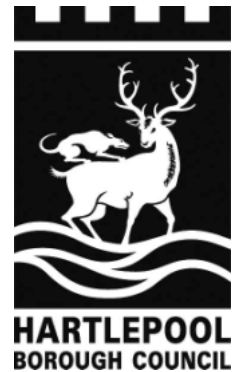


# **SCRUTINY CO-ORDINATING COMMITTEE AGENDA**



**Friday 16<sup>th</sup> October 2009**

**at 2.00 p.m.**

**in the Council Chamber,  
Civic Centre, Hartlepool.**

**MEMBERS: SCRUTINY CO-ORDINATING COMMITTEE:**

Councillors C. Akers-Belcher, S Akers-Belcher, Barker, Brash, James, London, A Marshall, J. Marshall, McKenna, Preece, Richardson, Rogan, Shaw, Simmons, Wright and Young

Resident Representatives: Evelyn Leck, Iris Ryder and Linda Shields.

**1. APOLOGIES FOR ABSENCE**

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

**3. MINUTES**

No items.

**4. RESPONSES FROM THE COUNCIL, THE EXECUTIVE OR COMMITTEES OF THE COUNCIL TO REPORTS OF THE SCRUTINY COORDINATING COMMITTEE**

No items.

**5. CONSIDERATION OF REQUEST FOR SCRUTINY REVIEWS FROM COUNCIL, EXECUTIVE MEMBERS AND NON EXECUTIVE MEMBERS**

No items.

**6. CONSIDERATION OF PROGRESS REPORTS / BUDGET AND POLICY FRAMEWORK DOCUMENTS**

No items.

**7. CONSIDERATION OF FINANCIAL MONITORING/CORPORATE REPORTS**

- 7.1 Scrutiny Involvement in the Budget Setting Process for 2010/11 – Proposed Timetable – *Scrutiny Manager*
- 7.2 Medium Term Financial Strategy (MFTS) 2010/2011 to 2013/2014 – Initial Consultation Proposals – *Chief Financial Officer*
- 7.3 Audit Commission Report - Annual Audit and Inspection Letter – *Chief Financial Officer*

**8. ITEMS FOR DISCUSSION**

- 8.1 Civic Suite Microphone System – *Director of Regeneration and Neighbourhoods.*
- 8.2 H2O Budget and Mill House Leisure Centre Improvements – *Director of Child and Adult Services*

**9. CALL-IN REQUESTS**

**10. ANY OTHER ITEMS WHICH THE CHAIRMAN CONSIDERS ARE URGENT**

**ITEMS FOR INFORMATION**

**Date of Next Meeting: Friday 23 October 2009 commencing at 3.00 p.m. in the Council Chamber, Civic Centre, Hartlepool.**

## SCRUTINY CO-ORDINATING COMMITTEE

16 October 2009



**Report of:** Scrutiny Manager

**Subject:** SCRUTINY INVOLVEMENT IN THE BUDGET SETTING PROCESS FOR 2010/11 – PROPOSED TIMETABLE

---

### 1. PURPOSE OF REPORT

- 1.1 To provide Members with the proposed timetable for the Scrutiny Co-ordinating Committee and the four standing Scrutiny Forums' involvement (with the exception to the Health Scrutiny Forum) in the budget setting process for 2010/11.

### 2. BACKGROUND INFORMATION

- 2.1 Building upon the success of the Scrutiny Co-ordinating Committee and the four standing Scrutiny Forums' involvement in last year's budget setting process, it is now time to establish the timetable for the 2010/11 budget setting process.
- 2.2 In consultation with the Chair of the Scrutiny Co-ordinating Committee, a proposed timetable for the Scrutiny Co-ordinating Committee and the four standing Scrutiny Forums' involvement (with the exception to the Health Scrutiny Forum) in the budget setting process for 2010/11 is in the process of being compiled. A copy of this timetable will be circulated under separate cover for the Committee's consideration at today's meeting.
- 2.3 In order to meet the statutory timescales of approving the Authority's budget for 2010/11, Members are asked to kindly note that it may be necessary to schedule additional meetings of the Scrutiny Co-ordinating Committee and the four standing Scrutiny Forums' where necessary. Arrangements will also be made for the relevant Director(s) and the appropriate Cabinet Member(s), subject to their availability, to attend those scrutiny meetings which fall under their area(s) of responsibility.

### **3. RECOMMENDATION**

- 3.1 It is recommended that Members note the proposed timetable for the Scrutiny Co-ordinating Committee and the four standing Scrutiny Forums' involvement in the budget setting process for 2010/11.

**Contact Officer:-** Joan Wilkins – Scrutiny Manager  
Chief Executive's Department - Corporate Strategy  
Hartlepool Borough Council  
Tel: 01429 284142  
Email: joan.wilkins@hartlepool.gov.uk

### **BACKGROUND PAPERS**

No background papers were used in the preparation of this report.

# SCRUTINY CO-ORDINATING COMMITTEE

16 October 2009



**Report of:** Chief Financial Officer

**Subject:** MEDIUM TERM FINANCIAL STRATEGY  
(MTFS) 2010/2011 TO 2013/2014 – INITIAL  
CONSULTATION PROPOSALS

---

## 1. PURPOSE OF REPORT

1.1 To enable Scrutiny Co-ordinating Committee to consider Cabinet's initial 2010/2011 Budget Consultation proposals.

## 2. BACKGROUND

2.1 As Members will be aware from previous years the initial consultation on the budget proposals for the forthcoming financial year takes place during October and November. The results of the initial consultation are then considered by cabinet in late November/early December. This report enables this process to commence.

2.2 Cabinet will finalise budget proposals for 2010/2011 in December once the grant allocation for this year is confirmed by the Government. These proposals will then be referred for formal Scrutiny in January, 2010. Cabinet's final budget proposals will then be referred to Council in February, 2010.

## 3. DETAILED CONSULTATION PROPOSALS

3.1 At its meeting on 21<sup>st</sup> September, 2009, Cabinet determined the detailed budget proposals it wishes to refer for consultation covering:

- The development of the 2009/2010 Outturn Strategy;
- Capital Programme 2010/2011 to 2013/2014;
- General Fund and Council Tax 2010/2011 to 2013/2014.

3.2 These issues are covered in detail in the attached report.

3.3 In relation to the 2010/2011 budget proposals the Cabinet report advises Members that there are a range of pressures on the General Fund. One of the main issues is the level of continuing General Fund

expenditure which is currently not funded from sustainable resources and is currently funded from the Budget Support Fund, which is only temporary funding.

- 3.4 The General Fund budget also faces a range of other pressures including inflations and the provision of headroom for pressures.
- 3.5 It is anticipated that these pressures will only be partly offset by the anticipated grant increase, assuming the Government confirm the previously announced 2010/2011 grant allocations. Therefore, there will still be a deficit on the General Fund budget of approximately £7.2m as summarised below.

	<u>£'000</u>
Continuing Expenditure from previous year not funded from sustainable resources (funded Budget Support Fund)	4,630
Add	
- Inflation	2,225
- Loss 2009/10 Temporary Investment income	700
- Mill House - Prudential Borrowing repayment budget	309
- Headroom for pressures	1,500
<u>Less</u>	
- Contribution to BSF one-off costs (included in 2009/10 base)	(500)
- Grant Reduction/(increase)	<u>(1,688)</u>
Gross Budget Deficit	<u>7,176</u>

- 3.6 Cabinet have proposed a range of issues to broadly bridge the General Fund budget deficit, as detailed in the attached report and summarised below. These proposals include earmarking the Business Transformation efficiencies to offset pressures on the General Fund budget. This proposal effectively means these efficiencies are being used as part of the overall strategy to protect the General Fund budget from the pressures identified in the previous paragraph, including the provision of resources to fund the budget headroom, inflation and the reduction in the available Budget Support Fund.

#### Summary of Proposals to Bridge Budget Deficit

	<u>£'000</u>	<u>£'000</u>
Gross Budget Deficit		7,176
<u>Less</u>		
Temporary Funding		(1,937)
Business Transformation Efficiencies (BTP)	(2,088)	
BTP earlier releases assuming revised funding strategy approved	<u>(426)</u>	
Total BTP		(2,514)
Corporate efficiencies and savings 2.5%		(1,750)
Council Tax increase		<u>( 911)</u>
Net Deficit		<u>64</u>

- 3.7 In relation to the detailed budget proposals at an individual service level there are significantly less consultation proposals than in previous years. In relation to pressures and budget contingencies this position reflects the work undertaken by Cabinet and the Corporate Management Team to limit these issues to the value of the headroom included in the budget forecasts.
- 3.8 As a result of this restraint and the development of the detailed Business Transformation Programme Cabinet has not had to identify a range of efficiency proposals for consultation, as was the case in previous years. This position may change if the actual grant allocation is lower than the previously announced figure.
- 3.9 Details of the Budget Pressures identified by Cabinet, which total £1.159m, are summarised by Scrutiny Committee at **Appendix 1**. Cabinet has proposed that these issues need to be funded.
- 3.10 Similarly, details of Budget Priorities are summarised by Scrutiny Committee at **Appendix 2**. These items total £0.343m and Cabinet is not proposing that these issues are not funded.
- 3.11 Cabinet's proposed budget contingency relates to items of a corporate nature as detailed in paragraph 6.4 of the Cabinet report attached at **Appendix 4**.
- 3.12 Details of the proposal Cabinet wishes to put forward for consultation are summarised at **Appendix 3**.
- 3.13 Cabinet also expressed continuing concerns in relation to floor damping and in particular the impact of anticipated grant reductions from 2011/2012. Cabinet therefore determined that it wishes to make further representation to the Government and the town's MP in relation to floor damping.
- 4. RECOMMENDATION**
- 4.1 It is recommended that Members determine.

**INITIAL PRESSURES 2010/11**

**SCRUTINY CO-ORDINATING COMMITTEE**

	£'000	Description
Revenue cost of proposed £0.5m capitalisation	50	Estimated repayment cost of using Prudential Borrowing to capitalise £0.5m of expenditure, which will produce a gross revenue saving for 2010/11 of £0.5m
Discretionary Business Rates Hardship Relief	70	Temporary costs for up to three years to provide support to businesses during the recession.
<b>Total</b>	<b>120</b>	

**CHILDREN'S SERVICES**

	£'000	Description
Brierton School site pre Dyke House decant	125	Part year costs of the LA operating the site whilst construction works are undertaken until Dyke House School moves to Brierton on 1st September 2010 - Rates, energy, caretaking, security etc. May be possible to fund part of these costs from alternative funding sources, such as DSG and these options are currently being explored in more detail.
Home to School Transport	220	Part year costs of transporting Dyke House pupils from home to the Brierton site wef 1st September 2010. Significant additional costs are likely depending on what Members agree regarding an exceptional rule to the Home to School policy. Legally we are only obliged to provide free transport to pupils travelling beyond 3 miles although the limit is 2 miles for low income families. (Again possibility that this could be DSG funded) Costs would be for 2 academic years only, spread over three financial years and would cease when Dyke House school reopens in September 2012. This figure is an initial costing and will be reviewed once Cabinet has determined a transport policy for decant period of Dyke House school.
<b>Total</b>	<b>345</b>	



**INITIAL PRESSURES 2010/11**

**ADULT AND COMMUNITY SERVICES**

	£'000	Description
Mental Health - Agency placements	155	Increasing number of high cost community based packages associated with Aspersers/autism/complex Dual Diagnosis. The complex needs associated with these conditions require significant funding and diagnoses of these conditions are expected to increase in the coming years. Packages have previously been funded through vacancies but posts now filled. Statutory duty to meet assessed needs, risks around failure in meeting our Duty of Care.
Older People - Intermediate care/transitional beds	190	Current pressure exists in relation to intermediate care provision and transitional beds. There continues to be an increased demand for these services owing to demographic increases in Older People and specifically those with dementia. The existing transitional beds provision is not suitable for those individuals with severe dementia. Funding is required to expand the current provision and to explore alternative options for more sustainable community based solutions.
Learning Disability Agency	195	Three young people with learning disabilities currently in transitions will turn 18 years of age at the start of 10/11. Early indications are that there will be a pressure of approximately £55K for those individuals, one with complex learning disabilities estimated at £35K, the remaining 2 individuals estimated at £10K each. There are 20 young adults with Learning Disabilities who currently access Post 19 education and enrichment/day opportunity via Catcote School. The provision is supported from a mixture of funding streams, LSC funding supports 50% of the provision classified as teaching and learning, the remainder is supported by Catcote school, of which the council has supported in recent years £66K from short term grant funding. Catcote school can no longer subsidise the overall provision which predominantly meets the assessed social care needs of this complex and vulnerable group of individuals. A pressure of £140K is required to enable this provision to continue.
<b>Total</b>	<b>540</b>	

**NEIGHBOURHOOD SERVICES**

	£'000	Description
Support Bus Service and Concessionary Fares	154	This pressure arises due to the reinstatement of the hospital service H1 to North Tees and an anticipated above inflationary increase in concessionary fare payments.
<b>Total</b>	<b>154</b>	

<b>Total All Areas</b>	<b>1,159</b>
------------------------	--------------

**INITIAL PRIORITIES 2010/11**

**SCRUTINY CO-ORDINATING COMMITTEE**

	£'000	Description
Support of Credit Union	60	To support bids for administration of pump priming loan pool fund from DWP to help needy families and also to create a development fund to support initiatives of the Hartlepool Financial Inclusion Partnership.
Reactive Maintenance	50	Past years have seen reactive budget provision increase annually by less than construction industry cost increases. In addition energy costs have increased. Budget provision for the Windsor and Carnegie have been less than requested within the overall budget headings, a realignment against anticipated commitments has been undertaken involving Finance. The consequence of this is that the available resources for day to day responsive works have been significantly reduced.
<b>Total</b>	<b>110</b>	

**NEIGHBOURHOOD SERVICES**

	£'000	Description
Extension of out of hours service	183	Depending on Members' decision on options for extending the service the costs could be funded from existing budgets or incur additional costs of <b>up to</b> £183,000.
Neighbourhood Management/Community Safety	50	With the demise of NDC the contribution towards the Neighbourhood Management/Policing and Community Safety programme at 173 York Road will cease. Cleveland police are committed to funding half of the costs and are pursuing the increase through their own budget pressure rounds. The costs cover premises/ half a FTE anti social behaviour officer and administrative support.
<b>Total</b>	<b>233</b>	

<b>Total All Areas</b>	<b>343</b>
------------------------	------------

**Proposals Identified in Cabinet Report****Cabinet Decision on  
Proposals to be  
Referred for Consultation****1. 2009/2010 Proposed Outturn Strategy**

- 1.1 Do Cabinet wish to allocation the anticipated centralised estimate underspend of £1m to manage the following budget risks:

	<u>£'000</u>
Provision for current year income shortfall	200
Provision for continuing income shortfalls 2010/2011	300
Provision for Equal Pay Tribunal Costs	500

- 1.2 Do Cabinet wish to allocate the 2009/2010 and 2010/2011 total LABGI allocation of £80,000 to support the 2011/2012 budgets?

**2. Capital Programme 2010/2012 to 2013/2014**

- 2.1 Do Cabinet wish to confirm their commitment to use Unsupported Prudential Borrowing for the following local priorities in 2010/2011:

	<u>£'000</u>
SCRAPT Priorities	1,200
Community Safety Initiatives	150
Disabled Adaptations	50
Neighbourhood Forum Minor Works	156

- 2.2 Do Cabinet wish to review the continuation of the above priorities in 2011/2012 and beyond as part of the comprehensive review of budget priorities in 2010?

- 2.3 Do Cabinet wish to confirm their commitment to use £3m of Unsupported Prudential Borrowing for the replacement of Mill House in 2010/2011 or to take the £0.3m revenue saving.

- 2.4 Do Cabinet wish to support the proposal to use Prudential Borrowing to replace the cremators during 2010/2011 and to repay this loan from 2011/2012 by increasing the cost of an adult cremation by £90, in addition to the normal inflationary increases? Agreed, as consultation proposal
- 3. 2010/2011 Budget**
- 3.1 Do Cabinet support the proposed corporate efficiencies and savings of £1.75m (detailed in paragraph 6.12) and do they wish to refer these for consultation? Agreed, as consultation proposal
- 3.2 Do Cabinet support a proposed Council Tax increase of 2.5% for 2010/2011? Agreed, as consultation proposal
- 3.3 Do Cabinet support the proposals for allocating the £1.5m headroom to fund budget pressures and the budget contingency detailed in paragraph 6.4? Agreed, as consultation proposal
- 3.4 Do Cabinet wish to refer the Budget Priorities detailed in **Appendix 2** for consultation and to suggest that if Members want to fund these items they will need to suggest where compensating reductions should be made? Agreed, as consultation proposal
- 3.5 Do Cabinet support the proposal to allocate the uncommitted balance of the Supporting People reserve for Equal Pay costs and supporting the 2011/2012 budget? Agreed, as consultation proposal
- 4. 2011/2012 to 2013/2014**
- 4.1 Do Cabinet support indicative Council Tax increases of 2.5% for 2011/2012 and 2012/2013 and 3.9% for 2013/2014? Agreed, as consultation proposal

<p style="text-align: center;"><b>CABINET REPORT</b> <b>21<sup>st</sup> September, 2009</b></p>
---



**Report of:** Corporate Management Team

**Subject:** MEDIUM TERM FINANCIAL STRATEGY (MTFS)  
2010/2011 TO 2013/2014 – INITIAL CONSULTATION  
PROPOSALS

---

## **SUMMARY**

### **1. PURPOSE OF REPORT**

1.1 To enable Cabinet to review the MTFS and to determine the initial proposals it wishes to put forward for consultation.

### **2. SUMMARY OF CONTENTS**

2.1 The report provides a detailed overview of the financial issues affecting the Council in relation to:

- The development of the 2009/2010 Outturn Strategy;
- Capital Programme 2010/2011 to 2013/2014;
- General Fund and Council Tax 2010/2011 to 2013/2014.

### **3. RELEVANCE TO CABINET**

3.1 The report enables Cabinet to determine the initial Budget and Policy Framework proposals it wishes to put forward for consultation.

### **4. TYPE OF DECISION**

4.1 Budget and Policy Framework.

### **5. DECISION MAKING ROUTE**

5.1 Cabinet, Scrutiny Co-ordinating Committee, Scrutiny Forums and Council.

### **6. DECISION(S) REQUIRED**

6.1 Cabinet is required to determine its proposals.

**Report of:** Corporate Management Team

**Subject:** MEDIUM TERM FINANCIAL STRATEGY  
(MTFS) 2010/2011 TO 2013/2014 – INITIAL  
CONSULTATION PROPOSALS

---

**1. PURPOSE OF REPORT**

- 1.1 To enable Cabinet to review the MTFS and to determine the initial proposals it wishes to put forward for consultation.

**2. BACKGROUND**

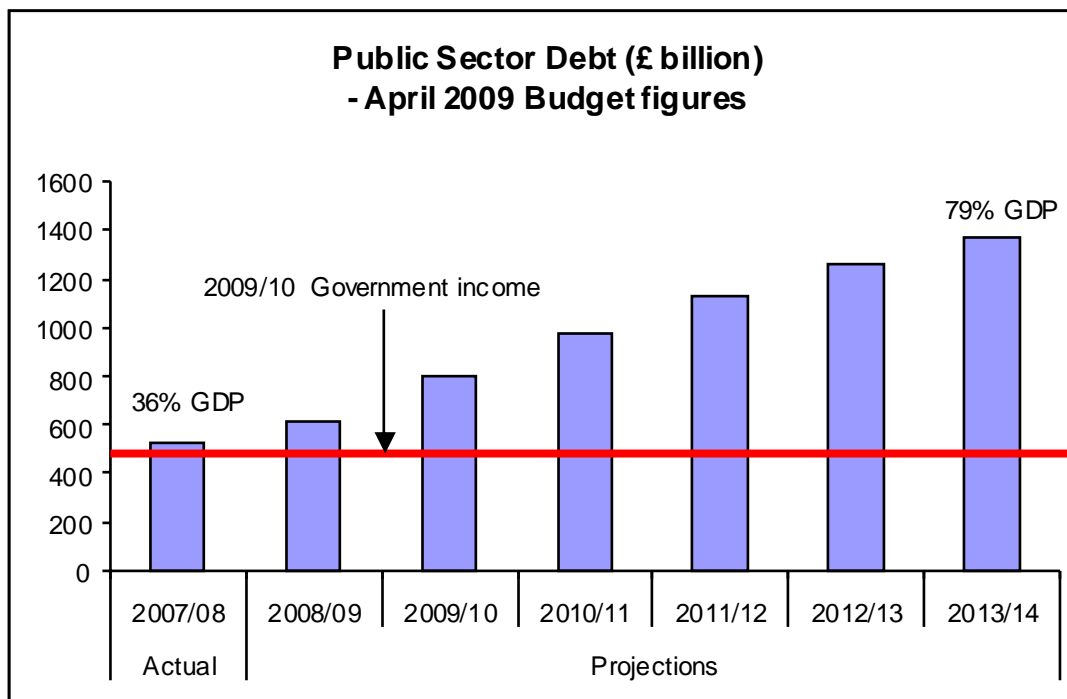
- 2.1 The current MTFS was approved in February, 2009 and covers the three years 2009/2010 to 2011/2012. As reported in February the final year of the current Comprehensive Spending Review (CSR) is 2010/2011. The MTFS assumes that the Government will confirm the previously announced grant allocations for 2010/2011, although this cannot be guaranteed owing to the deterioration of the national finances.

- 2.2 The MTFS needs to be rolled forward to cover the three years 2011/2012 to 2013/2014, which is expected to be the period covered by the next CSR. Details of the next CSR will not be known until after the General Election. The credit crunch and recession have had a deeper and longer impact on the public sector finances than previously anticipated. It is becoming clearer that the public sector is facing a prolonged period of austerity. For Local Government this is expected to result in grant reductions and this issue is covered in more detail later in the report.

**3. NATIONAL FINANCIAL POSITION**

- 3.1 In April, 2009, the Chancellor presented the 2009 Budget to Parliament and at the same time published the detailed budget report – “Economic and Financial Strategy Report and Financial Statement and Budget Report”, which runs to 268 pages.
- 3.2 The Budget Report highlights the impact of the financial crisis on the world economy, which is experiencing a severe recession. In the current year world Gross Domestic Product (GDP) is forecast to fall by 1 ½%, which is the first full year contraction in the post-war period.

- 3.3 The contraction in advanced economies (the G7 group) is forecast to be 4%. The Chancellor forecasts the world economy will begin to recover towards the end of 2009, with growth picking up through 2010 and 2011. In some countries there is some evidence that economic activity is beginning to pick up slightly, but it is not yet clear if this is sustainable, or will transfer to other countries.
- 3.4 In relation to the UK economy the Chancellor forecasts a sharp recession in 2009, with growth progressively picking up through 2010 and 2011.
- 3.5 The global recession will have a profound and long lasting effect on the financial position of Governments across the world as public sector debt is likely to rise significantly in all advanced economies.
- 3.6 In the UK this position initially arises from a reduction in tax revenues, particularly in relation to the banking and financial sectors. These reductions reflect London's position as a major international financial centre and the greater proportion of Government revenue which came from this sector than in other advanced economies.
- 3.7 On an ongoing basis Government expenditure on unemployment and related benefits will increase and continue at a higher level until the economy recovers on a sustainable basis. The recession will also have an ongoing impact on Government revenues as higher unemployment means less people will be paying income tax. In addition, company profits will be lower and consequently there will be a reduction in corporation tax and other business taxes.
- 3.8 The recovery in the UK economy (when it comes) is likely to be protracted as the factors driving the economy in recent years, i.e. rising house prices, the availability of relatively cheap consumer credit and foreign investment in the UK, will not be available.
- 3.9 In the current financial year the Chancellor has forecast a budget deficit of £175m, or put another way for every £1 of public spending the Government is only raising 75p.
- 3.10 This is not a one-off deficit but a structural problem caused by a reduction in Government income and increased Government expenditure driven by the recession. The Chancellor has indicated that this position will not improve until 2013/2014. By this date, the Chancellor is forecasting a cumulative shortfall of £700 billion, which means that Public Sector Debt is forecast to double by 2013/2014, as shown in the following table.



3.11 The increase in Public Sector Debt will result in higher debt interest payments for the Government which will be an additional pressure on the public finances. In the medium term the increase in debt may lead to higher interest rates as investors seek a higher return for continuing to support Government debt.

### 3.12 Impact of the recession on Public Sector Spending

3.13 In April the Chancellor made a number of specific announcements relating to public sector spending:

- Public Sector spending growth from 2011/2012 onwards was revised down to only 0.7% in real terms. This is the increase in total public sector spending. Details of increases for individual areas will not be known until the next CSR is published. In practise, whichever party forms the next Government, this increase will not cover increased social protection costs (unemployment benefits, etc.) and political commitments in relation to Health, Education and defence. The Government will also need to increase the amount it spends on debt interest. Together these items account for nearly 70% of Government spending so it is clear other areas, including local government, will face real term reductions to protect these areas and to begin to address the shortfall in the public finance.
- Increase in the efficiency target for 2010/2011 from £30 billion to £35 billion – which increases the efficiency target from 3% to 4%.



- Public sector net investment reducing to 1½% of GDP by 2013/2014 (2009/2010 3.1%).

#### **4. 2009/10 FINANCIAL POSITION AND PROPOSED OUTTURN STRATEGY**

- 4.1 A detailed budget management report for the first six months will be submitted to Cabinet in early November. The report will include the first detailed outturn forecasts for the current year.
- 4.2 A number of adverse trends have been identified in relation to income streams. These trends commenced in the previous financial year and, as part of the 2008/09 outturn strategy, specific reserves were created to manage these risks - £150,000 in respect of Shopping Centre income, and £120,000 for general income risks.
- 4.3 Based on the first quarter's income from the Shopping Centre, it is anticipated that £80,000 of the available Shopping Centre Income Reserve will be needed in the current year. As these trends are expected to continue in the medium term, it is hoped that the balance on this reserve will be sufficient to cover the potential shortfall in 2010/2011 and that income will recover to the budgeted level in 2011/2012, provided the economy recovers.
- 4.4 In relation to other areas, the adverse trends on Car Parking and Land Charges income are continuing and it is anticipated that there may be shortfalls of £200,000 and £120,000 respectively, at the year end. Therefore, there is a potential income shortfall of £320,000 compared to the General Income Risk Reserve of £120,000. The resulting shortfall will either need to be funded from the underspend on the Centralised Estimates budget (identified in paragraph 4.5), or from General Fund Balances if this underspend is allocated for other purposes. As these trends are expected to continue in 2010/2011 it would be prudent to set aside say £0.3m to address this risk from the 2009/2010 centralised estimate underspend.
- 4.5 The position in relation to corporate budgets is favourable owing to an anticipated underspend on the Centralised Estimates budget. As reported to Council in April the interest rate structures have been volatile. This provided a number of opportunities that allowed the council to repay what are now relatively expensive debt and net down cash balances which were expected to earn little interest in the medium term as base rates are expected to remain extremely low. The impact of this is that, in a full year, the Council's borrowing costs are expected to fall by £0.6m compared to the budgeted level. It was suggested that part of this benefit be allocated towards supporting strategic land acquisitions via prudential borrowing. It is now becoming unlikely that these resources will be needed in the current year as the strategic land acquisitions are not expected to be completed in the current financial year.

- 4.6 With respect to the outlook for interest rates it is now expected that following the Bank of England decisions to undertake 'Quantative Easing' that there will be no further reductions in interest rates and the next movement is likely to be upwards, although this will not occur for sometime yet. Against this background it is now expected that the Council should be able to earn slighter higher interest rates on its investment than expected when the budget was set. In addition, the Council's cashflow, particularly the receipt of Council Tax payments, are holding up much better than feared and this will also have a positive impact on investment income. Taken together it is anticipated that these changes could have a positive benefit by the year end of £0.4m. A firmer estimate will be reported in the next financial management report based on the first six months activity.
- 4.7 On the downside it is expected that the Council will need to set aside additional resources for Equal Pay costs arising from Equal Pay tribunal decisions against a neighbouring authority at the end of July in relation to male employee claims. Locally the Council has received over 100 such claims covering the pre 1<sup>st</sup> April 2007 period on the basis that they were related to male bonus earners and also for the post 1<sup>st</sup> April 2007 period on the basis of protection given to male employees. At this stage it is not possible to quantify these potential costs as the detailed legal issues in relation to Hartlepool employees have not yet been considered by the Tribunal Judge. If these claims are successful the cost could be significant owing to the backdating of claims. It is hoped that an initial estimate will be available for the next financial management report. Once these potential costs have been estimated a funding strategy will need to be developed. It would be prudent to begin to earmark some resources for these liabilities from the underspend on corporate budgets.
- 4.8 On a slightly more positive note, on the 29<sup>th</sup> July, 2009, the Government announced details of the LABGI (Local Authority Business Growth Incentive) scheme for 2009/2010 and 2010/2011. As reported previously, the amount distributed over these two years will be £100m, which is approximately ten per cent of the amount distributed under the previous scheme. Half of this amount will be distributed in 2009/2010 and half in 2010/2011. The Government have also changed the methodology for distributing the LABGI Reward Grant. Under the previous system these monies were allocated on the basis of the increase in an individual authority's business rates tax base. Under the new system all authorities are allocated to a sub-regional group and the reward grant is initially allocated to the sub-regional group on the basis of the overall change in the business rate tax base. The sub-regional allocation is then distributed to individual authorities on the basis of population. Locally the sub-regional group consists of the five Tees Valley authorities. For 2009/2010 the sub-regional allocation is £317,000 and Hartlepool's share is £40,641. The Government have indicated that

details of the 2010/11 allocations will be made later this year and before authorities set their 2010/2011 budgets. It is expected that the 2010/2011 allocation will be broadly in line with the current years' allocation. It is suggested that these amounts are allocated to assist balance the 2011/2012 budget.

- 4.9 In summary it is anticipated that there will be a net underspend on corporate budgets of £80,000 as detailed in the table below. It is suggested that this amount is earmarked to support the budget in 2011/2012.

	<b><u>Adverse/ (Favourable) Variance £'000</u></b>
Centralised Estimates	1,000
LABGI Reward Grant	80
Provision for current year income shortfalls	( 200)
Provision for continuing income shortfalls 2010/2011	( 300)
Provision for Equal Pay Tribunal Costs	<u>( 500)</u>
Allocated to Support 2011/2012 Budget	<u>80</u>

## 5. CAPITAL PROGRAMME 2010/2011 TO 2013/2014

### 5.1 Government Capital Allocations

- 5.2 In April's Budget Statement the Chancellor indicated that by 2013/2014 net public sector investment will reduce to 1½% of GDP, compared to 3.1% in 2009/2010. Details of where this reduction will fall will not be known until the next CSR is published. Given the existing national commitments for health and Building Schools for the Future it is anticipated that local authority capital allocation will be reduced as the Government directs resources to national priorities. The Council will need to review this position when detailed allocations for future years are known.

### 5.3 Local Allocations

- 5.4 In February, 2009 Members confirmed their commitment to continue to use Unsupported Prudential Borrowing for a range of local priorities which do not attract Government funding and to provide the following annual allocation until 2011/2012.

	<b><u>£'000</u></b>
SCRAPT Priorities	1,200
Community Safety Initiatives	150
Disabled Adaptations	50
Neighbourhood Forum Minor Works	156

- 5.5 The annual repayment costs of using Unsupported Prudential Borrowing for the above schemes are reflected in the budget forecasts for future years. At this stage it is assumed Cabinet will wish to continue with this investment until 2011/2012. Given the challenging financial position from 2011/2012 Cabinet may wish to reconsider this position as part of the prioritisation of services which will need to be undertaken during 2010. At this stage the revenue forecasts do not include provision to continue these priorities after 2011/12. If Members wish to continue these priorities the borrowing costs will need to be funded from the revenue budget headroom.
- 5.6 The revenue budget forecast for 2010/2011 has reinstated the £0.3m provision to support a capital contribution towards the redevelopment of the Mill House Leisure Centre. This issue will also need to be reassessed as part of the prioritisation of services during 2010.
- 5.7 **Replacement of Cremators**
- 5.8 To comply with emissions regulations the Council will need to replace the existing Cremators by 31<sup>st</sup> December 2012. As there is finite capacity of cremator manufacturers it is suggested that to meet this deadline the Council replaces the cremators during 2010/11.
- 5.9 A detailed report was considered by the Adult and Public Health Services Portfolio holder on 3<sup>rd</sup> August 2009 which indicated this scheme will cost in the order of £1m. This cost will need to be funded from Prudential borrowing and the estimated annual repayments costs will be £90,000. The report indicated that the cost of a cremation equates to approximately 19% of the total fees charged by funeral directors for the average funeral.
- 5.10 The Portfolio holder considered two options for funding the annual repayment costs:
- Option 1 – an additional increase to the normal inflation increase in the adult cremation fee of £90 from 1<sup>st</sup> April 2011;
  - Option 2 – the introduction of an environmental surcharge on every adult cremation beginning in 2009/10, with an additional fee increase in 2011/12.
- 5.11 The Portfolio holder recommendation that Cabinet consider the adoption of Option 1 as part of the MTFs process for 2010/11 to ensure a funding strategy is in place for this scheme.

**6. 2010/2011 BUDGET AND COUNCIL TAX**

6.1 The current three year settlement for local authorities covers the period up to 2010/2011. In February, 2009 the Government announced the Council's provisional grant allocation for 2010/2011 of £51.5m, which is a 3.4% (£1.7m) increase on the current years' allocation. This amount should be confirmed just before Christmas, although there is potentially a greater risk that allocations for 2010/2011 will change owing to the deterioration of the public finances. However, the Government have previously emphasised the benefits of providing local authorities with three-year settlement so it is hoped the provisional allocations will be confirmed later in the year. The figures in the remainder of the report assume the provisional grant allocation is confirmed. There is however a risk that if there is a change in Government at the General Election that the new Government will implement an emergency in-year budget and may claw-back all, or part, of the 2010/11 grant increase.

6.2 After reflecting the provisional grant increase for 2010/2011 the Council still faces a very challenging financial position next year, which is driven by a number of factors:

- the impact of inflation. Whilst, inflation levels are currently low it is still expected that inflationary cost pressures will be in the order of £2.2m, which is greater than the provisional grant increase. The resulting shortfall equates to a Council Tax increase of 1.3% before any other cost pressures are taken into account;
- In the current year the Council is using temporary funding of £4.9m to support the revenue budget (£4.7m from the Budget Support Fund and £0.2m Area Based Grant). This is not sustainable and the available temporary funding will fall to £1.9m in 2010/2011. There will be further reductions from 2011/2012;
- The inclusion of £1.5m headroom for budget pressures. Detailed proposals which will need to be funded from this provision are covered in paragraph 6.3;
- The current budget includes a temporary investment income benefit of £0.7m which reflects the impact of longer term investments placed before the Bank of England reduced interest rates significantly. These investments had interest rates of up to 5.5% and matured during the earlier part of the current year. Interest rates on replacement investments are typically 0.5% to 0.75%, therefore this benefit will not continue. It is not expected that interest rates will begin to increase until late 2010 or early 2011 and will then only increase very slightly, unless inflationary pressures begin to pick up.

- Mill House Leisure Centre Prudential Borrowing repayment budget of £0.3m. This was taken as a temporary benefit in 2009/2010.
- The current years' budget included a contribution of £0.5m towards one-off Building Schools for the Future costs, which is not needed on an ongoing basis.

### 6.3 **Headroom**

6.4 An initial review of commitments which may need to be funded from the available £1.5m budget headroom has been undertaken and this has identified a range of issues which fall into the following broad categories, which reflect the definitions used in previous years:

- Budget Pressures – total value £1.159m

Budget pressures are defined as unavoidable additional costs arising from either legislative changes, new government requirements or unavoidable increases in demand or an unavoidable additional cost of continuing to provide existing services.

Details of budget pressures for 2010/11 are provided in **Appendix A**.

- Budget Contingency – total value £0.341m

Budget contingencies are similar to budget pressures and relate to issues which are either not certain or subject to ongoing negotiations and explicit disclosure at this early stage would not be in the Council's financial interest. As these items are not certain it is suggested that a global provision is made for these items.

For 2010/11 there are three items which fall into this category. Firstly, the repayment of 2008/09 severance costs over a period of up to five years. Secondly, potential increases in energy costs from April 2010, which NEPO (North East Purchasing Organisation) have indicated could be in the order of 10% for both gas and electric. Thirdly, potential increases in discretionary Business Rates relief costs during the recession. These items could exceed £0.5m in total, although it is hoped that they will not exceed the proposed value of the contingency.

Further detailed work is needed to assess these issues and these details will be reported to Cabinet in December to enable Members to determine the detailed proposals they wish to put forward for formal scrutiny.

- Budget Priorities – total value £0.343m

These items relate to proposals to improve existing services, or introduce new services, and the Council can therefore choose if it wishes to fund these issues.

These items are detailed in **Appendix B**. At this stage it is not suggested that these items are funded as this would over commitment the available headroom. If Members wish to support these issues they will need to determine those areas where compensating savings are made.

- 6.5 The review of pressures has identified an additional requirement of £180,000 for Disabled Facility Grants. It is suggested that this issue is considered as a priority for capital funding from the uncommitted 2010/11 SCRAPT allocation.
- 6.6 After reflecting the above factors there is a gross budget deficit of approximately £7.2m, as summarised below

	<u>£'000</u>
Continuing Expenditure from previous year not funded from sustainable resources (funded Budget Support Fund)	4,630
Add	
- Inflation	2,225
- Loss 2009/10 Temporary Investment income	700
- Mill House - Prudential Borrowing repayment budget	309
- Headroom for pressures	1,500
<u>Less</u>	
- Contribution to BSF one-off costs (included in 2009/10 base)	(500)
- Grant Reduction/(increase)	<u>(1,688)</u>
Gross Budget Deficit	<u>7,176</u>

- 6.7 A strategy needs to be developed for funding this deficit and a series of proposals are detailed in the following paragraphs for Cabinet's consideration.
- 6.8 **Business Transformation Programme – Benefit £2.514m Gross**
- 6.9 Cabinet has previously approved the overall Business Transformation Programme and noted that these efficiencies will take four or five years to delivery, owing to the longer timescale for service delivery options and asset management.
- 6.10 In terms of integrating the Business Transformation Programme and the MTFs specific efficiency figures have been included in the budget forecasts from 2010/2011. These targets were based on funding

one-off severance costs on a loan basis repayable over five years. On this basis the annual Business Transformation efficiencies which can be taken to help balance the budget are as follows:

	<u>Annual</u> <u>Efficiencies</u> <u>£'000</u>	<u>Ongoing</u> <u>Efficiencies</u> <u>£'000</u>
2010/2011	2,088	2,088
2011/2012	1,105	3,193
2012/2013	2,020	5,213
2013/2014	0	5,213
2014/2015	0	5,213
2015/2016	477	5,690
2016/2017	320	6,010

- 6.11 If Council approve Cabinet's revised proposal to fund part of these costs from one-off resources this enables the Business Transformation efficiencies to be taken to the revenue budget earlier. Under this option the full Business Transformation efficiencies can be taken by 2013/2014. The benefit in 2010/2011 will increase from £2.088m to £2.514m, as detailed below:

	<u>Annual</u> <u>Efficiencies</u> <u>£'000</u>	<u>Ongoing</u> <u>Efficiencies</u> <u>£'000</u>
2010/2011	2,514	2,514
2011/2012	1,310	3,824
2012/2013	2,102	5,926
2013/2014	84	6,010

#### 6.12 Temporary Funding – Benefit £1.937m

- 6.13 A Budget Support Fund has previously been established to support the revenue budget over the period 2009/2010 to 2011/2012. At 1<sup>st</sup> April, 2009, the balance on this reserve was £6.755m. Commitments against this reserve total £7m, as summarised below. It is anticipated the shortfall will be bridged from future RTB receipts from Housing Hartlepool.

#### Phased Use of Budget Support Fund

	<u>£'000</u>
2009/2010	4,630
2010/2011	1,523
2011/2012	<u>847</u>
	<u>7,000</u>



6.14 In addition to the Budget Support Fund the Council has previously undertaken a detailed review of the Area Based Grant (ABG) to identify flexibility for using the ABG to support services/projects currently funded from the Council's core budget. This review released resources by capping increases in some ABG allocations to 2.5% and from taking some of the uncommitted element of the Working Neighbourhood Fund part of the ABG. In the current year this review released £0.287m and £0.414m in 2010/2011. The figure for 2010/11 assumes there is no reduction in the previously announced ABG allocation for 2010/2011.

6.15 **Corporate Efficiencies and Savings – Benefit £1.75m**

6.16 There are a range of corporate efficiencies and savings which if implemented could benefit the budget for 2010/2011 and the following three years covering the following issues:

	<b><u>£'000</u></b>
i) <u>Benefit Subsidy Income</u>	300

A temporary saving for additional benefit subsidy income of £0.2m was included in the 2009/2010 budget. It is anticipated that this benefit is likely to be sustainable at £0.3m on an ongoing basis assuming current subsidy regulations remain in place. There is a risk that less beneficial subsidy regulations may be introduced, although given the increase in workload for this service as a result of the recession this is unlikely in the next three years.

	250
ii) <u>Landfill Allowance Trading Scheme (LATS) Income</u>	

As reported previously the Council will benefit from the sale of LATS permits from 2010/2011. Members have previously determined to allocate these resources to assist the revenue budget from 2010/2011 onwards; £0.25m in 2010/2011 and £0.2m for the following three years.

	500
iii) <u>Capitalisation of Revenue Expenditure</u>	

The Council currently funds a variety of projects from revenue budgets which could be capitalised to produce gross revenue saving of £0.5m in 2010/2011. This could be achieved by replacing revenue funding with Prudential Borrowing. The resulting repayment costs are a first call in the revenue headroom. The revenue costs of using

£0.5m of Prudential Borrowing will be in the order of £50,000 depending on the specific schemes undertaken.

In the medium term, i.e. 2011/2012 to 2013/2014 Members will need to determine if they wish to continue this strategy. This will enable current levels of investment to be maintained, although this will commit future revenue headroom. For planning purposes it is assumed that Members will wish to continue this strategy and will review its sustainability when details of the next three year grant allocations for Councils are known.

iv) Cross Departmental Income Review 300

In previous years individual departments have been able to retain any above inflationary increases in income from fees and charges to either offset expenditure pressures or to count towards departmental savings targets. As no departmental savings targets (other than those accruing from the BTP) are planned for 2010/2011, it is suggested that a cross departmental income target of £0.3m is established.

If Members approve this principal detailed proposals for achieving this target will be reported to a future Cabinet meeting. These details will then be referred to Scrutiny Co-ordinating Committee as part of the Formal Budget Consultation arrangements later in the year.

v) Review of Car Allowance 400

It is anticipated that efficiencies can be made by undertaking a comprehensive review of existing officer transport arrangements for official Council business. This review will cover the cost effectiveness of the existing arrangements and alternative arrangements aimed at reducing costs and the Council's environmental impact. These proposals have been discussed by the Tees Valley Chief Executive to determine if there is scope to achieve greater efficiencies by working together.

---

1,750

6.17 **Council Tax Increase – benefit £0.911m**

6.18 In February, 2010, Cabinet put forward an indicative Council Tax increase for 2010/2011 of 3.9%. Since that time there has been a reduction in the current level of inflation. This will impact on the inflationary increase in pensions which are expected to be pegged to 2.5%.

6.19 In addition, there will be increased public pressure for lower increases owing to the impact of increasing unemployment and pay freezes (or even reductions) in large parts of the economy. There will also be increasing political pressure on Council Tax increases in the run up to a 2010 General Election.

6.20 Against this background it is assumed that Members may wish to consider a lower Council Tax increase than the 3.9% indicative increase. For planning purposes an increase of 2.5% has been assumed for 2010/2011 to 2012/13 and 3.9% for 2013/14.

6.21 Each 1% additional increase/decrease in Council Tax equates to approximately £0.4m.

6.22 **Summary Position 2010/2011**

6.23 If Members approve the proposals detailed in the previous paragraphs the 2010/2011 budget can be broadly balanced, as summarised below:

	<u>£'000</u>	<u>£'000</u>
Gross Budget Deficit		7,176
<u>Less</u>		
Temporary Funding		(1,937)
Business Transformation Efficiencies (BTP)	(2,088)	
BTP earlier releases assuming revised funding strategy approved	<u>(426)</u>	
Total BTP		(2,514)
Corporate efficiencies and savings 2.5%		(1,750)
Council Tax increase		<u>( 911)</u>
Net Deficit		<u>64</u>

6.24 In broad terms it is anticipated that the 2010/2011 budget can be balanced without having to undertake a specific efficiencies/savings exercise. Whilst, this initially appears less challenging than in previous years, the detailed position is still extremely challenging and will require a series of difficult decision to be made before the budget is approved in February.

- 6.25 These decisions will include issues relating to the detailed implementation of the Business Transformation Programme, including the strategy for funding one-off implementation costs. For planning purposes it is assumed that the Business Transformation efficiencies are implemented from 1<sup>st</sup> April, 2010.
- 6.26 **Budget Risks 2010/11**
- 6.27 In terms of budget risks the principal areas of risk relate to potential delays in the achievement of the BTP efficiencies and other efficiencies from 1<sup>st</sup> April, 2010.
- 6.28 There is also a risk in relation to the cost of Job Evaluation appeals. The budget forecasts include an ongoing provision for this risk of £0.4m per year. In practice, the final position on appeals will not be known until 2011/2012 so part of this amount may need to be carried forward until the final position is known.
- 6.29 In previous years the Council has increased the Looked after Children budget to safeguard children and address increasing caseloads following the Baby P case. At this stage no additional pressure has been identified for this area. However, as Members are aware this is a volatile area and very small changes in caseload, or the complexity of individual cases, can have a significant financial impact.
- 6.30 On the income side there is a risk around grant income, both the core revenue grant and the specific grant regimes. At this stage the Government have not provided any indication that provisional grant allocations previously announced for 2010/11 will be changed. This position may change, particularly if there is a new Government and they implement an emergency budget part way through 2010.

## **7. 2011/2012 TO 2013/2014 BUDGET**

- 7.1 It is expected that the next CSR will cover the period 2011/2012 to 2013/2014, although these details will not be known until after the General Election. In practice, individual councils' grant allocations will probably not be known until late November/early December, 2010, owing to the lead time between the General Election result and the Government reviewing the public finances and determining its overall spending priorities.
- 7.2 The Council therefore faces a period of financial uncertainty. However, it is clear that the public sector faces a period of austerity from 2011/2012 which will fundamentally change public services.
- 7.3 Give the main political parties commitments to Health, Education and Defence and the need to begin to balance the public sector finances it is anticipated that Government funding for other services, including

councils, will be reduced from 2011/2012. What is not clear is how quickly the Government will implement such changes.

- 7.4 On a practical basis the Council cannot wait until after the General Election to find out future grant allocations as this will not provide adequate time to develop a rational strategy for reducing costs. The Council needs to begin to plan how it will manage and prioritise services with lower grant levels during 2010 to ensure a strategy can be developed and implemented.
- 7.5 In order to begin this work the budget forecasts have been rolled forward to cover the period 2011/2012 to 2013/2014 and reflect the following planning assumptions:

- Provision for Inflation

Whilst inflation levels are currently low it is expected that the Council will face inflationary cost pressures of 2.5% which increases costs by approximately £2.4m per year.

- Headroom for Pressures

The Council will continue to face additional budgeted pressures, particularly in relation to care services and legislative changes. Annual provisions of £2m for these items have previously been included in the budget forecasts from 2011/2012 as a planning assumption. Based on previous years approved pressures this planning assumption is still appropriate. However, given the more challenging financial position this area needs to be reviewed to determine if there is scope for reducing this provision.

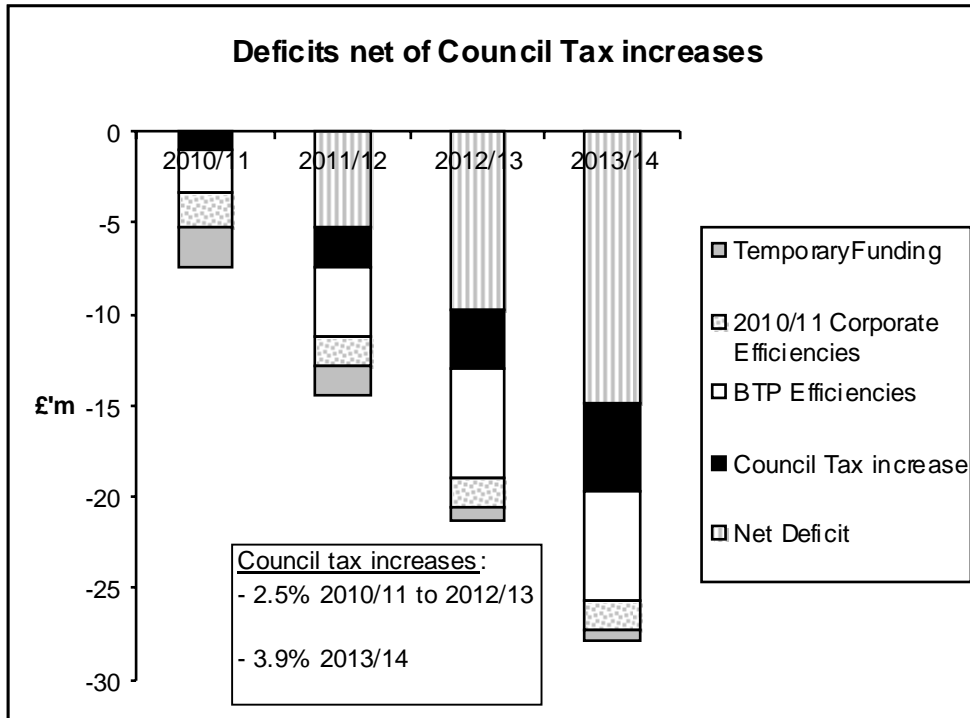
- Council Tax Levels

Council Tax levels will continue to be subject to public pressure owing to higher unemployment and continuing wage restraint in the private and public sectors. There will also be political pressure on Council Tax. For example, the Conservative Party have previously indicated that if authorities limit Council Tax increases to 2.5% an additional grant will be paid to effectively freeze the actual increase paid by individual tax payers for two years. For planning purposes the budget forecasts for 2011/2012 and 2012/13 assume annual Council Tax increases of 2.5% and 3.9% for 2013/14.

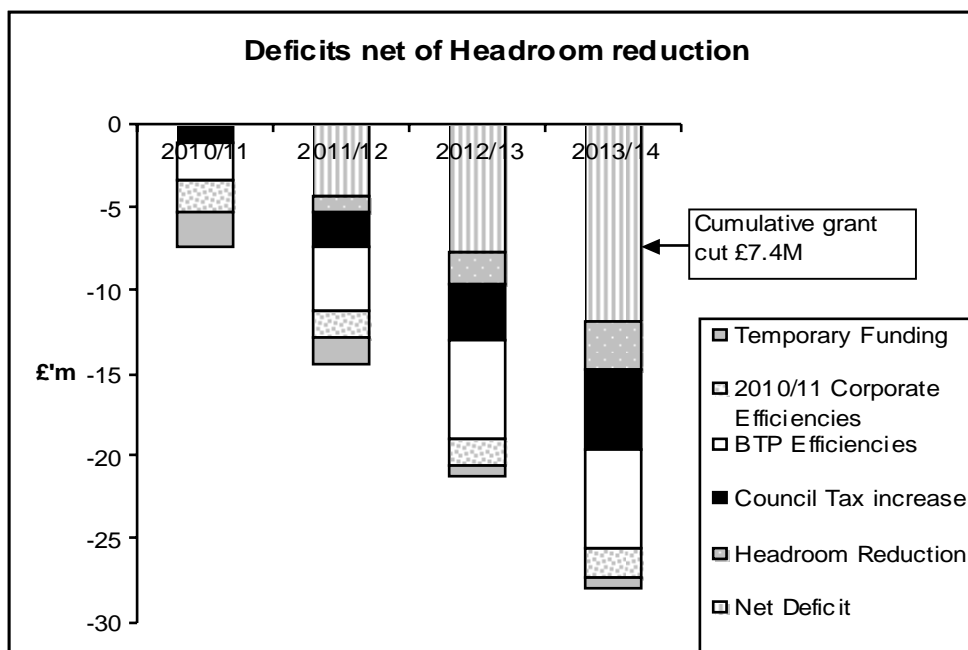
- Grant Levels

For planning purposes it is assumed that the Government will reduce grant funding by 5% per year from 2011/2012 for a three year period.

7.6 On the basis of the above planning assumptions the Council would need to make expenditure reductions of nearly £14m before the start of 2013/2014. This would be in addition to the use of temporary funding, the achievement of 2010/11 Corporate efficiencies, the achievement of the BTP efficiencies and suggested Council Tax increases, as detailed in the following table.



7.7 If the annual headroom could be reduced to £1m per year this would reduce the required expenditure reductions from £14m to £11m, as follows:

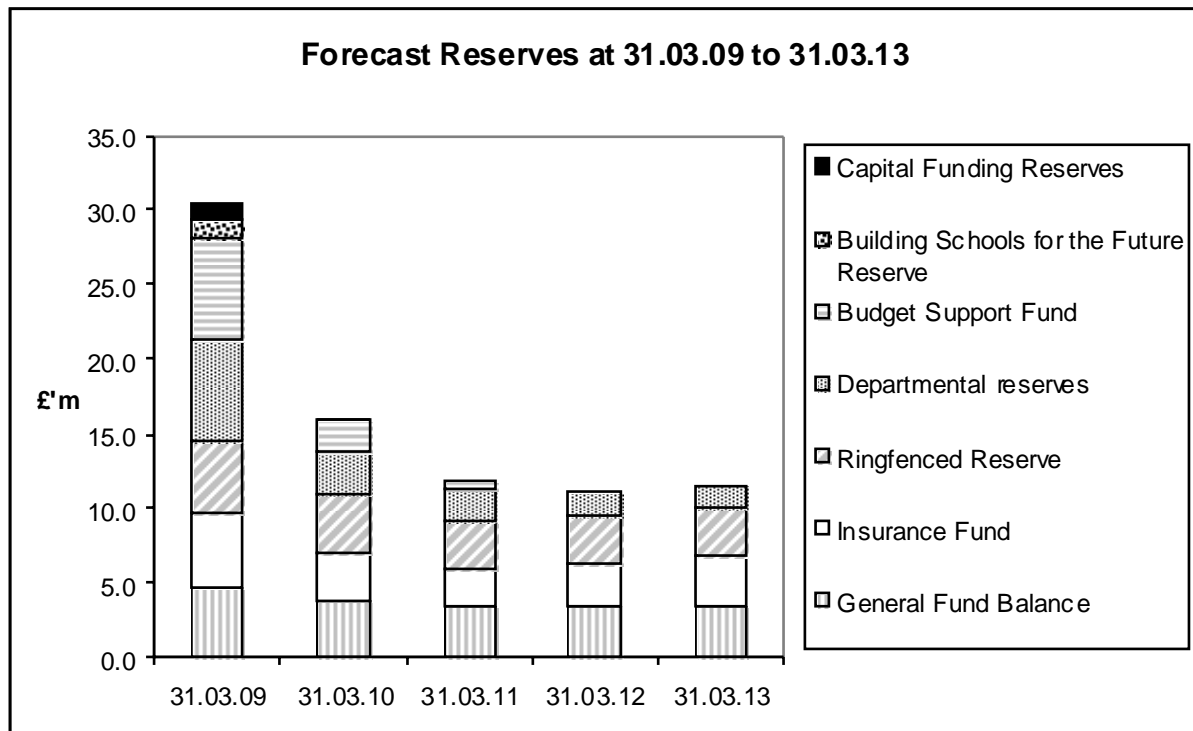


- 7.8 The budget forecasts assume annual grant reductions of 5% and Council Tax increases of 2.5%. The following table shows the impact of changing these assumptions by +/-1% on an annual basis and also the cumulative impact of +/-1% annual changes for three years from 2011/2012. These figures illustrate that there will need to be a significant change in the planning assumptions for either future grant levels, or Council Tax increases, to make a significant difference to forecast budget deficits.

	<u>Annual Impact</u>	<u>Cumulative Impact Over 3 Years</u>
	<u>£'000</u>	<u>£'000</u>
Impact of +/-1% change in Grant	+/-510	+/-1,530
Impact of +/-1% change in Council Tax	+/-440	+/-1,320

## 8. REVIEW OF RESERVES

- 8.1 Over the last few years the Council has been able to strengthen the Balance Sheet. This has been achieved as a result of higher investment income and the Local Authority Business Growth Incentive (LABGI) scheme. These factors will not continue as interest rates have fallen significantly and are expected to remain low in the medium term. At the same time the Council's investments are forecast to reduce as reserves are used. From 2009/2010 a new LABGI Scheme has been introduced which only allocates 10% of the amount allocated under the previous system.
- 8.2 Significant elements of these resources have been earmarked for Building Schools for the Future costs and to assist manage the budget over the medium term. These resources will be released over the next few years so the increase in reserves is temporary.
- 8.3 A review of the historical position shows that the increase in reserves was previously driven by investment income and stock transfer benefits, including RTB income. Reserves peaked in 2004/05 at £36m and are forecast to fall to the longer term trend level of £11m by 2012/13 as detailed below.



8.4 The level of reserves is forecast to fall to £11.3m by 31<sup>st</sup> March, 2013, compared to a minimum requirement at that date or £8.2m. The minimum requirement consists of:

- the General Fund Balance of £3m, which is the minimum recommended level and equates to 3% of the budget;
- the Insurance Fund Balance of £4.7m, which is the estimated value to meet outstanding claims. The actual balance at 31<sup>st</sup> March 2013 is forecast to be £3.4m which is less than the ongoing requirement owing to the temporary use of this reserve to fund Business Transformation one-off costs repayable over a five year basis. It is hoped that the timing of these repayments and the settlement of insurance claims can be managed over this period within the available cash balance on this reserve.

8.5 After reflecting the existing commitment of reserves and the minimum ongoing requirements the Council has effectively committed the majority of available reserves. The only area where there are potentially uncommitted resources is the Ring-fenced Reserve for Supporting People. This reserve was established to mitigate the potential repayment of grant and to manage the transition to the new grant regime. Further work is needed to assess how much can prudently be released from this reserve. It is suggested that in the first instance this amount is allocated towards Equal Pay costs and then to support the budget from 2011/2012 onwards, which will be the first year of the next CSR.



## **9. CONCLUSION**

### **9.1 2009/10 Budget Position**

9.2 The recession has produced a number of income shortfalls in relation to car parking, land charges and shopping centre income. These issues are partly covered from resources set aside in last year's closure strategy. These trends are expected to continue into 2010/2011, so it would be prudent to earmark additional resources to manage this risk.

9.3 Following recent Equal Pay Tribunal cases there is an increased risk of additional costs which will also need to be funded.

9.4 On the upside Centralised Estimates will underspend and in the current year this amount will not be needed to fund the revenue costs of strategic land acquisitions, which have been delayed. Therefore, this underspend can be allocated to fund the income shortfalls and to partly meet the anticipated additional Equal Pay costs. It is also suggested that any uncommitted resources are carried forward to help manage the 2011/2012 budget.

### **9.5 2010/2011 Budget Position**

9.6 The Council faces a challenging financial position for 2010/2011 which can only be managed by implementing a series of measures, including a 2.5% Council Tax increase, a range of corporate efficiencies and the first phase of the Business Transformation Programme.

9.7 The most challenging part of this strategy is the implementation of the Business Transformation Programme owing to the lead in time for the start of the new financial year. This phase of the Business Transformation Programme will also lay the foundations for the second phase of this Programme which will achieve further savings in 2011/2012 and 2012/2013.

### **9.8 2011/2012 to 2013/2014 Budget Position**

9.9 From 2011/2012 the Public Sector faces the toughest financial challenge for many years and probably faces a decade of reducing funding.

9.10 Given the main political parties commitments to Health, Education and Defence it is clear that other areas of the Public Sector will face reductions in funding. The current Chancellor in the April, 2009 budget reduced the growth in total public spending from 2011/2012 to 0.7% per year – this is further evidence that areas such as local authorities face reductions in funding.

- 9.11 At this stage it is not possible to accurately predict future grant levels. However, on the basis of existing information on the national financial position a planning assumption of annual grant reductions of 5% in the Council's core grant seems appropriate.
- 9.12 On this basis if no action is taken the Council will face a budget deficit of £14m by 2013/2014 – this assumes the Business Transformation efficiencies of £6m are achieved. This deficit is largely driven by the forecast grant reductions.
- 9.13 A strategy for managing this position will need to be developed during 2010 to address this position to ensure there is an adequate lead-in time to implement expenditure reductions once the actual grant allocations for 2011/2012 onwards are known. It will not be possible to bridge this deficit from a further round of efficiencies as the Business Transformation Programme will have exhausted this area. Therefore, the strategy will need to prioritise services, including identifying those services which the Council no longer provides and also review issues such as eligibility criteria and service levels across the remaining services.
- 9.14 At this stage no assessment of potential reductions in the Area Based Grant have been made as the Government may change this regime to reflect their own prioritisation of services. Similarly no assessment of potential reductions in specific grant regimes has been made. These issues will need reviewing when more information is available. This may require the Council to make difficult decisions to pass on grant reductions as the Council will not be able to afford to mainstream these reductions owing to anticipated reductions in core grant income and the resulting budget gap for the Councils own budget.

## 10. CONSULTATION PROPOSALS

- 10.1 Cabinet needs to determine the specific consultation proposals it wishes to refer for consultation in relation to the following issues.

### 10.2 2009/2010 Proposed Outturn Strategy

- 10.3 Do Cabinet wish to allocation the anticipated centralised estimate underspend of £1m to manage the following budget risks:

	<b><u>£'000</u></b>
Provision for current year income shortfall	200
Provision for continuing income shortfalls 2010/2011	300
Provision for Equal Pay Tribunal Costs	500

10.4 Do Cabinet wish to allocate the 2009/2010 and 2010/2011 total LABGI allocation of £80,000 to support the 2011/2012 budgets?

**10.5 Capital Programme 2010/2012 to 2013/2014**

10.6 Do Cabinet wish to confirm their commitment to use Unsupported Prudential Borrowing for the following local priorities in 2010/2011:

	<u>£'000</u>
SCRAPT Priorities	1,200
Community Safety Initiatives	150
Disabled Adaptations	50
Neighbourhood Forum Minor Works	156

10.7 Do Cabinet wish to review the continuation of the above priorities in 2011/2012 and beyond as part of the comprehensive review of budget priorities in 2010?

10.8 Do Cabinet wish to confirm their commitment to use £3m of Unsupported Prudential Borrowing for the replacement of Mill House in 2010/2011 or to take the £03.m revenue saving?.

10.9 Do Cabinet wish to support the proposal to use Prudential Borrowing to replace the cremators during 2010/2011 and to repay this loan from 2011/2012 by increasing the cost of an adult cremation by £90, in addition to the normal inflationary increases?

**10.10 2010/2011 Budget**

10.11 Do Cabinet support the proposed corporate efficiencies and savings of £1.75m (detailed in paragraph 6.12) and do they wish to refer these for consultation?

10.12 Do Cabinet support a proposed Council Tax increase of 2.5% for 2010/11?

10.13 Do Cabinet support the proposals for allocating the £1.5m headroom to fund budget pressures and the budget contingency detailed in paragraph 6.4?

10.14 Do Cabinet wish to refer the Budget Priorities detailed in Appendix B for consultation and to suggest that if Members want to fund these items they will need to suggest where compensating reductions should be made?

10.15 Do Cabinet support the proposal to allocate the uncommitted balance of the Supporting People reserve for Equal Pay costs and supporting the 2011/12 budget?

**10.16 2011/12 to 2013/14**

10.17 Do Cabinet support indicative Council Tax increases of 2.5% for 2011/12 and 2012/13 and 3.9% for 2013/14?

**Initial Pressures 2010/11**

	£'000	Description
<b><u>Corporate issues</u></b>		
Revenue cost of proposed £0.5m capitalisation	50	Estimated repayment cost of using Prudential Borrowing to capitalise £0.5m of expenditure, which will produce a gross revenue saving for 2010/11 of £0.5m
Discretionary Business Rates Hardship Relief	70	Temporary costs for up to three years to provide support to businesses during the recession.
<b><u>Child and Adult Services</u></b>		
Brierton School site pre Dyke House decant	125	Part year costs of the LA operating the site whilst construction works are undertaken until Dyke House School moves to Brierton on 1st September 2010 - Rates, energy, caretaking, security etc. May be possible to fund part of these costs from alternative funding sources, such as DSG and these options are currently being explored in more detail.
Home to School Transport	220	Part year costs of transporting Dyke House pupils from home to the Brierton site wef 1st September 2010. Significant additional costs are likely depending on what Members agree regarding an exceptional rule to the Home to School policy. Legally we are only obliged to provide free transport to pupils travelling beyond 3 miles although the limit is 2 miles for low income families. (Again possibility that this could be DSG funded) Costs would be for 2 academic years only, spread over three financial years and would cease when Dyke House school reopens in September 2012. This figure is an initial costing and will be reviewed once Cabinet has determined a transport policy for decant period of Dyke House school.
Mental Health - Agency placements	155	Increasing number of high cost community based packages associated with Aspergers/autism/complex Dual Diagnosis. The complex needs associated with these conditions require significant funding and diagnoses of these conditions are expected to increase in the coming years. Packages have previously been funded through vacancies but posts now filled. Statutory duty to meet assessed needs, risks around failure in meeting our Duty of Care.
Older People - Intermediate care/transitional beds	190	Current pressure exists in relation to intermediate care provision and transitional beds. There continues to be an increased demand for these services owing to demographic increases in Older People and specifically those with dementia. The existing transitional beds provision is not suitable for those individuals with severe dementia. Funding is required to expand the current provision and to explore alternative options for more sustainable community based solutions.
Learning Disability Agency	195	Three young people with learning disabilities currently in transitions will turn 18 years of age at the start of 10/11. Early indications are that there will be a pressure of approximately £55K for those individuals, one with complex learning disabilities estimated at £35K, the remaining 2 individuals estimated at £10K each. There are 20 young adults with Learning Disabilities who currently access Post 19 education and enrichment/day opportunity via Catcote School. The provision is supported from a mixture of funding streams, LSC funding supports 50% of the provision classified as teaching and learning, the remainder is supported by Catcote school, of which the council has supported in recent years £66K from short term grant funding. Catcote school can no longer subsidise the overall provision which predominantly meets the assessed social care needs of this complex and vulnerable group of individuals. A pressure of £140K is required to enable this provision to continue.
<b><u>Regeneration and Neighbourhoods</u></b>		
Support Bus Service and Concessionary Fares	154	This pressure arises due to the reinstatement of the hospital service H1 to North Tees and an anticipated above inflationary increase in concessionary fare payments.
	1,159	

**Initial Priorities**

	£'000	Description
<b><u>Corporate issues</u></b> Support of Credit Union	60	To support bids for administration of pump priming loan pool fund from DWP to help needy families and also to create a development fund to support initiatives of the Hartlepool Financial Inclusion Partnership.
<b><u>Regeneration and Neighbourhoods</u></b> Reactive Maintenance	50	Past years have seen reactive budget provision increase annually by less than construction industry cost increases. In addition energy costs have increased. Budget provision for the Windsor and Carnegie have been less than requested within the overall budget headings, a realignment against anticipated commitments has been undertaken involving Finance. The consequence of this is that the available resources for day to day responsive works have been significantly reduced.
Extension of out of hours service	183	Depending on Members' decision on options for extending the service the costs could be funded from existing budgets or incur additional costs of <b>up to £183,000</b> .
Neighbourhood Management/Community Safety	50	With the demise of NDC the contribution towards the Neighbourhood Management/Policing and Community Safety programme at 173 York Road will cease. Cleveland police are committed to funding half of the costs and are pursuing the increase through their own budget pressure rounds. The costs cover premises/ half a FTE anti social behaviour officer and administrative support.
	343	

# SCRUTINY CO-ORDINATING COMMITTEE

16 October 2009



**Report of:** Chief Financial Officer

**Subject:** AUDIT COMMISSION REPORT- ANNUAL  
AUDIT AND INSPECTION LETTER

---

## 1. PURPOSE OF REPORT

1.1 To inform Members of the Scrutiny Coordinating Committee of the results of the Audit Commissions Annual Audit and Inspection Letter.

## 2. BACKGROUND

2.1 The Audit Commission present the Annual Audit and Inspection Letter to provide an overall summary of their assessment of the Council. It draws on the findings and conclusions from the audit of the Council and from the Corporate Assessment and inspections that have been undertaken in the last year and from a wider analysis of the Council's performance and its improvement over the last year, as measured through the Comprehensive Performance Assessment (CPA) framework.

## 3. FINDINGS OF THE AUDIT COMMISSION

3.1 Attached, as **Appendix 1**, is the Audit Commission Annual Audit and Inspection Letter. The main messages for the Council included in this report are:

- The Council is improving strongly and remains a four-star council. There have been continued improvements in priority areas including further improvement in educational attainment, which is well above that for similar councils. The Council recognises that continuing to raise the level of ambition and aspiration amongst the school leaver and adult population remains a challenge.
- The Council provides good value for money. While costs are sometimes high, these are generally accompanied by good quality services and outcomes in the context of the level of deprivation in Hartlepool. Arrangements for improving value for

money are sound and the Council has embarked on an ambitious business transformation programme aimed at securing significant improvements in value for money against the backdrop of the current difficult economic climate.

- An unqualified opinion was given on the accounts, however significant amendments were required.
- The Council's arrangements in place to ensure effective use of resources remain good overall although there is scope for improvement in financial management arrangements and financial reporting which were assessed as only meeting minimum requirements in our Use of Resources assessment. Improvement is also needed in data quality arrangements to ensure that reported data is reliable and accurate.

3.2 In relation to the unqualified opinion on the accounts and the amendments agreed during the audit of the accounts, a number of issues are in accounting terms classified as "adjusting misstatements". However, these changes have not affected the level of the Authority's reserves or the Authority's overall cash position. These issues were reported in the Audit Commission's Annual Governance Report. These issues are also included in the Annual Audit and Inspection letter to provide a comprehensive summary of the Audit Commission's assessment of the Council.

3.3 The main changes agreed with the Auditor relates to the accounting entries which are required to implement the new Capital Accounting requirements. These changes reflect clarification of the initial SORP guidance (Statement of Recommended Practice) regarding this issue and in particular the clarification of how Government Grants Deferred should be accounted for. As a result of this change the balance on the Income and Expenditure Account for 2007/08 was changed from a surplus of £21.788m, to a deficit of £5.155m.

3.4 There have also been offsetting amendments to the Statement of Movement on the General Fund Balance which means this statement ends with the value of General Fund Balances of £17.269m, which is the figure reported in June 2008. The detailed Balance Sheet note for the General Fund Balance has been amended to reflect Members comments in June 2008 to clarify what the different components of this amount are earmarked for.

3.5 Paragraph 47 of the report mentions the Authority's year end bank reconciliation. This was completed on 3rd April 2008, rather than 31st March 2008. This delay was owing to problems with the automated year end close down procedures. These issues have now been resolved and will not re-occur. As a result the "Cash and Bank" figure on the Balance Sheet at 31st March revised. This was offset by a corresponding change to the value of creditors. As I have previously advised Members this position did not exposure the Authority to any financial risk, nor was it indicative of a failure of internal control as the



Authority's bank account was reconciled on a daily basis during 2007/08. These arrangements are ongoing as this is a key financial control. Additional controls have been put in place to strengthen the year end reconciliation arrangements.

- 3.6 Paragraph 47 of the report mentions that an investment was inadvertently made from Cleveland Fire Authority's (CFA) bank account instead of the Council's bank account. The CFA bank account is managed by my staff under authority delegated by the CFA's Treasurer. This issue was identified the following morning when the bank account was reconciled. Corrective action was taken to reinstate this money to the CFA's bank account to ensure there was no overall financial impact on either the CFA or the Council. Additional controls have been put in place to strengthen arrangements. In addition, the Council and the Fire Authority have agreed to establish a "pooled investment fund" for the joint management of their investments. The objective of this arrangement is to enable both organisations diversify their investments portfolio and thereby reduce counter party risk. The "pooled investment fund" is governed by a specific legal agreement.

#### 4. RECOMMENDATIONS

- 4.1 That Scrutiny Coordinating Committee note the report of the Audit Commission and seek clarification on its content where felt appropriate.

**Contact Officer:** - Michael Ward - Chief Financial Officer  
Chief Executive's Department  
Hartlepool Borough Council  
Telephone Number: 01429 523003  
E-mail – mike.ward@hartlepool.gov.uk

# Annual Audit and Inspection Letter

Hartlepool Borough Council

Audit 2007/08

March 2009



---

# Contents

<b>Key messages</b>	<b>3</b>
<b>Action needed by the Council</b>	<b>4</b>
<b>Purpose, responsibilities and scope</b>	<b>5</b>
<b>How is Hartlepool Borough Council performing?</b>	<b>6</b>
<b>The audit of the accounts and value for money</b>	<b>14</b>
<b>Looking ahead</b>	<b>21</b>
<b>Closing remarks</b>	<b>22</b>

---

## Status of our reports

The Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission explains the respective responsibilities of auditors and of the audited body. Reports prepared by appointed auditors are addressed to non-executive directors/ members or officers. They are prepared for the sole use of the audited body. Auditors accept no responsibility to:

- any director/member or officer in their individual capacity; or
  - any third party.
-

# Key messages

- 1 The Council is improving strongly and remains a four-star council. There have been continued improvements in priority areas including further improvement in educational attainment, which is well above that for similar councils. The Council recognises that continuing to raise the level of ambition and aspiration amongst the school leaver and adult population remains a challenge.
- 2 The Council provides good value for money. While costs are sometimes high, these are generally accompanied by good quality services and outcomes in the context of the level of deprivation in Hartlepool. Arrangements for improving value for money are sound and the Council has embarked on an ambitious business transformation programme aimed at securing significant improvements in value for money against the backdrop of the current difficult economic climate.
- 3 An unqualified opinion was given on the accounts however significant amendments were required.
- 4 The Council's arrangements in place to ensure effective use of resources remain good overall although there is scope for improvement in financial management arrangements and financial reporting which were assessed as only meeting minimum requirements in our Use of Resources assessment. Improvement is also needed in data quality arrangements to ensure that reported data is reliable and accurate.

# Action needed by the Council

5 Key actions for the Council include:

- ensure that constant attention is focused on work to combat inequalities experienced by local people, with a particular emphasis on raising the level of ambition and aspiration of all age groups; and
- continue to work locally, in partnership across the Tees Valley and the wider region to address the risks posed by the economic downturn.

6 The Council should ensure that governance arrangements are maintained throughout the business transformation programme.

7 In addition, the Council should:

- improve the accuracy of financial reporting and further develop the medium-term financial strategy;
- strengthen data quality arrangements including arrangements for data obtained from partners; and
- continue to build upon arrangements to ensure there are adequate governance arrangements in place for all significant partnerships, including risk management arrangements.

# Purpose, responsibilities and scope

- 8 This report provides an overall summary of the Audit Commission's assessment of the Council. It draws on the most recent Comprehensive Performance Assessment (CPA), the findings and conclusions from the audit of the Council for 2007/08 and from any inspections undertaken since the last Annual Audit and Inspection Letter.
- 9 We have addressed this letter to members as it is the responsibility of the Council to ensure that proper arrangements are in place for the conduct of its business and that it safeguards and properly accounts for public money. We have made recommendations to assist the Council in meeting its responsibilities.
- 10 This letter also communicates the significant issues to key external stakeholders, including members of the public. We will publish this letter on the Audit Commission website at [www.audit-commission.gov.uk](http://www.audit-commission.gov.uk). In addition, the Council is planning to publish it on its website.
- 11 The appointed auditor is responsible for planning and carrying out an audit that meets the requirements of the Audit Commission's Code of Audit Practice (the Code). Under the Code, the auditor reviews and reports on:
  - the Council's accounts;
  - whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources (value for money conclusion); and
  - whether the Council's best value performance plan has been prepared and published in line with legislation and statutory guidance.
- 12 This letter includes the latest assessment on the Council's performance under the CPA framework, including our Direction of Travel report and the results of any inspections carried out by the Audit Commission under section 10 of the Local Government Act 1999. There were no inspections during 2007/08.
- 13 We have listed the reports issued to the Council relating to 2007/08 audit and inspection work at the end of this letter.

# How is Hartlepool Borough Council performing?

14 The Audit Commission’s overall judgement is that Hartlepool Borough Council is improving strongly and we have classified the Council as four-star in its current level of performance under the Comprehensive Performance Assessment. These assessments have been completed in all single tier and county councils with the following results.

**Figure 1 Overall performance of STCC in CPA**



Source: Audit Commission

## How is Hartlepool Borough Council performing?

### Our overall assessment – the CPA scorecard

**Table 1 CPA scorecard**

Element	Assessment
Direction of Travel judgement	Improving strongly
Overall	4
Corporate assessment/capacity to improve	4 out of 4
Current performance	
Children and young people*	3 out of 4
Social care (adults)*	3 out of 4
Use of resources*	3 out of 4
Housing	4 out of 4
Environment	3 out of 4
Culture	3 out of 4
Benefits	4 out of 4

(Note: \* these aspects have a greater influence on the overall CPA score)  
(1 = lowest, 4 = highest)

### The improvement since last year - our Direction of Travel report

#### Hartlepool Council is improving strongly

- 15 Services for children and young people are good with further improvement in educational attainment, which is well above that for similar councils. Social care services for adults have improved and are of very high quality; over 900 people have personal budgets so they can choose their own care services. Crime levels have reduced. Littering has reduced and recycling increased, but some environment performance has deteriorated. Housing performance has improved and is now excellent, while the benefits service retained an excellent rating. The Council is responding well to the needs of a diverse community. The Council provides good value for money. The Council has tackled areas of poor performance such as the high proportion of young people not in employment, education or training and high levels of sickness absence among staff, with positive results. The Council recognises that continuing to raise the level of ambition and aspiration amongst the school leaver and adult population remains a challenge. The Council has well thought out plans for the future, including a major business transformation programme to deliver significant improvements in value for money.



### Improving outcomes

- 16 The Council has maintained its strong comparative position, with 43 per cent of key performance indicators (PIs) selected by the Audit Commission among the best 25 per cent of single tier councils, well above the average of 30 per cent. Improvements to 59 per cent of PIs have been recorded, slightly below the average, but still indicative of good improvement given the overall high level of performance. Improvements have been made in each of the Council's seven priority areas.
- 17 New business start-ups have increased, and Hartlepool has the fastest improving VAT stock per capita in Tees Valley. The gap between local and national employment rates has halved since 2002. However, there are still relatively low levels of productivity and employment and high benefit dependency. The Council provides a successful service across Tees Valley on getting people into work, collaborating with other providers.
- 18 Ofsted continues to assess Hartlepool's provision for children and young people as good. Improved results were achieved in most areas of educational attainment. Key Stage 2 results are above national averages and well above similar councils. Key Stage 3 English and mathematics have improved significantly and are well above similar areas. However, performance in science at Key Stage 3 deteriorated and is lower than in similar councils. The percentage of pupils with 5 A\* to C grades at GCSE has continued to improve and is above the national average, but when English and mathematics are included, remains below average. There are no permanent exclusions in primary or secondary schools and fewer fixed-term exclusions, well below similar councils. However the Council and its partners recognise that a lack of skills and low levels of ambition and aspiration among school leavers and adults remain a challenge. There is a large gap between boys' and girls' education achievement and between young people living within disadvantaged neighbourhoods and the Borough average, in spite of some narrowing.
- 19 Social care services for adults have improved and are assessed by CSCI as good, with a number of aspects excellent. Everyone in contact with the Council's care services now undertakes a self-assessment and is given a resource allocation. They are helped to decide how they wish this to be used and over 900 people now have personal budgets. Advocacy is available across all service user groups. More carers are receiving their own assessment of needs and support. There is increased focus on early prevention measures, and a significant range of services to cater for low-level care needs.
- 20 Performance in children's social care remains good. There was a fall in the number of referrals to care services to a level close to that for similar councils, and stability of placements improved. However, the number of looked after children has increased and repeat referrals to care services tripled, so that these are both above similar councils. There are higher than average mortality rates for cancer and cardiovascular disease and a high prevalence of associated lifestyle risk factors. Inequalities in health within Hartlepool are very high.

## How is Hartlepool Borough Council performing?

- 21 Hartlepool's achievement of a 34 per cent reduction in 10 different crime types compares favourably to a government target to reduce them by 15 per cent over three years ending in 2007/08. This year there were substantial reductions in violent crime, sexual offences, robberies and domestic burglaries, but a slight increase in vehicle crime. There has been a 13 per cent decrease in first time entrants to the criminal justice system, as well as a larger reduction in re-offending than similar councils. However, fear of crime is high in some areas of Hartlepool. There are high levels of alcohol misuse, binge drinking and under-age drinking.
- 22 Environment and housing: performance of environmental services varies, while housing performance improved to a top rating. Littering has reduced substantially. Private sector homes brought back into use or demolished through council action increased from 64 to 524. Over 1400 homes received free insulation. The proportion of homes built on previously developed land increased substantially, but remained among the worst 25 per cent of councils. Recycling increased substantially but the weight of waste collected per household deteriorated and is now among the worst 25 per cent of councils. The proportion of major planning applications completed within national time targets deteriorated.
- 23 The home library service expanded to reach 580 people and the 'Big Wild Read' was the most successful children's summer reading challenge in Hartlepool to date, with 508 children completing the top target of reading six books through the summer holiday. Over 200 people were trained to coach within the community or a local club.
- 24 The Council is responding positively to diversity, reaching Level 3 of the Equality Standard. 'Talking with Communities' consultations with minority communities are working well and the Council launched 'Challenging the Council Services', to involve all communities in service planning. The Council secured external finance for engaging with BME communities over road safety. A contract has been placed with the Hindu and Sikh Cultural Society to promote culturally sensitive care services. A Polish Mothers Group has been established in a library. Following consultation with people with learning difficulties, independent advocacy services have been established. Hartlepool has become the first council to achieve English Federation of Disability Sport Count Me In accreditation for its sport and recreation service.
- 25 The benefits service has retained its top rating. The revenues and benefits team received a national award for excellence in social inclusion. They introduced a money advice service to assist with hardship at an early stage, a mobile benefits service to undertake assessments during home visits and provided services at the shopping centre, libraries and community buildings. Take-up of council tax reductions for disabled people, carers and people with severe mental impairment increased dramatically.
- 26 The Council provides good value for money. While costs are sometimes high, these are generally accompanied by good quality services and outcomes, especially bearing in mind the level of deprivation in Hartlepool. Arrangements for improving value for money are sound and the Council has embarked on an ambitious business transformation programme aimed at securing significant improvements in value for money.

### Progress in implementing improvement plans to sustain improvement

- 27** An updated community strategy ('Hartlepool's Ambition') providing a strong policy framework for Hartlepool for the next 15 years, was adopted in July 2008, following a widespread two year consultation. It sets out the vision that 'Hartlepool will be a prosperous, caring, confident and outward looking community, in an attractive environment, realising its potential.' The priority aims each have a set of outcomes and objectives. The neighbourhood renewal strategy has been incorporated as an integrated, cross-cutting element of the community strategy. The outcomes in the local area agreement are closely aligned with the priority aims in the community strategy. There are also seven multi-area agreement targets.
- 28** The performance management frameworks for the Council and the partnership are aligned, ensuring clear lines of accountability. Reporting processes involve executive and overview and scrutiny members, chairs of theme partnerships and the Hartlepool Partnership Board.
- 29** The corporate plan is very clear about the wide range of challenges that face the area. It sets out priority outcomes for improvement, a three-year medium term financial strategy (MTFS) and specific actions to deliver the priorities, with key milestones and performance indicators. Service plans detail the key priorities and issues facing each department over the next three years, and include a detailed action plan for the next 12 months. They show how each department will meet the key priorities in the corporate plan and cover diversity and workforce planning. However, service plans do not set out resource implications.
- 30** At the end of 2007/08 the Council reported that 96 per cent of corporate plan targets were completed or on course to be achieved. The majority of existing LAA targets were expected to be achieved, with 62 per cent on target, 16 per cent not on target, and 22 per cent uncertain at that stage. Overall, however, only just over half of PIs hit their target: 53 per cent, as against 47 per cent which did not.
- 31** The Council continues to drive forward ambitious regeneration initiatives. The Victoria Harbour project, estimated to require investment of £1bn, aims to transform 200 acres of former port land over the next 25 years. The Council has developed a refurbished enterprise centre and a new £3.5m innovation centre working through UK Steel Enterprise.
- 32** Effective action has been taken to address key areas of under- performance. New projects have been commissioned to target young people not in employment, education or training (NEET); this has resulted in reductions in NEET figures to below similar councils. There are plans to build on this success. The Supporting People Strategy was reviewed and updated in September 2007. The capacity and involvement of stakeholders to deliver the programme has been improved. An education and advertising programme has been undertaken to raise awareness of recycling and address lower satisfaction with waste collection.

## How is Hartlepool Borough Council performing?

- 33** The Council has enhanced its capacity to deliver its plans. It has implemented the single status agreement. Action has been taken to reduce sickness absence from 13.5 to 10.4 days per employee. Celebrating success awards introduced in 2007 attracted over 100 nominations in 2008, double the first year. The Council's leadership and management development programme has been delivered to over 400 managers and supervisors. Tomorrows Manager Programme has been established for employees considered to be 'rising stars'. Skills for Life are supported throughout the Council, and this work led to a national award. Corporate Investors in People accreditation has been achieved.
- 34** The Council concluded that future budget challenges require a radical reappraisal. It therefore appointed advisers to analyse processes, practices and procedures. The proposed business transformation programme covers a wide range of business processes. The potential for between £6 and £7 million annual revenue savings by the end of 2011/12 has been identified. An initial budget provision of £0.5 million has been established in 2008/9 to deliver the programme, estimated to cost £1.5 million over the next four years.
- 35** Partnership working across the five Tees Valley councils is widespread, for example through Tees Valley Unlimited, and the multi-area agreement, which was one of the first to be agreed with the Government, has come out of that.

---

### Service inspections

- 36** An important aspect of the role of the Comprehensive Area Assessment Lead (CAAL) is to work with other inspectorates and regulators who also review and report on the Council's performance. Relationship Managers share information and seek to provide 'joined up' regulation to the Council. During the last year the Council has received the following assessments from other inspectorates.

#### Ofsted Annual Performance Assessment

- 37** The Ofsted Annual Performance Assessment concluded that the Council makes a good contribution to improving outcomes for children and young people. The Council demonstrates a good capacity to continue to improve its services for children and young people.

**Table 2 Ofsted Annual Performance Assessment 2008**

Assessment judgement area	Grade
<b>Overall effectiveness of children's services</b>	<b>3</b>
Being healthy	2
Staying safe	3
Enjoying and achieving	3
Making a positive contribution	4
Achieving economic well-being	3
<b>Capacity to improve, including the management of services for children and young people</b>	<b>3</b>

Inspectors make judgements based on the following scale:  
4: outstanding/excellent; 3: good; 2: adequate; 1: inadequate.

### CSCI

- 38 The Commission for Social Care Inspection (CSCI) in its annual letter gave the following ratings.

**Table 3 CSCI ratings**

Areas for judgement	Grade awarded
<b>Delivering Outcomes</b>	<b>Good</b>
Improved health and emotional well-being	Excellent
Improved quality of life	Excellent
Making a positive contribution	Good
Increased choice and control	Excellent
Freedom from discrimination and harassment	Good
Economic well-being	Good
Maintaining personal dignity and respect	Good
<b>Capacity to Improve (Combined judgment)</b>	<b>Excellent</b>
Leadership	Excellent
Commissioning and use of resources	Excellent
<b>Performance Rating</b>	<b>3 Stars</b>

## How is Hartlepool Borough Council performing?

### Benefits

- 39 From 2008 the Benefits Fraud Inspectorate has been merged with the Audit Commission which will carry out a risk-based programme of benefits inspections in the future. No such inspections were carried out in 2007/08.

# The audit of the accounts and value for money

40 The appointed auditor has reported separately to the Audit Committee on the issues arising from the 2007/08 audit and has issued:

- an audit report on 30 September 2008, providing an unqualified opinion on the accounts and a conclusion on the Council's value for money arrangements to say that these arrangements are adequate; and
- a report on the Best Value Performance Plan confirming that the Plan has been audited.

## Use of Resources

41 The findings of the auditor are an important component of the CPA framework described above. In particular the Use of Resources score is derived from the assessments made by the auditor in five areas. For the purposes of the CPA we have assessed the Council's arrangements for use of resources as follows.

**Table 4**

Element	2008	2007
Financial reporting: <ul style="list-style-type: none"> <li>• including the preparation of the accounts of the Council and the way these are presented to the public.</li> </ul>	2	3
Financial management: <ul style="list-style-type: none"> <li>• including how the financial management is integrated with strategy to support council priorities.</li> </ul>	2	2
Financial standing: <ul style="list-style-type: none"> <li>• including the strength of the Council's financial position.</li> </ul>	3	3
Internal control: <ul style="list-style-type: none"> <li>• including how effectively the Council maintains proper stewardship and control of its finances.</li> </ul>	3	3
Value for money: <ul style="list-style-type: none"> <li>• including an assessment of how well the Council balances the costs and quality of its services.</li> </ul>	3	3
<b>Overall assessment of the Audit Commission</b>	<b>3</b>	<b>3</b>

Note: 1 = lowest, 4 = highest

## The audit of the accounts and value for money

### The key issues arising from the audit

#### Use of resources assessment

- 42 The Council's overall performance was maintained at a score of level 3 overall - 'consistently above minimum requirements - performs well'.
- 43 However there was deterioration in the overall financial reporting theme score, from a three to a two. The sub-theme relating to the timeliness and accuracy of financial reporting dropped from a score of three to a one however improvements on the other financial reporting theme (promotion of external accountability) resulted in a score of two for the theme overall.
- 44 The key points arising for the other themes are as follows.
- Financial management continues to score at a level two; our review of the Council's arrangements, in particular the medium-term financial strategy is detailed below. In summary, medium term financial planning needs to be strengthened and more clearly linked to service delivery plans and corporate business plans.
  - Financial standing and the Council's value for money arrangements remain good.
  - Internal control arrangements are good overall but there were weaknesses in some areas identified during the financial statements audit. The Council should continue to build upon arrangements to ensure there are adequate governance arrangements in place for all significant partnerships, including risk management arrangements.
  - Value for money arrangements remain sound; while costs are sometimes high these are generally accompanied by good quality services and outcomes, in the context of the level of deprivation in Hartlepool.
- 45 Key areas for improvement include:
- improving financial reporting;
  - strengthening the medium-term financial strategy; and
  - looking further ahead, demonstrating the Council's action in relation to sustainability in its use of resources.
- 46 The assessment relates to the Council's activity in 2007/08. Action is being taken to improve financial reporting and develop the medium-term financial strategy.

#### Financial Statements and the Annual Governance Statement

- 47 An unqualified opinion on the financial statements was given; however there was a number of significant amendments required which resulted in a reduction to the Use of Resources financial reporting sub-theme from a level 3 to level 1. Errors identified and weaknesses in internal controls included:
- year-end bank reconciliation issues arising;
  - treasury management weakness; an investment being taken from the Fire Authority's bank account (for which the Council provides financial and other services) instead of the Council's in error; and



- balancing figures in the cash flow statement.

Strengthened bank reconciliation and treasury management arrangements were immediately put in place by the Council following identification of the errors.

**48** Key actions for the Council include:

- ensuring that the production of the financial statements is adequately resourced and supported by timely, comprehensive working papers;
- putting in place robust quality assurance arrangements to review the quality of the accounts; and
- early discussions with the external auditor of any significant issues arising.

**49** A detailed outturn report was produced by the Council in August, after the approval of the financial statements. This detailed outturn report (in the form of earlier budget monitoring reports) should ideally be presented to members prior to the approval of the statutory financial statements.

**50** We reviewed the Authority's Annual Governance Statement (AGS) and the systems in place to support it. There are sound arrangements in place to support the AGS. In line with the wider nature of the Annual Governance Statement, assurances should more explicitly state that governance arrangements cover significant partnerships.

**51** The Council has put in place plans to improve the quality and accuracy of financial reporting in 2009.

### Data quality

**52** Auditors' work on data quality and performance information supports the Commission's reliance on performance indicators (PIs) in its service assessments for comprehensive performance assessment (CPA).

**53** The Council's overall data quality management arrangements meet minimum requirements only. Our spot checks found three out of five PIs to be wrong and requiring amendment.

**54** Following our report last year, there has been some progress in extending the monitoring and review of data quality covering all data. The Council is also looking at how to address information supplied by partners and contractors. Approaches and standards are being monitored for their consistency, and specific training is being developed with the recently introduced performance management system.

**55** Key recommendations for the Council include:

- improving internal quality assurance arrangements for PIs; and
- closely following underlying guidance for calculation of PIs.

**56** The Council has responded promptly to these findings, rolling out training for key officers since December. We will carry out further work to assess data quality arrangements, liaising with Internal Audit over the next year, to gain adequate assurance over arrangements.

## The audit of the accounts and value for money

### Setting high ethical standards

- 57 High ethical standards are the cornerstone of good governance. They are an integral part of good corporate governance arrangements and lead to increased confidence in local democracy. Setting high ethical standards is an important building block for councils in developing their community leadership role and improving services to the community. Councils are also becoming involved in increasingly complex partnerships and any decline in high standards may adversely affect these arrangements.
- 58 We reviewed whether the Council's arrangements for maintaining high ethical standards of behaviour are well understood by councillors and senior officers and are complied with. The audit consisted of an online survey of all councillors and senior officers. The survey is a national questionnaire which has been responded to by over 4,000 people across the country.
- 59 We issued the survey in late 2007 and reported to the Council in April 2008. Key points arising from the survey were:
- awareness of the ethical agenda by both councillors and officers of Hartlepool Borough Council was as strong. Responses in general were much more positive than national average in most areas;
  - leadership shown by councillors and senior management, including trust and communications, was assessed as generally positive with both the Mayor and Chief Executive perceived as being proactive and role models in terms of ethical behaviour;
  - Senior Officers were in general more positive across all areas of the survey with only minor awareness issues to be addressed;
  - Councillors and officers were generally positive about accountability, management of standards, team working and partnership working;
  - Councillors and officers were relatively positive about relationships, particularly when it comes to trusting each other;
  - there was clarity among councillors regarding the Members' Code of Conduct, but not about when an interest should be entered in the Members' register;
  - Councillors and officers were not positive about the role of the Standards Committee and its impact on the ethical agenda or that it adds value to the Council; and
  - Councillors were negative about the levels of training they are receiving in some key national policy areas. More of a concern was the level of councillors and senior managers who expressed they didn't know whether they had received training in these areas.
- 60 The Council has already taken action to implement recommendations which we will monitor as part of our audit.

### Sickness absence

- 61 The Council is one of a number of councils across Durham and Teesside who participated in our review of sickness absence arrangements to identify and share areas of good practice and identify any common factors which lead to the high levels of sickness evident across the North East.
- 62 Sickness absence across Durham and Teesside councils is generally high and in some cases increasing. In 2006/07 absence on average was 10.94 days per employee ranging between 5.31 and 13.8 days. The national average for all councils is 9.32 days with the worst 25 per cent of councils having a level of 10.67 days per employee.
- 63 Our key findings were that overall there are clear policies and procedures in place and comprehensive data available to monitor and improve sickness absence levels in all councils. However, the application of the policies and procedures is generally inconsistent within councils. Those councils that are succeeding in reducing levels of sickness tend to have a corporate focus on reducing sickness and good levels of timely information provided to line managers who are well supported in managing sickness.
- 64 Recommendations specific to Hartlepool Borough Council are detailed in the separate report issued and included:
- the review of information systems to reduce level of manual intervention to produce 'fit for purpose' management information in a timely and accurate manner to the appropriate level of management;
  - ensuring a consistent approach across the Council via monitoring the provision of data to managers and application of procedures;
  - improving the corporate approach to setting targets and consider setting targets at sectional level;
  - reviewing and amend policies in the light of external findings and weaknesses identified by internal groups; and
  - increasing the profile, promotion and co-ordination of wellbeing initiatives.
- 65 Sickness absence for the Council has improved in 2007/08. Levels have reduced to 10.43 days per employee reported as compared to 13.52 days in 2006/07 and initial figures for 2008/09 show further improvement.

### Effective financial management: review of the medium-term financial strategy

- 66 The 2007 Corporate Assessment highlighted that the Council did not have a formal approach to medium term financial planning. While it had a good framework in place for performance management, the Council could improve its financial and performance planning by developing and adopting a formal medium-term financial strategy (MTFS), clearly linked to Council objectives and funding streams and to its role in delivering the Community Strategy.

## The audit of the accounts and value for money

67 We reviewed the Council's medium-term financial strategy against best practice and made a number of recommendations including:

- presentation of financial policies in one comprehensive document;
- better alignment of the MTFS with Council priorities as is being planned from 2008/09; and
- ensuring the MTFS describes, in financial terms, joint plans with partners and stakeholders.

68 The Council will consider recommendations as part of the next update of the MTFS in February 2009.

### Review of draft strategy for working with the Voluntary Sector

69 In 2008 we reviewed progress on your draft strategy for working with the Voluntary Sector. The objective of the review was to follow-up findings from the 2007 Corporate Assessment, which had noted that the Council could further enhance its capacity to deliver its objectives and further stimulate modernisation of the Council's functions, by developing a strategic approach to working with the voluntary sector.

70 A draft Compact for working with the Voluntary sector has been produced, consulted on and sets out principles for the way in which the Council and the Voluntary Sector will work together. The Strategy is virtually complete; time is being spent to ensure that it is signed up to by all parties. It is now at the second draft stage and we understand that it is due for approval by Cabinet, Hartlepool Partnership and the Primary Care Trust Board in early 2009.

### Health Inequalities

71 The North East acknowledges that it has many areas with the poorest health in the country. The regional health and well-being strategy, launched in February 2008, aims to transform the North East into the healthiest region in the country within a generation. There have been improvements in health, for example premature death rates from heart disease and stroke are rapidly improving across the region and life expectancy continues to rise.

72 However, inequalities still exist. Many areas in the North East are not on track to meet the national target - by 2010 to reduce by at least 10 per cent the gap in life expectancy at birth between the fifth of areas with the worst health and deprivation indicators (the Spearhead Group) and the population as a whole.

73 Improving people's chances in life relies on action in many areas, through for instance education and employment opportunities, access to good housing, as well as cultural change. These issues cannot be tackled by one agency but need a concerted effort from public and private sector and individuals across the North East.

74 The Audit Commission and Deloitte have been reviewing jointly how organisations across the North East work together to address health inequalities and what the challenges are.

- 75 Last year we looked at how councils, police, PCTs, trusts and other public sector bodies and the community and voluntary sector partners within areas across the north east were working together. This work concluded that in general, areas were good at identifying the problem and agreeing priorities but less good at developing targeted strategies, commissioning and delivery of services and monitoring and evaluating.
- 76 The final phase of our work has focused on the arrangements and action being taken in relation to two issues, alcohol harm and teenage pregnancy, which have an impact on health inequalities in the North East. We have carried out detailed reviews in four areas; Durham, North Tyneside, Stockton and Sunderland, to identify enablers and barriers to tackling health inequalities.
- 77 We will be drawing on the results of these four reviews and wider research from our first phase of work to produce a region-wide report on health inequalities which will contain key messages for all partners on the impact our local findings could have on the wider health inequalities agenda.

## Looking ahead

- 78** The public service inspectorates have developed a new performance assessment framework, the Comprehensive Area Assessment (CAA). CAA will provide the first holistic independent assessment of the prospects for local areas and the quality of life for people living there. It will put the experience of citizens, people who use services and local tax payers at the centre of the new local assessment framework, with a particular focus on the needs of those whose circumstances make them vulnerable. It will recognise the importance of effective local partnership working, the enhanced role of Sustainable Communities Strategies and Local Area Agreements and the importance of councils in leading and shaping the communities they serve.
- 79** CAA will result in reduced levels of inspection and better coordination of inspection activity. The key components of CAA will be a joint inspectorate area assessment and reporting performance on the new national indicator set, together with an organisational assessment which will combine the external auditor's assessment of value for money in the use of resources with a joint inspectorate assessment of service performance.
- 80** The first results of our work on CAA will be published in the autumn of 2009. This will include the performance data from 2008/09, the first year of the new National Indicator Set and key aspect of each area's Local Area Agreement.

# Closing remarks

- 81 This letter has been discussed and agreed with the Chief Executive and Assistant Chief Executive. A copy of the letter will be presented at the Audit Committee on the 19 March 2009. Copies need to be provided to all Council members and the Council should confirm this to us in writing.
- 82 Further detailed findings, conclusions and recommendations on the areas covered by audit and inspection work are included in the reports issued to the Council during the year.

**Table 5 Reports issued**

Report	Date of issue
Audit and inspection plan	March 2007
Managing Sickness Absence	April 2008
Ethical Standards	April 2008
Annual Governance Report	September 2008
Opinion on financial statements and value for money conclusion	September 2008
Effective Financial Management (Review of the Medium Term Financial Strategy)	October 2008
Final accounts report	February 2009
Use of Resources	March 2009
Data Quality	March 2009
Annual audit and inspection letter	March 2009

- 83 The Council has taken a positive and constructive approach to audit and inspection work, and I wish to thank the Council's staff for their support and cooperation during the audit.

## Closing remarks

---

### Availability of this letter

84 This letter will be published on the Audit Commission's website at [www.audit-commission.gov.uk](http://www.audit-commission.gov.uk), and also on the Council's website.

**Philippa Corner**  
**Comprehensive Area Assessment Lead**

March 2009



---

# The Audit Commission

The Audit Commission is an independent watchdog, driving economy, efficiency and effectiveness in local public services to deliver better outcomes for everyone.

Our work across local government, health, housing, community safety and fire and rescue services means that we have a unique perspective. We promote value for money for taxpayers, auditing the £200 billion spent by 11,000 local public bodies.

As a force for improvement, we work in partnership to assess local public services and make practical recommendations for promoting a better quality of life for local people.

---

## Copies of this report

If you require further copies of this report, or a copy in large print, in Braille, on tape, or in a language other than English, please call 0844 798 7070.

© Audit Commission 2009

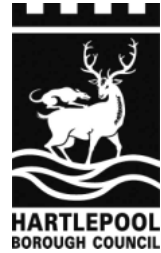
For further information on the work of the Commission please contact:

Audit Commission, 1st Floor, Millbank Tower, Millbank, London SW1P 4HQ

Tel: 0844 798 1212 Fax: 0844 798 2945 Textphone (minicom): 0844 798 2946

[www.audit-commission.gov.uk](http://www.audit-commission.gov.uk)

---

**SCRUTINY CO-ORDINATING COMMITTEE**16<sup>th</sup> October 2009

**Report of:** Director of Regeneration and Neighbourhoods.

**Subject:** CIVIC SUITE MICROPHONE SYSTEM

---

**1. PURPOSE OF REPORT**

- 1.1 At the last meeting of full Council Members commented on the microphone system installed in the Civic Suite and the fact that despite being reported by Members on several occasions, it was still not working correctly. The Chair requested that the Director of Regeneration and Neighbourhoods be in attendance at a future meeting of the Committee to submit an action plan identifying how this issue would be remedied.

**2. BACKGROUND INFORMATION**

- 2.1 The microphone system was installed as part of the Civic Centre refurbishment works and although there have been a number of teething problems since completion of this installation, the majority of these problems have been operational and not technical. These have largely been resolved by further training and the production of a simplified operating manual. Unfortunately, at the Council meeting in question the equipment had not been set up in the normal way. This will be corrected by additional training for existing and new staff.
- 2.2 In respect of the current intermittent technical problem we arranged for the supplier and a technical officer to sit in on a Planning Meeting to test the “live” system and its operation. During this meeting we witnessed intermittent loss of sound. In addition to this, microphones needed to be switched back on several times during the meeting. The supplier was confident that the most likely reason for the problem was interference from either the wireless IT system or the wireless switcher used to change slides on the projector.
- 2.3 Subsequent to this meeting we met with Northgate to discuss wireless systems and to identify which channels they use. It later transpired that on the day of this meeting channels used by the microphone system did cross with the wireless IT system. Northgate use nearly all channels to provide the

service required and the switcher constantly changes channels as required. We have suggested to Northgate that a compromise needs to be found or at least move channels temporarily for one meeting. If the problem still exists then this eliminates one possible cause.

- 2.4 We need therefore to carry out a further test with the relevant channels left clear by Northgate to identify if there is a crossover. We feel that this needs to take place under “live” circumstances.
- 2.5 We would arrange for Northgate, the specialist supplier and our technical officer to be in attendance. Any remedial work or required modifications identified would be carried out as soon as possible

### 3. ACTION PLAN

Action	Responsibility	Timescale
Provide additional training to relevant staff	Colin Bolton	Immediate
Review ICT wireless channels	Colin Bolton with e-Gov Team and Northgate	End of October 2009
Test systems in “live” environment	Colin Bolton with Northgate and Supplier	End of October 2009

- 3.1 Actions would be undertaken in liaison with Democratic Services Officers.

### 4. RECOMMENDATION

- 4.1 It is recommended that the Scrutiny Co-ordinating Committee agree the Action Plan and give their support to a test being carried out as discussed in this report at an appropriate meeting. Findings and technical recommendations would be reported to a subsequent meeting of the Scrutiny Co-ordinating Committee.

### 5. BACKGROUND PAPERS

- 4.1 The following background papers were used in the preparation of this report:-
- (i) Minutes for the Scrutiny Co-ordinating Committee – 18 September 2009 (minute No. 53 refers)

**6. CONTACT OFFICER**

Colin Bolton  
Building Consultancy Manager  
Regeneration and Neighbourhoods Department  
Building Consultancy.  
Hartlepool Borough Council  
Leadbitter Buildings

Tel: 01429 523399  
E-mail: colin.bolton@hartlepool.gov.uk

# Scrutiny Coordinating Committee

16<sup>th</sup> October 2009



**Report of:** Director of Child and Adult Services

**Subject:** H2O BUDGET AND MILL HOUSE LEISURE CENTRE IMPROVEMENTS

---

## 1. PURPOSE OF REPORT

- 1.1 To report back to Scrutiny Coordinating Committee in respect of the questions raised regarding the impact of the current Mill House Leisure Centre improvements on the capital budget.

## 2. BACKGROUND INFORMATION

- 2.1 The Council Budget has identified a £300,000 debt servicing provision within its budget to enable borrowing powers to raise up to £3,000,000 towards the provision of a new replacement Leisure facility for Hartlepool.
- 2.2 This had been identified as the H2O centre which was to be strategically located within the future Victoria Harbour redevelopment, whilst no definite commencement date has ever been set due to the dual issue of the commencement of the development and the raising of appropriate capital towards the anticipated cost. This was seen as a future ambition for Hartlepool.
- 2.3 The anticipated cost of the H2O centre, subject to final design and configuration was estimated at c£29m in 2008/9, the capital contribution from HBC was therefore limited and a major grant and sponsorship securing exercise was required to match the final design cost.
- 2.4 Cabinet considered the likelihood of an early securing of the required grants and acknowledged that this was likely to be rather ambitious in the current climate, furthermore the current facility at Mill House was in severe danger of not being able to be maintained as an operational service without ongoing short term investment.
- 2.5 The Culture, Leisure & Tourism Portfolio report dated 28<sup>th</sup> July 2009 which provides a detailed explanation is attached at **Appendix 1**

### **3. ISSUES**

- 3.1 The Council opted to become a recipient of funding for the Government's Free Swim initiative, this assists free swimming for under 16's and Over 60's, due to the Council opting to partake in both age elements Hartlepool became eligible to bid for Free Swim Capital Grant to enhance current facilities where it was deemed that the free swim programme could be enhanced by an immediate improvement in facilities.
- 3.2 A bid was therefore developed to assist in overcoming current shortcomings in the Mill House Leisure centre, namely improvements to the changing facilities and the entrance access arrangements.
- 3.3 A bid for £350,000 from the Free Swim Capital Grant towards a total project cost of £700,000 was successful on the proviso that work commenced and was completed before March 2010. This work has been match funded via SCRAPT capital allocations which are provided via the prudential borrowing allocation and will result in improvements to Mill House to keep it operational in the short term and to improve the environment for customers. This will express itself most particularly in the changing village concept which is being introduced. This has additional benefits in that staffing requirements are more efficient and this will enable current revenue costs to be constrained.
- 3.4 Work commenced on the 5<sup>th</sup> October and is expected to be complete for Easter 2010.
- 3.5 The 2009/10 Capital budget approved by Council in February 2009 includes a capital budget of £350,000 for works to Mill House Leisure Centre, which covers the issues detailed above. This budget is part of the overall programme of works funded from the £1.2m SCRAPT borrowing allocation.
- 3.6 In addition to the above specific capital budget the Council as part of the 2009/10 budget round was advised that the development of the H2O Centre is not likely to occur in the medium term. Therefore, Council approved the re-allocation of the existing H2O budget provision to support investment in the replacement plans for the Mill House Leisure Centre. This budget will provide a capital contribution towards the development of the Mill House Leisure Centre of £3m, which is funded from Prudential Borrowing. The resulting repayment costs arising from this expenditure are included in future budget forecasts and were taken as a temporary saving in 2009/10 as these works will take some time to development and implement.

### **4. RECOMMENDATIONS**

- 4.1 The report be noted

## **CULTURE, LEISURE AND TOURISM PORTFOLIO**

Report to Portfolio Holder

28th July 2009



**Report of:** Director of Adult and Community Services

**Subject:** NATIONAL FREE SWIMMING INITIATIVE -  
PROGRESS AND UPDATE

---

### SUMMARY

#### 1. PURPOSE OF REPORT

Further to the Culture, Leisure and Tourism Portfolio reports of 19th August, 11th November and 9th December, 2008, this report seeks to update the Portfolio Holder concerning the roll-out of the National free swimming scheme and a successful capital funding application to refurbish elements of the Mill House Leisure Centre.

#### 2. SUMMARY OF CONTENTS

The report gives an update on the outcome of an application made to the Department of Culture, Media and Sport (DCMS) Capital Challenge Fund for some refurbishment and improvement works at the Mill House Leisure Centre.

The opportunity to bid for capital funding was made available as a direct result of the Council agreeing to deliver the Government's Free Swimming Initiative for the Over 60's and Under 16's. This is part of the Government's legacy action plan for London 2012 and the drive for increased physical activity participation by the population.

The report gives details of:-

- (a) the intended works; specifically to provide new pool changing facilities and reception/foyer area;
- (b) an estimation of the timescales associated with it with an anticipated start date of September, 2009;

- (c) some indication of how the continued operation of the site, particularly the provision of swimming will be provided, whilst work is being carried out;
- (d) the financing of the works, estimated to be in the region of £699,179.

The report also provides an update on the progress of the roll-out of the Free Swimming Initiative and provides an indication of the effect on swim participation for the first quarter of 2009-2010. The Primary Care Trust are now also working in direct participation with us and have provided £20,000 to help fund this in addition to the DCMS revenue grant already received.

**3. RELEVANCE TO PORTFOLIO MEMBER**

Sport and Recreation is part of Culture, Leisure and Tourism Portfolio.

**4. TYPE OF DECISION**

Non-key.

**5. DECISION MAKING ROUTE**

Culture, Leisure and Tourism, 28th July, 2009.

**6. DECISION(S) REQUIRED**

The Portfolio Holder is requested to:-

1. Note the capital grant funding secured from Sport England of £344,179 and SCRAPT of £350,000 for the refurbishment of the pool changing facilities and foyer/reception at Mill House Leisure Centre.
2. Comment on the proposed refurbishment plans.
3. Note the increase in swim participation in the first quarter of 2009-2010 since the free swimming initiative was introduced.
4. Note the increase in "Pot 2" revenue funding allocated to Hartlepool to fund Under 16's free swimming from £48,170 to £58,131 per annum for the period 2009-2011.
5. Note the partnership funding of £20,000 during 2009-2011 from the Primary Care Trust as a contribution towards the delivery of the Free Swimming Initiative.



**Report of:** Director of Adult and Community Services

**Subject:** NATIONAL FREE SWIMMING INITIATIVE -  
PROGRESS AND UPDATE

---

## **1. PURPOSE OF REPORT**

- 1.1 Further to the Culture, Leisure and Tourism Portfolio reports of 19th August, 11th November and 9th December, 2008, this report seeks to update the Portfolio Holder concerning the roll-out of the National free swimming scheme and a successful capital funding application to refurbish elements of the Mill House Leisure Centre.

## **2. BACKGROUND**

- 2.1 The Portfolio Holder has previously approved the Council's participation in the National free swimming initiative for Under 16's and Over 60's during the period 2009-2011 and acceptance of the associated funding offers from the Department of Culture, Media and Sport (DCMS).
- 2.2 Participation in both of these schemes, also offered the opportunity to apply for capital funding via a competitive bid process to modernise pool provision where it particularly supported the free swim initiative.
- 2.3 At the Portfolio meeting held on 11th November, 2008, the Portfolio Holder was advised that Officers had submitted a stage 1 application to the Capital Challenge Fund that would improve the pool changing facilities at Mill House Leisure Centre. At that time, the outcome of the bid was not known.
- 2.4 Officers were subsequently advised by Sport England that the application was to go forward to a Stage 2 submission stage, which required more detailed work. This submission was made in January, 2009 and we were successful, securing capital funding of £344,179.

## **3. PLANNED REFURBISHMENT WORKS - MILL HOUSE LEISURE CENTRE**

- 3.1 As the Portfolio Holder is aware, some elements of the Centre date back to 1972 and require updating and modernising. Indeed, whilst the Council's aspiration is to replace the facility totally at some point in the future, until then, we need to maintain the building to an acceptable level, particularly if we want to encourage more people to frequent it.

- 3.2 The planned works therefore are about fundamentally improving and enhancing facilities at the Leisure Centre to provide more modern and accessible facilities more aligned to customer needs and expectation. The existing reception and pool changing facilities are in poor condition, are not particularly attractive and need modernising to improve accessibility, the quality of the provision and hence the customer experience.
- 3.3 Whilst our Centre user surveys demonstrate high satisfaction levels with the facility generally and the programmes and initiatives running within it, the pool changing room environment, in particular, proves to be the most commonest cause of dissatisfaction and complaint. The Capital Challenge Fund therefore gave Officers the opportunity to address these particular issues.
- 3.4 Whilst a general refurbishment project is intended, the main elements will include enhancing the main reception and foyer area to the Centre and the provision of new pool changing room facilities. This particular aspect will involve the conversion of the existing facilities (two separate changing areas in poor condition and with poor accessibility) into a modern changing village environment with new fixtures and fittings. Details of this, as well as the redesigned reception area, are attached at **Appendix 1**.
- 3.5 The new changing village will address many of the problems with the existing areas. The layout is much improved, creating greater flexibility and accessibility. It has eradicated the pinch points and lack of personal space and the provision of well proportioned cubicles will be particularly advantageous for parents with children, family changing, people with disabilities and carers/helpers being able to provide assistance to those of the opposite sex. The reception area will be much improved for customers too with the desk repositioned to face the main entrance doors.
- 3.6 As a consequence, the project will help to improve the quality of facilities on offer, creating a more inviting reception area with accessible and more family friendly changing provision. Based on our research and consultation on the plans to date, we are confident that the changes will be welcomed and patronage of the Centre will increase as a consequence.

#### **4. TIMESCALES AND CENTRE OPERATION DURING WORKS**

- 4.1 One of the conditions of the funding award is that as the Capital Challenge Fund is associated with increasing participation through the free swimming initiative, that as much as possible, the Centre has to remain open to use during any building works.
- 4.2 The refurbishment of the changing facilities in particular is a difficult challenge to overcome to meet this criteria, which has been given some considerable thought. However, with some alterations to the existing dryside changing facilities immediately adjacent to the pool hall and the temporary

relocation of locker facilities, we will be able to continue to offer swim changing facilities, although on a reduced capacity.

- 4.3 Officers are looking to tackle the refurbishment in two distinct phases, however, as there will obviously be considerable disruption to the Foyer/ Reception area as well. This particular aspect of the works may well force a short, temporary closure of the Centre, as all the main electrical systems for the building are operated from the existing reception desk and will have to be resited. Officers will obviously keep the Portfolio Holder informed of the situation, as well as ensuring that such eventualities are well publicised to the general public.
- 4.4 The refurbishment work is shortly to be procured. We do not, however, anticipate commencing the work until September and it is anticipated to be approximately a 32 week programme. This will avoid the busy Summer period and will be carried out during the Winter months, when the Centre is traditionally quieter.

## **5. FINANCIAL IMPLICATIONS**

- 5.1 It is estimated that the capital refurbishment project, including all fees, will cost £699,179 in total.
- 5.2 As previously highlighted in Section 2, Officers have successfully bid for and has been awarded £344,179 from the Capital Challenge Fund.
- 5.3 A further £5,000 has also been allocated from the Pot 3 Capital amount already awarded to the Council, as a consequence of agreeing to offer free swimming to both Over 60's and Under 16's.
- 5.4 The remaining funding, £350,000, has been secured from SCRAPT, as part of the Council's asset management programme.
- 5.5 In relation to the introduction of the Free Swimming Initiative, as highlighted in the Portfolio report of 9th December, 2008, officers estimated that there would be an anticipated financial shortfall in the revenue grant being offered by DCMS to compensate for the Centre's loss of income.
- 5.6 However, DCMS have now revised the "Pot 2" grant being offered to Hartlepool to fund the Under 16's programme from £48,170 to £58,131 per annum for the period 2009-2011.
- 5.7 In addition to this, Officers have also successfully secured a grant of £10,000 per annum from the Primary Care Trust for the same period on a partnership basis due to the obvious health benefits of providing such a scheme. They very much wished to be associated with the initiative and this has been very welcomed.

5.8 As a consequence, the estimated financial shortfall appears to have been met, although Officers are closely monitoring the situation for any unanticipated budgetary pressures.

## **6. PROGRESS TO DATE WITH THE FREE SWIMMING INITIATIVE**

6.1 As the Portfolio Holder is aware, Free Swimming to both Over 60's and Under 16's was made available in Hartlepool on 1st April, 2009, as a result of the Government's participation initiative.

6.2 The programme has been linked to the Active Card for monitoring purposes and so far, usage has increased significantly. For the first quarter of 2009-2010, Adult swim participation has increased by 4.7% and Under 16's by 16.3% in comparison to the same period for 2008-2009.

6.3 This is a good outcome so far and Officers are hoping that this trend will continue. This is of particular importance with the Council's aspiration to encourage more people to be physically active and take up healthier lifestyles.

## **7. RECOMMENDATIONS**

The Portfolio Holder is requested to:-

1. Note the capital grant funding secured from Sport England of £344,179 and SCRAPT of £350,000 for the refurbishment of the pool changing facilities and foyer/reception at Mill House Leisure Centre.
2. Comment on the proposed refurbishment plans.
3. Note the increase in swim participation in the first quarter of 2009-2010 since the free swimming initiative was introduced.
4. Note the increase in "Pot 2" revenue funding allocated to Hartlepool to fund Under 16's free swimming from £48,170 to £58,131 per annum for the period 2009-2011.
5. Note the partnership funding of £20,000 during 2009-2011 from the Primary Care Trust as a contribution towards the delivery of the Free Swimming Initiative.

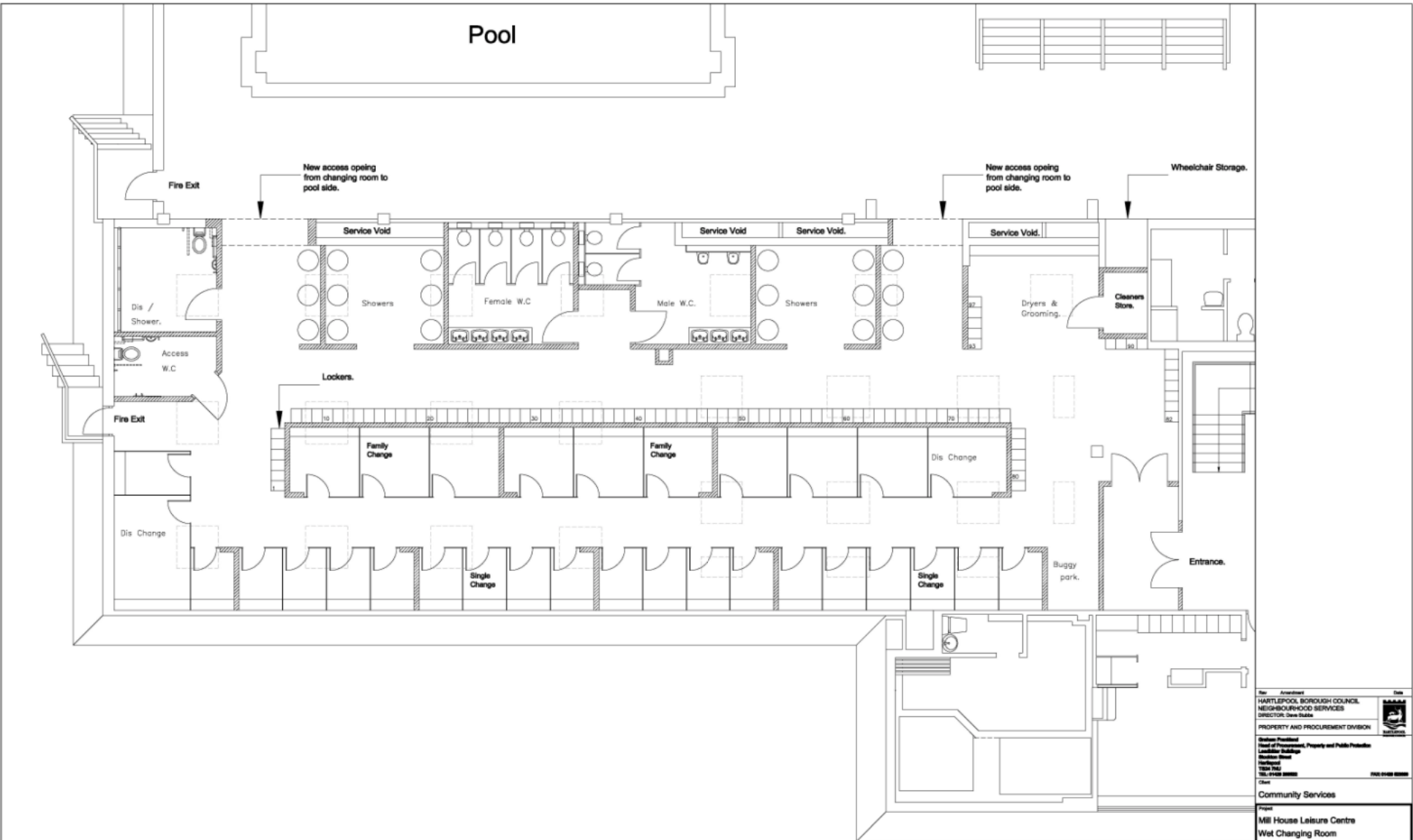
CONTACT OFFICER: Pat Usher, Sport and Recreation Manager

### Background Papers

Culture, Leisure and Tourism Portfolio, 19th August, 2008 - Government Announcement on Free Swimming Scheme.

Culture, Leisure and Tourism Portfolio, 11th November, 2008 - National Free Swimming Initiative - Further Update.

Culture, Leisure and Tourism Portfolio, 9th December, 2008 - National Free Swimming Initiative - Changes to Active Card Scheme and Current Swimming Initiatives.

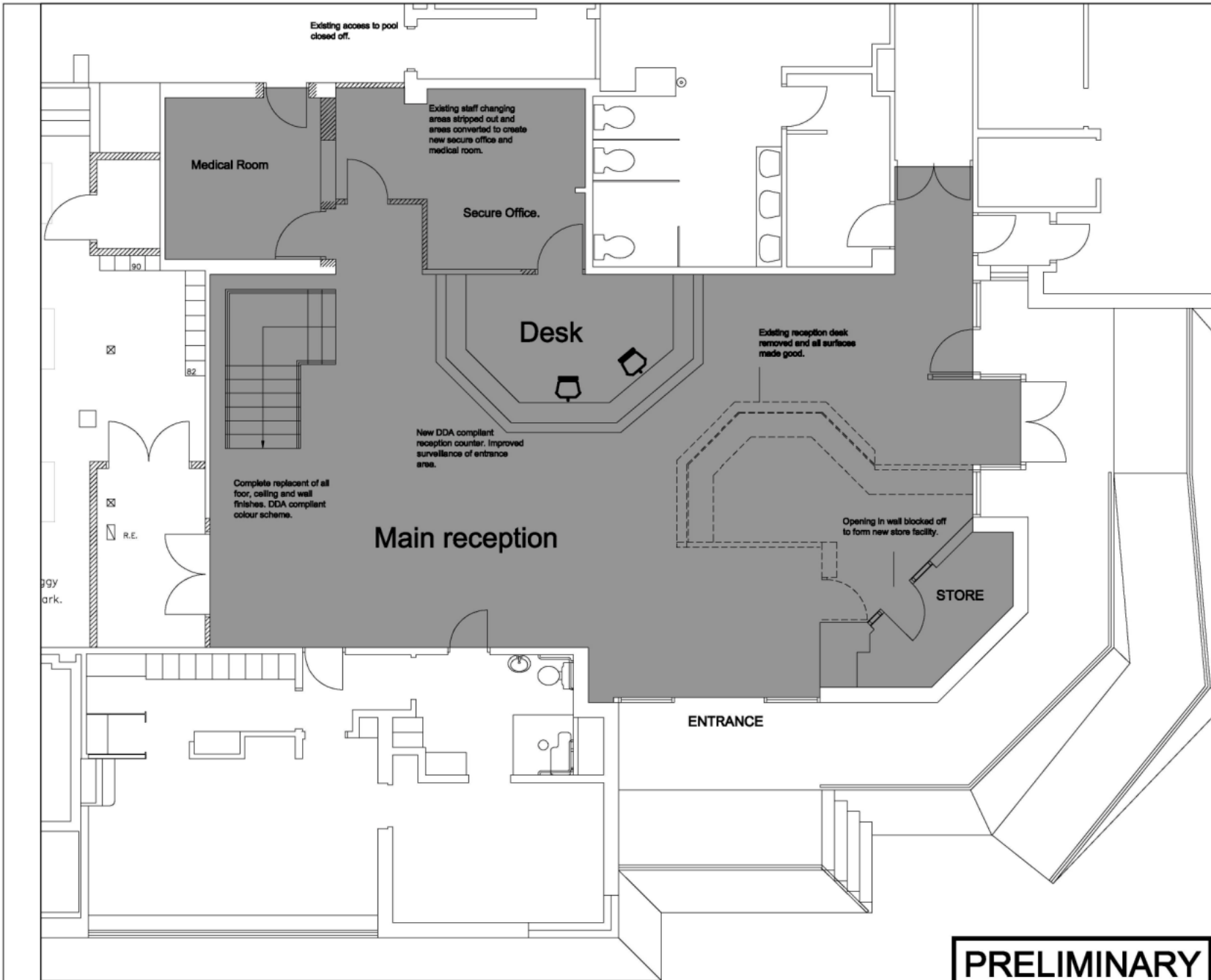


Rev	Amendment	Date
HARTLEPOOL BOROUGH COUNCIL NEIGHBOURHOOD SERVICES DIRECTOR: Steve Hulse PROPERTY AND PROCUREMENT DIVISION Graham Penfold Head of Procurement, Property and Public Protection Leazes Road Hartlepool TS24 7JG TEL: 01462 444444 FAX: 01462 444444		
Client	Community Services	
Project	Mill House Leisure Centre Wet Changing Room Refurbishment.	
Title	Proposed Plan	
Drawn	Scale	Date
208/35/2001	1:50 @ A1	Feb-09
DWG: LAST UPDATED	DATE: 22/10/08	TIME: 09:21

**PRELIMINARY**

THE CONTRACTOR IS RESPONSIBLE FOR CHECKING ALL DIMENSIONS AND DETAILS ON SITE PRIOR TO ERECTION, MANUFACTURE AND INSTALLATION. MEMBER PROBLEMS ARE SPECIFIED BY PROPRIETARY NAME AND THE PHRASE 'OR EQUAL APPROVED' IS NOT INCLUDED, IT IS DEEMED TO BE INCLUDED.

REPRODUCED FROM THE ORDINANCE SURVEY MAP WITH THE PERMISSION OF THE CONTROLLER OF HER MAJESTY'S STATIONERY OFFICE © CROWN COPYRIGHT RESERVED. LICENCE No. LA00001.



**PRELIMINARY**

Raw	Amendment	Date
HARTLEPOOL BOROUGH COUNCIL NEIGHBOURHOOD SERVICES DIRECTOR: Dave Stubbs		
PROPERTY AND PROCUREMENT DIVISION		
Graham Franklin Head of Procurement, Property and Public Protection Leasbiter Buildings Stockton Street Hartlepool TS24 7NU TEL: 01429 286622 FAX: 01429 828680		
Client		
Community Services		
Project		
Mill House Leisure Centre Wet Changing Refurbishment		
Title		
Reception Refurbishment		
Drawn	Scale	Date
	1:50	Feb 09
Drawing No.	Rev.	
206-35-2011		
DWG. LAST UPDATED	DATE: 22/10/08	
	TIME: 09:21	

THE CONTRACTOR IS RESPONSIBLE FOR CHECKING ALL DIMENSIONS AND DETAILS ON SITE PRIOR TO ERECTION, MANUFACTURE AND INSTALLATION WHERE PRODUCTS ARE SPECIFIED BY PROPRIETARY NAME AND THE PHRASE 'OR EQUAL APPROVED' IS NOT INCLUDED, IT IS DEEMED TO BE INCLUDED

REPRODUCED FROM THE ORDNANCE SURVEY MAP WITH THE PERMISSION OF THE CONTROLLER OF HER MAJESTY'S STATIONERY OFFICE © CROWN COPYRIGHT RESERVED LICENCE NO. LA69871.

## SCRUTINY CO-ORDINATING COMMITTEE

16 October 2009



**Report of:** Scrutiny Manager

**Subject:** REQUESTS FOR FUNDING FROM THE  
DEDICATED OVERVIEW AND SCRUTINY BUDGET

---

### 1. PURPOSE OF REPORT

1.1 To inform Scrutiny Co-ordinating Committee of two requests for funding from the Dedicated Overview and Scrutiny Budget.

### 2. BACKGROUND INFORMATION

2.1 In line with good practice, requests are being made by the Chairs of the Neighbourhood Services Scrutiny Forum and Health Scrutiny Forum for funding from the Dedicated Overview and Scrutiny Budget.

#### **Request from the Neighbourhood Services Scrutiny Forum**

2.2 The Neighbourhood Services Scrutiny Forum at its next meeting on 26<sup>th</sup> October 2009 is due to consider a report on the proposals for the Forum to participate in a climate change activity session in conjunction with 11 Million Day. This activity will form part of the evidence gathering process for the Forum's investigation into 'Climate Change and Carbon Management'.

2.3 The proposal is to hold the activity session on 6<sup>th</sup> November 2009 (11 Million Day) and invite a class of Year 5 pupils to the Civic Centre to participate in two climate change activities along with Members of the Forum. It is proposed that a buffet lunch be provided prior to the start of the activity session with a suggestion that the cost of the buffet be divided between Scrutiny, the Children and Families section and the Environmental Standards section.

2.4 Therefore, if the Neighbourhood Services Scrutiny Forum approves the proposals for the activity session, approval is sought from Scrutiny Co-ordinating Committee for a third of the buffet cost to be funded from the Dedicated Overview and Scrutiny Budget in line with the agreed procedure. This request for funding has had to be made prior to the approval from the Neighbourhood Services Scrutiny Forum because there are no meetings of Scrutiny Co-ordinating Committee between the next Neighbourhood Services Scrutiny Meeting and the activity session.



### **Request from the Health Scrutiny Forum**

- 2.5 Further to the Scrutiny Co-ordinating Committee on the 9 October 2009, Members will be aware that a Health Scrutiny Forum meeting is to be held on the 27 October 2009, commencing at 6.30pm in the Main Hall, Borough Hall, Headland. The purpose of this meeting being to explore residents concerns regarding any possible health implications of dust deposits on the Headland, and surrounding areas.
- 2.6 In order to promote the event appropriately a request is being made by the Chair of the Health Scrutiny Forum for funding to undertake a leafleting exercise to homes on the Headland, Central Estate and Marina. The cost of this totalling £324.00 (printing and delivery).
- 2.7 Given the strength of feeling in relation to this issue, the Chair of the Health Scrutiny Forum feels strongly that this is an appropriate course of action in promoting the meeting and gaining resident participation in the process.

### **3. RECOMMENDATION**

- 3.1 It is recommended that the Scrutiny Co-ordinating Committee agrees to the following requests for funding from the Dedicated Overview and Scrutiny Budget for the purposes outlined above:-

Neighbourhood Services Scrutiny Forum - £58.50; and  
Health Scrutiny Forum - £324.

**Contact Officer:-** Joan Wilkins – Scrutiny Manager  
Chief Executive’s Department - Corporate Strategy  
Hartlepool Borough Council  
Tel: 01429 284142  
Email: joan.wilkins@hartlepool.gov.uk

### **BACKGROUND PAPERS**

No background papers were used in the preparation of this report.

# SCRUTINY CO-ORDINATING COMMITTEE

16 October 2009



**Report of:** Scrutiny Manager

**Subject:** RESIGNATION – MEMBER ATTENDANCES  
WORKING GROUP

---

## 1. PURPOSE OF REPORT

1.1 To advise the Scrutiny Co-ordinating Committee of a resignation from the Members Attendances Working Group and seek a view on the way forward in terms of the vacancy.

## 2. BACKGROUND INFORMATION

2.1 The Scrutiny Co-ordinating Committee, at its next meeting on 17 July 2009, approved the creation of a Member Attendances Working Group. The aim of the group being to explore and agree methods for the collation and reporting of Member attendances to enable the fullest disclosure possible and publication alongside expenses claimed from September 2010.

2.2 The membership of the Working Group was approved as follows:-

Councillors James (Chair), C Akers-Belcher, Brash, J Marshall, Preece, Simmons, Wright and Young.

2.3 Notification has, however, now been received from Councillor J Marshall that he does not wish to serve on the Working Group and the Committee's views are now sought on the way forward in terms of the vacancy.

2.4 Options available to the Committee are to:-

(i) *Select a replacement from the membership of the Scrutiny Co-ordinating Committee.*

Given that Cllr J Marshall is the only independent Members serving on the Scrutiny Co-ordinating Committee it will not be possible to appoint a replacement independent Member on the Working Group. There is, however, no legal / Constitutional requirement for Working Groups to be politically balanced and as such it is at the discretion of the Committee to appoint any other member from its membership, should it wish to do so.

(ii) *Leave the vacancy unfilled.*

On a proportional basis, there is no minimum number of members required for the membership of a Working Group. As such, it is again at the discretion of the Committee to decide if it wishes to fill the vacancy.

### 3. RECOMMENDATION

3.1 That a decision be made in terms of the vacancy on the Member Attendances Working Group.

**Contact Officer:-** Joan Wilkins – Scrutiny Manager  
Chief Executive's Department - Corporate Strategy  
Hartlepool Borough Council  
Tel: 01429 284142  
Email: joan.wilkins@hartlepool.gov.uk

### BACKGROUND PAPERS

The following background paper was used in the preparation of this report:-

(i) Scrutiny Co-ordinating Committee – Minutes of the meeting held on the 17 July 2009.