

NEIGHBOURHOOD SERVICES COMMITTEE

AGENDA



Thursday 12 January 2023

at 1.00 pm

in the Council Chamber,
Civic Centre, Hartlepool.

MEMBERS: NEIGHBOURHOOD SERVICES COMMITTEE

Councillors Cassidy, Creevy, Howson, Jackson, Little, Moore and Sharp.

1. **APOLOGIES FOR ABSENCE**

2. **TO RECEIVE ANY DECLARATIONS OF INTEREST BY MEMBERS**

3. **MINUTES**

- 3.1 To receive the Minutes and Decision Record of the meeting held on 1 December 2022 (previously published and circulated)

4. **BUDGET AND POLICY FRAMEWORK DECISIONS**

- 4.1 Medium Term Financial Strategy (MTFS) 2023/24 to 2024/25 - *Director of Resources and Development and Director of Neighbourhoods and Regulatory Services*

5. **OTHER ITEMS REQUIRING DECISION**

None.

6. **ITEMS FOR INFORMATION**

None.

7. **ANY OTHER BUSINESS WHICH THE CHAIR CONSIDERS URGENT**

CIVIC CENTRE EVACUATION AND ASSEMBLY PROCEDURE

In the event of a fire alarm or a bomb alarm, please leave by the nearest emergency exit as directed by Council Officers. A Fire Alarm is a continuous ringing. A Bomb Alarm is a continuous tone.

The Assembly Point for everyone is Victory Square by the Cenotaph. If the meeting has to be evacuated, please proceed to the Assembly Point so that you can be safely accounted for.

FOR INFORMATION

Dates of forthcoming meetings –

Monday 13 February, 2023 at 3.00 pm

Monday 13 March, 2023 at 3.00 pm



NEIGHBOURHOOD SERVICES COMMITTEE

12th January 2023



Report of: Director of Resources and Development and Director of Neighbourhoods and Regulatory Services.

Subject: MEDIUM TERM FINANCIAL STRATEGY (MTFS)
2023/24 TO 2024/25

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 provide an update on the MTFS and to enable the Committee to scrutinise / comment on the 2023/24 savings proposals referred from Finance and Policy Committee.

3. BACKGROUND

- 3.1 Comprehensive MTFS reports were considered by Finance and Policy Committee on 28th September 2022 and 21st November 2022. A further report was considered by Finance and Policy Committee on 12th December 2022 and is attached at **Annex A**, which highlighted a number of key issues as detailed in the following paragraphs.
- 3.2 All councils are facing significant financial challenges owing to the impact of inflation and national pay awards. This includes Hartlepool and these issues are the key driver of the budget deficit facing the Council.
- 3.3 The Chancellor's Autumn statement has provided a clear direction for public spending and taxation. On spending the Government are providing increased funding for Adult and Children's Social care. However, this only partly mitigates the impact of inflation (including the impact of the April 2023 NLW increase) on these services.
- 3.4 In relation to taxation the Government will raise additional income through a combination of measures, including freezing income tax allowances and providing councils with increased flexibility to increase Council Tax and the ASC precept.

- 3.5 The 2023/24 deficit can be addressed using a combination of measures which minimise the impact on services as the proposed savings only cover **22%** of the deficit. The strategy uses significant s one off funding to balance the 2023/24 budget and whilst these resources are slightly less than initially planned they still cover **37.7%** of the 2023/24 deficit.
- 3.6 This is not sustainable as **£3.043m** of the deficit is being deferred from 2023/24 to 2024/25. As reported in previous MTFS reports a robust strategy to address the forecast 2024/25 and 2025/26 deficit needs to be developed. This will then provide the basis for managing continuing financial uncertainty during 2023/24 and 2024/25.
- 3.7 The December Finance and Policy Committee report included a number of Appendices as follows:
- Appendices A (Summary of increase in forecast net resources 2023/24) and Appendix C (Summary of Savings Proposal 2023/24) – these are included in Annex A as these details are relevant to understanding the issues referred from Finance and Policy Committee;
 - Appendix B (2023/24 Council Tax and Adult Social Care (ASC) precept levels) – is not included in annex A as this is not relevant to consideration of savings proposals as no recommendation was made by Finance and Policy Committee on 12th December 2022 regarding this issue. Appropriate information on Council Tax levels will be included in the final MTFS report to Finance and Policy Committee, which will then be referred to Council in February 2023. This will ensure all Members have this information when they make decisions in relation to Council Tax and the ASC precept;
 - Appendix D (Summary of savings proposals 2023/24 and 2024/25) **which contains exempt information under Schedule 12A Local Government Act 1972 (as amended by the Local Government (Access to Information) (Variation Order 2006) namely: - Paragraph 1 - Information relating to any individual and Paragraph 2 - Information which is likely to reveal the identity of an individual** – is not included as Finance and Policy Committee noted this information and is not seeking views on these issues as part of the 2023/24 budget process. These proposals will be referred to Policy Committees, alongside additional savings proposals not yet identified, as part of the 2024/25 budget process when Members will be able to comment / scrutinise;
 - Appendices E (Senior Officer Pay) and Appendix F (Councillors Allowances and Expenses) – this information was noted by Finance and Policy Committee and is not included in this report as it is not relevant to consideration of the detailed savings proposals referred to individual Policy Committees for consideration.

4. ISSUES TO BE CONSIDERED BY POLICY COMMITTEES

- 4.1 Finance and Policy Committee is seeking comments on the proposed 2023/24 savings proposals summarised below, which have the least impact on services and staffing levels:

Summary of 2023/24 Proposed Savings

Category of savings	£'m
<p>Corporate savings across all departments Increase in salary abatement target to reflect pay award which will mean higher temporary saving when posts are vacant and reduction on car mileage costs by increased use of online meeting and new ways of working.</p>	0.130
<p>Staffing structures and reducing vacant posts Review of staffing structures, including removing vacant posts where Directors have determined savings can be made.</p>	0.422
<p>Efficiency Savings This includes a range of efficiency measures:</p> <ul style="list-style-type: none"> • rationalisation of IT systems; • changing how we deliver day services for older people to focus on Community Led Support; • reducing the amount of subsidy we give to the National Museum of the Royal Navy; • reviewing our approach to building cleaning; • reducing the number of buildings that the Council provides services 	0.461
<p>Demand Management Continued work to manage demand for adult social care services through Community Led Support, securing NHS funding for people with identified health needs and scrutiny of complex / high cost packages of care.</p>	0.400
<p>New Fees and Charges The majority (£0.250m) relates to the proposal to introduce a charge for garden waste collection. Nationally around 250 of councils already charge for this service. In the North East 7 out of 12 councils charge of between £32 and £43 per year. The proposal is to introduce an annual charge of £41.50 from April 2023.</p>	0.298
<p>Service Reductions This relates to proposal to transfer a service and reduction to one Christmas Tree in Church Square.</p>	0.057
Total	1.768

4.2 Details of the individual savings summarised above are provided in Annex A – Appendix C and for ease of reference the items relevant to this committee are shaded.

5. RECOMMENDATIONS

5.1 As requested by Finance and Policy Committee the Committee is requested to consider the recommended 2023/24 savings proposed detailed in Annex A - Appendix C relating to the services within this Committees portfolio and provide any comments to be reported back to Finance and Policy Committee on 23th January, including suggesting alternative proposals if Members do not wish to implement these proposals.

6. REASON FOR RECOMMENDATIONS

6.1 To fulfil the requirement of the Council’s Constitution to seek Policy Committee input on proposed savings.

7. BACKGROUND PAPERS

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

- Finance and Policy Committee - Medium Term Financial Strategy (MTFS) 2023/24 to 2024/25 – 20th June 2022.
- Finance and Policy Committee - Medium Term Financial Strategy (MTFS) 2023/24 to 2024/25 – 28th September 2022.
- Finance and Policy Committee - Medium Term Financial Strategy (MTFS) 2023/24 to 2024/25 – 21st November 2022

8. CONTACT OFFICER

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Sign Off:-

Managing Director

Director of Resources and Development

Chief Solicitor

FINANCE AND POLICY COMMITTEE

12th December 2022



Report of: Director of Resources and Development

Subject: MEDIUM TERM FINANCIAL STRATEGY (MTFS)
2023/24 TO 2024/25

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 provide an update on the impact of the Chancellor's Autumn statement and to approve the savings proposals to be referred to individual Policy Committees.

3. BACKGROUND

3.1 Comprehensive MTFS reports were considered by Finance and Policy Committee on 28th September 2022 and 21st November 2022. These reports set out the financial challenges facing the Council in the next two financial years owing to the impact of inflation, which was initially driven by high energy/fuel costs and is now spreading into other cost areas and national pay settlement.

3.2 The November report advised Members that over the next two years the deficit is **£9.750m**, which is net of the 1.9% Council Tax and 1% Adult Social Care precept approved by Council on 29th September 2022. As over **80% (£8.076m)** of the deficit is in 2023/24, the recommended strategy is to manage the deficit more evenly over the next two financial years, with a small part of the deficit deferred to 2025/26. This will be achieved through a combination of one off resources from temporary investment income and use of reserves.

3.3 As one off resources are not sustainable a robust savings plan is needed and the November report recommended this would need to ensure that:

- By December 2022 saving of £4.076m have been identified and the full year saving for 2023/24 can be achieved;

- By May 2023 saving of £4.674m have been identified to provide the lead time to implement the full year saving from 2024/25;
- By May 2023 saving of £1m have been identified to address the remaining deficit deferred from 2024/25 and provide the lead time to implement the full year saving from 2024/25.
- Determine the one off costs – which will include contractual staff redundancy and retirement costs arising from further staffing reduction, as these costs will need to be funded from available one off reserves.

3.4 An initial assessment of the Chancellor’s Autumn Statement on 17th November was presented to the Committee on 21st November. This report provides a more detailed assessment of the impact on the Council.

4. CHANCELLOR’S AUTUMN STATEMENT

4.1 This statement provided a number of important announcements regarding council funding as highlighted in the following paragraphs and section 5 assesses the forecast impact on the MTFS.

4.2 Social Care funding

4.3 The Government has delayed the national rollout of social care charging reforms from October 2023 to October 2025 and stated they will “**make available**” up to £2.8 billion in 2023/24 and £4.7 billion in 2024/25 to help support adult social care and discharge. There are a number of important details to this statement:

- The £4.7 billion figure for 2024/25 includes the continuation of £2.8 billion from 2023/24.

This means the additional new funding for 2024/25 is only £1.9 billion.

This funding also includes recycled funding provided for adult social care reform which has been delayed to October 2025. It is unclear from the Autumn Statement if this funding continues beyond the Spending Review period, or if the delayed reforms are implemented from October 2025, whether this funding will be reallocated for this, or new funding provided. This uncertainty is not helpful for any council as this needs to be base line funding.

- The figures for 2023/24 and 2024/25 include the continuation of existing funding for the Better Care Fund which is already included in the MTFS as recurring funding.
- The figures also include new hospital discharge funding to pay for additional care packages to get people out of hospital. This is budget neutral as without this funding the care packages could not be provided and people would remain in hospital for longer.

- **Make available** - this means the total funding figures include a Government assumption that all authorities will make use of the increase in Council Tax flexibility. This is expected to be a core Council Tax limit of 3%, plus 2% for Adult Social Care (ASC) precept - i.e. a total limit of 5%, Compared to the previous indicative total limit of 3% announced last year for 2022/23 to 2024/25.

Government figures indicate Council Tax and ASC precept is a total of £0.5 billion in 2023/24 and a further £0.62 billion in 2024/25. **The national position for 2023/24 on Council Tax, including the ASC precept, continues the position of the last seven years, where a significant part of the Government’s funding strategy for councils had relied on individual councils implementing these increases.**

For Hartlepool the ASC precept provides recurring funding **£4.6m** in the current year (2022/23) – which is **14%** of the budget for Adult Social Care. This highlights the existing reliance on this funding.

- After reflecting the above factors the net national increase in Government grant funding is £1.3 billion in 2023/24 and £0.6 billion in 2024/25.

This funding had not been anticipated and is therefore a benefit for the MTFS. Effectively this funding will partly mitigate the significant inflation increase included in the MTFS for Adult Social Care and Children’s Social Care.

4.4 The following table provides a summary of the issues outlined above and it is worth noting that by 2024/25:

- New funding is **£3.02 billion**, compared to **£4.7 billion** headline funding;
- The **£3.02 billion** new funding the Government’s forecasts **assumes £1.12 billion (37%)** will come from the use of Council Tax and ASC precept flexibility by authorities.

	(A) 2023/24 £ billion	(B) (2024/25 £ billion	(C = A + B) 2024/25 Total Recurring funding £’billion
Better Care Fund	0.6	0.40	1.0
Hospital Discharge grant	0.4	0.28	0.68
Sub Total - recurring grant and grant for new commitments	1.0	0.68	1.68
New Social Care Grant (Adults and Children)	1.3	0.60	1.90
Use of Council Tax and ASC precept flexibility	0.5	0.62	1.12
Sub Total – new funding	1.8	1.22	3.02
Total All Funding	2.8	1.9	4.7

4.5 National Living Wage (NLW) increase

4.6 The NLW as at April 2022 is £9.50 and will increase to £10.42 in April 2023. This will increase pressure on the Council's budget, as it increases external contract prices. Additionally, after a period of pay freezes and below inflation pay increases this also put pressures on public sector pay.

4.7 Energy

4.8 The Autumn Statement indicated a review of the Energy Bill Relief Scheme to determine support for non-domestic energy customers, excluding public sector organisations, beyond 31 March 2023 will be completed and published before 31 December 2022. The Chancellor stated the overall scale of support the Government can offer will be significantly lower, and targeted at those most affected.

4.9 As part of the MTFS strategy, the Council established an energy cost reserve at year end as part of a twofold strategy for increasing the revenue budget for anticipated long term prices and use of this reserve for shorter term forecast spike. This strategy has protected the Council in the current year.

4.10 The position on energy prices remains volatile. At this stage it is anticipated that a combination of use of this reserve and the increased revenue budget will be sufficient to manage the 2023/24 position. The on-going position will require further consideration as part of the 2024/25 budget.

5. IMPACT OF AUTUMN STATEMENT ON FORECAST 2023/24 RESOURCES

5.1 The actual impact on individual councils will not be known until the provisional 2023/24 Local Government Finance Settlement is announced later this month. An initial assessment has been made as detailed in **Appendix A**, which also includes changes in local planning forecasts, and is summarised below. Any further national changes will be reported in January 2023.

Summary on increase in forecast net resources 2023/24

	Increase in forecast resources / (addition cost) £'m
Additional Adult and Children Social Care funding	2.700
Council Tax base	0.215
Adult Social Care (ASC) precept	0.470
Core Council Tax increase	0.470
Impact of NLW increase on Adult Social Care contracts	(0.400)
Impact of NLW increase on Local Government pay	(0.600)
Children's Social Care	(0.200)
Net forecast increase in resources	2.655

6. STRATEGY FOR MANAGING REVISED 2023/24 BUDGET DEFICIT

- 6.1 The previous report (21.11.22) advised Members that the deficit for the next two years is **£9.750m**. As **80% (£8.076m)** of this amount is in 2023/24 it was previously agreed to use reserves and one off investment income to phase the deficit over more than one year and on this basis it was anticipated saving of £4.076m would need to be identified.
- 6.2 The additional resources available from Autumn Statement partly mitigate the budget pressures facing the Council. However, difficult decisions still need to be made in relation to use of the Council Tax / ASC precept flexibility and budget savings.
- 6.3 It remains appropriate to use one off resources to support the 2023/24 budget. However, as set out below there is now a clear opportunity to reduce this temporary support - which will put the Council on a firmer financial footing at a time on increased external uncertainty.
- 6.4 This position is based on:

- Implementing the saving proposals identified in **Appendix C**.

These savings are summarised below and have the least impact on services and staffing levels:

Proposed 2023/24 Savings

Category of savings	£'m
Corporate savings across all departments	0.130
Staffing structures and reducing vacant posts	0.422
Efficiency Savings	0.461
Demand Management	0.400
New Fees and Charges	0.298
Service Reductions	0.057
Total	1.768

- Full use of the increase in Council Tax and ASC flexibility;
- Use of £1m temporary investment income to support the budget;
- Use of the Budget Support Fund.

Apply this as the balancing figures enables use of this one off funding to be reduced from a forecast recommended maximum of £3m to £2.043m.

- 6.5 The impact of the recommended strategy, including the use of the full Council Tax and ASC precept flexibility is summarised below.

Summary of Recommended Strategy to Address 2023/24 Deficit

	Position reported 21.11.22	Revised position WITH use of full Council Tax and ASC precept flexibility
	£'m	£'m
Gross deficit	8.076	8.076
Less – Reduction in general inflation provision recommended within 21.11.22 MTFS report #	(0.610)	(0.610)
Less – Net forecast increase in 2023/24 resources (details Appendix A and includes additional £0.470m full use of Council Tax flexibility plus a further £0.470m full use of ASC precept flexibility)	0	(2.655)
Less – Proposed savings	(2.997)	(1.768)
Less – Temporary Investment income	(1.000)	(1.000)
Less – Use of Reserves	(3.000)	(2.043)
Deficit Still to be addressed	0.469	0

This does not impact on the inflation provision for specific known costs pressures, or provision for a forecast national 2023/24 pay award. It requires other inflation pressures to be managed within a 2% limit, which will require departments to make efficient use of resources.

6.6 **Appendix B** details the Council Tax and ASC precepts levels of using the full flexibility for 2023/24 by property band and in summary this shows:

- For the majority of LCTS households (94% in either Band A and B), if in receipt of full support the annual increase is £7.20 - which is 14p per week for Band A, or £8.40 – which is 16p per week for Band B.
- For the majority of non LCTS households (70% in either Band A and B) the annual increase is either £60 - which is £1.15 per week. for Band A, or £70 – which is £1.35 per week for Band B..

6.7 Implications of not using the full Council Tax and ASC flexibility

6.8 Not using the full Council Tax and ASC flexibility (i.e. maintaining the core increase of 1.9% and ASC precept of 1% approved by Council 29.09.22) would reduce the recurring resources available to the Council. Over the three year MTFS period this equates to nearly £3m of lost resources.

6.9 The level of Council Tax and the ASC precept is a decision for Members. The reality of the national funding system means Councillors across the country are in the unenviable position of either using the Council Tax and ASC

precept flexibility provided by the Government, or replacing the recurring lost income by cutting services.

- 6.10 **If the full Council Tax flexibility is not used the budget will be less robust as recurring income of £0.940m will be permanently lost and will have to be replaced by making additional budget cuts.** This means the Council will have lost the opportunity to protect services.
- 6.11 Further information is provided in section 9 in relation to the robustness of the budget. It is recommended that if this increase in recurring income is not achieved it will need to be replaced by implementing additional saving in 2023/24 to be identified from the items detailed in **Appendix D - which contains exempt information under Schedule 12A Local Government Act 1972 (as amended by the Local Government (Access to Information) (Variation Order 2006) namely: - Paragraph 1 - Information relating to any individual and Paragraph 2 - Information which is likely to reveal the identity of an individual.**

7. UPDATE OF 2024/25 BUDGET POSITION

7.1 As reported in previous MTFS reports and detailed in the previous paragraphs the use of one off resources to set the 2023/24 budget will defer a significant deficit to 2024/25.

7.2 In addition, the 2024/25 budget will be impacted by

- **Inflation**

The forecast deficit for 2024/25 included an initial assessment of inflation and an assumption it will fall from the current high level. This issue, including the level the April 2024 NWL is set at will continue to be a risk.

- **The level of Council Tax / ASC precepts**

It appears the Council Tax and ASC precept flexibility announced by the Chancellor is for both 2023/24 and 2024/25. This position will hopefully be clarified in the Local Government Finance Settlement announcement later this month.

- **Additional grant for Adult and Children's Social Care**

As set out earlier in the report an additional £0.6 billion will be provided in 2024/25. Assuming the existing distribution formula is used the Council could potentially receive £1.2m.

However, whilst inflation is expected to reduce in 2023 it will still be high when 23024/25 contract prices are set for Adult Social care. Additionally, there will be continued pressures and political commitment to increase the NWL in April 2024. Therefore, these issues could fully commit the 2024/25 funding provided by the Government to support Adult Social Care costs.

7.3 In view of the current uncertainty in relation to these issues the current forecast 2024/25 deficit of approximately **£3.9m** remains the appropriate

planning assumption. This assumes the recommendations detailed in this report are approved.

- 7.4 The position for 2024/25 will be updated as more information becomes available as there is a significant risk the deficit will be higher. However, it is clear 2024/25 will be even more challenging to manage than 2023/24 and require further significant budget cuts.

8. SENIOR OFFICER PAY AND MEMBERS ALLOWANCE

- 8.1 Senior officer pay is disclosed on an annual basis within the Statement of Accounts and the Pay Policy Statement. In response to questions at the September meeting the Managing Director has prepared the information detailed in **Appendix E**.
- 8.2 The Council discloses details of Members allowances within the Statement of Accounts and exceeds the minimum disclosure by providing the detailed information set out in **Appendix F**. The minimum disclosure simply requires councils to detail the total paid to all Councillors within the Statement of Accounts.
- 8.3 The level of Councillors Allowances is determined following consideration of a report from the Independent Remuneration Panel (IRP) – which set allowances up to 31.03.21. The Council does not have to accept the IRP recommendations, provided any alternative allowances are set below the level recommended by the IRP.
- 8.4 As detailed in Appendix F the Basic Allowances for Hartlepool is £8,330, this is the fourth lowest in the North East and compares with:
- Range for 12 North East councils of £7,608 to £13,329
 - Average for North East Councils £9,769
 - Range for Tees Valley £7,608 to £9,813
 - Average for Tees Valley (excluding Hartlepool) £8,727

Tees Valley cost per resident for Basic and Special Responsibility Allowances

Authority	Amount per resident
1	£5.74
2	£5.54
Hartlepool	£4.13
3	£3.67
4	£3.61
Tees Valley Average (excluding Hartlepool)	£4.48

- 8.4 If Hartlepool set the Basic Allowance at the North East lowest and also applied this to Special Responsibility Allowances it would cut allowances by 9% - a potential saving of £34,000.
- 8.5 Conversely if Hartlepool set the Basic Allowance at the North East average and also applied this to Special Responsibility Allowances it would increase allowances by 17% - a potential cost of £65,000. Using the Tees Valley average the increase would be 4.8% - resulting in a potential cost of £18,000.

9. ROBUSTNESS ADVICE AND CONCLUSION

- 9.1 All councils are facing significant financial challenges owing to the impact of inflation and national pay awards. This includes Hartlepool and these issues are the key driver of the budget deficit facing the Council.
- 9.2 The Chancellor's Autumn statement has provided a clear direction for public spending and taxation. On spending the Government are providing increased funding for Adult and Children's Social care. However, this only partly mitigates the impact of inflation (including the impact of the April 2023 NLW increase) on these services.
- 9.3 In relation to taxation the Government will raise additional income through a combination of measures, including freezing income tax allowances and providing councils with increased flexibility to increase Council Tax and the ASC precept, consisting of:
- Core Council Tax limit increased from 2% to 3%;
 - Adult Social Care precept limit increased from 1% to 2%.
- 9.4 Figures set out in the Chancellor's Autumn Statement show the increased flexibility to increase Council Tax and the ASC precept are a key component of the funding for Social Care - potentially raising £1.12 billion nationally by 2024/25 – which is 37% of the new national funding for these services.
- 9.5 For the Council the increased flexibility enables the previously approved increase of 2.9% (1.9% core increase plus 1% ASC precept) to be increased to 4.9% (2.9% core increase plus 1% ASC precept).
- 9.6 In view of the above issues the most robust basis for the Council's financial sustainability and resilience in 2023/24 is to increase Council Tax and the ASC precept in line with the national limit as this provides additional recurring resources of £0.940m.

9.7 Not implementing this increase will have a number of important implications:

- **Not achieve an increase in recurring in resources of £0.940m**

As Council Tax and ASC precepts referendum are year specific and provided on a 'use it or lose it' basis this income cannot be recovered in future years. Therefore, the loss of this income will have to be offset by making higher savings in 2023/24;

The following table highlights the cumulative impact of not using the increased Council Tax and ASC precept flexibility announced in the Autumn Statement for 2023/24 and 2024/25.

Reduction in Council Tax and ASC income

	2023/24 £'m	2024/25 £m	2025/26 £'m	Total £'m
2023/24	0.940	0.940	0.940	2.820
2024/25	0	0.940	0.940	1.880
Total	0.940	1.880	1.880	4.700

- **Impact on the ability to argue for increased funding from the Government**

The Government will not look sympathetically on councils which claim they have insufficient funds and have not made full use the available flexibility. The Government will also argue that the allocation formula for the 2023/24 Adult and Children's Social Care grant takes account of relative need, so that more deprived councils with a low council tax base will receive more grant funding;

- **Impact on the financial sustainability of the Council.**

As Council Tax and the ASC care precept account for **42%** of recurring resources not increasing this income in line with available national referendum limits will adversely impact on financial sustainability.

In the event that a section 114 notice is required at a future date the Council will be held accountable for the impact of decisions made in relation to Council Tax and the ASC on the Council's financial sustainability.

9.8 It would not be robust to replace a reduction in 2023/24 recurring Council Tax and ASC precept resources by using reserves, or other one off funding, as the budget proposals are already based on using one off resources in 2023/24. This is part of a managed strategy for addressing the budget deficit over two years.

- 9.9 In summary the 2023/24 deficit can be addressed using a combination of measures which minimise the impact on services. Whilst, this strategy uses slightly less one off funding to balance the 2023/24 budget these resources still cover **37.7%** of the 2023/24 deficit.
- 9.10 This is not sustainable as **£3.043m** of the deficit is being deferred from 2023/24 to 2024/25. As reported in previous MTFs reports, a robust strategy to address the forecast 2024/25 and 2025/26 deficit needs to be developed by May 2023. This will then provide the basis for managing continuing financial uncertainty during 2023/24 and 2024/25.

Summary of measure to address 2023/24 budget deficit

	£'m	Percentage of deficit
Gross deficit	8.076	
Less – Reduction in general inflation provision	(0.610)	7.6%
Less – Net forecast increase in 2023/24 resources (details Appendix A and includes additional £0.470m full use of Council Tax flexibility plus a further £0.470m full use of ASC precept flexibility)	(2.655)	32.8%
Less – Proposed savings	(1.768)	21.9%
Less – Temporary Investment income	(1.000)	12.4%
Less – Use of Reserves	(2.043)	25.3%
Deficit Still to be addressed	0	

10 RECOMMENDATIONS

- 10.1 It is recommended that Members
- i) Note the report, including the Government's decision to provide increased Council Tax (up to 3%) and ASC precept (up to 2%) flexibility as part of their strategy for funding services;
 - ii) Note these limits are year specific, which means any unused limit results in a permanent reductions in recurring income;
 - iii) Recommend to Council use of the increased Council Tax flexibility provided by the Government and recommend an increase in Council Tax of 2.9% and the ASC precept of 2%. This will provide additional recurring income of £0.940m, which will help protect services and provide the most robust basis for setting the 2023/24 budget;

- iv) On the basis of approving recommendation (ii) note the 2023/24 budget can be balanced through the measures detailed in paragraph 9.10 – including using one off reserves to defer a deficit of £3.043m from 2023/24 to 2024/25, which will require a robust savings plan to be developed by May 2023.
- v) Refer the recommended 2023/24 savings detailed in Appendix C Policy Committee for scrutiny / comment back to this Committee on 23th January, including suggesting alternative proposals if Members do not wish to implement these proposals.

12 REASON FOR RECOMMENDATIONS

12.1 To enable the Finance and Policy Committee to approve the proposals to progress the development of the MTFS.

13. BACKGROUND PAPERS

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

- Finance and Policy Committee - Medium Term Financial Strategy (MTFS) 2023/24 to 2024/25 – 20th June 2022.
- Finance and Policy Committee - Medium Term Financial Strategy (MTFS) 2023/24 to 2024/25 – 28th September 2022.
- Finance and Policy Committee - Medium Term Financial Strategy (MTFS) 2023/24 to 2024/25 – 21st November 2022

14. CONTACT OFFICER

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Sign Off:-

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Director of Resources and Development	<input checked="" type="checkbox"/>
Chief Solicitor	<input checked="" type="checkbox"/>

APPENDIX ASummary on increase in forecast net resources 2023/24

	Increase in forecast resources / (addition cost) £'m
<p>Additional Adult and Children Social Care funding</p> <p>The £1.3 billion of national funding will be allocated using the national formula which has been used in previous years, with the data used in the formula being updated.</p> <p>On this basis the Council should receive £2.7m and for planning purpose it is anticipated this is recurring funding for 2024/25.</p> <p>To provide context to this figure the inflation and service pressures for Adult and Children Social Care included in the MTFS for 2023/24 are £4.920m.</p>	2.700
<p>Council Tax base</p> <p>There is a separate report setting the 2023/24 Tax Base of 25,342 (2022/23 – 24,928). This is slightly higher than the forecast 2023/24 of 25,228, which provides additional recurring income of £0.215m.</p>	0.215
<p>Adult Social Care (ASC) precept</p> <p>The ASC precept limit is expected to increase from 1% to 2%, as indicated by the Chancellor. This is an integral element of the Government's funding strategy for Adult Social Care as detailed earlier in the report.</p> <p>Council (29.09.22) approved a 1% ASC precept increase on the basis of the precept limit set at the time.</p> <p>Increasing this to the new limit will secure additional recurring income.</p>	0.470

<p>Core Council Tax increase</p> <p>The core Council Tax referendum limit is expected to increase from 2% to 3%, as indicated by the Chancellor.</p> <p>This is also an integral element of the Government’s funding strategy for Adult Social Care as detailed earlier in the report.</p> <p>Council (29.09.22) approved a 1.9% core Council Tax increase on the basis of the limit set at the time.</p> <p>Increasing this to 2.9% (just below the new 3%) limit will secure additional recurring income.</p>	0.470
<p>Impact of NLW increase on Adult Social Care contracts</p> <p>The NLW as at April 2022 is £9.50 and will increase to £10.42 in April 2023. Whilst this is only slightly higher than the forecast increase of £10.32 the impact for Adult Social Care contracts is significant owing to the high proportion of staff paid the NLW.</p>	(0.400)
<p>Impact of NLW increase on Local Government pay</p> <p>Recent increases in the NLW and the Chancellor recent reaffirmation of Government policy for NLW to reach 66% of median earnings in 2024 will be a major factors on determining future national pay awards for council employees.</p> <p>The 2022/23 national pay settlement set the minimum pay point at £10.50. This equated to a 10% pay increase for Local Government staff paid at this level and for a full time employee provided an annual increase of £1,925.</p> <p>The Council does not use the minimum point of £10.50 and uses £10.79.</p> <p>The increase in the NLW to £10.42 in April 2023 will need to be addressed as part of the national pay settlement for Local Government employees.</p> <p>If the National Employers Organisation determine to maintain a differential of £1 per hour above the NLW this will require a national minimum of £11.42 – an increase of 8.8% - which would equate to flat rate increase of approximately £1,700. This figure compares to forecasts from the Low Pay Commission that the NLW could be between £10.82 and £11.35 in April 2024.</p> <p>The national pay offer may revert to different percentage increases, with higher increases for the lowest paid. This issue</p>	(0.600)

<p>will need careful consideration at a national level owing to the impact on pay differentials and increasing pressures to retain and recruit staff across a wide range professions and roles.</p> <p>The MTFs forecast for 2024/25 currently includes a 4% pay provision. It would be prudent to increase this to 5%, although there remains a risk this may not be sufficient. Each 1% additional increase is £0.6m.</p>	
<p>Children’s Social care pressure</p> <p>This reflects continuing inflation pressures.</p>	(0.200)
<p>Net forecast increase in resources</p>	2.655

Summary of Saving Proposals 2023/24 and 2024/25

Category	Cttee	Budget Reduction Heading	Budget Reduction 2023/24 £000	Budget Reduction 2024/25 £000	Budget Reduction 2025/26 £000	Total Budget Reduction £000	Staff impact over three years	Equality & poverty impact	Description of proposed savings
1	Corporate	Salary Abatement Target	70	0	0	70	0	none	The base budget only provides funding for 98% of the pay budget as a 2% turnover target is assumed. The turnover target can be increases in line with April 2022 average pay award plus forecast April 2023 pay award.
1	Corporate	Car Mileage costs	60	0	0	60	0	tbc	Reduction in expenditure arising from new ways of working, including less face to face meetings and replacement with online meetings.
Total 1 - Corporate savings across all departments			130	0	0	130			
2	Finance & Policy	Revenue/Benefits	65	0	0	65	2	none	Review of management and staffing structures. Rephased to achieve full saving in 2023/24, rather than phase over two years.
2	A&CBS	Adult Social care - Staffing Review	80	0	0	80	2	A / B	Review of staffing linked to re-procurement of the assistive technology service - rephased to achieve full saving in 2023/24, rather than phase over two years.
2	A&CBS	Mobile Library Service	6	0	0	6	1	A / B / J	Staffing reduction linked to cessation of the mobile library service, that has been approved previously.
2	A&CBS	Review of PA / Admin capacity	30	0	0	30	1		A review of ACBS and CSJC PA/admin team enables the deletion of a vacant post.
2	A&CBS	Culture, Event and Participation Teams	58	0	0	58	3		Restructure to remove vacant posts and realign duties of remaining staff.
2	A&CBS	Workforce Development	25			25	1		Restructure to review posts, with one deletion and partial replacement with lower gadded part time post, plus recurring training budget saving.
2	Neighbourhoods	Stores	20			20	1		Restructure and realign duties of remaining staff.
2	Children's	One Stop Shop	36			36			One Stop Shop undertakes the statutory role of supporting young people aged 15-17 into positive destinations to ensure they are engaged in education, employment or training. This is a small team made up of six workers and a manager. Proposal is to delete vacant post recently arisen in team. Fewer staff supporting this cohort may result in deterioration in performance in terms of the HBC NEET and not known figures but team will work hard to continue to seek to mitigate this.
2	Finance & Policy	Strategic Development	55			55	1		Removal of vacant posts and reallocation of duties within team
2	Finance & Policy	Revenue & Benefits / Shared Services	29			29			Non pay budget savings and efficiencies
2	Finance & Policy	Legal Dept.	6	34		40			Review of operational costs of service over two years.
2	Corporate	Senior Management structure	12	0	0	12			Structure changes approved by F and P Cttee 28.09.22, included deletion of Assistant Director post, increased responsibility for remaining Assistant Directors and increased capacity for Digitisation of services.
Total 2 - Staffing structures and reducing vacant posts			422	34	0	456			

Category	Cttee	Budget Reduction Heading	Budget Reduction 2023/24 £000	Budget Reduction 2024/25 £000	Budget Reduction 2025/26 £000	Total Budget Reduction £000	Staff impact over three years	Equality & poverty impact	Description of proposed savings
3	Finance & Policy	Review reception/Front of house model	5	0	0	5	tbc	none	Rationalisation of IT systems and small staffing saving.
3	A&CBS	Adult Social care - Commissioned Services	60	0	0	60	0	A / B / J	Saving achieved from the reprovision of day services for older people, moving from a building based model to Community Led Support.
3	A&CBS	Community Hubs and Libraries	71	0	0	71	2		Rationalisation of IT systems used by the library service and staffing savings.
3	A&CBS	Reduction in NMRN subsidy	100	0	0	100	0		Reduction in recurring NMRN subsidy has been agreed. Ongoing subsidy to be reviewed as part of 2024/25 budget consideration as there may be potential to reduce subsidy further if NMRN can increase visitor numbers and / or secure new income streams as a result on planned investment and development of site.
3	Neighbourhoods	Savings to Subscriptions Budgets	4	0	0	4	0		Reduction in subscriptions.
3	Neighbourhoods	Building Cleaning	33			33			Review of standards whilst maintaining appropriate health and safety of working environment and reduction in admin. costs
3	Neighbourhoods	Local Access Forum Delivery Officer	3			3			Partnership contribution ceased.
3	Children's	Chatham House (Asset Review)	25	0	0	25	0	tbc	Children's services have moved services from Chatham House (formerly and Children's Centre) and co-located with another service at the Windsor offices. Chatham House has therefore been closed and all associated costs with running the building can contribute to savings.
3	Children's	Governor clerking service	20	0	0	20	2	tbc	HBC provides a Governor clerking service to schools delivered by two members of staff. Both staff have indicated their intention to retire in 2023. The service is a traded service with schools, however the number of schools that buy back the service has reduced over recent years as schools have converted to academies and made other arrangements and the income does not cover the costs of the posts. Going forward, all schools will joint Multi Academy Trusts and need to make arrangements for governance clerking. The local authority will offer a point of advice, but this will be absorbed within another role when the members of the governor support team retire. Proposed saving is net of income.
3	Finance & Policy	Capitalise staffing costs	58			58			Proposal reflects areas staff are working on and removal of recurring revenue budget
3	Corporate	Asset Review	82	90	0	172	0	tbc	Savings based on: Hartfield's and The Willows (yr1) Civic consolidation start (Bevan and Windsor) (yr2) other options e.g. Brinkburn (yr3). Achieving savings will require one of funding from the Budget Support Fund and will be subject to business case demonstrating payback.
Total 3- Efficiency Savings			461	90	0	551			

Category	Cttee	Budget Reduction Heading	Budget Reduction 2023/24 £000	Budget Reduction 2024/25 £000	Budget Reduction 2025/26 £000	Total Budget Reduction £000	Staff impact over three years	Equality & poverty impact	Description of proposed savings
4	A&CBS	Demand management in adult social care.	400	0	0	400	0		Continued work to manage demand for adult social care services through Community Led Support, securing NHS funding for people with identified health needs and scrutiny of complex / high cost packages of care.
Total 4- Demand Management			400	0	0	400			
5	Neighbourhoods	Staff and Member Car Parking	4	0	0	4	none	none	Increase in charges
5	Neighbourhoods	Post 16 SEND Transport	37	0	0	37	0.34	A / B / J	Changes introduced in 2022/23 and full year saving will be achieved in 2023/24 owing to phased implementation over academic years
5	Neighbourhoods	Home to School Transport	7	3	0	10	0		Increase charge for Home to School Transport for surplus seat sales on school buses.
5	Neighbourhoods	Garden Waste	250	60	75	385			This proposal would introduce a charge for garden waste collection. Nationally around 250 of councils already charge for this service. In the North East 7 out of 12 councils charge of between £32 and £43 per year. The councils who do not charge are likely to be review this position as of 2023/24 budget options.. The proposals is to introduce an annual charge of £41.50 from April 2023. The income phasing reflects forecast take up of the service and experience of other councils with similar properties mixes to Hartlepool - i.e. houses with and without gardens.
Category 5- New Fees and Charges			298	63	75	436			
6	EG&R	Business Support Grants	25	0	0	25	0	N/A	Over the last four years (18/19 to 21/22) annual average spend was £17,000 and 85% of grants were for £500. On this basis it is recommended that the remaining budget is removed. Major inward investment will continue to be supported by officer working with potential investors to secure grants from BEIS, TVCA and other
6	EG&R	HEC Review Operating Model	23	0	0	23	none	none	Aiming to achieve asset transfer
6	Neighbourhoods	Christmas Tree	9			9			Reduction to one Christmas Tree in Christ Church.
Total 6- Service Reductions			57	0	0	57			
Total			1768	187	75	2030			

Key - Equality & Poverty Impact

- A Age
- B Disability
- C Gender Reassignment
- D Marriage and Civil Partnership
- E Pregnancy and Maternity
- F Race
- G Religion and Belief
- H Sex
- I Sexual Orientation
- J Poverty