Committee scrutinised the proposed Treasury Management strategy and approved that the recommended strategy be referred to full Council.

RECOMMENDATIONS

It is recommended that Members note the report and the recommendation from the Audit and Governance Committee to approve the following detailed recommendations for the 2018/19 Treasury Management Strategy and related issues;

Borrowing Strategy 2018/19

- i) **Core borrowing requirement** – following the securing of exceptionally low interest rates approve that the remainder of the under borrowing is netted down against investments.

- ii) To note that in the event of a change in economic circumstances that the Director of Finance and Policy may take out additional borrowing if this secures the lowest long term interest cost.
- iii) **Borrowing required for business cases** – Approve the strategy of internally borrowing for business cases to mitigate counterparty risk, reduce borrowing costs and generate an internal investment return. Note that if this strategy is adopted that action may be taken by Director of Finance and Policy to externally borrow for these schemes if an interest rates rise is expected.

Investment Strategy 2018/19

- iv) Approve that Svenska Handelsbanken be brought into line with other category A counterparties and no longer identified separately
- v) Approve the Counterparty limits as set out in paragraph 8.8 of Appendix 1.

Minimum Revenue Provision (MRP) Statement

- vi) Approve the MRP statement outlined in paragraph 9.3 of Appendix 1.

Prudential Indicators 2018/19

- xi) Approve the prudential indicators outlined in Appendix B of Appendix 1.

AUDIT AND GOVERNANCE COMMITTEE

24th January 2018



Report of: Director of Finance and Policy

Subject: TREASURY MANAGEMENT STRATEGY

1. PURPOSE OF REPORT

1.1 The purposes of the report are to:

- i. Provide a review of Treasury Management activity for 2016/17 including the 2016/17 outturn Prudential Indicators;
- ii. Provide a mid-year update of the 2017/18 Treasury Management activity; and
- iii. Enable the Audit and Governance Committee to scrutinise the recommended 2018/19 Treasury Management Strategy before it is referred to the full Council for approval.

2. BACKGROUND

2.1 The Treasury Management Strategy covers:

- the borrowing strategy relating to the Council's core borrowing requirement arising from historic capital expenditure funded from Prudential Borrowing;
- the borrowing strategy for the use of Prudential Borrowing for approved capital investment business cases where loan repayment costs are funded from budget savings and / or increased income, previous examples have included LED streetlight replacement, housing schemes and the development of a new 'Centre for Independent Living'; and
- the annual investment strategy relating to the Council's cash flow.

2.2 The Treasury Management Strategy needs to ensure that the loan repayment costs of historic capital expenditure do not exceed the available General Fund revenue budget, which has been reduced as part of the Medium Term Financial Strategy. Similarly, for specific business cases the Treasury Management Strategy needs to ensure loan repayment costs do not exceed the costs built into the business cases. As detailed later in the report these issues are being managed successfully.

2.3 The Local Government Act 2003 requires the Council to 'have regard to' the CIPFA (Chartered Institute of Public Finance and Accountancy) Prudential

Code and to set prudential indicators for the next three years to ensure capital investment plans are affordable, prudent and sustainable.

- 2.4 The Act requires the Council to set out a Treasury Management Strategy for borrowing and to prepare an Annual Investment Strategy, which sets out the policies for managing investments and for giving priority to the security and liquidity of those investments. The Secretary of State has issued Guidance on Local Government Investments which came into force on 1st April, 2004, and has subsequently been updated.
- 2.5 The Council is required to nominate a body to be responsible for ensuring effective scrutiny of the Treasury Management Strategy and policies, before making recommendations to full Council. This responsibility has been allocated to the Audit and Governance Committee.
- 2.6 This report covers the following areas:
- Economic background and outlook for interest rates
 - Treasury management outturn position for 2016/17
 - Treasury Management Strategy 2017/18 mid-year review
 - Treasury Management Strategy 2018/19
 - Minimum Revenue Provision and Interest Cost and Other Regulatory Information 2018/19

3. ECONOMIC ENVIRONMENT AND OUTLOOK FOR INTEREST RATES

- 3.1 **Global Outlook** – World growth is currently on a trend of stronger performance with subdued but rising earnings and falling levels of unemployment. In October the International Monetary Fund (IMF) upgraded its forecast for world growth from 3.2% to 3.6% for 2017 and 3.7% for 2018.
- 3.2 In addition, the expectation of inflation increasing is generally low and in particular wage inflation has been subdued despite unemployment falling to historically very low levels in the UK and US. The likely reason for this is a combination of a shift towards flexible working, self employment, falling union membership and increasing globalisation and specialism of individual countries. This has meant that labour in one country is in competition with labour in other countries which may be offering lower wage rates, increased productivity or a combination of the two. Technology is exerting downward pressure on wage rates and this is likely to grow with an accelerating movement towards automation, robots and artificial intelligence, leading to repetitive tasks being taken over by machines or computers.
- 3.3 **UK** – The UK surprised markets with strong economic growth in 2016 however growth in 2017 has proven weak with the forecast being revised down from 2% in March to 1.5% in the Autumn Budget Statement. The Office for Budget Responsibility's revised growth forecast up to 2022 is set out in the following table:

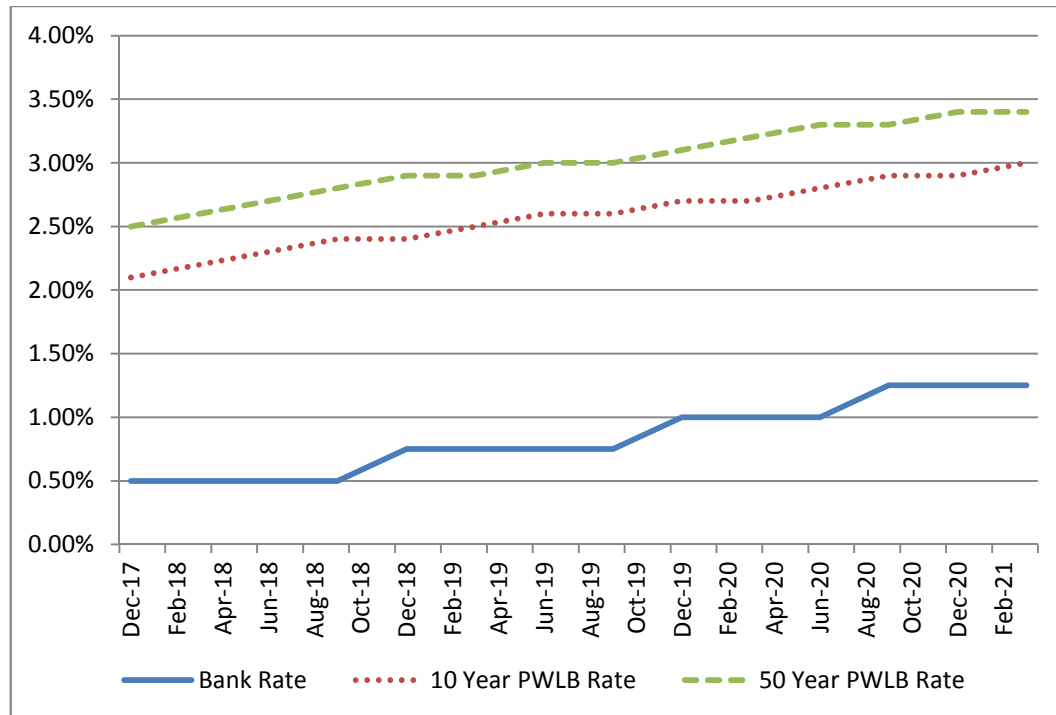
Year	March 2017 Growth Forecast	Autumn Budget 2017 Growth Forecast
2017	2.0%	1.5%
2018	1.6%	1.4%
2019	1.7%	1.3%
2020	1.9%	1.3%
2021	2.0%	1.5%
2022	-	1.6%

- 3.4 The Bank of England's (BoE) Monetary Policy Committee (MPC) surprised markets and forecasters at its meeting on 14 September 2017 by indicating that the Bank Rate may soon need to rise in response to their view that the amount of spare capacity in the economy was significantly diminishing. The Bank was also concerned that the withdrawal of the UK from the EU would cause additional inflationary pressures over the next few years.
- 3.5 At its 2 November 2017 meeting the MPC followed through with its earlier warning and delivered a 0.25% increase in Bank Rate raising it back to 0.5%. It also gave forward guidance that they only expect to raise Bank Rate twice more in the next three years to reach 1.0% by 2020. This is in line with the Bank's previous statements that Bank Rate would only go up very gradually and to a limited extent.
- 3.6 However, there is much uncertainty around Brexit negotiations, consumer confidence and business confidence on spending to invest that it is possible that the Bank will vary from its forward guidance in response to emerging economic issues.
- 3.7 **EU** – Economic growth in the EU had been poor for several years following the financial crisis despite the European Central Bank (ECB) eventually cutting its main rate of interest to -0.4% and undertaking a massive programme of Quantitative Easing (QE). However growth picked up in 2016 and has now gathered strength and momentum as a result of this stimulus:
- 2017 Quarter 1 – +0.5% (+2.0% year on year)
 - 2017 Quarter 2 – +0.6% (+2.3% year on year)
 - 2017 Quarter 3 – +0.6% (+2.5% year on year)
- 3.8 However, despite providing massive monetary stimulus the ECB is still struggling to increase inflation to its 2% target (inflation in October was 1.4%). Forecasters therefore do not believe it will increase rates until possibly 2019, though the ECB has announced it will slow down its QE purchases from January 2018.
- 3.9 **USA** – Growth in the USA has proven volatile in 2015 and 2016, and 2017 has continued this trend with quarter 1 growth of 1.2%, rising to 3% in quarter 3. Unemployment has fallen to 4.2%, the lowest level for many

years and inflation pressures have been building. The Federal Reserve has started a gradual increase in interest rates with four increases in total (three since December 2016). Forecasters expect it to increase interest rates one more time in 2017 which would increase its central interest rate to 1.5%. There is an expectation that there will be a further four interest rate rises in 2018.

- 3.10 **Other Economies** – In China economic growth has continued to weaken despite repeated rounds of central bank stimulus with many commentators believing that risks to economic growth are increasing. Japan has been struggling to stimulate growth and meet its inflation target of 2% despite huge monetary and fiscal stimulus.
- 3.11 **Interest Rate Forecasts**
- 3.12 It has been almost ten years since the financial crash of 2008, when liquidity suddenly dried up in the financial markets. Many commentators assert that the monetary policy measures taken by central banks to counter a sharp worldwide recession were successful. The key measures being a combination of lowering central interest rates and using QE to flood the financial markets with liquidity.
- 3.13 The key issue now is that the period of stimulating economic recovery and warding off the threat of inflation is coming to an end and a new period has already started particularly in the US, of reversing those measures i.e. by raising central interest rates and reducing QE \$4.5tn.
- 3.14 As outlined above the BoE have given forward guidance that the Bank Rate will only go up very gradually and to a limited extent. However owing to many external factors influencing the UK economy and uncertainty surrounding Brexit, forecasting future interest rates remains extremely challenging. Link Asset Services (formerly known as Capita Asset Services, the Council's Treasury Management advisors) continue to update their forecasts to reflect statements made by the Governor of the Bank of England and changes in the economy. Their latest forecast anticipates a further increase in the Bank Rate to 0.75% in December 2018 and a further increase to 1% in December 2019 in line with the forward guidance recently issued by the BoE.

Interest Rate Forecast up to Mar 2021



3.15 Since the late 1990s Bank Rate averaged 5% until 2009 when the Bank of England reduced it to the historically low 0.5% in response to the financial crisis and again to 0.25% in 2016 following the EU referendum. Over the same period PWLB rates have been significantly higher than they are at present. The rates for 10 year loans were on average 5% prior to the financial crisis but subsequently fell to between 3% and 4%. The rates for 50 year loans were also on average 5% although this trend continued throughout the financial crisis. PWLB interest rates fell to historically low levels in early 2015 predominantly as a consequence of falling oil prices. They fell further following the EU referendum to the current levels. In the context of previous interest rates, current rates are at an unprecedented low level though have increased since the low levels seen 2016.

4. TREASURY MANAGEMENT OUTTURN POSITION 2016/17

4.1 Capital Expenditure and Financing 2016/17

4.2 The Council’s approved capital programme is funded from a combination of capital receipts, capital grants, revenue contributions and prudential borrowing.

4.3 Part of the Council’s treasury management activities is to address the prudential borrowing need, either through borrowing from external bodies, or utilising temporary cash resources within the Council. The wider treasury activity also includes managing the Council’s day to day cash flows, previous

- borrowing activities and the investment of surplus funds. These activities are structured to manage risk foremost, and then to optimise performance.
- 4.4 Actual capital expenditure forms one of the required prudential indicators. As shown at Appendix A, the total amount of capital expenditure for the year was £21.858m, of which £9.379m was funded by Prudential Borrowing.
- 4.5 The Council's underlying need to borrow is called the Capital Financing Requirement (CFR). This figure is the accumulated value of capital expenditure which has been financed from Prudential Borrowing. Each year the Council is required to apply revenue resources to reduce this outstanding balance.
- 4.6 Whilst the Council's CFR sets a limit on underlying need to borrow, the Council can manage the actual borrowing position by either;
- borrowing externally to the level of the CFR; or
 - choosing to use temporary internal cash flow funds instead of borrowing; or
 - a combination of the two.
- 4.7 The Council's CFR for the year was £101.456m as shown at Appendix A comprising £71.902m relating to the core CFR and £20.482m relating to business cases and £9.072m relating to the Housing Revenue Account (HRA). This is lower than the approved estimate of £108.920m owing to rephasing of capital expenditure in 2017/18.
- 4.8 The Council's total long term external borrowing as at 31st March, 2016 was £87.7m and reduced to £85.7m at 31st March 2017. This decrease was in line with the approved strategy and reflected the partial repayment of annuity loans taken out in previous financial years.
- 4.9 The total borrowing remains below the CFR and there continues to be an element of netting down investments and borrowing to a level that is expected to be sustainable.
- 4.10 **Prudential Indicators and Compliance Issues 2016/17**
- 4.11 Details of each Prudential Indicator are shown at Appendix A. Some of the prudential indicators provide either an overview or specific limits on treasury activity. The key Prudential Indicators to report at outturn are described below.
- 4.12 The **Authorised Limit** is the "Affordable Borrowing Limit" required by Section 3 of the Local Government Act 2003. The Council does not have the power to borrow above this level. Appendix A demonstrates that during 2016/17 the Council has maintained gross borrowing within its Authorised Limit.
- 4.13 **Net Borrowing and the CFR** - In order to ensure that borrowing levels are prudent, over the medium term the Council's external borrowing, net of

investments, must only be for a capital purpose. Net borrowing should not exceed the CFR for 2016/17 plus the expected changes to the CFR over 2017/18 and 2018/19. The Council has complied with this Prudential Indicator.

4.14 The treasury position 31st March 2017

4.15 The table below shows the treasury position for the Council as at the 31st March, 2017 compared with the previous year:

Treasury position	31st March 2016		31st March 2017	
	Principal	Average Rate	Principal	Average Rate
Fixed Interest Rate Debt				
- Tees Valley Unlimited Loan	£1.6m	0.00%	£2.2m	0.00%
- PWLB	£41.1m	2.97%	£38.5m	3.04%
- Market Loans (Maturities)	£0.0m	0.00%	£25.0m	3.92%
- Market Loans (LOBOs)	£45.0m	4.00%	£20.0m	4.12%
Total Long Term Debt	£87.7m	3.45%	£85.7m	3.47%
Total Investments	£61.1m	0.54%	£46.5m	0.40%
Net borrowing Position	£26.6m		£39.2m	

4.16 At the time the LOBOs were taken out the prevailing PWLB rates were between 4.25% and 4.55%. The LOBOs have therefore allowed the Council to achieve annual interest savings between 0.13% and 0.43% compared to prevailing PWLB loans.

4.17 A key performance indicator shown in the above table is the very low average rate of external debt of 3.47% for debt held as at 31st March, 2017. This is a historically low rate for long term debt and the resulting interest savings have already been built into the Medium Term Financial Strategy.

4.18 The Council's investment policy is governed by Department of Communities and Local Government (DCLG) guidance, which has been implemented in the annual investment strategy approved by Council.

4.19 The Council does not rely solely on credit ratings and takes a more pragmatic and broad based view of the factors that impact on counterparty risk. As part of the approach to maximising investment security the Council has also kept investment periods short (i.e. in most cases between three and six months but a maximum of one year). The downside of this prudent approach is that the Council achieved slightly lower investment returns than would have been possible if investments were placed with organisations with a lesser financial standing and for longer investment periods. However, during 2016/17 the risk associated with these higher returns would not have been prudent.

4.20 A prudent approach will continue to be adopted in order to safeguard the Council's resources.

4.21 Regulatory Framework, Risk and Performance 2016/17

4.22 The Council's treasury management activities are regulated by a variety of professional codes, statutes and guidance:

- The Local Government Act 2003 (the Act), which provides the powers to borrow and invest as well as providing controls and limits on this activity;
- The Act permits the Secretary of State to set limits either on the Council or nationally on all local authorities restricting the amount of borrowing which may be undertaken (although no restrictions have been made since this power was introduced);
- Statutory Instrument (SI) 3146 2003, as amended, develops the controls and powers within the Act, and requires the Council to undertake any borrowing activity with regard to the CIPFA Prudential Code for Capital Finance in Local Authorities;
- The SI also requires the Council to operate the overall treasury function with regard to the CIPFA Code of Practice for Treasury Management in the Public Services;
- Under the Act the DCLG has issued Investment Guidance to structure and regulate the Council's investment activities;
- Under section 238(2) of the Local Government and Public Involvement in Health Act 2007 the Secretary of State has taken powers to issue guidance on accounting practices. Guidance on Minimum Revenue Provision was issued under this section on 8th November, 2007.

4.23 The Council has complied with all of the above relevant statutory and regulatory requirements which limit the levels of risk associated with its Treasury Management activities

5. TREASURY MANAGEMENT STRATEGY 2017/18 MID YEAR REVIEW

5.1 The Treasury Management Strategy for 2017/18 was approved by Council on 23rd February 2017. The Council's borrowing and investment position as at 30th September 2017 is summarised as follows:

	£m	Average Rate
Tees Valley Unlimited Loan	2.2	0.00%
PWLB Loans	37.2	3.07%
Market Loans (Maturities)	25.0	3.92%
Market Loans (LOBOs)	20.0	4.12%
Gross Debt	84.4	3.49%
Investments	47.1	0.37%
Net Debt as at 30-09-17	37.3	

5.2 In November 2017 additional borrowing of £1.3m (not reflected in the above table) was undertaken to secure business cases in line with the approved Strategy, for the following schemes:

- Street Lighting

- Allotments
- Wheelie Bins
- Depot

5.3 Net Debt has decreased since 31st March 2017 owing to positive cash flows. It is anticipated that the net debt will increase towards the end of the year in line with previous years as a result of reducing cash flows.

5.4 As part of the Treasury Strategy for 2017/18 the Council set a number of prudential indicators. Compliance against these indicators is monitored on a regular basis and there are no breaches to report.

6. TREASURY MANAGEMENT STRATEGY 2018/19

6.1 Prudential Indicators and other regulatory information in relation to the 2018/19 Treasury Management Strategy is set out in Appendix B.

6.2 The key elements of the Treasury Management Strategy which Members need to consider are the Borrowing and Investment Strategies, detailed in section 7 and 8.

7. BORROWING STRATEGY 2018/19

7.1 Borrowing strategies are needed for the core borrowing requirement and the borrowing requirement related to specific business cases, as outlined in the following paragraphs.

7.2 Core Borrowing Requirement

7.3 The continuing objective of the Council's Treasury Management Strategy is to fund the core annual borrowing requirement at the lowest possible long term interest rate.

7.4 Since the unprecedented reduction in Base Rate to 0.5% in March 2009 the Treasury Management Strategy has been to net down investments and borrowings resulting in annual savings reflected in the outturn strategy. The existing Treasury Management Strategy has always recognised that this approach was not sustainable in the longer term as the one-off resources which have been used to temporarily avoid long term borrowing would be used up. The MTFs for 2018/19 to 2020/21 recommends proposals for using significant one-off resources and therefore a large proportion of reserves will be used up over the next three years and will not be available to net down the borrowing requirement. Therefore, in advance of this a decision was taken to partially fund the core borrowing requirement when long term PWLB interest rates fell to unprecedentedly low levels in January 2015.

7.5 This decision has secured low long term interest rates, meeting the objective of funding the borrowing requirement at historically low long term interest rates. This action secured the Treasury Management savings built into the

budget since 2015/16 of £1.270m, which reduced the recurring budget by 21%.

- 7.6 Total borrowing remains below the CFR and the strategy continues an element of netting down investments and borrowing. This is at a level that is forecast to be sustainable. However owing to the unprecedented financial environment it may be appropriate to take out further borrowing and the position will be kept under constant review. A decision to borrow up to the CFR may be taken by the Director of Finance and Policy if it is in the best interests of the Council to do so.

7.7 **Borrowing Requirement Business Cases**

- 7.8 The financial viability of each business case is assessed on an individual basis reflecting the specific risk factors for individual business cases. This includes the repayment period for loans and fixed interest rates for the duration of the loan. This assessment is designed to ensure the business case can be delivered without resulting in a General Fund budget pressures and corresponding increase in the overall budget deficit.

- 7.9 In order to ensure that the above objectives are achieved a strategy of fully funding the borrowing for business cases has been adopted in recent years. However, given the reduction in interest rates and current interest rate forecasts it is recommended that a strategy of temporarily internally funding business cases maybe appropriate in order to mitigate counterparty risk. The timing of long term borrowing decisions will then be managed carefully to ensure that interest rates are fixed at an affordable level.

7.10 **Borrowing in Advance of Need**

- 7.11 The Council has some flexibility to borrow funds for use in future years. The Director of Finance and Policy may do this under delegated power where, for instance, an increase in interest rates is expected. In these circumstances borrowing early at fixed interest rates may be undertaken where this will secure lower fixed interest rates for specific business cases, or to fund future debt maturities (i.e. if the remaining LOBOs were called). Any borrowing in advance of need will be reported to the Council in the next Treasury Management report.

8. **INVESTMENT STRATEGY 2018/19**

- 8.1 The Department for Communities and Local Government (CLG) issued investment guidance in 2010 and this forms the structure of the Council's policy. The key intention of the Guidance is to maintain the current requirement for authorities to invest prudently and that priority is given to security and liquidity before interest return. This Council has adopted the CIPFA publication Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes and applies its principles to all investment activity. In accordance with the Code, the Director of Finance and Policy has produced Treasury Management Practices covering investment counterparty policy which requires approval each year.

8.2 The primary objectives of the Council's investment strategy in order of importance are:

- safeguarding the re-payment of the principal and interest of its investments on time;
- ensuring adequate liquidity; and
- investment return.

8.3 Counterparty Selection Criteria

8.4 The Council's criteria for providing a pool of high quality investment counterparties uses the credit rating information produced by the three major ratings agencies (Fitch, Moody's and Standard & Poor's) and is supplied by our treasury consultants. All active counterparties are checked against criteria outlined below to ensure that they comply with the criteria. Any counterparty failing to meet the criteria would be omitted from the counterparty list. Any rating changes, rating watches (notification of a likely change), rating outlooks (notification of a possible longer term change) are provided to officers almost immediately after they occur and this information is considered on a daily basis before investments are made. For instance a negative rating watch applying to a counterparty at the minimum criteria will be suspended from use, with all others being reviewed in light of market conditions.

8.5 The **lowest common denominator** method of selecting counterparties and applying limits is used. This means that the application of the Council's minimum criteria will apply to the lowest available rating for any institution. For instance if an institution is rated by two agencies, one meets the Council's criteria, the other does not, the institution will fall outside the lending criteria

8.6 The Director of Finance and Policy will continue to adopt a vigilant approach resulting in what is effectively a 'named' list. This consists of a select number of counterparties that are considered to be the lowest risk.

8.7 In 2014/15 as markets began to return to more "normal" conditions a review of the current counterparty list was completed and for the 2015/16 Treasury Management Strategy Members approved the addition of Svenska Handelsbanken (a high credit quality Swedish bank) to the counterparty list. Their credit ratings remained strong throughout the financial crisis and have continued to remain strong never falling below the category A rating in the table of investment criteria outlined below. The counterparty limit was initially set at £1m with an investment time limit of 3 months. For the 2016/17 Treasury Management Strategy Members approved an increase in the counterparty limit to £3m and then again to £5m for the 2017/18 strategy. It is now recommended that Svenska Handelsbanken is brought into line with other category A counterparties and no longer identified separately i.e. counterparty limit raised to £15m and the duration of investments increased to a maximum of one year.

8.8 The table below shows the proposed limits in 2018/19 for the Council:

Category	Fitch	Moody's	Standard & Poor's	Proposed Counterparty Limit	Proposed Time Limit
A*	F1+/AA-	P-1/Aa3	A-1+/AA-	£15m	1 Year
B	F1/A-	P-1/A3	A-1/A-	£10m	1 Year
C	Debt Management Office/Treasury Bills/Gilts			£40m	1 Year
D	Part Nationalised Banks and Banks covered by UK Government Guarantee			£15m	1 Year
E	Other Local Authorities Individual Limits per Authority: - £8m County, Metropolitan or Unitary Councils - £3m District Councils, Police or Fire Authorities			£40m	1 Year
F	Three Money Market Funds (AAA) with maximum investment of £3m per fund			£9m	Liquid (instant access)

*including Svenska Handelsbanken

8.9 Specified and Non-Specified Investments

8.10 CLG regulations classify investments as either Specified or Non-Specified. Specified Investment is any investment not meeting the Specified definition.

8.11 The investment criteria outlined above is different to that used to define Specified and Non-Specified investments. This is because it is intended to create a pool of high quality counterparties for the Council to use rather than defining what its investments are.

8.12 Specified Investments are sterling investments of not more than one-year maturity, or those which could be for a longer period but where the Council has the right to be repaid within twelve months if it wishes. These are low risk assets where the possibility of loss of principal or investment income is small. These would include investments with:

- The UK Government (such as the Debt Management Office, UK Treasury Bills or a Gilt with less than one year to maturity).
- Other Councils
- Pooled investment vehicles (such as Money Market Funds) that have been awarded a high credit rating (AAA) by a credit rating agency.
- A body that has been awarded a high credit rating by a credit rating agency (such as a bank or building society). This covers bodies with a minimum rating of A- (or the equivalent) as rated by Standard and Poor's, Moody's or Fitch rating agencies. Within these bodies, and in

accordance with the Code, the Council has set additional criteria to set the time and amount of monies which will be invested in these bodies.

8.13 Non-specified Investments are any other type of investment (i.e. not defined as Specified above). The identification and rationale supporting the selection of these other investments and the maximum limits to be applied are set out below. Non specified investments would include any investments with:

- Building societies not meeting the basic security requirements under the specified investments. The operation of some building societies does not require a credit rating, although in every other respect the security of the society would match similarly sized societies with ratings.
- Any bank or building society that has a minimum long term credit rating of A- for deposits with a maturity of greater than one year (including forward deals in excess of one year from inception to repayment).

9. MINIMUM REVENUE PROVISION AND INTEREST COSTS AND OTHER REGULATORY INFORMATION 2018/19

9.1 There are two elements to the Council's annual loan repayment costs – the statutory Minimum Revenue Provision (MRP) and interest costs. The Council is required to pay off an element of the Capital Financing Requirement (CFR) each year through a revenue charge called the Minimum Revenue Provision (MRP).

9.2 CLG Regulations require the Council to approve **an MRP Statement** in advance of each year. This will determine the annual loan repayment charge to the revenue account.

9.3 The budget strategy is based on the following MRP statement and Council is recommended to formally approve this statement:

- For capital expenditure incurred before 1st April, 2008 the Council's MRP policy is to calculate MRP based on a 50 year annuity repayment.
 - i. Where MRP has been overcharged in previous years, the recovery of the overcharge will be affected by reducing the MRP in relation to this capital expenditure by reducing MRP charges that would otherwise have been made. It should be noted that this will ensure the debt will be paid off by 2056/57 whereas the previous 4% reducing balance MRP charge would have left debt of £9.4m at this date.
 - ii. The total MRP after applying the adjustment will not be less than zero in relation to this capital expenditure.
 - iii. The cumulative amount adjusted for will never exceed the amount overpayment.
- From 1st April, 2008 the Council calculates MRP based on asset life for all assets or where prudential borrowing is financed by a specific annuity

loan, MRP will be calculated according to the actual annuity loan repayments.

9.4 **CIPFA Treasury Management Code of Practice**

9.5 The Council has adopted CIPFA Treasury Management Code of Practice. Confirmation of this is the first prudential indicator.

9.6 **Treasury Management Advisors**

9.7 The Council uses Link Asset Services – Treasury Solutions (formerly known as Capita Asset Services) as its external treasury management advisors.

9.8 The Council recognises that responsibility for treasury management decisions remains with the organisation at all times and will ensure that undue reliance is not placed upon our external service providers.

9.9 It also recognises that there is value in employing external providers of treasury management services in order to acquire access to specialist skills and resources. The Council will ensure that the terms of their appointment and the methods by which their value will be assessed are properly agreed and documented, and subjected to regular review.

9.10 **Markets in Financial Instruments Directive (MIFID II)**

9.11 On 3rd January 2018 an updated version of the European Union’s Markets in Financial Instruments Directive (known as MIFID II) comes into effect. It is designed to offer greater protection for investors and inject more transparency into financial markets. Under MIFID II all local authorities will be classified as “retail” counterparties and will have to consider whether to opt up to “professional” status and for which type of investments

9.12 Local authorities that choose not to opt up or do not meet the minimum criteria for opting up (i.e. minimum investment balances of £10m) will face a reduction in the financial products available to them, a reduction in number of brokers and asset managers that will be able to engage with and may face increased fees.

9.13 Local authorities that choose to opt up must be able to satisfy some quantitative tests, and each Financial Institution will independently determine whether the Authority meet the qualitative test of being appropriately knowledgeable, expert and experienced. Financial Institutions also need to satisfy themselves that the Authority can make its own investment decisions and understands the risks involved.

9.14 It is the view of the Director of Finance and Policy that the Council meets the minimum requirements to opt up and therefore will choose to opt up to professional status in order to maintain the Council’s ability to operate effectively under the new regime.

9.15 The process of opting up will be onerous and in response the Chartered Institute of Public Finance and Accountancy (CIPFA) have launched an online platform to assist local authorities who wish to opt up to professional status. This platform is dependent on Financial Institutions subscribing to the platform and many are either already live on the system or are in the process of signing up. However there are some institutions that have not subscribed to the platform and the Council will have to complete a separate opting up process with these institutions.

10. FINANCIAL CONSIDERATIONS

10.1 As detailed in preceding paragraphs.

11. RISK IMPLICATIONS

11.1 None.

12. LEGAL CONSIDERATIONS

12.1 None.

13. CHILD AND FAMILY POVERTY

13.1 None.

14. EQUALITY AND DIVERSITY CONSIDERATIONS

14.1 None.

15. SECTION 17 OF THE CRIME AND DISORDER ACT 1998 CONSIDERATIONS

15.1 None

16. STAFF CONSIDERATIONS

16.1 None

17. ASSET MANAGEMENT CONSIDERATIONS

17.1 None

18. CONCLUSION

18.1 The report sets out how the Council will comply with the regulatory framework to ensure the Council achieves the lowest borrowing costs and security for any temporary cash investments made by the Council.

18.2 The report sets out the borrowing strategy for the core CFR of netting down the remaining under borrowing against investments but highlights the continued economic uncertainty and the possibility that it if circumstances

change further borrowing may be required. The report also outlines a strategy of temporarily internally funding business cases in order to mitigate counterparty risk. The timing of long term borrowing decisions will then be managed carefully to ensure that interest rates are fixed at an affordable level.

- 18.3 In relation to the investment strategy the Council has adopted an extremely prudent approach over the last few years and continues to do so. It is recommended that the Council approves the revised counterparty criteria as set out in paragraphs 8.7 to 8.8.

19. RECOMMENDATIONS

- 19.1 It is recommended that Members approve the following proposals:

19.2 **Treasury Management Outturn Position 2016/17**

- i) Note the 2016/17 Treasury Management Outturn detailed in section 4 and Appendix A.

19.3 **Treasury Management Strategy 2017/18 Mid-Year Review**

- ii) Note the 2017/18 Treasury Management Mid-year Position detailed in section 5.

19.4 **Treasury Management Strategy 2018/19 (Prudential Indicators)**

- iii) Approve the prudential indicators outlined in Appendix B.

19.5 **Borrowing Strategy 2018/19**

- iv) **Core borrowing requirement** – following the securing of exceptionally low interest rates approve that the remainder of the under borrowing is netted down against investments.
- v) To note that in the event of a change in economic circumstances that the Director of Finance and Policy may take out additional borrowing if this secures the lowest long term interest cost.
- vi) **Borrowing required for business cases** – Approve the strategy of internally borrowing for business cases to mitigate counterparty risk, reduce borrowing costs and generate an internal investment return. Note that if this strategy is adopted that action may be taken by Director of Finance and Policy to externally borrow for these schemes if an interest rates rise is expected.

19.6 **Investment Strategy 2018/19**

- vii) Approve that Svenska Handelsbanken be brought into line with other category A counterparties and no longer identified separately.

viii) Approve the Counterparty limits as set out in paragraph 8.8.

19.7 **Minimum Revenue Provision (MRP) Statement**

ix) Approve the MRP statement outlined in paragraph 9.3 above.

20. REASON FOR RECOMMENDATIONS

20.1 To allow Members to fulfil their responsibility for scrutinising the Treasury Management Strategy

21. CONTACT OFFICER

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Prudential Indicators 2016/17 Outturn

1. Ratio of Financing Costs to Net Revenue Stream

This indicator shows the proportion of the total annual revenue budget that is funded by the local tax payer and Central Government, which is spent on servicing debt.

2016/17 Estimate		2016/17 Outturn
6.40%	Ratio of Financing costs to net revenue stream	6.80%

2. Capital Expenditure

This indicator shows the total capital expenditure for the year.

2016/17 Estimate £'000		2016/17 Outturn £'000
29,341	Capital Expenditure	21,858

The actual is lower than estimated owing to the phasing of capital expenditure between years.

3. Capital Expenditure Financed from Borrowing

This shows the borrowing required to finance the capital expenditure programme, split between core expenditure and expenditure in relation to business cases.

2016/17 Estimate £'000		2016/17 Outturn £'000
326	Core Capital Expenditure Financed by Borrowing	609
8,101	Business Case Capital Expenditure Financed by Borrowing	7,849
2,400	HRA Capital Expenditure Financed by Borrowing	921
10,827	Total Capital Expenditure Financed by Borrowing	9,379

The actual is lower than estimated owing to the phasing of overall expenditure between years.

4. Capital Financing Requirement

CFR is used to determine the minimum annual revenue charge for capital expenditure repayments (net of interest). It is calculated from the Council's Balance Sheet and is shown below. Forecasts for future years are directly influenced by the capital expenditure decisions taken and the actual amount of revenue that is set aside to repay debt.

2016/17 Estimate £'000		2016/17 Outturn £'000
71,346	Core Capital Financing Requirement	71,902
27,023	Business Case Capital Financing Requirement	20,482
10,551	HRA Capital Financing Requirement	9,072
108,920	Total Capital Financing Requirement	101,456

The capital financing requirement is lower than estimated owing to the the phasing of capital expenditure.

5. Authorised Limit for External Debt

The authorised limit determines the maximum amount the Council may borrow at any one time. The authorised limit covers both long term borrowing for capital purposes and borrowing for short term cash flow requirements. The authorised limit is set above the operational boundary to provide sufficient headroom for operational management and unusual cash movements. In line with the Prudential Code, the level has been set to give the Council flexibility to borrow up to three years in advance of need if more favourable interest rates can be obtained.

2016/17 Limit £'000		2016/17 Peak £'000
131,000	Authorised limit for external debt	87,649

The above Authorised Limit was not exceeded during the year. The level of debt as at 31st March 2017, excluding accrued interest was £85.660m. The peak level during the year was £87.649m.

6. Operational Boundary for External Debt

The operational boundary is the most likely prudent, but not worst case scenario, level of borrowing without the additional headroom included within the authorised limit. The level is set so that any sustained breaches serve as an early warning that the Council is in danger of overspending or failing to achieve income targets and gives sufficient time to take appropriate corrective action.

2016/17 Limit £'000		2016/17 Peak £'000
121,000	Operational boundary for external debt	87,649

The operational limit was not exceeded in the year. The peak level of debt was £87.649m.

7. Interest Rate Exposures

This indicator is designed to reflect the risk associated with both fixed and variable rates of interest, but must be flexible enough to allow the Council to make best use of any borrowing opportunities.

2016/17 Limit £'000	Upper limits on fixed and variable interest rate exposure	2016/17 Peak £'000
121,000	Fixed Rates	42,649
91,000	Variable Rates	45,000

The figures represent the peak values during the period.

8. Maturity Structure of Borrowing

This indicator is designed to reflect and minimise the situation whereby the Council has a large repayment of debt needing to be replaced at a time of uncertainty over interest rates, but as with the indicator above, it must also be flexible enough to allow the Council to take advantage of any borrowing opportunities.

	Upper Limit £000	Lower Limit £000	Actual by Maturity Date £000	Actual by soonest call date £000
Less than one year	111,000	0	3,944	8,944
Between one and five years	121,000	0	12,052	27,052
Between five and ten years	121,000	0	3,341	3,341
Between ten and fifteen years	121,000	0	3,555	3,555
Between fifteen and twenty years	121,000	0	3,101	3,101
Between twenty and twenty-five years	121,000	0	1,935	1,935
Between twenty-five and thirty years	121,000	0	2,129	2,129
Between thirty and thirty-five years	121,000	0	2,548	2,548
Between thirty-five and forty years	121,000	0	6,005	6,005
Between forty and forty-five years	121,000	0	1,955	1,955
More than forty-five years	121,000	0	45,095	25,095

9. Investments over Maturing over One Year

This sets an upper limit for amounts invested for periods longer than 364 days. The limit was not exceeded as a prudent approach to investment has been taken owing to uncertainties in the economy this is in line with the Treasury Management Strategy. Consequently all investments made during the year were limited to less than one year.

	1 year £000	2 year £000	3 year £000
Maximum Limit	30,000	0	0
Actual	14,000	0	0

TREASURY MANAGEMENT STRATEGY 2018/19 REGULATORY INFORMATION AND PRUDENTIAL INDICATORS

1. INTRODUCTION

- 1.1 The regulatory information and prudential indicators for the 2018/19 Treasury Management Strategy are set out below.

2. PRUDENTIAL INDICATORS

- 2.1 The Local Government Act 2003 requires the Council to adopt the CIPFA Prudential Code and set prudential indicators. Each indicator either summarises the expected capital activity or introduces limits upon that activity.
- 2.2 The first prudential indicator is confirmation that the Council has adopted the CIPFA Treasury Management Code of Practice, which the Treasury Management Strategy report confirms.
- 2.3 Details of the proposed prudential limits are set out in the following sections.

3. CAPITAL EXPENDITURE AND FINANCING REQUIREMENT

- 3.1 The Council's Borrowing Strategy is driven by the Capital Financing Requirement (CFR) and the Council's view of interest rates. The CFR is the amount the Council needs to borrow to fund capital expenditure incurred in previous financial years and forecast capital expenditure in the next three years which is funded from borrowing. Historically the majority of the Council's CFR related to capital expenditure supported by Government borrowing approvals.
- 3.2 Government borrowing approvals are authority to fund capital expenditure from loans. Prior to the introduction of the prudential borrowing system in the Local Government Act 2003 Councils could only borrow for capital expenditure authorised by a Government borrowing approval.
- 3.3 Following the introduction of the prudential borrowing systems Councils can determine their own borrowing levels, subject to revenue affordability. The Council has managed the new flexibility carefully owing to the ongoing revenue commitment of taking on new additional borrowing. The Council has only approved specific self funding business cases, for example affordable housing schemes and a limited amount of General Fund capital expenditure where the resulting loan repayment and interest costs have been funded as a revenue budget pressure.

3.4 Councils ultimately need to fund the CFR by borrowing money from the Public Works Loan Board (PWLB) or banks. The CFR is then repaid over a number of years reflecting the long term benefits of capital expenditure. In simple terms the CFR represents the Council's outstanding mortgage, although the legislation and accounting requirements are significantly more complex.

3.5 The estimated Capital Finance & Borrowing Requirement is shown in the following table:

Capital Financing & Borrowing Requirement	2017/18 Revised £'000	2018/19 Estimate £'000	2019/20 Estimate £'000	2020/21 Estimate £'000
CFR at 1st April	101,455	101,528	107,369	106,700
Capital Expenditure Financed by New Borrowing	620	4,080	1,816	1,691
Approved Borrowing Rephased from 2016/17 and Borrowing Profiled for Future Years	5,746	0	0	0
Less Borrowing to be Rephased to 2018/19 and Borrowing Profiled for Future Years	(4,053)	4,053	0	0
Less Repayment of CFR	(2,240)	(2,292)	(2,485)	(2,398)
CFR at 31st March	101,528	107,369	106,700	105,992
Less assets held under Finance Lease	(396)	(380)	(364)	(348)
Borrowing Requirement	101,132	106,989	106,336	105,644

Corporate Borrowing Requirement	73,091	72,467	71,269	70,191
Business Case Borrowing Requirement	18,510	24,344	24,889	25,275
Housing Revenue Account Borrowing Requirement	9,531	10,178	10,178	10,178
Borrowing Requirement	101,132	106,989	106,336	105,644

3.6 As part of the Medium Term Financial Strategy the Council is required to approve the 2018/19 capital programme summarised as follows:

Capital Expenditure	2017/18 Revised £'000	2018/19 Estimate £'000	2019/20 Estimate £'000	2020/21 Estimate £'000
New Approved Capital Expenditure	6,171	12,602	5,778	5,210
Rephased Capital Expenditure from 2016/17 and Expenditure Profiled for Future Years	17,288	0	0	0
Approved Capital Expenditure Profiled for Future Years	(2,452)	2,452	0	0
2017/18 Capital Expenditure to be Rephased	(7,799)	7,799	0	0
Capital Expenditure for the Year	13,208	22,853	5,778	5,210
Financed by:				
Capital grants and contributions	5,551	8,027	3,962	3,519
Other Capital Funding	0	495	0	0
Capital Expenditure to be funded from New Prudential Borrowing	620	4,080	1,816	1,691
Capital Resources Rephased from 2016/17 and Capital Resources Profiled for Future Years	17,288	0	0	0
Rephased Capital Resources from 2016/17 and Capital Resources Profiled for Future Years	(10,251)	10,251	0	0
Total Funding	13,208	22,853	5,778	5,210
Non-HRA Capital Expenditure	12,360	21,651	5,778	5,210
HRA Capital Expenditure	848	1,202	0	0
Total Capital Expenditure	13,208	22,853	5,778	5,210

4. AFFORDABILITY PRUDENTIAL INDICATORS

- 4.1 The affordability of the approved Capital Investment Programme was assessed when the capital programme was approved and revenue costs are built into the Medium Term Financial Strategy or individual business cases. The 'Affordability Prudential Indicators' are detailed below and are intended to give an indication of the affordability of the planned capital expenditure financed by borrowing in terms of the impact on Council Tax and the Net Revenue Stream.
- 4.2 Incremental Impact of Capital Expenditure on Council Tax
- 4.3 This indicator identifies the revenue costs associated with new schemes included in the three year Capital Programme recommended in the budget strategy report compared to the Council's existing approved commitments and current plans.

	Forward Projection	Forward Projection	Forward Projection	Forward Projection
	2017/18 £'000	2018/19 £'000	2019/20 £'000	2020/21 £'000
CouncilTax - Band D	£2.26	£6.58	£2.93	£2.73

4.4 Incremental Impact of Capital Expenditure on Housing Rent Levels

- 4.5 This indicator shows the revenue impact on any newly proposed changes to HRA capital expenditure. At present there will be no impact on housing rent levels as these have been set taking into account the existing HRA capital programme.

	Forward Projection	Forward Projection	Forward Projection	Forward Projection
	2017/18 £'000	2018/19 £'000	2019/20 £'000	2020/21 £'000
Weekly Housing Rent Levels	£0.00	£0.00	£0.00	£0.00

4.6 Ratio of Financing Costs to Net Revenue Stream

- 4.7 This shows the net cost of capital borrowing as a percentage of the net budget. The decrease reflects significant savings from locking into historically low interest rates and re-profiling of MRP as outlined in the report.

	2017/18 Estimate	2018/19 Estimate	2019/20 Estimate	2020/21 Estimate
Non-HRA financing cost to General Fund Net Revenue Stream	6.40%	4.07%	4.14%	4.07%

4.8 Ratio of Finance Costs to HRA Net Revenue Stream

- 4.9 This shows the net cost of capital borrowing as a percentage of the net HRA budget arising from the phased implementation of the business case.

	2017/18 Estimate	2018/19 Estimate	2019/20 Estimate	2020/21 Estimate
HRA financing cost to HRA Net Revenue Stream	34.24%	34.36%	33.70%	33.40%

5. BORROWING PRUDENTIAL INDICATORS

5.1 Debt Projections 2017/18 – 2020/21

5.2 The following table sets out the Council's projected Capital Financing Requirement (CFR) and level of debt:

Debt and Investment Projections	2017/18 Revised £'000	2018/19 Estimated £'000	2019/20 Estimated £'000	2020/21 Estimated £'000
Long Term Borrowing 1 April	85,660	85,660	85,660	89,777
Expected change in Long Term Debt	0	0	4,117	0
Debt at 31 March	85,660	85,660	89,777	89,777
Borrowing Requirement	101,132	106,989	106,336	105,644
Under Borrowing	(15,472)	(21,329)	(16,559)	(15,867)

Non-HRA Debt	76,129	75,482	79,599	79,599
HRA Debt	9,531	10,178	10,178	10,178
Total Debt	85,660	85,660	89,777	89,777

5.3 Although the Council has reduced its under borrowing in recent years the table shows that an element of core borrowing can continue to be temporarily deferred by netting down investments and borrowing.

5.4 Limits to Borrowing Activity

5.5 Within the prudential indicators there are a number of key indicators to ensure the Council operates its activities within well defined limits.

5.6 The Council needs to ensure that total borrowing does not, except in the short term, exceed the total of the CFR in the preceding year plus the estimates of any additional CFR for 2018/2019 and the following two financial years. This allows some flexibility for limited early borrowing for future years, but ensures that borrowing is not undertaken for revenue purposes. The following table demonstrates that borrowing will not exceed the CFR.

External Debt	2017/18 Revised £'000	2018/19 Estimated £'000	2019/20 Estimated £'000	2020/21 Estimated £'000
Gross Borrowing	85,660	85,660	89,777	89,777
Other Long Term Liabilities	396	380	364	348
Total Gross Borrowing	86,056	86,040	90,141	90,125
Borrowing Requirement	101,132	106,989	106,336	105,644

5.7 The following table shows two key limits for the monitoring of debt. The Operational Limit is the likely limit the Council will require and is aligned closely with the actual CFR on the assumption that cash flow is broadly

neutral. The Authorised Limit for External Debt is a further key prudential indicator to control the overall level of borrowing. This represents a limit beyond which external debt is prohibited, and this limit needs to be set or revised by the Council. In practice it needs to take account of the range of cash flows that might occur for the Council in addition to the CFR. This also includes the flexibility to enable advance refinancing of existing loans.

Borrowing Limits	2017/18	2018/19	2019/20	2020/21
	£'000	Estimated £'000	Estimated £'000	Estimated £'000
Operational Limit	122,000*	127,000*	126,000	126,000
Authorised limit	132,000*	137,000*	136,000	136,000

*These Limits include provision for potential temporary borrowing related to the phasing of capital receipts over the period of the MTFS.

- 5.8 The Council is also limited to a maximum HRA CFR through the HRA self-financing regime. The following table shows the HRA debt cap, the HRA CFR and the actual level of HRA debt (i.e. borrowing).

HRA Debt Limits	2017/18	2018/19	2019/20	2020/21
	Revised £'000	Estimated £'000	Estimated £'000	Estimated £'000
HRA Debt Cap	10,890	10,890	10,890	10,890
HRA CFR	9,531	10,178	10,178	10,178
HRA Headroom	1,359	712	712	712
HRA Debt	9,531	10,178	10,178	10,178
HRA Under/Over Borrowing	0	0	0	0

6. INVESTMENT PRUDENTIAL INDICATORS AND OTHER LIMITS ON TREASURY ACTIVITY

6.1 Investment Projections 2017/18 – 2020/21

- 6.2 The following table sets out the estimates for the expected level of resource for investment or use to defer long term borrowing.

2016/17 Outturn £'000	Year End Resources	2017/18 Revised £'000	2018/19 Estimate £'000	2019/20 Estimate £'000	2020/21 Estimate £'000
52,892	Balances and Reserves	35,392	21,225	17,905	14,668
(1,396)	Collection Fund Adjustment Account*	0	0	0	0
3,078	Provisions	3,078	3,078	3,078	3,078
54,574	Total Core Funds	38,470	24,303	20,983	17,746
6,246	Working Capital**	8,500	8,500	8,500	8,500
60,820	Resources Available for Investment	46,970	32,803	29,483	26,246
(15,795)	(Under)/over borrowing	(15,472)	(21,329)	(16,559)	(15,867)
45,025	Expected Investments	31,498	11,475	12,925	10,379

* It is not possible to estimate the Collection Fund Adjustment Account balance owing to the uncertainty in relation to business rates.

** The working capital balance is an estimate of debtors and creditors at year end based on the average working capital over the last three years.

6.3 Sensitivity to Interest Rate Movements

6.4 Sensitivity to Interest Rate Movements is a prudential indicator that the Authority is required to disclose. The following table highlights the estimated impact of a 1% increase/decrease in all interest rates to the estimated treasury management costs/income for next year. These forecasts are based on a prudent view of a +/- 1% change in interest rates for the borrowing requirement that has not yet been fixed (i.e. under borrowing). Equally for investments they are based on a prudent view of the total amount invested. That element of the debt and investment portfolios which are of a longer term, fixed interest rate nature will not be affected by short interest rate changes. The "Treasury Management Risk Reserve" was established to manage this risk.

Impact on Revenue Budgets	2018/19 Estimated 1% £'000	2018/19 Estimated -1% £'000
Interest on Borrowing	196	(196)
Investment income	(132)	132
Net General Fund Borrowing Cost	65	(65)

6.5 There are four further treasury activity limits and the purpose of these are to contain the activity of the treasury function within certain limits, thereby managing risk and reducing the impact of an adverse movement in interest rates.

6.6 The limits are:

- i) Upper limits on variable interest rate exposure – This identifies a maximum limit for the percentage of the Council’s borrowing and investments that are held with variable interest rates. The proposed limits are detailed in the following table.

Limits on Variable Interest Rates	2018/19 Upper £'000	2019/20 Upper £'000	2020/21 Upper £'000
Borrowing	75%	75%	75%
Investments	100%	100%	100%

- ii) Upper limits on fixed interest rate exposure – Similar to the previous indicator this covers a maximum limit for the percentage of the Council’s borrowing and investments that are held with fixed interest rates.

Limits on Fixed Interest Rates	2018/19 Upper £'000	2019/20 Upper £'000	2020/21 Upper £'000
Borrowing	100%	100%	100%
Investments	100%	100%	100%

- iii) Maturity structure of borrowing – Limits for the ‘Maturity Structure of Borrowing’ are intended to reduce exposure to large fixed rate sums falling due for refinancing. In the opinion of the Chief Finance Officer limits on fixed and variable rates for **borrowing** are unhelpful and could lead to higher costs of borrowing. Previous experience has shown that it is possible to move from a position of predominantly fixed rate borrowing to variable rate borrowing and then back to fixed rate borrowing over a period of two years. In the Chief Finance Officer’s professional opinion this proactive management of investments and borrowing continues to provide the most cost effective strategy for the Council, whilst not exposing the Council to unnecessary risk. The Council should ensure maximum flexibility to minimise costs to the revenue budget in the medium term. These limits are detailed in the following table:

Maturity Structure of fixed interest rate borrowing 2018/19				
	2017/18 £000 Lower Limit	2017/18 £000 Upper Limit	2018/19 £000 Lower Limit	2018/19 £000 Upper Limit
Under 12 months	0	90%	0	90%
12 months to 2 years	0	100%	0	100%
2 years to 5 years	0	100%	0	100%
5 years to 10 years	0	100%	0	100%
10 years to 20 years	0	100%	0	100%
20 years to 30 years	0	100%	0	100%
30 years to 40 years	0	100%	0	100%
40 years to 50 years	0	100%	0	100%
50 years to 60 years	0	100%	0	100%
60 years to 70 years	0	100%	0	100%

- iv) Maximum principal sums invested – Total principal funds invested for greater than 364 days – These limits are set with regard to the Council's liquidity requirements and reflect the current recommended advice that investments are limited to short term investments i.e. up to one year.

Limit for Maximum Principal Sums Invested > 364 days			
	1 year £000	2 years £000	3 years £000
Maximum	20,000	0	0

6.7 Performance Indicators

6.8 The Code of Practice on Treasury Management requires the Council to set performance indicators to assess the adequacy of the treasury function over the year. These are distinct historic indicators, as opposed to the prudential indicators, which are predominantly forward looking. The Council will produce the following performance indicators for information and explanation of previous treasury activity:

- Average rate of borrowing for the year compared to average available
- Debt – Average rate movement year on year

SECTION D

Capital Programme 2018/19 to 2020/21

FORECAST CAPITAL RESOURCES AND EXPENDITURE COMMITMENTS 2018/19 TO 2020/21

TABLE 1 - FORECAST CAPITAL RESOURCES

	Forecast Resources 2018/2019				Forecast Resources 2019/2020 (Provisional)				Forecast Resources 2020/2021 (Provisional)			
	Prudential Borrowing	Other Capital Funding	Capital Grants	Total	Prudential Borrowing	Other Capital Funding	Capital Grants	Total	Prudential Borrowing	Other Capital Funding	Capital Grants	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<u>Service Specific Capital Grants</u>												
Devolved Formula Capital (Schools) *	0	0	128	128	0	0	128	128	0	0	128	128
Disabled Facilities Grant (Better Care Fund) **	0	0	931	931	0	0	931	931	0	0	931	931
Local Transport Plan	0	0	0	0	0	0	0	0	0	0	0	0
Highway Maintenance	0	0	1,054	1,054	0	0	1,054	1,054	0	0	1,054	1,054
Pot Holes	0	0	98	98	0	0	98	98	0	0	98	98
Incentive Funding	0	0	99	99	0	0	99	99	0	0	99	99
Integrated Transport Block	0	0	719	719	0	0	719	719	0	0	719	719
Schools Capital Programme #	0	0	4,828	4,828	0	0	1,098	1,098	0	0	655	655
	0	0	7,857	7,857	0	0	4,127	4,127	0	0	3,684	3,684
<u>Departmental Prudential Borrowing - Funded from Specific Business Cases</u>												
Replacement Wheelie Bins	90	0	0	90	90	0	0	90	90	0	0	90
Waste Disposal Contract Extension	1,872	0	0	1,872	0	0	0	0	0	0	0	0
Vehicle Procurement (Tables 2 - 4)	1,718	75	0	1,793	1,726	0	0	1,726	1,601	0	0	1,601
	3,680	75	0	3,755	1,816	0	0	1,816	1,691	0	0	1,691
<u>Housing Revenue Account Schemes</u>												
Empty Property Purchasing Scheme approved 30-10-17 ##	550	495	335	1,380	0	0	0	0	0	0	0	0
	550	495	335	1,380	0	0	0	0	0	0	0	0
Total Forecast Resources	4,230	570	8,192	12,992	1,816	0	4,127	5,943	1,691	0	3,684	5,375

* Devolved Formula Capital allocation for Schools is an estimate based on the 2017/18 allocation. The Government has stated that the 2017/18 allocation could be used as an indication of future allocations.

** Better Care Fund is continuing in 2018/19, however detailed DFG allocations have yet to be announced by the Government. Estimates are based on 2017/18 allocations and an assumption that the Better Care Fund will continue in 2019/20 and 2020/21.

Schools Capital Programme includes an estimate of £0.655m Schools Condition Grant for 2018/19 and future years as actual allocations have yet to be announced by the Government. This is based on the 2017/18 allocation which the Government has stated is indicative of future allocations. In addition the Council has received a Basic Need funding allocation for 2018/19 and 2019/2020, this is reflected in the above figures.

An external funding bid for £0.335m will be submitted to the HCA and is an indicative estimate based on current per property funding levels.

TABLE 2 - 2018/19 VEHICLE REPLACEMENT PROGRAMME

Type	Quantity	Service Area	Total £'000
26,000kg RCV	1	Waste Management	185
26,000kg RCV (used replacement - spare)	1	Waste Management	50
26,000kg Trade waste RCV	1	Waste Management	185
Provision of Vehicle Wash Facility	1	Fleet	75
Small Panel Van	1	Street Lighting	13
Small Panel Van	2	M&E	25
Medium Panel van	3	M&E	45
6,500kg Box body with bin lifter	3	Cleansing	150
Trailer	1	Highways	5
Medium Panel van - (Refrigerated)	1	Client Services	25
90 HP Tractors (Review HP)	2	Horticulture	110
5 set cylinder ride on mower	2	Horticulture	90
18,000kg tipper with Lorry loader	1	Street Lighting	85
Small Panel Van	2	Car Parking	25
6,500kg Tipper body	1	Horticulture	42
6M3 Demountable gritter body	2	Highways	60
Trailer	5	Cleansing	29
4x4 Buggy	1	Horticulture	15
Medium Panel van	1	Parks & Cems	15
42HP Tractor	2	Horticulture	80
Trailed Gang Mower	1	Horticulture	18
Tractor side mount flail	1	Horticulture	22
Tractor mount rotary mower	1	Horticulture	25
Bus - 30 seater	1	PTS	120
Ride on mower (Rotary)	4	Horticulture	68
Tractor mount flail	1	Horticulture	7
Price contingency*			150
			1,718

TABLE 3 - 2019/20 VEHICLE REPLACEMENT PROGRAMME

Type	Quantity	Service Area	Total £'000
Precinct Sweeper	7	Cleansing	525
Rotary mower c/w grass collector	1	Horticulture	25
Pedestrian Flail brush cutter	1	Horticulture	5
Ride on Mower (Rotary)	4	Horticulture	60
Bus - 68 seater	3	PTS	480
1,250kg agricultural tipping trailer	1	Horticulture	5
Ride on Brushcutter flail	1	Horticulture	6
26,000kg 4x2 Refuse Collection vehicles	3	waste Management	540
Leaf Collector	1	Horticulture	5
Price Contingency*			75
			1,726

TABLE 4 - 2020/21 VEHICLE REPLACEMENT PROGRAMME

Type	Quantity	Service Area	Total £'000
Multilift demount body	4	Highways	28
32,000kg hookloader	1	Waste Management	120
Large Mechanical Sweeper	2	Cleansing	230
120 Hp tractor (beach cleaner)	1	Cleansing	60
JCB 2CX (grave digger)	1	Horticulture	60
Bob cat wheeled loader	1	Highways	60
Dedicated Gritter	2	Highways	160
Bus - 68 seater	3	PTS	480
Tractor mount rotary mower	1	Horticulture	33
2,500kg agricultural tipping trailer	1	Horticulture	10
Small Panel Van	2	M&E	25
Trailer	4	Horticulture	20
Trailer	4	Cleansing	5
4x4 Aboricultural vehicle	1	Horticulture	75
Large Mechanical Sweeper	1	Cleansing	110
Tractor mount overseeder/disc seeder	1	Horticulture	30
Quad Bikes	2	Horticulture	20
Price contingency*			75
			1,601

* To allow for differences compared to the estimates used in the above tables in relation to the final purchase price of vehicles.