CABINET AGENDA

Monday 10 October 2011

at 9.15 a.m.

**in Committee Room B,
Civic Centre, Hartlepool.**

MEMBERS: CABINET:

The Mayor, Stuart Drummond

Councillors Brash, Hall, Hargreaves, Hill, Jackson, Payne, Simmons and H Thompson.

1. **APOLOGIES FOR ABSENCE**

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

3. **MINUTES**

   To receive the Record of Decision in respect of the meeting held on 3 October 2011 (previously circulated)

4. **BUDGET AND POLICY FRAMEWORK**

   4.1 Enterprise Zones Local Development Orders – *Director of Regeneration and Neighbourhoods*
   4.2 Medium Term Financial Strategy (MFTS) 2012/13 to 2014/15 – *Corporate Management Team*

5. **KEY DECISIONS**

   5.1 Review of Waste Management Services – *Director of Regeneration and Neighbourhoods*
   5.2 National Citizen Service 2012 Pilot – *Director of Child and Adult Services*
   5.3 Furniture Solutions Project – *Director of Regeneration and Neighbourhoods*

6. **OTHER ITEMS REQUIRING DECISION**

6.1 Community Pool 2011/2012 – Belle Vue Community Sports and Youth Centre – *Director of Child and Adult Services*

6.2 Economic Regeneration Forum – *Director of Regeneration and Neighbourhoods*

6.3 Localising support for Council Tax in England – Government consultation proposals – *Chief Finance Officer*

6.4 Proposals for Business Rates Retention – Government consultation proposals – *Chief Finance Officer*

7. **ITEMS FOR DISCUSSION/INFORMATION**

7.1 Tees Valley Enterprise Zone – *Director of Regeneration and Neighbourhoods*

7.2 Joint Strategic Needs Assessment (JSNA) – *Director of Child and Adult Services*

7.3 Implementation of Scrutiny recommendations to Cabinet – *Chief Customer and Workforce Services Officer*

CABINET REPORT
10th October 2011

Report of: Director of Regeneration and Neighbourhoods

Subject: ENTERPRISE ZONES LOCAL DEVELOPMENT ORDERS

SUMMARY

1. PURPOSE OF REPORT

The report outlines proposals to establish Local Development Orders within the new Enterprise Zones aimed at encouraging investment through a simplified planning process. The report seeks delegated authority for Officers to prepare, consult and submit draft Local Development Orders to the Secretary of State prior to final adoption by the Council.

2. SUMMARY OF CONTENTS

The report sets out details of the approved Enterprise Zones within Hartlepool; provides details of the incentives available; explains the Government's requirement that Enterprise Zones should include a streamlined planning process; sets out how the Council is planning to achieve this through the preparation of Local Development Orders (LDOs), and; outlines the process involved in declaring LDOs.

3. RELEVANCE TO CABINET

The Enterprise Zones, enabled by the Local Development Orders and financial incentives will have the potential to have a significant impact on the future prosperity of the town through encouraging inward investment in key economic growth areas. Local Development Orders essentially grant planning permission for certain types of development provided that they meet certain conditions. They will reduce planning controls available to the Council and will have implication with regard to the loss of income generated through the processing and determining of planning applications.

4. TYPE OF DECISION

Local Development Orders will form part of the Development Plan and are part of the Council's budget and policy framework. Also Key Decision reference RN84/11.

5. DECISION MAKING ROUTE

Cabinet 10th October 2011 to agree preparation process.

Special Council in March 2012 to formally adopt LDOs.

6. DECISION(S) REQUIRED

Members are requested to delegate authority for planning officers to undertake the following tasks:

(i) Prepare draft Local Development Orders (LDOs) for the Queens Meadow, the Port and Oakesway employment sites;
(ii) Undertake public consultation on the draft LDOs;
(iii) Taking account of feedback from (ii), prepare and submit final LDOs to the Secretary of State for approval, and
(iv) Present the final LDOs to Council for adoption.

Report of: Director of Regeneration and Neighbourhoods

Subject: ENTERPRISE ZONES LOCAL DEVELOPMENT ORDERS

1. PURPOSE OF REPORT

1.1 The report outlines proposals to establish Local Development Orders within the new Enterprise Zones aimed at encouraging investment through a simplified planning process. The report seeks delegated authority for Officers to prepare, consult and submit draft Local Development Orders to the Secretary of State prior to final adoption by the Council.

2. INTRODUCTION

2.1 Queens Meadow, the Port and Oakesway employment sites (identified in **Appendix 1**) have been allocated as Enterprise Zones (EZs) reflecting the Government's economic growth agenda. EZ status is conditional upon establishing a genuinely simplified approach to planning. Local Development Orders (LDOs) are the mechanism through which the Council proposes to ensure this simplified approach.

2.2 The LDOs will allow development to be undertaken without the specific need for planning permission to be obtained, providing the proposed development falls within agreed parameters and business uses, and is in accordance with established design guidance and conditions.

2.3 The business sectors proposed for EZs will attract investment into the Borough, in areas identified as growth sectors for the Tees Valley and the Borough of Hartlepool. The ultimate aim of the LDOs is to attract new economic development into the Zone through reducing costs and providing certainty for potential developers and businesses.

3. PURPOSE OF THE ENTERPRISE ZONES

3.1 The economic strategy for the Tees Valley is to drive the transition from a high value, high carbon economy to a high value, low carbon economy focused on renewable energy, new technologies, biological feed stocks and the reduction of the carbon footprint of existing industries. Further support will be given to emerging new sectors such as digital and creative industries. One mechanism for delivering the economic strategy for the Tees Valley is the creation of EZs tailored to the specific and complex challenges and opportunities of the Tees Valley.

3.2 The rationale behind the Tees Valley Enterprise Zone creation is to:

- Support the existing petrochemical, process and engineering industries to modernise, making them more sustainable and competitive.

- Create an attractive platform to secure large-scale inward investors, particularly foreign direct investment in the petrochemical, process and advanced engineering sectors.
- Encourage the growth of existing and new supply chains to support our large-scale industries.
- Support the emerging and fast growing digital sector.

3.3 As well as simplified planning, the incentives available to inward investors will be the use of Business Rate Discount and Capital Allowances on the EZ sites. Each site within the Tees Valley has been identified as qualifying for one or the other of these financial incentives.

a) Business Rate Discount (BRD)

3.4 Business Rate Discount is for those sites which are aimed at fostering indigenous small and medium sized businesses which form the supply chain of the area's heavy industries such as petro-chemicals, renewable energy generation and manufacturing and advanced engineering or which are part of the area's emerging and fast-growing digital sector. The benefit equates to a business rate discount worth up to £55,000 per business for five years.

3.5 Queens Meadow and Oakesway have been allocated as Business Rate Discount EZ sites.

b) Enhanced Capital Allowances (CA)

3.6 Enhanced Capital Allowances provide support for those sites focussing on petro-chemical, renewable energy production and fabrication and advanced engineering sectors to modernise and expand their activities and to attract large-scale inward investors, particularly Foreign Direct Investment.

3.7 The Tees Valley is one of only a small number of areas across the Country which can now additionally offer large-scale occupiers enhanced capital allowances against the cost of their plant and machinery. As a result, the Port has been allocated as an Enhanced Capital Allowance EZ site.

3.8 Across the Tees Valley the following sites identified in Table 1 have been allocated as EZ sites.

Table 1: Tees Valley Enterprise Zones

Borough	**Site Name**	**Proposed Sector Summary**	**Site Type**
Hartlepool	Queens Meadow	Chemical processing, advanced engineering/manufacturing	BRD
	Oakesway	Renewable and green energy supplier chain	BRD
	The Port	Renewable energy, advanced engineering and green manufacturing	CA
Stockton on Tees	Belasis Hall	Chemical processing	BRD
	North Shore	Digital	BRD
	Energy & Tech Park	Petrochemicals	CA
Redcar & Cleveland	Kirkleatham	Chemical processing	BRD
	South Bank Wharf	Renewable energy manufacturing	CA
	Wilton	Renewable energy manufacturing	CA

M'bro	South West Ironmasters	Renewable supplier chain	BRD
	St Hilda's	Digital	BRD
Darlington	Central Park	Digital	BRD

3.9 The 12 individual EZ sites identified in Table 1 above make up the wider "Tees Valley" Enterprise Zone.

4. ENTERPRISE ZONES IN HARTLEPOOL

4.1 Each EZ in the Tees Valley, summarised in Table 1, is allocated for a specific economic growth sector. The three EZ sites in Hartlepool have been identified and allocated for the following specific uses:

Queens Meadow (Business Rate Discount)
- (B1) Offices
- (B1) Chemical Processing Laboratories
- (B2) Chemical Processing Manufacturing
- (B2) High value engineering/manufacturing
- (B8) Logistics related to servicing target sectors

4.2 The chemical processing sector involves cutting-edge developments in biotechnology, medicine, nanotechnology, and new energy sources. These are the chemistry using industries of chemicals, fine & speciality chemicals, petrochemicals, polymers and composites, pharmaceuticals, biotechnology, bio-resources, bio-fuels and renewable energy and low carbon materials.

Oakesway (Business Rate Discount)
- (B1) Offices
- (B2) Offshore wind, tidal, oil and gas energy engineering/manufacturing.
- (B8) Logistics related to servicing target sectors

The Port (Capital Allowances)
- (B2) Offshore wind, tidal, other green manufacturing, oil and gas energy and advanced engineering/manufacturing
- (B8) Port related logistics servicing the targeted sectors

4.3 Only development that "fits" into the above uses will benefit from the business rate and capital allowance financial incentives available on each EZ site. The Queens Meadow, Port and Oakesway employment areas may still be suitable for other uses not mentioned above, but any development not mentioned above would not benefit from the EZ financial incentives.

5. SIMPLIFIED PLANNING THROUGH LOCAL DEVELOPMENT ORDERS

5.1 A condition of the EZs being designated is that the planning controls on the site are "simplified". Relying on existing development management/development plan procedures is not an option. The Government is promoting LDOs as a means to simplify the planning process therefore an LDO needs to be created for the Queens Meadow, Oakesway and The Port EZs.

5.2 Primary legislation to enable the declaration of LDO's is incorporated within the Town and Country Planning Act (1990), although their role, function and creation regulations have been revised in the subsequent Planning and Compulsory Purchase Act (2004) and the Planning Act (2008).

5.3 An LDO essentially grants planning permission for specifically identified development uses and activities, provided they meet certain conditions and design criteria. If a proposal falls within the parameters of the LDO, there is no need to submit a planning application. The LDO approach is seen as being business friendly as it would save time, reduce costs and provide greater certainty by removing perceived "barriers" to development taking place.

5.4 If the proposed development meets the requirements of the LDO, development can start immediately.

5.5 Developments that do not meet the LDO requirements may still be suitable on the Queens Meadow, Oakesway or the Port employment sites, but they will require a planning application and be subject to the policies in the Hartlepool Local Plan. Therefore the LDOs do not "replace" or "supersede" the current policies in the Hartlepool Local Plan, they only change the policy framework for the uses specifically mentioned in the LDO. Bearing this in mind an LDO can be revoked or amended at any time during its lifetime.

5.6 As development can happen without the need to apply for planning permission, there will be implications for the Council regarding the loss of income generated through the processing and determining planning applications.

5.7 LDOs do not remove the requirements associated with other legislation eg Building Regulations, Environmental Impact Assessments, health and safety requirements etc. but in relaxing planning controls, it is essential to strike a balance between freeing up control and maintaining design and environmental standards. Indeed it could be counter productive to investment if the quality standards of a site are reduced as potential investors might go elsewhere. The LDOs will therefore seek to establish benchmarks in relation to quality and design as well as providing advice and guidance and signposting to ensure that appropriate consideration is given to a range of planning and associated matters.

6. PREPARING THE LOCAL DEVELOPMENT ORDERS

6.1 The LDOs will be prepared by Council officers and will take the following form:

a) A schedule detailing the categories of development that will be automatically granted planning permission.
b) A Map illustrating the area covered by the LDO.
c) A List of development requirements that needs to adhered to, for the development to be granted automatic planning permission, subject to conditions.

6.2 The development requirements will set out the minimum requirements that any development must adhere to. These requirements will include the following considerations:

- Building Design
- Plot Coverage
- Energy Efficiency
- Surface Water and Sewer Drainage Infrastructure
- Access and Parking Provision
- Internal Road Infrastructure
- Landscaping and Planting
- Noise and Disturbance
- Outside Storage
- Contamination
- Crime Prevention

6.3 An initial working draft LDO for the Queens Meadow employment site is attached at **Appendix 2** to provide members with indication of what the LDOs may look like. This represents 'work in progress' and officers are continuing to refine the schemes in discussion with other Tees Valley authorities, statutory consultees and Government representatives.

7. CONSULTATION ON THE LOCAL DEVELOPMENT ORDERS

7.1 Once the 3 draft LDOs are developed for the EZ sites in Hartlepool they will go out to consultation. The consultation will include the Secretary of State, all statutory consultees, landowners, local businesses and any other individuals/organisations that may have an interest in the EZs in the Borough.

7.2 Public consultation is planned to take place in November 2011. The consultation will last for 28 days; the period recommended by the Government.

7.3 Once the public consultation is complete, officers will consider any representations made. The final draft LDOs will be then be prepared in January 2012 and submitted to the Secretary of State for approval. The Secretary of State will consider the final draft LDOs within a 21 day period and give any relevant direction and any recommended changes will be incorporated into the final LDOs, which will need to be endorsed and formally adopted by the Council in March.

7.4 The timetable for producing the LDOs is fairly tight as they are required to be in place by April 1st in order to ensure maximum benefit from the EZ scheme. The procedures highlighted above incorporate a statutory process which needs to be adhered to including consultation.

8. RECOMMENDATIONS

8.1 Members are requested to delegate authority to planning officers to undertake the following tasks:

(i) Prepare draft Local Development Orders (LDOs) for the Queens Meadow, the Port and Oakesway employment sites;
(ii) Undertake public consultation on the draft LDOs;

(iii) Taking account of feedback from (ii), prepare and submit final LDOs to the Secretary of State for approval; and
(iv) Present the final LDOs to Council for adoption

9. CONTACT OFFICER

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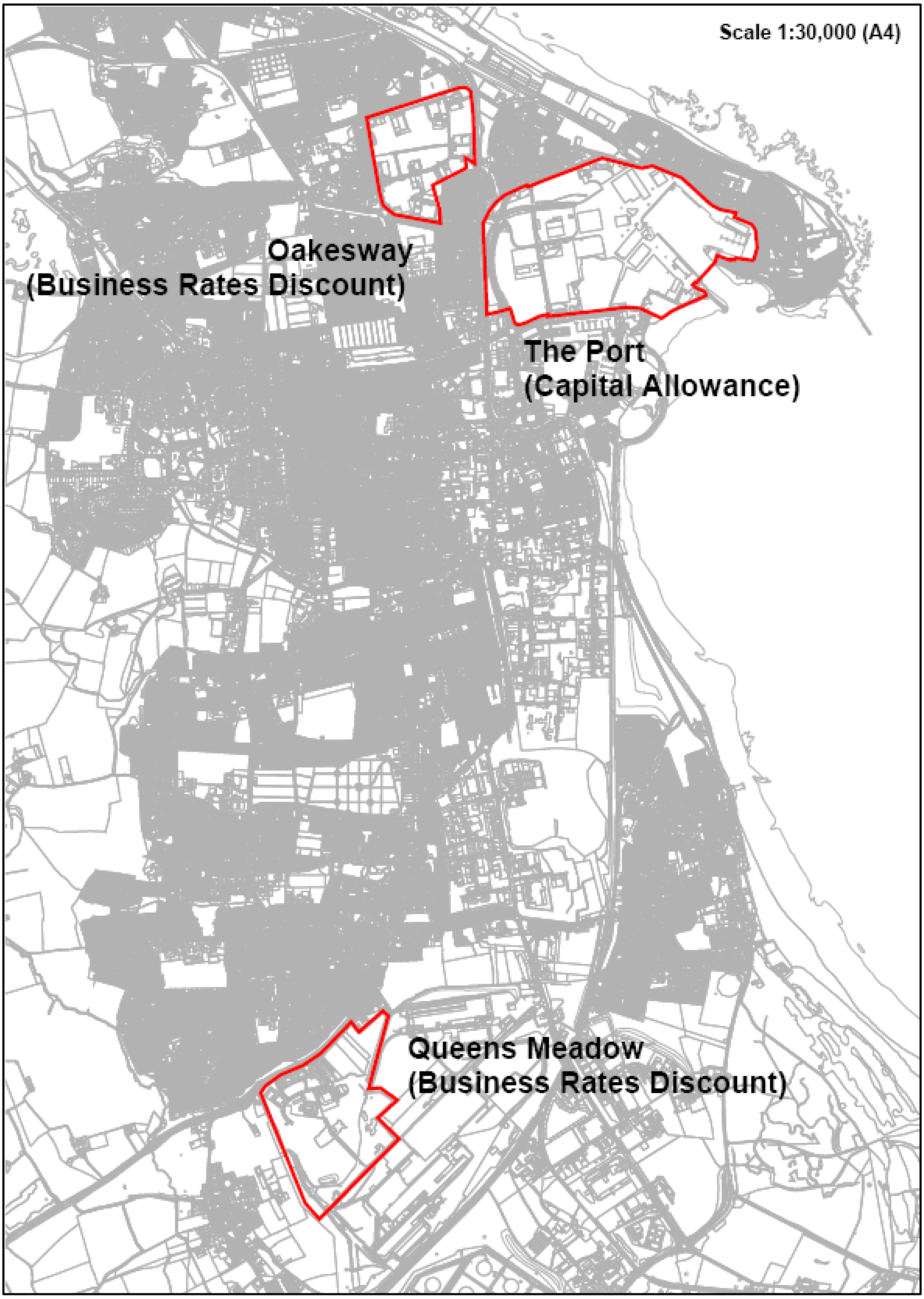
Appendix 1


Scale 1:30,000 (A4)
Oakesway
(Business Rates Discount)
The Port
(Capital Allowance)
Queens Meadow
(Business Rates Discount)

Appendix 2: Working Draft of Queens Meadow Local Development Order

Queens Meadow Local Development Order
Within the Queens Meadow Enterprise Zone identified on diagram 1, planning permission is granted, exclusively for the following land use, buildings and associated development at Area (A) for: • (B1) Offices, and • (B1) Biotechnological research and manufacturing And for the following land uses, buildings and associated development at Area (B) for: • (B1) Offices; • (B1) Biotechnological research and manufacturing; • (B2) Medical and Pharmaceuticals Manufacturing; • (B2) High Quality Engineering, and • (B8) Logistics Providing that: • The overall development plot does not exceed 1ha; • The development would not, in the view of the Local Planning Authority be classed as an Environmental Impact Assessment development; • B1 functional floorspace does not exceed 2,500m²; • B2 functional floorspace does not exceed 4,000m²; • B8 functional floorspace does not exceed 5,000m²; • The Development Requirements identified in table 1 are satisfied; and • Submissions are made to the Local Planning Authority by 1st April 2017. There will be no permitted change of use between use classes and/or to a different land use within the same use class identified above. If a change is proposed a planning application would be required.

Diagram 1: Queens Meadow Local Development Order Boundary

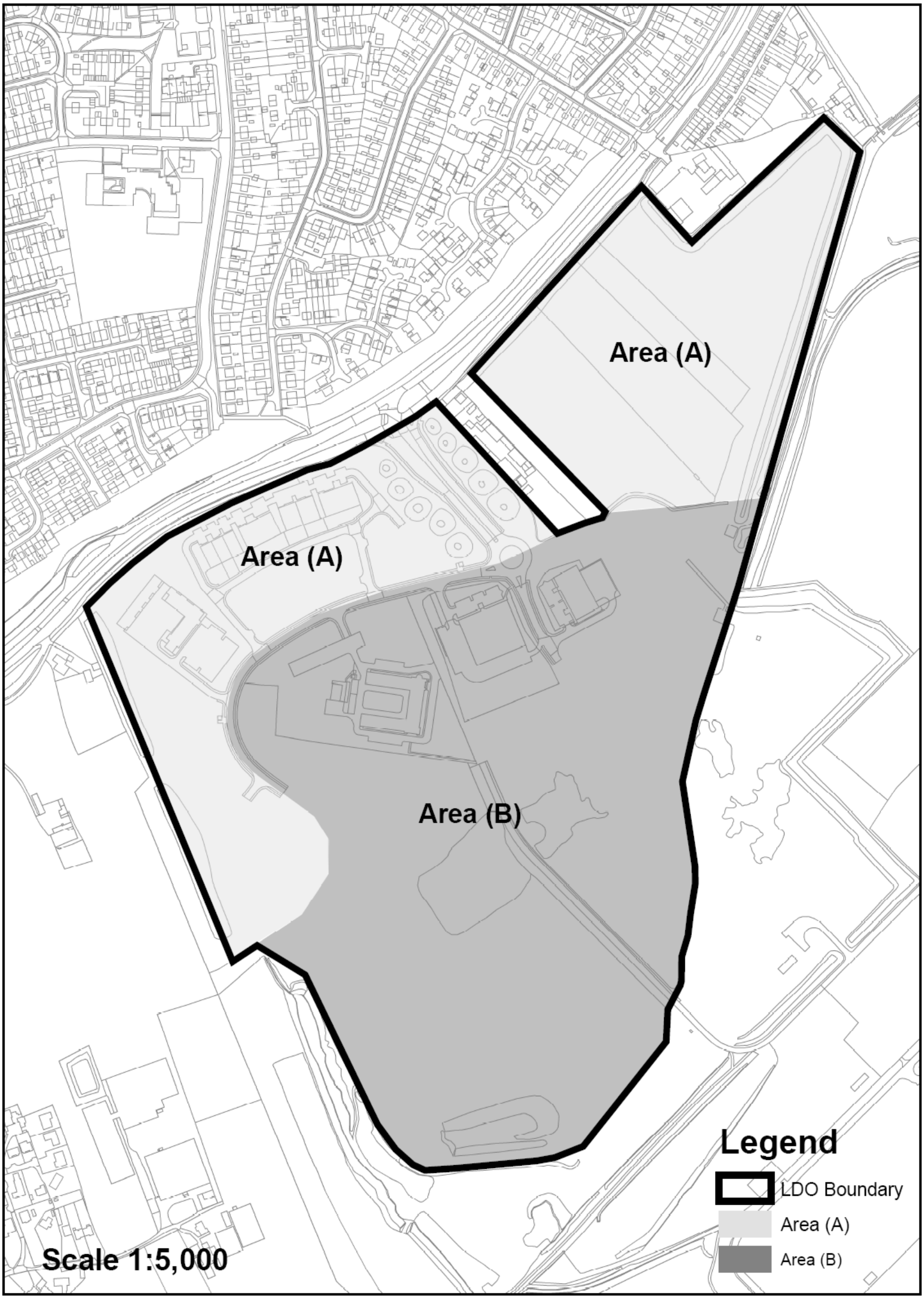


Table 1: Development Requirements

Minimum Development Requirements	Reason
Development Design *Building Design* (1) A high standard of design and materials used will be required on all developments. (2) No building heights should be in excess of 15m. *Development Plot Coverage* (3) In Area A no more than 30% of each individual development plot will be covered by buildings. (4) In Area B no more than 50% of each individual development plot will be covered by buildings. (5) No building shall be located within 2m of the development boundary plot to allow for appropriate landscaping and planting. *Energy Efficiency* (6) All buildings will be designed to ensure energy consumption is minimised and meets the Building Research Establishment's Environmental Assessment Method (BREEAM) "very good" ratings as a minimum. (7) Developments in excess of 1,000m² floorspace will secure a minimum of 10% of their energy supply from a decentralised and renewable or low carbon source. The following renewable energy sources will be suitable: • Photo voltaic panels or tiles • Micro wind turbines • Combined heat and power • Biomass boilers • Ground/air source heat pumps • Solar thermal hot water	(1)(3)(4)(5) To ensure the high quality physical environment of the business park is maintained. (2) To protect the residential amenity of Greatham village. (6)(7) To ensure new development is energy efficient.

Minimum Development Requirements	Reason
Surface Water and Sewer Drainage Infrastructure (8) Surface water drainage, will utilise Sustainable Urban Drainage methods and where possible incorporate habitat creation in the design. All new drainage will be designed to protect and accommodate any existing drainage and sewer infrastructure within the Queens Meadow business park, including provisions made for physical inspection and maintenance. All new drainage will be designed and constructed to a standard to allow adoption by the relevant infrastructure body. (9) EA TO PROVIDE MINIMUM REQUIREMENTS. Early consultation with Northumbrian Water Ltd, the Environment Agency and Hartlepool Borough Council, as a minimum, is essential to arrange an appropriate drainage infrastructure as part of any development (see contact details).	(8)(9) To ensure adequate drainage is provided.
Access, Parking and Road Infrastructure *Access & Parking Provision* (10) All new buildings and associated development will be required to be fully accessible by all users by a range of transport, including vehicular, pedestrian and cycling, and have regard to servicing arrangements and highway safety. (11) All new development will be in accordance with the most up-to-date version of "Design Guide & Specification for Residential and Industrial Estates Development" document. The document is available at the following weblink: http://www.hartlepool.gov.uk/downloads/file/610/highways_design_guide_and_specification *Internal Road Infrastructure* (12) All estate road continuation or extensions (ERE) carriageways will be a minimum of 7.3m wide, with a minimum 2m wide grass verge/service strip and minimum 2m wide footpath. Cycle path provision will be required and be designed to be consistent with existing adjoining cycle paths. (13) Access from a development site onto the estate road network will be via an access road being a minimum of 5.5m wide. (14) All new roads will be constructed to a standard to allow adoption by Hartlepool Borough Council. Early consultation with a Hartlepool Borough Councils Highways Officer (see contact details) is essential to ensure an appropriate infrastructure is delivered.	(10)(11)(12)(13)(14) To ensure newly constructed road infrastructure is of an adequate capacity and quality to allow adoption by the Borough Council.

Minimum Development Requirements	Reason
Landscaping & Planting *General Landscaping & Planting* (15) High quality landscaping incorporating indigenous planting and wetland habitat creation, where possible, will be required within the curtilage of all developments. Early consultation with a Hartlepool Borough Councils Arboricultural Officer (see contact details) is essential to ensure an appropriate infrastructure is delivered. (16) The landscape around each building should provide an attractive setting to the building and a high quality environment for its users. Semi-ornamental planting will be appropriate around the entrance and visitors car parking areas whereas service areas and incidental spaces will be planted with indigenous species of trees and shrubs. *Specific Landscaping & Planting* (17) Landscaping, fencing and appropriate screening and planting, which mitigate against the effects of noise and disturbance, will be required on developments on the Greatham village boundary (identified on diagram 1).	(15)(16) To ensure the high quality physical environment and natural habitat of the business park is maintained. (17) To protect the residential amenity of Greatham village.
Development Generated Noise and Disturbance (18) Development generating noise in excess of ##db will not be permitted. Early consultation with a Hartlepool Borough Council Environmental Health Officer (see contact details) is essential to ensure any new development is in accordance with the noise level threshold.	(18) To protect the residential amenity of Greatham village and other business park occupiers.
Outside Storage (19) Areas for outside storage will be appropriately designed to minimise visual impact and be sited to the rear of the development and effectively screened from the highway.	(19) To ensure the high quality physical environment of the business park is maintained.

Minimum Development Requirements	Reason
Contamination (20) If any contamination is identified, the development must remove, contain or otherwise render harmless the contamination previous to the development site being occupied. If contamination is found on site, early consultation with a Hartlepool Borough Council Engineer (see contact details) is essential to ensure any new development deals with any contamination effectively.	(20) To ensure that risk from land contamination to the future users of the land are minimised, together with those to controlled waters, property and ecological systems, and to ensure that the development can be carried out safely without unacceptable risks to workers, neighbours and other off-site receptors.
Crime Prevention (21) All developments will be encouraged to meet the principles of “Secured by Design”. (22) Early consultation with a Crime Prevention Design Advisor (see contact details) is encouraged to ensure any new development is in accordance with Secured by Design principles.	(21)(22) In the interests of crime prevention.
Environmental Impact Assessment (EIA) (23) All development must be subject to an EIA screening opinion to ensure that the proposed development is not an EIA development. The screening assessment must be undertaken by Hartlepool Borough Council’s Planning Services. Request for an EIA screening opinion must be made in writing to Hartlepool Borough Council’s Planning Services. The Council will respond to the request in a maximum of 21 days. (24) Development considered EIA development, through EIA screening, cannot be delivered through this Local Development Order and must be determined through a planning application.	(23)(24) To ensure any new development is not an EIA development.

End of Local Development Order…

4.2

CABINET

10th October 2011

HARTLEPOOL BOROUGH COUNCIL

Report of: Corporate Management Team

Subject: MEDIUM TERM FINANCIAL STRATEGY (MTFS) 2012/13 TO 2014/15

SUMMARY

1. PURPOSE OF REPORT

1.1 The purpose of the report is to update the MTFS and to enable Cabinet to commence the budget process for 2012/13.

2. SUMMARY OF CONTENTS

2.1 Previous budget reports have advised Members that the Government have provided a 4 year Spending Review for the Public Sector. For Local Government this only provided detailed Grant allocations for individual councils for two years (2011/12 and 2012/13) and headline Grant cuts in total Local Government funding for a further two years (2013/14 and 2014/15). These grant cuts are front loaded, with the greatest cuts in 2011/12 and then 2012/13.

2.2 The Government measured grant reductions in terms of reductions in 'spending power'. On this basis Hartlepool's Formula Grant per person in the first two years of the Spending Review is more than twice the national average reduction per person. In cash terms the reductions in the Council's Grants in 2011/12 and 2012/13 are significant, as summarised below.

	2010/11	2011/12 Grant cut		Cumulative Grant Cut by 2012/13 from 2010/11 base	
	Grant	£'m	%	£'m	%
Core Formula Grant	51.5	6.1	12%	10.2	20%
Specific and ABG Grants transferred to Core Formula Grant	7.8	1.2	15%	1.6	21%
Specific and ABG Grants transferred to Early Intervention Grant	8.9	1.9	21%	1.9	21%
Sub total	68.2	9.2	13%	13.7	20%
Working Neighbourhood Fund	4.9	4.9	100%	4.9	100%
	73.1	14.1	19%	18.6	25%

2.3 As a result of these grant cuts the Council needed to make significant budget cuts in 2011/12 and additional budget cuts will need to be made over the next three years. Local planning assumptions have been reviewed and these changes marginally increase the aggregate budget deficits. The revised forecasts will require the Council to make aggregate cuts of **£15.083m** (previous forecast £14.7m) by the start of 2014/15. These cuts need to be made on an annual basis as deferring cuts is not an option as the position would become unmanageable. The Council therefore needs to make the following annual cuts, which are broadly in line with the forecast reported in February 2011:

	Original Deficits £'m	Revised Deficits £'m
2012/13	6.600	6.767
2013/14	2.900	3.118
2014/15	5.200	5.198
Total	14.700	15.083

2.4 The Council also needs to fund one-off strategic costs, including redundancy/early retirement costs and (Housing Market Renewal (HMR) commitments, which it is estimated will be **£14m**. The redundancy/early retirement costs could be higher if schools do not buy-back existing services as further staffing redundancies would be unavoidable. There could also be redundancy/early retirement costs from cuts in other grant regimes and if these costs cannot be funded from the specific grant they will need to be funded by the Council. There is also a risk that the HMR cost could increase if the bid for Transitional Grant funding of £2m is not successful. These costs need to be funded from one-off resources as far as possible to avoid having to make higher cuts in the revenue budget.

2.5 Funding of **£9.6m** has been identified for these one-off costs from reviewing reserves, the forecast outturn and capital receipts already achieved. It is recommended that these resources are earmarked to fund the unavoidable one-off cost which will be incurred over the next three years. This proposal will protect the medium term financial position of the Council and avoid deferring unfunded and unavoidable financial commitments until future years when the financial position will be even more difficult and one-off resources will not be able. This situation would simply increase the level of cuts which need to be made to the revenue budget and services. Assuming this strategy is approved there is still a funding shortfall of **£4.4m.**

2.6 It is anticipated that a package of additional land sales over the next few years should address this shortfall. As these one-off strategic costs will be phased over the next three years it is anticipated that a capital receipts strategy can be developed which matches the annual need for resources with the achievement of capital receipts. This will include the purchase of land for resale within the next three years where there is a robust business case and this does not increase financial risk.

2.7 Assuming these land sales can be achieved within the required timescale this will avoid a revenue budget pressure from having to use Prudential Borrowing to fund the £4.4m shortfall.

2.8 In summary the report advises Members that the Council faces a very difficult financial position over the next three years, both in addressing an ongoing budget deficit of £15m and the need to fund unavoidable one-off strategic costs of £14m. The ongoing budget deficit needs to be addressed on an annual basis as deferring cuts is not an option as the position would become unmanageable and expose the Council to an unsustainable level of financial risk. The report outlines proposals to address the 2012/13, including detailed proposals for departmental savings and the residual deficit to be funded from project savings, which are not yet known and will need to be reviewed later in the year. The report also outlines some measures to begin to address the deficit in 2013/14. In relation to the unavoidable one-off strategic costs these need to be funded as far as possible from one-off resources to avoid these costs falling on the main revenue budget, which would increase the level of cuts which need to be made over the next three years.

3. RELEVANCE TO CABINET

3.1 The report enables Cabinet to determine the final Budget and Policy Framework proposals it wishes to refer to Cabinet.

4. TYPE OF DECISION

4.1 Budget and Policy Framework.

5. DECISION MAKING ROUTE

5.1 Cabinet 10th October, Cabinet 19th December 2011 and 5th February 2012 and Council 9th February 2011.

6. DECISION(S) REQUIRED

6.1 It is recommended that Cabinet:

i) Note the report;

ii) Approve the consultation issues detailed in section 10;

iii) Note that a without prejudice voluntary redundancy sweep will be undertaken to determine the level of employee interest and whether there is scope for this to help manage the position for 2012/13;

iv) Approve the development of a capital receipts disposal strategy, including the purchase of land for resale within the next three years where there is a robust business case and this does not increase financial risk, based on the proposed land sales detailed in Appendix E and authorise officers to progress these sales, subject to the Finance and Procurement Portfolio Holder approving individual land sales.

Report of: Corporate Management Team

Subject: MEDIUM TERM FINANCIAL STRATEGY (MTFS) 2012/13 TO 2014/15

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1. PURPOSE OF REPORT

1.1 The purpose of the report is to update the MTFS and to enable Cabinet to commence the budget process for 2012/13.

2. BACKGROUND

2.1 Previous budget reports have advised Members that the Government have provided detailed Local Government Grant allocations for only two years (2011/12 and 2012/13.)

For the second half of the spending review period (2013/14 and 2014/15) the Government have only provided details of the headline national cuts in Local Government funding. The consultation document published in July 2011 outlining the Governments proposals to re-localise Business Rates confirms the headline cuts in Local Government funding for 2013/14 and 2014/15. Details of the cuts in individual councils funding for these years will not be known until after the Government have completed a review of the current funding system for councils.

2.2 For planning purpose the MTFS assumes that in 2013/14 and 2014/15 Hartlepool's grant will decrease in line with the National Grant cuts. As indicated previously this is likely to be an optimistic assumption and actual grant cuts are anticipated to be higher than the national cuts, for two reasons.

Firstly, experience of the grant cuts in 2011/12 and 2012/13 indicates that local funding cuts are likely to be higher than the national average. Secondly, an assumption that the Government's review of the current funding system will have an adverse impact on areas with greater dependency on Government Grants and a lower proportion of expenditure funded from Council Tax, such as Hartlepool.

2.3 At this stage insufficient information is available to assess the potential impact of these changes. The position will need to be reviewed when more information is provided by the Government. In the meantime the known grant cut for 2012/13 and existing planning assumptions for 2013/14 and 2014/15 mean the Council will need to make further budget cuts before the start of 2014/15 (i.e. by March 2014) and in February 2011 these were estimated to total £14.7m.

2.4 The forecast budget deficits also reflect the following planning assumptions:
- Council Tax is increased by 2.5% per year for 2012/13 to 2014/15.
- The national public sector pay freeze applies to Local Government employees in 2011/12 and from 2012/13 cost of living pay awards do not exceed the provision included in the MTFS.
- Demographic and unavoidable cost pressures do not exceed the headroom provision of £1m per year included in the MTFS.
- Non-pay inflation pressures over the period of the MTFS do not exceed 2.5% per year.

2.5 The review of the MTFS needs to address the key financial issues and risks affecting the Council and the linkages between the following areas;
- The core revenue budget
- Funding of redundancy/early retirement costs and other decommissioning costs of reducing the core revenue budget
- Housing Market Renewal Exit strategy
- Capital receipts and potential capital investment
- Review of Reserves and financial risks

2.6 These issues need to be considered as an overall strategic framework for developing a coherent financial strategy and short and medium term plans to address these. This will be essential to ensure the Council can manage the most significant financial challenges since 1996, whilst maintaining a focus on delivering agreed strategic priorities. The strategy also needs to address financial risks which will increase at a time of reducing resources.

2.7 Whilst the report expresses the financial position and financial risks facing the Council over the next three years in monetary terms, these issues are fundamentally about the future nature and shape of the Council and services; sustainability, levels and methods of delivery.

2.8 The financial challenges facing the public sector and councils are greater than anything which has existed in the past 50 years. This reflects both the national financial position and ongoing demographic issues. Addressing these will require the Council to adopt a range of measures including reassessing priorities, new ways of working, including issues such as joint working with other councils/organisations, trading companies and trusts where these provide financial savings and protect services.

2.9 The budget deficits will need to be addressed through a series of measures, some of which will have longer lead in times running over more than one financial year. Therefore, some decisions may need to be taken by Cabinet and Council outside the traditional budget cycle to ensure financial benefits can be achieved within the required timescales. This will include making difficult decisions in advance of when cuts are reflected in the MTFS to provide time, where appropriate, to complete detailed consultation on proposals (which may be governed by statutory requirements – increasingly equality impact assessments), to enable the new service delivery methods to be worked up to ensure implementation is safe and sustainable, to address legal issues, such as the impact of TUPE regulations and procurement timescales (including compliance where appropriate with European procurement procedures and timescales).

3. 2012/13 T0 2014/15 REVENUE BUDGET

3.1 The existing planning assumptions indicate that the Council needs to make further budget cuts of £14.7m before the start of 2014/15 (this is on top of the £10m cuts implemented for the current year). As a result of the Governments decision to front load grant cuts the Council needs to make £6.6m of these additional cuts before the start of 2012/13 and this will be very challenging. If these cuts are not made in 2012/13 this will mean that cuts of £9.5m need to be made in 2013/14. This situation needs to be avoided as the higher level of cuts in 2013/14 would be extremely challenging to manage and would significantly increase the financial risk the Council needs to manage. The remainder of this report therefore assumes that the Council will address the annual budget deficits by implementing permanent reductions in the budget over the next three years. This position is summarised below:

	2012/13 £'M	2013/14 £'M	2014/15 £'M
Gross Cumulative Deficit	7.8	11.7	18.2
Indicative Annual Council Tax increases of 2.5%	(1.2)	(2.2)	(3.5)
Gross Cumulative Deficit net indicative Council Tax increases	6.6	9.5	14.7
Ongoing cuts implemented in previous years	0	(6.6)	(9.5)
Annual deficit	6.6	2.9	5.2

3.2 A detailed report was submitted to Cabinet on 8th April 2011 outlining the structure and content of the Business Transformation Programme (BTP) 2. The proposed programme consists of four broad areas covering the BT programme, planned reductions, projects and income generation. This programme aims to deliver approximately £5.3m of budget reductions for 2012/13.

3.3 Departmental targets have been set for the first two elements of the BTP 2 programme as follows:

- Child and Adult Services £2.743m
- Chief executives Department £0.646m
- Regeneration and Neighbourhoods £1.998m
- Total £5.387m

3.4 These targets need to be delivered through a variety of initiatives and departments are working to achieve these targets. Proposals for achieving these targets are detailed in Appendix A. If these targets are not achieved alternative cuts will need to be made to balance next year's budgets. It is therefore important that this work is progressed and that decisions are taken during 2011/12 to avoid the need for emergency measures, which would undoubtedly be significantly more difficult and damaging. As previously reported a range of potential projects have been identified which it is intended will contribute significantly towards bridging the remaining 2012/13 deficit of £1.213m. This will require review throughout the year. It is anticipated that projects will deliver savings over a number of years, although targets have not been set for individual projects. In 2012/13 it is expected that a significant saving should come from the proposed ICT/Revenues and Benefits procurement project. Other projects will need to bridge the remaining gap and this position will need to be reviewed when the ICT/Revenues and Benefits tenders are known. The review of commissioning arrangements with the voluntary sector, including the Community Pool review, should also provide a saving towards the net 2012/13 budget deficit. This will be a subject to a separate report to Cabinet.

3.5 **Revised Budget forecasts 2012/13 to 2014/15**

3.6 The budget forecasts for 2012/13 have been updated to reflect the initial pressures identified and other changes in planning assumptions. Pressures have been identified on the basis of permanent income shortfalls and unavoidable legal, contractual or demand lead commitments of maintaining existing services. For 2012/13 pressures total £1.711m, as detailed in Appendix B. This is more than the £1m headroom included in the 2012/13 budget forecasts for potential pressures and therefore increases the budget gap as it is recommended these are funded. A number of other potential pressures have been identified, as detailed in Appendix C. It is currently recommended that these items should not be funded.

3.7 The planning assumptions for 2012/13 to 2014/15 have also been reviewed and changes in these factors are detailed in Appendix D. These factors will need to be reviewed on an annual basis to reflect Government policy changes and external drivers. For example, in 2012/13 the Government have indicated funding for remanding children and young people will transfer to local authorities. This is a complex issue and the Local Government Association (LGA) is currently working with the Government to ensure funding transfers reflect the full and true costs of youth remands, including a realistic estimate of the reductions in young people remanded to secure custody as a result of changes arising form the Legal Aid, Sentencing and Punishment of Offenders Bill. The LGA is also pursuing the issues of unexpected events beyond an individual local authorities control which lead to a sudden increase in the youth remand population. Further details will be reported when they become available. Similarly, in 2013/14 it is expected that the Government will remove the Non Fossil Fuel Obligation (NFFO) grant which currently reduces the costs of incinerating waste. This cost increase will be party offset by the incinerator operators entering into an arrangement to sell electricity to the national grid and using this income to replace the loss of the NFFO grant.

3.8 For 2012/13 the revised planning assumptions provide a net benefit of £0.544m, which partly offsets the additional pressures identified above. When account is taken of the increased pressures and the benefits of the revised planning assumptions the revised deficit for 2012/13 is **£6.767m**, compared to the original forecast of £6.6m. Assuming the planned departmental budget cuts of £5.387m are achieved, as detailed in paragraph 3.3, the Council still needs to bridge a gap for 2012/13 of £1.38m.

3.9 The revised deficits for 2013/14 and 2014/15 assume that each years budget will be balanced on an annual basis by making **permanent** cuts in expenditure. This is the recommended route to ensure a secure financial base and an ability to manage future years' cuts. The revised planning forecasts include an ongoing benefit from the New Homes Bonus regime, which the Government has stated will be paid for six years. The income for 2012/13 and future years is not guaranteed, although it is based on a prudent assessment of anticipated house building growth. Including this anticipated income introduces a new potential risk to the MTFS, which at this stage is expected to be manageable. This will need to be reviewed annually when the Government announces annual allocations for the New Homes Bonus payable to individual councils. There is a risk this income could be offset by further cuts in Formula Grant which may be implemented by the Government to fund additional national top ups of the New Homes Bonus regime. This will also need to be reviewed annually.

3.10 **The 2012/13 pressures and revised planning assumptions marginally increase the overall deficit which needs to be addressed before the start of 2014/15 from £14.7m to £15.083m. The impact on annual deficits is summarised below:**

	Original Deficits £'m	Revised Deficits £'m
2012/13	6.600	6.767
2013/14	2.900	3.118
2014/15	5.200	5.198
Total	14.700	15.083

3.11 Strategy for managing budget position for 2013/14 and 2014/15

3.12 The MTFS assumes that the 2012/13 budget is balanced on a sustainable basis through a combination of departmental cuts and project savings. The Council will then still face significant deficits in 2013/14 and 2014/15.

3.13 A detailed strategy will need to be developed to address these deficits. There will not be a single approach to addressing these deficits and a range of measures will be required.

3.14 Some proposals will have much longer lead in times running over more than one financial year. Some decisions will need to be taken by Cabinet and Council outside the traditional budget cycle to ensure financial benefits can be achieved within the required timescales.

3.15 This will include making difficult decisions in advance of when cuts are reflected in the MTFS to provide time, where appropriate, to complete detailed consultation on proposals (which may be governed by statutory requirements – increasingly equality impact assessments), to enable the new service delivery methods to be worked up to ensure implementation is safe and sustainable, to address legal issues, such as the impact of TUPE regulations and procurement timescales (including compliance where appropriate with European procurement procedures and timescales).

3.16 Addressing future deficits will require the Council to adopt a range of measures including reassessing priorities and new ways of working. There are a broad range of potential avenues that may be considered in taking forward such a challenging agenda. Cabinet agreed, at the meeting of 24th January to the exploration of the potential for joint working with another authority to be explored. This was to consider the feasibility and options that may be available through such a change and the issues and implications that may be attributable to it. The potential for financial savings, whilst aiming to protect front line service provision is also a key consideration in any such consideration. In addition a range of other potential options are available to the Council in respect of trading companies and the potential for trust arrangements to be developed in respect of certain service areas. Such arrangements, in the context of the budget deficit may primarily be mechanisms for safeguarding services rather than the delivery of significant savings. In addition there are a number of further potential reconfigurations and potentially significant transformations to services including areas such as waste management. Details of these issues will be the subject of separate reports as more detailed proposals and issues for consideration are worked up to enable Cabinet to determine their agreed way forward.

4.0 ONE OFF STRATEGIC FINANCIAL ISSUES

4.1 In addition to managing cuts in the General Fund revenue budget the Council will also need to manage the following strategic financial issues:

- Redundancy and early retirement costs;
- Housing Market Renewal costs;
- Land Remediation costs;
- Capital investment requirements;

4.2 Further details for each of these issues are provided in the following paragraphs:

4.3 Redundancy and early retirement costs

4.4 Given the scale of the budget deficits over the next three years of £15.083m reductions in the size of staffing establishments and staff will be unavoidable. The Council will continue to seek to minimise compulsory redundancies wherever possible. However, it will become increasingly difficult to manage the position through vacancies and redeployments given the diverse nature of different services and the specialist / professional staff required in many areas. There will also be fewer vacancies to manage owing to the nature of the employment market and reduced opportunities in other councils, areas of the public sector or the private sector. Therefore, it is inevitable that significant voluntary and compulsory redundancies will be unavoidable over the next three years.

4.5 At this stage it is not possible to estimate the number of potential redundancies, either voluntary or compulsory. For 2012/13 these details will be identified as proposals for achieving the BTP 2 savings targets are developed. It is proposed to undertake, on a without prejudice basis, a voluntary redundancy sweep to determine the level of employee interest and determine if there is scope for this to help manage the position for 2012/13.

4.6 In financial terms redundancy costs (which will include pension costs where appropriate) will be significant. Therefore the potential costs of redundancies over the next three years needs to be quantified so that a financing strategy for these costs can be developed. If this is not done the Council will have to manage unidentified financial commitments when they arise. This approach would increase the level of revenue cuts to be made over the next few years. To avoid this situation a proactive strategy is needed.

4.7 The starting point for this strategy is the proportion of the current General Fund Budget spent on pay related costs (i.e. basic pay, national insurance and pension contributions). This is around 56%, including the pay element of Trading Account recharges. In practise the percentage of the 'controllable' budget spent on pay related costs will be higher as significant elements of the non-pay budget are driven by external and demand lead pressures and cannot be reduced in the short-term. Therefore, for planning purposes 56% is a prudent planning assumption.

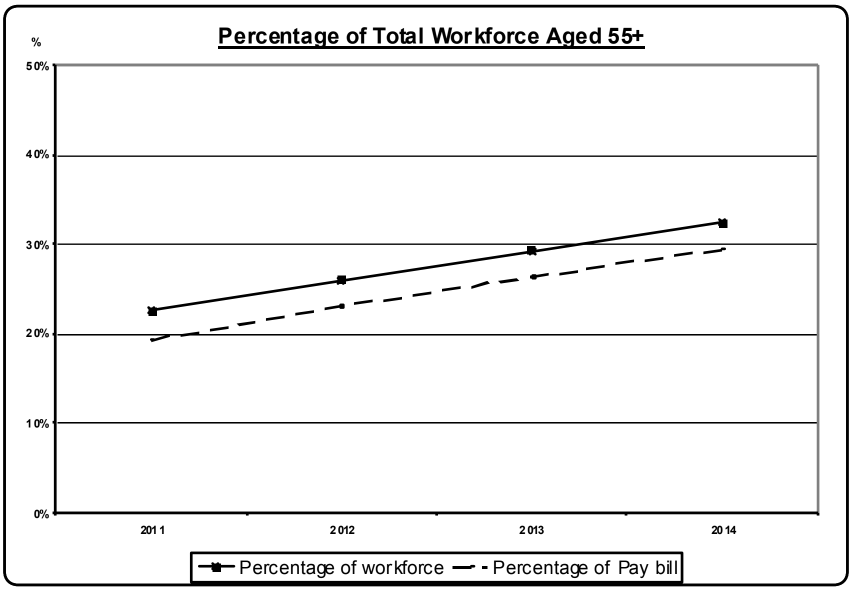
4.8 This figure suggests that around £8m of the required budget reductions (i.e. 56% of £14.5m) over the next three years will impact on pay related budgets. This is broadly in line with the proportion of the £5.6m service cuts made in 2011/12 which came from pay related budgets.

4.9 The second stage is to look at the level of anticipated redundancy and early retirement costs. Redundancy costs are reasonably predictable as the Council pays no enhancements and the maximum redundancy payment is capped at 30 weeks pay (this is understood to be the lowest in the North East). The position on early retirement costs is more difficult as these depend on the age and pensionable service of individual employees.

4.10 To assess potential redundancy and early retirement costs the most reliable basis is to look at experience over the last 2 years, which totalled £5.8m. The following table shows the value of total redundancy and early retirement costs as a percentage of the pay savings achieved. This analysis provides a common basis for comparison of 'cost to savings' for employees at different salary levels. The table also shows the pay back period for these one-off costs, as this demonstrates how quickly the one-off costs are repaid from ongoing savings from permanently reducing pay costs. For both years this was well within the Councils maximum pay back period of 3.05 years:

	Redundancy and early retirement costs as a percentage of pay savings achieved	Pay back period for Redundancy and early retirement costs
2010/11	125%	15 months
2011/12	60%	7 months
Average	**92%**	**11 months**

4.11 The lower percentage cost and pay back period in 2011/12 reflected the impact of an increase in the age employees made redundant were eligible for their pension from 50 to 55 from 1st April 2010. This provided a temporary financial benefit to the Council. Over the next three years the proportion of employees who will be 55 will increase, and by 1st April 2014 approximately 32% of the workforce will be 55 or older. The pay costs of these workers represents around 30% of the pay bill, which confirms that workers aged around 55 are evenly spread across different pay grades, as detailed in the graph below. On the basis of these trends there is a greater probability that redundancy and early retirement costs will be more in line with the average for the two years.



4.12 Based on the factors outlines in the previous paragraphs the Council faces significant redundancy and early retirement costs. On the basis of experience over the last two years these costs are estimated between £5m and £10m.

4.13 For planning purposes it would be prudent to use the average estimate for these costs of £7.5m over the next 3 years. Further work is needed to determine the phasing of these costs over the next three years. There is a risk that these costs may be higher and the position will need to be reviewed on an annual basis. This forecast makes no provision for redundancy and early retirement costs arising from cuts in specific grants. Where possible these will be funded from the available grant funding. However, this is not always possible owing to commitments against grant funding and specific grant conditions which exclude redundancy and early retirement costs as eligible expenditure. In these instances these costs will fall on the Council.

4.14 Redundancy and Early Retirement costs could be significantly higher if schools, including those which may convert to academy status, do not continue to buy back services from the Council. If this occurs the Council would need to scale back and/or cease these services completely. This issue affects most areas of the Council and the table overleaf provides a summary of current income from school buy back arrangements. Further work is needed to assess this risk. Work also needs to be completed to assess the proportion of this income which funds pay costs, although given the nature of the services provided pay costs will make up a high percentage of the overall costs. Therefore, if schools do not buy back services the redundancy and early retirement costs over the next few years could increase by several million pounds.

	Value of current school buy back arrangements £'000
Child and Adult Services	1,822
* Chief Executives Dept.	1,061
Regeneration and Neighbourhoods	4,800
Total	7,683

* Chief Executives could also be affected if schools don't buy back existing services from other Council departments.

4.15 Given the scale of anticipated redundancies over the next few years the Council may face an increased risk of Employment Tribunals. Existing procedures should mitigate this risk, although as with all risk it cannot be entirely removed. Any Employment Tribunal costs, including the cost of successfully defending claims will need to be funded from the resources allocated for redundancy and early retirement costs. Similarly, where employees can be redeployed there may be temporary protection costs which also need to be funded from these resources.

To maximise the period available for formally consulting with staff and Trade Union representatives it is proposed that the Chief Customer & Workforce Services Officer be authorised to proceed with formal redundancy consultations in conjunction with the Corporate Management Team on the basis of the proposals set out in this report. The outcome of consultations will be incorporated into further reports presented to Cabinet.

4.16 **Housing Market Renewal (HMR)**

4.17 A report was submitted to Cabinet on 4th August 2011 to advise Members of the latest position on the Carr/Hopps Street HMR scheme following the Government's withdrawal of HMR funding. The report advised Members that the Government have now recognised that the complete withdrawal of HMR funding has left a number of councils with a difficult position to manage. In response the Government have decided to provide some transitional funding to assist councils to manage the position. The Government have stated that this funding is not intended to enable HMR schemes to be completed as originally planned and is only designed to achieve a 'managed exit'. Transitional funding is subject to a regional bidding process and Hartlepool's bid has been included in the Tees Valley submission. Nationally the Government are providing £30m and it is understood that bids significantly exceed this amount.

4.18 A decision will not be known on the funding application until later in the year. Assuming this application is successful the Council will still need to fund significant costs from its own resources to complete this scheme. If the bid is not successful the Council's funding shortfall will increase by £2m.

4.19 The Council also potentially faces additional HMR costs for the Perth/Hurworth Street scheme as a result of a recent independent arbitration of property values following an appeal against the Councils valuation. Officers are currently assessing the impact of this decision and seeking legal advice on the options open to the Council. An initial assessment indicates that the Council will incur additional costs over and above those expected when this project commenced in 2008. As these costs exceed the available grant funding they will need to be funded by the Council from its own resources. It is therefore prudent to factor these into the MTFS.

4.20 In total it is expected that the Council will need to fund HMR costs of £4.5m from its own resources, assuming the bid for transitional funding of £2m is successful and there are additional costs for the Perth/Hurworth Street scheme. The actual figure could be higher if the HMR Transitional Grant allocation is less than the Councils bid. Owing to the complexity of these projects and phasing over a number of years there is also a risk that these costs will increase before the projects are complete. This position will therefore need to be managed carefully over the next few years.

4.21 Once the HMR sites are fully assembled and cleared the Council will be able to market these sites. This may achieve a capital receipt, although this will be significantly less than the costs which need funding. In addition, market conditions in these areas mean it is unlikely that a capital receipt will be achieved and the Council may have to use the land value as 'match funding' to attract a developer. As this project will take a number of years to complete a funding strategy for these costs is needed.

4.22 Land Remediation costs

4.23 Officers from the Council and the Environment Agency have recently completed investigation of land contamination at the former Leathers chemical site. This investigation indicates some remediation works are needed to make this site safe, although there is no risk to public health. It is estimated these works will cost £1m. These costs are not eligible for Government funding and will need to be funded from the Councils own resources.

4.24 Capital Investment Requirements

4.25 In previous years the Council has used Prudential Borrowing to provide an annual budget for a 'Council Capital Projects'. The repayment costs of using Prudential Borrowing have then been included as a budget pressure.

4.26 Given the size of the budget deficits over the next few years this approach is less appropriate and an alternative strategy is needed to avoid an ongoing budget pressure.

4.27 It is therefore suggested that a one-off 'Council Capital Projects' budget of £1m is established on a contingency basis from one-off resources. It is also suggested that this amount is allocated on a case by case basis when unavoidable commitments arise and/or to meet match funding commitments which achieve the Council's priorities. Individual projects would need to be approved by Cabinet and Council.

4.28 Summary of One-off Strategic Costs

4.29 The one-off Strategic Financial issues detailed in this section are in **addition to** the General Fund budget deficit and have a total value of £14m, which consists of one-off revenue and capital items as summarised below:

	Revenue Costs £'m	Capital Costs £'m	Total Costs £'m
Redundancy/ Early Retirements costs	7.5	0.0	7.5
Housing Market Renewal	0.0	4.5	4.5
Land Remediation costs	0.0	1.0	1.0
Capital Investment Requirements	0.0	1.0	1.0
Total	7.5	6.5	14.0

5.0 **Strategy for funding One–off Strategic Costs**

5.1 Given the scale of the ongoing revenue budget deficit and the need to make significant budget cuts a strategy for funding these one-off costs needs to be developed. This needs to mitigate, as far as possible, the impact of these one-off strategic costs on the Councils revenue budget and the delivery of front line services. The proposed strategy is based on an assessment of the timing of expenditure commitments over the next 3 years, which will need managing.

5.2 The proposed financing strategy is based on a range of measures covering a review of existing reserves and risks, the 2011/12 forecast outturn and the use of uncommitted capital receipts already achieved.

5.3 As detailed in the following table the estimated one-off costs exceed available resources by £4.47m, assuming Members approve the proposals within this report.

Summary one-off commitments and proposed funding

	2012/13 £'000	2013/14 £'000	2014/15 £'000	Total £'000
Expenditure Commitments				
Revenue				
Redundancy and Early Retirement costs	3,300	1,500	2,700	7,500
Capital				
Housing Market Renewal	1,400	2,700	400	4,500
Land Remediation costs	1,000	0	0	1,000
Council Capital Fund	1,000	0	0	1,000
Total forecast expenditure commitments	6,700	4,200	3,100	14,000
Less Available Funding				
Revenue				
Review of reserves	(2,250)	(1,100)	(2,700)	(6,050)
2011/12 Forecast Outturn	(1,650)	(330)	0	(1,980)
	(3,900)	(1,430)	(2,700)	(8,030)
Capital				
Capital Receipts already achieved	(1,500)	0	0	(1,500)
Total available funding	(5,400)	(1,430)	(2,700)	(9,530)
Unfunded forecast expenditure commitments	1,300	2,770	400	4,470

5.4 The forecasts in the above table assume that costs will be phased over the next three years. For financial planning purposes redundancy and early retirement costs are expected to follow the annual budget deficits, although in practise there will be some variation between years. HMR profiling reflects the Director of Regeneration and Neighbourhood Services assessment of the phasing of this scheme. The forecasts also assume costs do not exceed current estimates and the resources identified in the above table are earmarked for these commitments. This strategy is also dependant upon earmarking revenue resources (i.e. reserves and resources from the 2011/12 forecast revenue outturn) to fund revenue commitments which cannot currently be capitalised (i.e. redundancy costs) and revenue costs which cannot be capitalised at all (i.e. pensions costs arising from redundancies). This strategy means that capital receipts will be allocated for capital commitments and will need to be achieved on a phased basis. The proposed strategy should, if the required capital receipts are achieved, avoid these costs falling on the main revenue budget and impacting on services if additional one-off resources can be achieved.

5.5 At this stage bridging the estimated residual gap will be wholly reliant on achieving capital receipts over the next three years. A number of sites have been identified, which it is expected will achieve net capital receipts of £5m and therefore cover the forecast funding shortfall. Achieving these capital receipts will be challenging in the current financial climate. The Director of Regeneration and Neighbourhoods indicates that whilst this will be challenging there is demand from developers for smaller development sites across Hartlepool. The sites detailed in Appendix E are therefore expected to be attractive to developers and the Council should be able to achieve the capital receipts required by 2014/15. A capital receipts strategy needs to be developed which matches the annual need for resources with the achievement of capital receipts. This capital receipts strategy will also include the purchase of land for resale within the next three years where there is a robust business case and this does not increase financial risk. The purchase and resale of land will need to be managed carefully to ensure annual capital receipts match annual expenditure commitments and avoid unbudgeted revenue costs from using Prudential borrowing to fund any shortfall. Achieving the required capital receipts will be based on the asset sales identified in Appendix E. These proposals should begin to generate capital receipts in the current year and phasing in future years should ensure further capital receipts are achieved to fund the annual commitments detailed in paragraph 5.3, as summarised below.

<u>Forecast Capital Receipts - 2011/12 to 2014/15</u>

Year	Forecast receipts £'000
2011/12	1,000
2012/13	3,000
2013/14	0
2014/15	1,000
Total	5,000

5.6 In the event that the shortfall cannot be bridged from capital receipts these costs will need to be funded from Prudential Borrowing. This fall back position assumes that the shortfall relates to expenditure which can be capitalised. It is anticipated that the phasing of forecast expenditure commitments and available resources will enable this requirement to be achieved.

5.7 The fall back position of using Prudential borrowing would have an additional unbudgeted revenue cost of up to £0.4m. This would increase the cuts needed in 2014/15, which would make the budget position even more difficult and increase the impact on services.

5.8 The following paragraphs provide further details relating to the resources identified in the previous paragraphs from reviewing of reserves and risks, the 2011/12 forecast outturn and uncommitted capital receipts already achieved.

5.9 **Review of Reserves and Risks**

5.10 As Members will recall from the annual budget and Council Tax setting process the Local Government Act 2003 requires an Authority's Chief Finance Officer (CFO) to advise Members on the robustness of the budget forecasts and the proposed level of reserves. If Members ignore this advice, the Act requires the Authority to record this position. This latter provision is designed to recognise the statutory responsibilities of the CFO. In practise this situation has not previously arisen for the Council.

5.11 This guidance is equally applicable when Members are reviewing the existing level, purposes and risks being managed through the Council's reserves as ultimately any changes will feed through into next years formal budget and Council Tax setting report to full Council. The review of reserves and risks therefore reflects these requirements to ensure that proposals are robust and the CFO can provide assurance to Council in February 2012 that the 2012/13 budget proposals and level of reserves are robust.

5.12 The risks facing the Council have evolved since the 2011/12 budget was set. It is therefore appropriate to review reserves to address these issues and the significant financial challenges facing the Council over the next few years.

5.13 At the 31st March 2011 the Council had total reserves of £39.023m. This includes reserves held in trust for schools which cannot be spent by the Council and capital reserves earmarked to fund capital expenditure commitments rephased into 2011/12.

5.14 The value of reserves at 31st March 2011 was also affected by the timing of the Transitional Grant provided by the Government in response to the significant cut in the 2011/12 Formula Grant, which was at the maximum level. The Council determined to use the Transitional Grant to fund redundancy and early retirement costs relating to the 2011/12 budget cuts. These costs were paid in 2010/11 and the Transitional Grant was received in 2011/12. Owing to this timing difference the costs in 2010/11 were temporarily funded from reserves. Therefore, the Transitional Grant needs adding back to the level of reserves at 31st March 2011.

5.15 When account is taken of these amounts the net reserves available for review is £25.379m, as summarised overleaf

	£'000
Balance 31.03.11	39,023
Add – Repayment from Transitional Grant	1,846
Less:	
School Reserves (includes non DSG reserves)	(6,027)
Lotteries and Museum Acquisitions Reserve	(483)
Capital Reserves	(7,545)
Budget Support Fund	(1,435)
Net Reserves available for review	25,379

5.16 Appendix F provides a detailed schedule of the net reserves summarised above. This provides an explanation of the risk individual reserves are earmarked to manage and the reason individual reserves need to be maintained. As previously reported reserves are held to manage a range of risks and many of these risks will occur in future years. It is therefore important to maintain these reserves to protect the Councils medium term financial position. These reserves can only be used once and once they are used any unfunded risks need to be funded from the revenue budget.

5.17 The review of reserves is based on a detailed re-assessment of the risks individual reserves were originally earmarked for. This re-assessment of risk identifies which reserves need to be maintained, those that can be scaled back and those that are no longer needed. In total the re-assessment of risks has identified £6.044m of reserves which can be released to partly fund the forecast one-off strategic costs, as summarised below:

Sumary of Reserves Avalibale for Review

	Balance at 31/03/2011	Released for Redundancy /Early Retirement costs	Reserve to be Retained to manage on-going risks
	£000	£000	£000
Corporate	14,651	3,116	11,535
Chief Execs	1,395	548	847
Adult	3,427	1,174	2,253
Children's	3,233	510	2,723
Regeneration & Neighbourhoods	2,673	696	1,977
	25,379	**6,044**	**19,335**

5.18 As indicated in the above table the Council also needs to retain reserves with a total value of £19.335m at 31st March 2011 to manage specific risks and to fund existing commitments. This includes reserves allocated to manage Equal Pay/Equal Value claims, demand lead risks relating to Looked After Children and older people, the Insurance Fund and the uncommitted General Fund Balance – which needs to be maintained to address emergency situations and would need to be repaid if used on a temporary basis.

5.19 As requested by Members further details on the reserves created as part of the 2010/11 final outturn strategy will be reported in the quarter 2 financial management report. This analysis will identify the value of these reserves which it is currently anticipated will be used in the current year, the value of these reserves which will be carried forward at the end of the year to meet ongoing risks (as not all risk will arise in the current year) and a description as to why some of these reserves need to be carried forward.

5.20 **Forecast 2011/12 Outturn**

5.21 The Council is managing a 2011/12 gross revenue budget (excluding school budgets) of nearly £211m, which is funded from a combination of Council Tax, Formula Grant, specific grants and income from fees and charges. The Council needs to manage both expenditure and income budgets as any adverse variances need to be funded from the net budget of £91.9m. At the time of preparing this report work is ongoing to estimate the first forecast outturns for the current year and details will be reported to a future Cabinet meeting. These initial outturns will be based on the financial position for the first sixth months of the financial year. The forecasts will be updated as the year progresses, particularly the forecasts for the more complex and volatile income and expenditure budgets.

5.22 At this stage a number of issues are beginning to emerge and initial outturns have been prepared. It is anticipated that these issues will provide a one-off net benefit in the current year of £1.980m, as detailed in Appendix G. The key issues include the following:

- Centralised Estimates saving

  The benefits of netting down investments and borrowings have continued longer than expected owing to the fragility of the economy and the Bank of England's decision not to increase the bank rate. This strategy also reduces the level of investment counter party risk at a time of continuing uncertainty in financial markets arising from uncertainty in both Europe and America.

  The Council's strategy is not sustainable as short-term interest rates will increase and the Council's ability to avoid long term borrowing will reduce as reserves are used up. This is therefore a risk area. The timing of new long term borrowing will need to be carefully managed to ensure the annual repayment and interest costs relating to the corporate Capital Financing Requirement (the level of capital expenditure funded from borrowing – £83m at 31st March 2011) does not exceed the available budget and become a budget pressure.

The approved Treasury Management Strategy provides the basis for managing this position. This strategy was prepared before the downgrading of American Government debt. It is not yet clear what impact this decision will have on the rating of other countries, including the UK, although it probably increases the risk of further downgrades. This will then feed through to higher interest rates as investors demand a higher return for holding Government debt.

The sustainability of the Council's existing strategy is also adversely affected by the Government's decision last year to increase all Public Works Loan Board (PWLB) interest rates by 1% (effectively a 20% increase in the cost of longer term interest rates). This change has increased medium and longer term PWLB interest rates to the level expected in 2 or 3 years time.

This continues to be a significant risk area. The Council may need to move quickly when short term interest rates begin to increase to protect the medium term budget position and avoid a budget pressure, which would be significant. This risk will be managed by locking into longer term interest rates when this is deemed appropriate to avoid a permanent budget pressure. Timing of these decisions will be key to managing this risk – both to avoid a permanent pressure or locking in too early and increasing costs sooner than is necessary.

- Advance 2012/13 BTP 2 savings

The BTP 2 programme is planned to deliver total savings of £5.3m towards the £6.6m budget deficit for 2012/13. Owing to the complexity and long lead times for a number of BTP 2 initiatives implementation of some projects has commenced in the current year. This is necessary to ensure the full year savings will be achieved from 1st April 2012. The achievement of these saving is essential if the Council is to set a balanced budget for 2012/13 and has confidence that proposed saving will be achieved and are sustainable.

There will be a part year benefit in the current year from implementing these savings earlier, which is currently estimated at £0.9m. Assuming other areas of the overall 2011/12 budget are on target at the year end these savings will be available as a one-off benefit.

- Income Shortfalls 2011/12

The 2010/11 Outturn Strategy made provision of £0.574m for the aggregate shortfall in income for the Shopping Centre, land charges and car parking. Income trends so far this year indicate this provision will all be needed. On the basis of information provided by the Shopping Centre owners there is a risk that the actual Shopping Centre shortfall may be higher than the amount included in the provision for income shortfalls. This issue will be reviewed when more information is available and there is greater certainty over income levels. As this is the third successive year there has been a shortfall in these income streams these issues are included as a budget pressure for 2012/13.

No provision was made in the 2010/11 outturn strategy for income shortfalls in the current year for Development Control and Building Control income. Last year the total shortfall for these areas was around £0.1m and this was managed within the overall Regeneration and Neighbourhoods outturn. This outturn was after the receipt of income for major one-off developments which will not be repeated. The level of income in the current year is being affected by the continued weakness in the economy and a total shortfall of up to £0.25m is currently expected for these areas. This shortfall will need covering in 2011/12. Further work is needed to assess the ongoing position in 2012/13 and the scope for reducing costs. For planning purposes it would be prudent to earmark £0.25m to cover these trends continuing into 2012/13. Hopefully, the economy will begin to recover before 2013/14 and avoid this becoming a permanent pressure.

5.23 The Outturn forecasts summarised above and detailed in Appendix G exclude the anticipated saving from the establishment of a temporary post of 'Acting Chief Executive' and associated backfilling arrangements. Council has set a minimum net savings target of £70,400. It is anticipated that this amount should be exceeded, although a final figure was not available when this report was prepared. It is suggested that views on the use of this saving should be requested as part of the budget consultation process.

5.24 ncommitted capital receipts already achieved

5.25 The Council currently has uncommitted capital receipts from previous asset sales of £1.5m. Part of these monies has been temporarily committed to facilitate the purchase of the former Focus building to release land at Tanfield Road. The completion of this purchase and sale will increase capital receipts. This will help provide the additional capital receipts required for one-off commitments as detailed in paragraph 5.3.

6 Impact of Government proposals for changing Business Rates and Council Tax benefit funding arrangements

6.1 The existing MTFS forecasts take no account of these proposed changes as details have only recently been issued by the Government. These changes will have a fundamental impact on the system for funding local authorities and the financial positions of individual councils.

6.2 For Hartlepool, and other councils serving deprived communities with a greater reliance on Government grants than more affluent areas which can fund a higher proportion of their budgets from Council Tax, these proposals are likely to reduce the level of resources received from the Government from 2013/14. These reductions will be in addition to the cuts in Formula Grant and this may mean that the budget deficit of £14.5m increases.

6.3 Further details on these issues need to be provided by the Government before the exact impact can be assessed. Once these details are available detailed reports will be submitted to Cabinet to advise Members of the impact.

6.4 In the meantime detailed reports on the consultation proposals are included on this agenda to enable Cabinet to approve responses to the Government's consultation proposals. A summary of the key changes proposed by the Government is detailed in the following paragraphs.

6.5 Initial assessment of proposed Business Rates changes

6.6 Under the current system of Business Rates individual businesses pay an annual Business Rates bill based on a rateable value (assessed by the Valuation Office, which is part of HMRC) and the Business Rates multiplier (set by the Government and generally increased by the Retail Prices Index each year). These arrangements will continue.

6.7 Business Rates are collected by individual councils. This money is then paid over to the National Non-Domestic Rates (NNDR) pool, which is administered by the Government. The money paid into the NNDR pool is then distributed back to local councils, fire and police authorities. This system means that some councils get less back than they collect. Other councils get back more than they collect. This system was designed to recognise different councils ability to raise Business Rates and the level of funding needed to provide local services. It is this part of the system which the Government propose changing from 2013/14.

6.8 Hartlepool currently collects £27m from local business and gets back £40m in re-distributed Business Rates – a net subsidy of £13m per year towards the cost of local services. The changes to this regime are potentially a significant issue for the Council.

6.9 There are two key principles underpinning the Governments proposed changes to the existing system. The first relates to a system of 'tariffs and top-ups' which is designed to recognise that different councils have different abilities to raise Business Rates locally. Tariff authorities will continue to make payments into the national NNDR pool, but will retain growth in business rates above the level of the tariff. Top-up authorities will continue to receive payments from the national NNDR pool. The key issues are the baseline year for the 'tariffs and top-ups' and how regularly the system is 'reset' and 'tariffs and top-ups' are re-determined.

6.10 The second key principle is whether 'tariffs and top-ups' are updated each year for inflation. If they are not updated for inflation 'top-up' authorities will suffer a real term and sustainable cut in funding. Conversely tariff authorities will gain from an annual inflation update without having to do anything to encourage business growth. Over a relatively short period of time this would lead ro a two tier system of local authorities. If the 'tariffs and top-ups' are updated each year for inflation this would protect the real term value of payments made to top-up authorities.

6.11 The Deputy Prime Minister has stated that in 2013/14 no authorities will receive less funding than they currently receive if business rates are re-localised. This position will need to be reviewed when more detailed information is available. The Government has not provided a similar guarantee for 2014/15 and future years. There is a significant risk that the changes to the Business Rates system could result in lower funding in 2014/15 and future years for areas (such as the North East, including Hartlepool) with less buoyant economies, more reliance on the public sector and higher levels of deprivation which could then be left with static, or falling resources and increasing demands for services.

6.12 **Initial assessment of proposed changes to Council Tax benefit funding arrangements**

6.13 A recent announcement by the Government in relation to proposed changes to the Council Tax benefits system will also impact on the Council's financial position from 2013/14. The Government have indicated that from 2013/14 they will localise Council Tax Benefit and reduce the national funding for this scheme by 10%. This would result in a loss of funding for the Council of £1.1m (the Council's share of a £1.3m total reduction for the Hartlepool area). This change enables the Government to implement a cut in the Department for Work and Pensions budget. Detailed implementation for managing this funding reduction and demand lead risk then transfers to councils from 2013/14.

6.14 This proposal will clearly have a greater financial impact on councils serving more deprived communities, with a higher proportion of residents eligible for Council Tax Benefit (CTB). The new scheme of support for Council Tax will be supported by a new Government Grant (10% less than is currently provided for the existing CTB scheme). It is unclear whether this grant will be uprated each year. The Government is considering whether to freeze the grant allocation which would leave local authorities with less Government financial support to meet increased costs and demand.

6.15 The Government have stated that they will legislate to protect pensioners from any reduction in CTB and that councils should also consider ensuring their local schemes support other vulnerable groups, albeit these are not defined. This means that other current CTB claimants will suffer a higher cut in CTB as the new scheme will operate within a reduced funding envelope provided by the Government. Initial analysis suggests the cut in CTB for working age adults in Hartlepool could be in the order of 15% to 20%. These changes which will increase the burden of Council Tax on working age claimants, may increase the costs of Council Tax administration and also increase the risk of non collection of Council Tax.

6.16 This proposal overturns a long standing convention that CTB is a national benefit, funded on a national basis, alongside other welfare benefits. The Government have stated this proposed change is part of the localism agenda and will help make councils accountable for the level of Council Tax and provide an incentive to help get working age claimants back into work.

7 CHANGES IN GRANT REGIMES

7.1 The Government introduced changes to a number of grant regimes from April 2011 covering the transfer of specific grants into the main Formula Grant and the introduction of the Early Intervention Grant, funded from existing grants. These arrangements were accompanied by reductions in the level of grants received by the Council. The Government provided detailed grant allocations for these areas for 2011/12 and 2012/13.

7.2 The detailed budget proposals approved in February 2011 by Cabinet and Council for specific grants transferred into the main Formula Grant approved a two year budget for these areas, which reflect the two year cuts in funding provided by the Government. These allocations are detailed in Appendix H for Members information.

7.3 Similarly, a two year allocation was provided for the Early Intervention Grant. The Government front loaded the whole of the cut in this grant to 2011/12 and for Hartlepool this equated to a 21.9% (£1.9m) grant cut. For 2012/13 there is a cash increase of 1.8% (£0.13m) which is designed to cover additional responsibilities transferring to councils in April 2013 for nursery provision for 2 year olds. There is a separate report on the agenda outlining the draft Early Intervention Strategy and priority commissioning intentions. A second report will be submitted in November covering the outcome of consultation and restructures within services.

8 RISKS

8.1 Over the next three years the Council will need to manage an increasing number of financial and non-financial risks.

8.2 This report has identified the key financial risks which will affect the Council. Internally these cover a range of issues and the report outlines proposals for managing and funding these risks, which cover:

- Implementing significant sustainable budget reductions in each of the next three years;
- Managing significant one-off costs, including redundancy/early retirement costs and HMR commitments;
- Continuing demand lead and demographic pressures.

8.3 External financial risks arise from the Government's proposals to re-localise Business Rates and to transfer responsibility for Council Tax Benefits to councils. These proposals are fundamental changes in the system for funding local authorities and will have a significant impact for 2013/14 and future years. The exact impact will not be known until the Government issue final proposals.

8.4 Based on current consultation proposals the re-localisation of Business Rates is expected to reduce future resources received by the Council. The proposals in relation to Council Tax Benefits will require local authorities to implement local schemes with 10% less funding in 2013/14. This change will be more challenging for authorities with higher levels of deprivation and current dependency on Council Tax Benefits. The Government propose protecting support for low-income pensioners, which means working age adults potentially face reductions of between 15% and 20% as a result of the overall funding cut. This change also transfers a significant demand lead risk to the Council if claimant numbers increase as the consultation proposals do not included any reference regarding how these costs will be funded. This suggests that these pressures will have to be funded from the cash limited grant.

8.5 There are also potential external financial risks from other organisations seeking to maximise income, as part of their strategy for managing cuts in expenditure, which could pass costs on to councils. For example, the Health and Safety Executive and other regulators may increase the use of penalty charges. These issues cannot be quantified and may need to be managed as they arise.

8.6 Non-financial risks are equally significant and will also need to be managed, and include:

- capacity of the organisation to manage the budget position over the next few years and the unavoidable budget reductions. This also includes capacity to set up new ways of working, such as trust and partnership working with other councils;

- capacity of the organisation to manage legislative changes, such as implementing a local Council Tax Benefit system and responding to other Government initiatives.

8.7 In making financial decisions the Council is required to demonstrate that they are made in a fair, transparent and accountable way, considering the needs and the rights of different members of your community. This is achieved through assessing the impact that changes to policies, procedures and practices could have on different equality groups. The Equality & Human Rights Commission has published a guide for decisions-makers which is attached as Appendix I. Equality Impact Assessments will therefore be undertaken and reviewed by Officers throughout the proposal, consultation and consideration process to enable Elected Members to satisfy themselves that they are able to consider fully the proposed changes and likely impact at the point of making decisions.

9 CONCLUSION

9.1 Whilst the report expresses the financial position and financial risks facing the Council over the next three years in monetary terms, these issues are fundamentally about the future nature and shape of the Council and services – sustainability, levels and methods of delivery.

9.2 The financial challenges facing the public sector and councils are greater than anything which has existed in the past 50 years. This reflects both the national financial position and ongoing demographic issues. Addressing these will require the Council to adopt a range of measures including reassessing priorities, new ways of working, including issues such as joint working with other councils/organisations, trading companies and trusts where these provide financial savings and protect services.

9.3 The budget deficits will need to be addressed through a series of measures, some of which will have much longer lead in times running over more than one financial year. Therefore, some decisions may need to be taken by Cabinet and Council outside the traditional budget cycle to ensure financial benefits can be achieved within the required timescales. This will include making difficult decisions in advance of when cuts are reflected in the MTFS to provide time, where appropriate, to complete detailed consultation on proposals (which may be governed by statutory requirements – increasingly equality impact assessments), to enable the new service delivery methods to be worked up to ensure implementation is safe and sustainable, and to address legal issues, such as the impact of TUPE regulations.

9.4 As indicated in February 2011 the Council needs to make significant budget cuts over the next three years as a result of Government grant cuts. Local planning assumptions have been reviewed and these make a very marginal increase in the aggregate value of the cuts which need to be implemented before the start of 2014/15. The revised forecasts require the Council to make aggregate cuts of **£15.083m** (previous forecast £14.7m) by the start of 2014/15. These cuts need to be made on an annual basis as deferring cuts is not an option as the position would become unmanageable. The Council therefore needs to make the following annual cuts, which are broadly in line with the forecast reported in February 2011:

	Original Deficits £'m	Revised Deficits £'m
2012/13	6.600	6.767
2013/14	2.900	3.118
2014/15	5.200	5.198
Total	14.700	15.083

9.5 The Council also needs to fund one-off strategic costs, including redundancy/early retirement costs and HMR commitments. These costs need to be funded from one-off resources to avoid having to make higher cuts in the revenue budget. An assessment of these costs has been made and indicates total costs could be **£14m**. The redundancy/early retirement costs could be higher if schools do not buy-back existing services as further redundancies would be unavoidable. There is also a risk that the HMR cost could increase if the bid for Transitional Grant funding of £2m is not successful.

9.6 Funding of **£9.530m** has been identified for these one-off costs from reviewing reserves, the forecast outturn and capital receipts already achieved. This leaves a funding shortfall of **£4.470m.** It is anticipated that a package of additional land sales over the next few years should address this shortfall. Assuming these land sales can be achieved within the required timescale this will avoid a revenue budget pressure from having to use Prudential Borrowing. Achieving capital receipts in the current economic climate will be challenging and this position will need to be managed carefully to avoid having to use Prudential Borrowing, which would increase the revenue budget cuts that will need to be made.

9.7 The Government are proposing to re-localise Business Rates and to transfer responsibility for managing Council Tax Benefits to councils in 2013/14. These are fundamental changes and are likely to have an adverse impact locally. Re-localising Business Rates could reduce future funding allocated by the Government for local services. Changes to the Council Tax benefits system will require councils to implement a local scheme with 10% less funding than is currently provided.

10 CONSULTATION ISSUES

10.1 It is suggested that the following initial questions are put forward for consultation with Scrutiny Co-ordinating Committee, the Trade Unions and Business sector:

- Do you support the proposals to fund the pressures detailed in Appendix B?

- Do you support the proposal not to fund the issues detailed in Appendix C?

- Do you support the proposed strategy to partly fund one-off strategic costs of £14m detailed in paragraph 4.31 by earmarking funding of £9.6m from a combination of:

  i) Review of Reserves £6.050m;
  ii) Forecast 2011/12 Outturn £1.980m as detailed in Appendix G ;
  iii) Capital Receipts already received £1.500m

- Do you support the proposal to fund the residual one-off strategic costs of £4.47m from planned capital receipts to be achieved over the next three years as detailed in Appendix E?

- Are there any proposals you wish Cabinet to include in the final budget report to Council in February 2012 on the use of the saving from the establishment of a temporary post of 'Acting Chief Executive' and associated backfilling arrangements (minimum net savings of £70,400 as detailed in paragraph 5.24)? For example should this funding be allocated towards the one-off costs referred to above?

- Do you have any comments on the Governments proposal to re-localise Business Rates (paragraph 6.5)?

- Do you have any comments on the Governments proposal to transfers responsibility for Council Tax Benefits to councils (paragraph 6.12)? Note detailed consultation on this issue and the design of a local Council Tax Benefit scheme will be undertaken if the Government implement this change and provide further details of how this will operate.

11 BUDGET TIMETABLE

11.1 This report and the decisions made by Cabinet will be referred to Scrutiny Co-ordinating Committee on 14th October 2011 and this will commence the consultation of the draft budget proposals for 2012/13.

11.2 As Members will recall from previous years the timetable for consulting on the budget proposals and ultimately setting the 2012/13 budget and Council Tax is extremely challenging and includes the following key stages:

- Cabinet 19th December 2011 – consider feedback from Scrutiny Co-ordinating Committee on draft budget proposals, update on Councils financial position and approve formal budget consultation proposals;
- Scrutiny Co-ordinating Committee 13th January - consider Cabinet's formal budget proposals;
- Cabinet 5th February 2012 - consider feedback from Scrutiny Co-ordinating Committee on formal budget proposals, update on Councils financial position and approve proposals to be referred to Council;
- Council 9th February 2012 – consider Cabinet's 2012/13 budget proposals.

12 RECOMMENDATIONS

12.1 It is recommended that Cabinet:

i) Note the report;

ii) Approve the consultation issues detailed in section 10;

iii) Authorise the Corporate Management Team and Chief Customer & Workforce Services Officer to proceed with formal redundancy consultations on the basis of the proposals set out in this report. The outcome of consultations will be incorporated into further reports presented to Cabinet;

iv) Note that a without prejudice voluntary redundancy sweep will be undertaken to determine the level of employee interest and whether there is scope for this to help manage the position for 2012/13;

v) Approve the development of a capital receipts disposal strategy, including the purchase of land for resale within the next three years where there is a robust business case and this does not increase financial, based on the proposed land sales detailed in Appendix E and authorise officers to progress these sales, subject to the Finance and Procurement Portfolio Holder approving individual land sales.

APPENDIX A

SCHEDULE OF BT PROGRAMME TARGETS

Dept	Project name (Title)	Target savings (£000)	Project scope (Description)	Final decision point * (Cabinet)
C&A	Children's social care commissioning	348	Review of existing placements to negotiate pricing for long term placement and develop local packages of care that will reduce reliance on, and the number of residential placements. Review and re-negotiation of all social care contracts with decommissioning of some services or move to spot purchasing	Cabinet
C&A	Review Allowance	As part of above savings	Review of allowances paid for other legal orders by the council.	Cabinet
C&A	Reduce Number of Looked After Children	As part of above savings	Implement foster care support model Develop a robust intervention / prevention model Implement changes to resources panel for children becoming looked after Address cultural and practice issues leading to higher numbers of looked after children	Cabinet
C&A	SDR Community Pool Grants year 2/3	49	Reduction in existing Grants pool through reconsideration of Councils objectives and criteria for disbursement	Cabinet
C&A	Home to School Transport	160	More independent travel for SEN pupils. Stop subsidy for home to college transport. Review denominational transport	Cabinet
C&A	Cultural Services Review	298	Efficiencies across Museums, Theatre, events and arts and revisit whole of Community Services including those areas under SDR scrutiny, with alternative delivery mechanisms being considered.	Cabinet
C&A	CAMHS	15	Review of current funding and service provision for Child & Adolescent Mental Health Services (CAMHS)	Cabinet
C&A	Reduction in Youth Support Commissioning Budget	35	Review and consideration of options available for the future provision of activities for young people	Cabinet

APPENDIX A

SCHEDULE OF BT PROGRAMME TARGETS

Dept	Project name (Title)	Target savings (£000)	Project scope (Description)	Final decision point * (Cabinet or Portfolio)
C&A	Play Opportunities Pool	18	Consideration of options available for the future	Cabinet
C&A	Review of Education Related Services Review of divisional management structure	20 30	Consideration of options for the future delivery of services Review of management structure and resources	Cabinet
C&A	Review of Youth Offending Service admin and support services	15	Phase 2 review of structure which will review grant funded and admin arrangements.	Cabinet
C&A	Social Inclusion	10	Review options around future provision of services.	Cabinet
C&A	Working Together for Change	195	Review all adult social care day services and consider new models of commissioning / provision that deliver savings.	Cabinet
C&A	Training	10	Develop joint arrangements with other local authorities to deliver training and development	Cabinet
C&A	Review of adult social care contracts including high cost out of area placements.	364	Work to be undertaken with all providers to understand costs in more detail including overheads and management costs, leading to renegotiation of costs, retendering to achieve better value for money or decommissioning of lower priority services.	Cabinet
C&A	Schools Transformation	25	Review scope of works, frequencies and customer base for school Asset Management arrangements, including VA schools and review Admin support.	Cabinet
C&A	Project unallocated Department to identify	73	Project unallocated Department to identify	Cabinet
C&A	Admin Review	50	Further phase of departmental Admin Review, taking in remote posts, supervision.	Cabinet
C&A	Review of Social Care Management Structures	85	Review management structures and identify options available to achieve savings.	Cabinet
C&A	Performance Management	40	Manage work on data requests and statutory returns (scope depends on govt projects).	Cabinet
C&A	Youth Service	35	Review options for the future provision of services Reduce hardware and software in use	Cabinet

APPENDIX A

SCHEDULE OF BT PROGRAMME TARGETS

Dept	Project name (Title)	Target savings (£000)	Project scope (Description)	Final decision point * (Cabinet or Portfolio)
C&A	Reablement Funding	500	Approximately £500k from the £1.3m Department of Health Reablement funding will be used to support existing services. High risk as the funding is currently only guaranteed for two years – potential for redundancies from March 2013 if funding does not continue.	Cabinet
C&A	Joint Packages	90	Establish recurrent impact of additional PCT funding for complex packages of care where people have identified continuing healthcare needs. High risk area as funding is not guaranteed in longer term.	Cabinet
C&A	Review of Housing Related Support Funding.	278	Review of housing related support services to achieve contract efficiencies and decommission lower priority / lower risk services.	Cabinet
	Total C&A Target	**2,743**		

APPENDIX A

SCHEDULE OF BT PROGRAMME TARGETS

Dept	Project name (Title)	Target savings (£000)	Project scope (Description)	Final decision point * (Cabinet or Portfolio)
CEX - Corp Strat	Divisional restructure and review of service provision	220	Review of divisional structures and provision of services including democratic and scrutiny services and all other aspects of the divisions responsibilities	Cabinet
CEX - CWS	Joint HR Services with Darlington	50	Shared Head of HR - potential development of sharing other HR/Payroll services.	Cabinet
CEX - CWS	Benefits Data and Quality Control	44	Reduction in level of Benefits Data and Quality Control checks.	Cabinet
CEX - CWS	Discretionary Rate Relief Framework Review	20	Review local qualifying criteria for discretionary business rate support.	Cabinet
CEX - CWS	Council Tax Class A exemption removal - Income	20	Inspections of properties awarded a 12 month council tax exemption to validate continuing entitlement. This will result in removal of exemptions. Initiative to be formally piloted / modelled 2011/12.	Cabinet
CEX - CWS	Bailiff Car Parking Enforcement - Income	30	HBC Internal Bailiffs are to pilot collection / enforcement of unpaid car parking notices. Initial business case forecasts unbudgeted minimum surplus of £30k pa.	Pilot 2011/12 already approved
CEX - CWS	Extended Customer & Support Services Review	146	Hartlepool Connect, Support Services, Registrars.	Cabinet
CEX - CWS	BT Transactional Services	50	Capture savings from original and new transactional processes.	Cabinet
CEX - Finance	Review of Divisional Structure	19	Review of Divisional Structure	Cabinet
CEX - CWS	Penalty Charges - Income	20	Following annual Single Person Discount entitlement review, impose Statutory Penalty £70 for those individuals that have not notified the council that their status had changed Will also act as a deterrent measure.	Cabinet
CEX - CWS	Training support provision	27	Develop/deliver e-learning provision only.	Cabinet
	Total CEX Target	**646**		

APPENDIX A

SCHEDULE OF BT PROGRAMME TARGETS

Dept	Project name (Title)	Target savings (£000)	Project scope (Description)	Final decision point * (Cabinet)
R&N	Neighbourhood / Facilities Management	90	Review of existing Heads of Service within Neighbourhood Services Division	Cabinet
R&N	Waste Management	90	Review of Waste Service Operations	Cabinet
R&N	Management Restructure and Service Review	300	Management Restructure and Service Review of the Regeneration & Planning Division.	Cabinet
R&N	Parks and Recreation	45	Income generation opportunities with regard to Stranton Nursery and Capital/Private works	Cabinet
R&N	Private sector housing management	95	Review Management arrangements	Cabinet
R&N	Review of Property Related Services	130	Review of future service requirement / delivery and structures of the division including Carbon and Energy Management	Cabinet
R&N	Review of Public Protection	65	Operational service review of Public Protection.	Cabinet
R&N	Business Transformation Programme - Assets	340	BT Asset Management workstrand - property rationalisation and income from the Council's estate (including review of "centralisation" and potential link with Children's Services asset management	Largely approved with individual "projects" going to CMT and Cabinet
R&N	Traffic and Transportation/ITU Service Review	640	Review of staffing. Amalgamation of street lighting and Highways DSO's/Review of vehicle usage etc.	Cabinet
R&N	Project unallocated Department to identify	58	Project unallocated Department to identify	Cabinet
R&N	Park Towers Rent Review	20	Discussions with occupiers	Cabinet
R&N	Community Safety (Service Review)	50	Review of existing management structures following legislative and Government Policy Consultation outcomes	Cabinet
R&N	Management Savings	75	Management Savings within R&N Department	Cabinet
	Total R&N Target	**1,998**		
	Total Target Savings	**5,387**		

APPENDIX B

SCHEDULE OF 2012/13 BUDGET PRESSURES - **Corporate items**

Budget Area	Value of Pressure £'000	Description of Pressure	Comment
Income Shortfalls:- - Car Park Income - Shopping Centre -Land Charges	 392 146 130	Adverse income trends have now continued for over 2 years for these areas and now need to be recognised as permanent budget pressures.	
	668		

SCHEDULE OF 2012/13 BUDGET PRESSURES - **Child and Adult Services**

Budget Area	Value of Pressure £'000	Description of Pressure	Comment
Older People Commissioning	450	There are two elements within this above inflationary pressure. The first relates to increased demographic pressures owing to an ageing population and increased prevalence of dementia, resulting in more older people requiring care and support with increasingly complex needs. The second element relates to fees payable to older people care home providers which are due for renegotiation from October 2011. These fees need to be set at a level which is comparative with other councils and ensures that local providers remain economically viable and able to invest in the sector locally. An initial assessment of these pressures has been made and this will need to be reviewed when detailed negotiations have been completed and a new cost of care model developed. It is worth noting that Hartlepool currently pays the lowest care home fees (for older people) in the North East region. There is potential to stage increases should the model identify a significant uplift in fees, although this would commit part of the headroom included in future years budget forecasts for pressures. A more detailed report on older peoples care home fees will be presented to Cabinet in November / December.	Pressure may be higher and further work is needed to quantify this issue - detailed report to Cabinet in Nov / Dec 2011.
School Catering	140	The 2011/12 base budget anticipated a £0.14m subsidy for this service from the Dedicated Schools Grant (DSG). This level of subsidy will not be possible in 2011/12 and a £0.07m pressures has been recognised in the 2011/12 outturn strategy. From 2012/13 there will be no DSG subsidy for this service. Alternative measures for funding this pressure for 2012/13 are being investigated and will be reported to a future Cabinet. At this stage it is prudent to make provision for this potential pressure.	
Brierton Sports Centre	100	Brereton Sports Centre has been run since it's inception as a Community Facility managed by Brierton School. Since the closure of Brierton School and the decant of Dyke House School the facility has been managed directly by Dyke House School. Dyke House School have advised that after December 2011 (when they return to the Dyke House site) they will relinquish their management of the site. Early indications show that there would be a potential revenue cost of circa £100K per annum to maintain the facility for community use. In relation to the part year pressure in the current year this can be covered by a virement within existing budgets. There is a review underway of the future of the Brierton site - there is potential for an additional £100K capital pressure if equipment funded by Dyke House is removed from the site.	
	690		

SCHEDULE OF 2012/13 BUDGET PRESSURES - **Regeneration and Neighbourhoods Department**

Budget Area	Value of Pressure £'000	Description of Pressure	Comment
Concessionary Fares	113	Above inflation increase in the cost of providing Concessionary Fares.	
Waste Collection DERV	25	Projected costs for 2012 /13 based on 189,000 litres @ £1.18/litre = £223,000. Budget for 2012 / 13 (current +2.5%)	
Street Cleansing DERV	33	on same basis as above	
Domestic Violence Co-ordinator	17	SBC previously contributed towards the funding of the DV Co-ordinator as part of their efficiency drive they have revisited their structure and will no longer contribute towards this post.	
Waste Disposal (other)	165	Increase in Landfill Tax and gate fee, which includes rateable value increase and legislative change of law increase.	
	353		

Total All Areas	1,711
Headroom included in budget forecasts	(1,000)
Additional Pressures	711

SCHEDULE OF 2012/13 BUDGET PRESSURES WHICH IT IS RECOMMENDED ARE NOT FUNDED - **Regeneration and Neighbourhoods Department**

Budget Area	Value of Capital Pressure £'000	Value of Revenue Pressure £'000	Description of Pressure	Comment
Coast Protection	750	0	Coast Protection: £750k capital contribution may be needed from HBC towards Phase 2 of Seaton Carew Northern Management Unit Coast Protection Scheme.	To be paid from coast protection revenue budget to service prudential borrowing.
Housing Hartlepool Contribution toward Environmental Operatives in the North	0	70	Funding expires March 2012	Will impact on service delivery and neighbourhoods and will involve 3 operatives.
Housing Hartlepool Contribution toward Environmental Enforcement	0	77	Funding expires March 2012	Will impact on service delivery and neighbourhoods and will involve 3 operatives.
School Catering	0	146	Potential loss of healthy eating grant transferred to individual schools.	Without other sources of funding / income this service is in danger of not being provided by the Local Authority.
Waste Disposal (Green waste)	0	19	Projected tonnages of green waste 6,750 tonnes @ £21.00 = £141,750. Budget for 12 / 13 = £123,000 (current = 2.5%)	Route optimisation will help to towards funding this pressure.
Economic Development - Regeneration & Planning	0	32	Newburn Bridge Industrial Estate / Park West Industrial Estate and Hartlepool Enterprise Centre (HEC)	These budgets are partly dependent on realising rental income from business premises. With the current economic climate there is a significant risk that target rental will not be achieved.
Procurement	0	30	Potential loss of funding through NEPO rebates as a result of revised funding model for Local Authorities.	A high risk because of current highly aspirational targets from NEPO
	750	374		

APPENDIX D

SCHEDULE OF CHANGES IN PLANNING ASSUMPTIONS 2012/13 to 2014/15

Factors reducing the forecast budget deficit

i) External Audit Fees reduction

The Audit Commission announced reductions in current fees after the 2011/12 budget was set. For planning purposes it is assumed that these reductions will be sustainable. There is a risk that when responsibility for appointing External Auditors transfers to individual authorities these reductions may not be sustainable. This position will need to be kept under review.

ii) Insurance Renewal saving

A tendering exercise for the renewal of external insurance has recently been completed with Redcar and Cleveland Council. It had not been expected that this would produce a saving owing to the national and international position of the insurance market and trends towards higher premiums. It had been hoped that the Council's claims record would result in premiums being frozen at the 2010/11 for 3 years. Owing to the particularly competitive premiums submitted for Public Liability Insurance a 30% reduction in overall external premiums has been achieved. Assuming there is not an adverse change in the Council's claims experience this saving should be sustainable for 3 years. There is also an option to extend the contract for a further 2 years, if both parties agree.

iii) New Homes Bonus

Since the 2011/12 budget was set the Government have provided details of how the new Homes Bonus will work. This benefit can now be built into the MTFS. As indicated previously there is a risk that if more funding is needed for the New Homes Bonus at a national level as a result of higher than expected housing growth this additional funding will be top sliced from the main revenue grant for Local Authorities. This situation would lead to higher core grant cuts as it would be driven by higher levels of house building in the South East than other areas of the country.

New Homes Bonus is paid for 6 years and funding will peak in 2016/17, before falling back on an annual basis over the next 6 years. This assumes there are no future changes in the scheme, which cannot be guaranteed. However, for the period of the current MTFS the anticipated income is expected to be sustainable. The position will need to be reviewed on an annual basis as part of the budget process.

iv) Members Allowances
Assuming there are no changes in the Basic Allowance and the value and / or number of Special Responsibility Allowances when the number of Councillors reduces from 47 to 33 there will be saving in the total cost of allowances.

Factors increasing the Budget Deficit

v) Increase in pressures
Pressures identified exceed the headroom included in the MTFS. Further details are provided in Appendix B.

vi) Land Tax Allowance Scheme termination
The Government have announced that this scheme will terminate in 2013/14. The income generated by the Council from this scheme will not be sustainable and needs to be built into the MTFS.

vii) Benefit Subsidy Income reduction
The existing MTFS forecast includes an annual benefit of £0.3m from the existing Benefit Subsidy system. This has been used to support the overall budget and protect front line services. The introduction of the 'Universal Credit' and the transfer of Council Tax Benefits to councils mean that this income will not be sustainable. This needs to be built into the MTFS from 2013/14.

viii) Reduction in Formula Grant – Academies Programme
In 2011/12 the Government top-sliced funding transferring into the Formula Grant to fund the national academy programme. The Government have recently issued consultation proposals to make a further top slicing of the Formula Grant in 2012/13. The Council's response to the consultation has suggested that this approach is unfair as it does not take account of the number of new academies in an area. Therefore, it was suggested funding should only be taken from those authorities with new academies and this should be based on a fixed amount per academy. As it is unlikely the Government will change the consultation proposals provision for this funding loss needs to be made in the budget forecasts.

Factors will no net impact on the MTFS

viii) Salary Turnover Savings and Pay Awards
The base budget assumes that there will be staff turnover and therefore the Council does not budget for 100% of salary costs. As budgets are reduced and there are less employment opportunities in other councils and the wider economy this position is not sustainable. This risk was recognised on a temporary basis when the 2011/12 budget was set and is being managed through the Strategic Risk Reserve in 2011/12. A permanent solution is needed to significantly reduce this risk for 2013/14 and to hopefully remove it entirely by 2014/15. The

base figure is £1.3m and it is proposed to reduce this to £0.65m for 2012/13.

This reduction will be offset by reducing the provision included in the base budget for cost of living pay awards, which it is expected will be lower than previously anticipated. This proposal will reduce the ongoing provision to a marginal level which will be sufficient to cover the payment of the flat rate increase of £250 for employees earning less than £21,000. The MTFS for 2013/14 assumes there will be increased pressure for a cost of living pay award from April 2013 as pay levels will have been constrained for a number of years at a time of relatively high inflation. At this stage the provision for April 2013 is at a prudent level, albeit still very significantly below current inflation levels. In the event that the whole of this provision is not needed it would be prudent to make a further reduction in the salary turnover allowance as part of the 2013/14 budget process.

SUMMARY OF CHANGES IN PLANNING ASSUMPTIONS 2012/13 AND 2014/15

	2012/13 £'M	2013/14 £'M	2014/15 £'M
Gross Cumulative Deficit	7.780	11.680	18.230
Indicative Annual Council Tax increases of 2.5%	(1.180)	(2.180)	(3.530)
Gross Cumulative Deficit net indicative Council Tax increases	6.600	9.500	14.700
Increase in Budget Pressures			
Budget Pressures identified	1.711	1.711	1.711
less Headroom for pressure	(1.000)	(1.000)	(1.000)
Net additional to budget	0.711	0.711	0.711
Changes in planning assumptions			
External Audit Fees reduction	(0.090)	(0.090)	(0.090)
Insurance Renewal saving	(0.110)	(0.110)	(0.110)
New Homes Bonus			
- Year 1 Payment	(0.278)	(0.278)	(0.278)
- Year 2 Payment	(0.280)	(0.280)	(0.280)
- Year 3 Payment	0.000	(0.280)	(0.280)
Members allowances saving	(0.066)	(0.068)	(0.070)
Landfill Allowance Trading Scheme termination	0.000	0.200	0.200
Benefit Subsidy income reduction	0.000	0.300	0.300
Reduction in Formula Grant - Academies Programme	0.280	0.280	0.280
Total cost/(reduction) of changes in Planning assumptions	(0.544)	(0.326)	(0.328)
Revised Cumulative Deficit	6.767	9.885	15.083
2012/13 Departmental Savings targets	(5.387)	0.000	0.000
Ongoing savings achieved in previous years (assumes annual budgets balanced on a sustainable basis)	0.000	(6.767)	(9.885)
Revised Net Annual Deficits	1.380	3.118	5.198

APPENDIX E

Schedule of Property Land Sales 2011/12 - 2014/15

Forecast Capital Receipts 2011/12 - £1m

Jacksons Landing (for planning purposes currently assuming no net cost/capital receipt)
65 Jutland Road
Land at Former Throston Grange (Clavering Rd)
Eamont Garden Garages
Land at Wells Street
Municipal Buildings
Jesmond Road Primary School
Easy Skips Site

Forecast Capital Receipts 2012/13 - £3m

Briarfields Paddock
Tanfield Road Sale / Focus Site Purchase
Foggy Furze Library
Staby House Bowling Green
85 Station Lane
Somersby Family Resource Centre
Brooklyn Day Centre
Morrison Hall - Headland
Market Hotel

Forecast Capital Receipts 2013/14 - £ nil

Forecast Capital Receipts 2014/15 - £1m

Henry Smiths

HARTLEPOOL BOROUGH COUNCIL - RESERVE BALANCES AS AT 31 MARCH 2011
RESERVES TO BE REVIEWED (NOT COMMITTED NOR HELD IN TRUST)

Created 2010/11 as per Outturn Strategy £'000	Department	Reserve	Actual Balance 31/03/2011 £'000	Reason for/purpose of the Reserve	Total Value of Reserve to be released for Redundancy Costs £'000	Value of Reserve to be retained £'000	Reason for retention of reserve
£000			£000		£000	£000	
0	Corporate	Insurance Fund	5,028	The Insurance Fund has been established to provide for all payments that fall within the policy excess claims. Most policies provided by the Council are subject to an excess. For motor vehicle own damage, the excess is £1,000. However, the excess is £100,000 for the Property/Combined Liability policy on each claim. The All Risks policy covers those items considered to be of value and at greatest risk of theft or damage. The Council's experience whilst operating with these excesses has been favourable. Nevertheless, the Council's total exposure in any one year has substantially increased and is currently £4.75m. The net value of this reserve consists of the Insurance Fund balances less amounts advanced to departments to fund service improvements. These amounts will be repaid over a number of years to ensure resources are available to meet insurance claims that will become payable.	1,400	3,628	Insurance tenders have recently been received and a comprehensive review of the Insurance Fund has been completed. This review indicated that £1.4m can be released from this reserve. The remaining balance needs to be maintained to meet known claims already received.
394	Corporate	General Fund	3,856	This reserve is held to manage emergency expenditure and any use would need to be repaid to maintain the value of this reserve.	394	3,462	Reserve which can be released consists of £89,000 transfer into this reserve from 2010/11 outturn and £305,000 unused Transitional Grant transferred to the reserve. The remaining balance equates to 3.8% of the net General Fund budget and needs to be maintained to manage unforeseen risks.
874	Corporate	Strategic Risk Reserve	3,252	This reserve has been set up to help fund risks highlighted in the Cabinet report of 8.2.10.	0	3,252	This reserve covers risk of Equal Pay/Equal Value claims, 2011/12 Salary Turnover shortfall and income shortfall for Land Charges, Car Parking and Shopping Centre Income and therefore cannot be released as these costs would then have to be met by making in year savings.
0	Corporate	Incinerator	600	Created to fund one-off costs arising from the temporary closure of the incinerator.	200	400	Commitment has reduced from estimated costs identified in February 2011.

APPENDIX F

Created 2010/11 as per Outturn Strategy £'000	Department	Reserve	Actual Balance 31/03/2011 £'000	Reason for/purpose of the Reserve	Total Value of Reserve to be released for Redundancy Costs £'000	Value of Reserve to be retained £'000	Reason for retention of reserve
£000			£000		£000	£000	
0	Corporate	Interest Equalisation	400	Reserve created to protect the Council from higher interest rates or replacement loans in the event of LOBO being called. Whilst, short-term interest rates are currently historically low there is an increasing risk that interest rates will begin to increase, particularly longer rates, when the economy begins to come out of recession.	400	0	N/A
0	Corporate	Business Transformation Set Up Costs	262	Funds set aside for Implementation costs of Business Transformation Programme.	0	262	Earmarked to fund office moves programme / property rationalisation and ICT/Revenues and benefits contract costs.
0	Corporate	Income Tax & VAT Partial Exempt Res	250	Created to manage potential income tax and VAT partial exemption risks .	250	0	N/A
0	Corporate	Carbon Reduction	196	Reserve created to cover Carbon Reduction commitments in future years.	0	196	Fully committed to cover Carbon Reduction Commitment costs in 2011/12 and 2012/13.
0	Corporate	Area Based Grant	142	ABG carried forward from 2008/09.	72	70	Committed to support Healthy Eating Co-ordinator post in 2011/12 and 2012/13.
0	Corporate	Emergency Planning	116	This reserve is held on behalf of the 4 districts under the joint arrangement, to meet potential additional costs arising under revised Civil Defence arrangements implemented from 1st April 2005.	0	116	Reserve held on behalf of 4 authorities for Emergency Planning and only a proportion belongs to Hartlepool.
0	Corporate	Bank Income	114	Created during 2008/09 Closure.	114	0	N/A
0	Corporate	Corporate Funding Reserve	84	Corporate ICT reserve. No longer required.	84	0	N/A
0	Corporate	Budget Consultation	60	Created to fund budget consultation arrangements.	60	0	N/A
0	Corporate	Core Strategy Inquiry	55	To fund one-off costs of core strategy enquiry.	0	55	Committed to fund enquiry costs in 2011/12.
0	Corporate	Strategic Procurement Review Reserve	50	To fund the strategic review of corporate procurement practices and strategy in order to assess efficiency and effectiveness and develop new strategies for the future.	50	0	N/A
0	Corporate	Civic Chain Reserve	46	Replacement of Mayoral chain.	0	46	Committed as part of 2011/12 budget and allocated to keep 3 community centres open for up to 9 months.
0	Corporate	NDC Fund	45	Reserve created in 2007/08 to support future expenditure on New Deal for Communities Project.	0	45	Reserve established from NDC underspend and will be transferred to the NDC Trust in 2011/2012.
0	Corporate	Maritime Av Remedial	38	Originally for road maintenance responsibilities within the Marina inherited from TDC. Reserve reallocated to meet the costs of providing flower beds within Marina as part of Tall Ships visit.	38	0	N/A

APPENDIX F

Created 2010/11 as per Outturn Strategy £'000	Department	Reserve	Actual Balance 31/03/2011 £'000	Reason for/purpose of the Reserve	Total Value of Reserve to be released for Redundancy Costs £'000	Value of Reserve to be retained £'000	Reason for retention of reserve
£000			£000		£000	£000	
0	Corporate	Early Capital Equalisation	33	Created to fund repayment costs of capitalising revenue expenditure as part of budget strategy.	33	0	N/A
0	Corporate	Cash finder Savings	16	Savings arising from PWC study.	16	0	N/A
0	Corporate	Cabinet Projects	4	This reserve is to be used to fund one-off Cabinet Initiatives.	4	0	N/A
0	Corporate	Income Equalisation Reserve	1	Residual balance not needed.	1	0	N/A
0	Corporate	Salary Sacrifice	1	This reserve was created to offset potential pension liabilities in future years.	0	1	Cabinet agreed to earmark NI savings to offset potential pension liabilities in 2013/14.
0	Corporate	Cemeteries Legacies	0		0	0	N/A
1,268			**14,651**		**3,116**	**11,535**	

HARTLEPOOL BOROUGH COUNCIL - RESERVE BALANCES AS AT 31 MARCH 2011
RESERVES TO BE REVIEWED (NOT COMMITTED NOR HELD IN TRUST)

Created 2010/11 as per Outturn Strategy £'000	Department	Reserve	Actual Balance 31/03/2011 £'000	Reason for/purpose of the Reserve	Total Value of Reserve to be released for Redundancy Costs £'000	Value of Reserve to be retained £'000	Reason for retention of reserve
£000			£000		£000	£000	
0	Chief Execs	Chief Executive's Department Ring Fenced Grants	196	Created from ring-fenced grant and to be carried forward to fund specific 2011/12 expenditure commitments.	0	196	Ring Fenced Grants carried forward e.g. PCT Health and Wellbeing Grant.
12	Chief Execs	Corporate Strategy - Divisional Restructure	113	Created to facilitate the changes required to deliver the savings for the 2012/13 budget round in respect of staffing structures and the required changes. All to be released, this has been set aside to cover redundancy costs for likely restructure to deliver budget savings for 12/13.	113	0	N/A
0	Chief Execs	Financial Inclusion	150	Created to fund the Financial Inclusion Programme.	56	94	£44,000 committed 2011/12 to fund Financial Inclusion Development Manager post and £50,000 to pump prime Financial Inclusion Initiatives e.g. Furniture Scheme, Bank of Hartlepool etc.
68	Chief Execs	Corporate Strategy - ICT System Development	84	Created to fund temporary development resources for enhancements of current ICT systems such as e-bookings and EDRMS and costs attributable to the rationalisation of systems to achieve savings from the provision of ICT.	24	60	A portion can be released after a review of potential costs. There will be costs to realising some of the potential savings which may be driven out from the base contract but the risk is minimised if we do go out for re-procurement early hence the reduction.
0	Chief Execs	Finance R & B	64	Created to fund cost of IT equipment / services.	19	45	Needed to fund ongoing costs of ICT developments / enhancements, costs of homeworkers.
0	Chief Execs	Finance - IT Investment	62	Created to fund a number of IT projects integral to the Corporate IT changes across the Authority.	0	62	To be used in 2011/12 as contributions towards HR/Payroll Investment.
0	Chief Execs	Contact Centre	51	Created to enable department to manage budget over more than one year.	13	38	£38k committed for call recording.
25	Chief Execs	Corporate Strategy - ICT Contract Review	50	Created to fund potential costs in relation to the re-procurement and or change of arrangements in respect of the Councils current ICT arrangements.	0	50	It may be possible to release this reserve in approximately October dependant on either progress on the outsourcing as most costs will be identified by this stage or there will be a requirement to look to re-let the contract in 2013 if there is not a decision, this is to avoid a corporate call on resources to deliver this. The budget (or part of it) will be required as the contract will need re-letting.
50	Chief Execs	Finance - Accountancy Section	50	Created to fund temporary appointments to cover maternity leaves during 2011-12.	0	50	Needed to fund temporary appointments to cover maternity leaves during 2011-12.
50	Chief Execs	Finance R & B - Specific Grant Reduction	50	Created to reduce the impact of Department of Work and Pensions specific grant reduction.	50	0	N/A

Created 2010/11 as per Outturn Strategy £'000	Department	Reserve	Actual Balance 31/03/2011 £'000	Reason for/purpose of the Reserve	Total Value of Reserve to be released for Redundancy Costs £'000	Value of Reserve to be retained £'000	Reason for retention of reserve
£000			£000		£000	£000	
0	Chief Execs	Finance - IT Developments R&B	41	Created to fund IT development costs to cope with new DWP Security requirements and further Kirona scripting changes.	20	21	£21k needed to fund scripting requirements for DWP.
0	Chief Execs	Finance - Audit Section	35	Created to enable department to manage budget over more than one year.	35	0	N/A
0	Chief Execs	Registrars	35	Created for improvements to the Registrars building.	25	10	£10k needed to fund remainder of office moves (secure file storage) and replacement of statutory IT system.
33	Chief Execs	Corporate Strategy - Joint Working	33	Created to enable department to manage budget over more than one year.	33	0	N/A
20	Chief Execs	Corporate Strategy - Performance Management	30	Created to enable department to manage budget over more than one year.	15	15	On review a portion of this can be released as the expected costs of managing this change have reduced.
30	Chief Execs	Contact Centre	30	Created to fund software integrations including Corporate Workflow and upgrade Queue Management System.	15	15	£15k needed to fund software integrations including corporate workflow and Queue Management System.
13	Chief Execs	Corporate Strategy - Enhancing Council Profile	28	Created to fund temporary costs in development and establishing arrangements for enhancing and maintaining the Councils profile including social networking, public relations and other associated elements.	13	15	It is unclear at the moment if there will be any development costs to address the Cabinet decision to progress social media. This work is ongoing and there may be technical changes required to websites etc. This is to avoid having to call on departmental contributions to fund this.
0	Chief Execs	Support to Members	27	Created to enable department to manage budget over more than one year.	27	0	N/A
0	Chief Execs	Finance -Accommodation	26	Created to support future years accommodation costs.	26	0	N/A
24	Chief Execs	Legal Registration and Members	24	Created to fund temporary additional staffing within the Legal Section. Also, additional costs in postage for the renewal of Personal Identifiers for Electoral Registration which must be completed every five years.	0	24	Needed to fund temporary additional staffing within the Legal Section. Also, additional costs in postage for the renewal of Personal Identifiers for Electoral Registration which must be completed every five years.
0	Chief Execs	Finance - Accountancy Section	24	Created to enable department to manage budget over more than one year.	24	0	N/A
0	Chief Execs	Corporate Strategy - Working from Home Surplus	23	Created to manage the costs of homeworking key fobs between financial years.	10	13	Use is variable and costs vary from year to year, this allows the costs to be managed and also deals with balancing costs in respect of blackberry server environment. £10k could be released after an assessment of cost and use over the last 2 years.
0	Chief Execs	Finance R & B - Contact Centre/Benefits e-form	20	Created to fund costs of e-form development.	20	0	N/A
20	Chief Execs	Finance R & B - Atlas Project	20	Created to fund the additional funding required to match DWP Atlas grant received to complete project.	0	20	Needed in 2011/12 for HBC costs of DWP project.
0	Chief Execs	People Framework Development	18	Created to enable department to manage budget over more than one year.	0	18	Needed to fund new and on-going staff requirements in response to changes in the organisation e.g. developing competency standards, building and sharing capacity, Management Academy etc.

Created 2010/11 as per Outturn Strategy £'000	Department	Reserve	Actual Balance 31/03/2011 £'000	Reason for/purpose of the Reserve	Total Value of Reserve to be released for Redundancy Costs £'000	Value of Reserve to be retained £'000	Reason for retention of reserve
£000			£000		£000	£000	
1	Chief Execs	Corporate Strategy - Corporate Consultation	16	Created to enable department to manage budget over more than one year.	0	16	This has specifically been carried through to enable the changes required as a result of budget consultation reductions last year to be managed in this year.
0	Chief Execs	Finance R & B - Internal Bailiff Development	16	Created to fund costs associated with Internal Bailiff Development.	0	16	Fully committed for Bailiff pilot scheme.
15	Chief Execs	Registrars	15	Created for redecoration of new marriage/ceremonies room at the Borough Hall and some software integrations/upgrades.	0	15	Needed for redecoration of new marriage/ceremonies room at the Borough Hall and some software integrations/upgrades.
15	Chief Execs	Finance R & B - Council Tax Rebate Development	15	Created for funding towards Council Tax Rebate Scheme Software Development.	0	15	Fund ICT costs associated with new Council Tax Rebate Scheme arising from new Welfare Reform Bill - requirement irrespective of procurement exercise.
10	Chief Execs	Finance R & B - Zipporah Corporate Booking System	10	Created to fund Development work linked to Zipporah Corporate Booking System.	0	10	Committed in 2011-12 to ensure integration to payment system as part of corporate booking system.
10	Chief Execs	Finance R & B - Software Projects	10	Created for funding towards BACS and DD's Software Project Developments.	0	10	Committed in 2011/12 and 2012/13 as part of modernisation and efficiency improvements to payments of creditors and receipts processing routines.
0	Chief Execs	Finance R & B - Intercept Software	6	Created to fund costs of Intercept Software.	6	0	N/A
5	Chief Execs	Finance R & B - Payment Card Industry	5	Created to fund Payment Card Industry security review.	0	5	Banking Industry requirement, will be committed 2011/12 as per Internal Audit report.
5	Chief Execs	Finance R & B - Integration Import	5	Created for funding toward ICT Integration Import for Department of Work and Pension deductions from DWP Welfare Benefits to Council Tax System.	0	5	Development costs needed in 2011/12 irrespective of Benefits procurement outcome and work completed in August 2011.
0	Chief Execs	Finance R & B - FSM System	4	Created to fund costs of FSM System.	0	4	Committed for on-going support & maintenance costs of FSM system.
0	Chief Execs	Resource Investment - HR	3	Created to enable department to manage budget over more than one year.	0	3	£3k committed for Safer Recruitment file checks.
0	Chief Execs	Finance R & B - New Scanner	3	Created to fund costs of a new scanner.	3	0	N/A
0	Chief Execs	Chairman's Charity Reserve	1	Chairman's Charity Fund Reserve.	0	1	N/A
0	Chief Execs	HR Service Improvement	1	Created to enable department to manage budget over more than one year.	1	0	N/A
0	Chief Execs	Mayors Charity Fund Reserve	1	Mayor's Charity Fund Reserve.	0	1	N/A
406			**1,395**		**548**	**847**	

HARTLEPOOL BOROUGH COUNCIL - RESERVE BALANCES AS AT 31 MARCH 2011

RESERVES TO BE REVIEWED (NOT COMMITTED NOR HELD IN TRUST)

Created 2010/11 as per Outturn Strategy £'000	Department	Reserve	Actual Balance 31/03/2011 £'000	Reason for/purpose of the Reserve	Total Value of Reserve to be released for Redundancy Costs £'000	Value of Reserve to be retained £'000	Reason for retention of reserve
£000			£000		£000	£000	
185	Adult	Supporting People Reserve	972	Reserve created from Grant underspend and earmarked for potential clawback. To be used to fund transition arrangements following SDO reductions taking place during 2011/12.	787	185	Reserve created in 10/11 to be utilised in 2011/12 to fund the transitional costs of reducing contracts to providers following the significant cuts in resources made to Supporting People funding. If the full £185k is not required, the balance can be released.
0	Adult	Adult Education	570	Created from LSC (Learning Skills Council) grant fund to address short and long term pressures from within the Adult Education service.	40	530	Remainder of reserve is specific grant funding which needs to be held as can be subject to recall by LSC linked to numbers of students supported.
421	Adult	Older People - SRR	421	Increased income received in 2010/11. To be used to fund demographic pressures on Older People.	0	421	New reserve created in March 2011 as Strategic Risk Reserve owing to the very significant demographic pressures in Older People Services.
188	Adult	Social Care Reform Grant	359	Reserve created from specific grant received in 2010/11. To be used to fund project slippage in 2011/12 and 2012/13.	171	188	Reserve to be utilised to fund commitments relating to temporary staffing in 2011/12 and 2012/13.
0	Adult	Mill House	146	The reserve arose from a rates rebate following a review of the leisure centre rateable values in 2006/07.	0	146	Member decision to agree whether reserve should be transferred to capital funding or for ongoing maintenance within the overall council.

APPENDIX F

Created 2010/11 as per Outturn Strategy £'000	Department	Reserve	Actual Balance 31/03/2011 £'000	Reason for/purpose of the Reserve	Total Value of Reserve to be released for Redundancy Costs £'000	Value of Reserve to be retained £'000	Reason for retention of reserve
£000			£000		£000	£000	
0	Adult	Tall Ships Reserve	139	This reserve has been set aside to support the Tall Ships visit in 2010.	0	139	As reported in the 2010/11 Outturn Strategy this amount is available should any residual contractual commitments arise in 11/12 - a review will be undertaken throughout the year. A strategy for using any residual balance can be developed as part of the 2012/13 budget process.
0	Adult	Seaton CC 'Management'	108	Balance carried forward from previous years. Some of this fund pertains to Children's Services. However, the amount is still being determined by the overseeing board.	0	108	Reserve to be held to contribute to any development proposals currently being discussed at Cabinet.
100	Adult	Reablement Funding	100	PCT income received for reablement of service users.	0	100	New reserve created in March 2011 re PCT specific funding received in March 2011 for agreed outcomes - timing delays - expected to fully spend the reserve.
0	Adult	Respite Provision for Autism	80	Income received from PCT for use to provide capital for creation of specialist housing provision of Autism respite.	0	80	Specific funding provided by PCT to contribute to capital scheme which has not come to fruition. Negotiations underway with interested parties to utilise the resources to attain long term benefits for the investment, non-use may lead to return of resources.
0	Adult	CSDP Contribution to capital	68	Reserve created from revenue to increase capital reserve for Adaptations for Disabled people.	0	68	Reserve to be utilised for DFG's to expedite waiting lists and ensure ongoing care costs are reduced.

Created 2010/11 as per Outturn Strategy £'000	Department	Reserve	Actual Balance 31/03/2011 £'000	Reason for/purpose of the Reserve	Total Value of Reserve to be released for Redundancy Costs £'000	Value of Reserve to be retained £'000	Reason for retention of reserve
£000			£000		£000	£000	
8	Adult	Community Grants Pool	59	Reserve created year on year from the underspend on the Community Grants Pool budget as this expenditure is 'ring-fenced' by Members for contributing towards the community.	0	59	Member decision.
0	Adult	Carer Emergency Respite Care service	54	Reserve created from specific grant as contract for Emergency respite granted for a period of 2 years. Expenditure on respite for Carers can be sporadic and this is to be utilised to meet statutory duties around carers. Service now in place and usage has levelled out so reserve no longer required.	54	0	N/A
26	Adult	Mental Health Capacity Act specific grants	53	Reserve created from a mixture of PCT/grant funding.	27	26	Contribution from PCT in 10/11 towards costs for 11/12 post - in year underspends led to non use of residual reserve.
0	Adult	Tobacco Control	43	Reserve created owing to grant income provided to carry out work over a 2 year period.	0	43	Needed to fund staffing posts to meet the terms & conditions of the original grant - exit strategy in place for staffing etc.
0	Adult	Telecare GD, DOH, Preventative Technology Grant c/fwd	41	Reserve created from under utilised specific grant to create a equipment replacement fund. Alternative funding provided by the PCT.	41	0	N/A
13	Adult	DOH Grant Stroke Care	34	Reserve created from specific grant.	21	13	Reserve required to continue to temporarily fund two Stroke Clubs within the community as per DOH specific grant.
0	Adult	Public Health Phys Activity	29	Reserve created from PCT monies. Monies to be awarded by HBC in grants to the community and voluntary sector on behalf of the PCT.	0	29	PCT funding for community and Voluntary Sector activities.

Created 2010/11 as per Outturn Strategy £'000	Department	Reserve	Actual Balance 31/03/2011 £'000	Reason for/purpose of the Reserve	Total Value of Reserve to be released for Redundancy Costs £'000	Value of Reserve to be retained £'000	Reason for retention of reserve
£000			£000		£000	£000	
21	Adult	Campus Reprovisioning Grant	21	Reserve created from specific grant received in 2010/11. To be used to fund project slippage in 2011/12.	0	21	Reserve to be utilised to offset unfunded costs in Campus Reprovision via NHS funding transfer - work underway to reduce ongoing contract costs through staffing changes currently covered by TUPE.
0	Adult	Adult Social Care	20	Income from PCT for various social care expenditure i.e., OT equipment, IT for Care homes Residual balance not required for project.	20	0	N/A
12	Adult	Archaeology Projects	16	Reserve to be used for specific archaeology projects following SDO reductions.	4	12	Specific project underway to move archaeological items from Bunker - will be complete by September 2011.
0	Adult	Renaissance in the Regions	14	Reserve created from unspent grant funding to support the overall HUB shared by all 4 Tees Valley Authorities.	0	14	Specific grant underspend to support the overall hub - expected to be spent by September 2011.
0	Adult	Sports Activities - various	14	Underspend on grants for sports & health activities.	0	14	To be utilised for Olympic event summer 2011.
0	Adult	Grayfields Pitch Improvements	13	Reserve created to complete the pitch improvements at Grayfields.	0	13	Delayed owing to weather condition expected to be completed by September 2011.
11	Adult	Library System Improvements	11	Reserve set aside to fund Library System improvements in line with Government requirements for Data Protection and Security.	0	11	Upgrade of Library systems being installed June, tested and completed by July.
0	Adult	Sir William Gray House Storage Facilities	8	Reserve created to secure match funding from Heritage Lottery Fund to improve collections storage and facilities at Sir William Gray House.	0	8	Specific project underway to move archaeological items from Bunker - will be complete by September 2011.
5	Adult	Sports & Recreation - Sports Awards	7	To fund sports coaches training awards.	0	7	To be utilised for Olympic event summer 2011.
7	Adult	Marketing Reserve	7	Reserve to be used to fund Marketing expenditure in 2011/12 to generate increased income as part of the SDO target.	0	7	To be utilised this summer.

Created 2010/11 as per Outturn Strategy £'000	Department	Reserve	Actual Balance 31/03/2011 £'000	Reason for/purpose of the Reserve	Total Value of Reserve to be released for Redundancy Costs £'000	Value of Reserve to be retained £'000	Reason for retention of reserve
£000			£000		£000	£000	
0	Adult	Health Walks programme Natural England	6	Grant from Natural England required to sustain health walks programme in 2010/11 & 2011/12. Other grant source for this year obtained via devolved funding bid from Sport England (Adults into Sport) using this as match funding.	0	6	Plan to spend reserve by September.
0	Adult	Adult Social Care - Communities for Health Grant	6	Specific grant received close to 2008-09 year end - residual balance not needed. Residual balance not required for project.	6	0	N/A
0	Adult	Archaeology - Monograph Series	5	Creation of reserve to ensure completion of project and ensure no loss of external funding for the overall project.	0	5	Fund to be used to print the series and meet conditions of grants received.
0	Adult	Culture Shock Community Engagement Project	2	Reserve created to make up shortfall of income from Heritage Lottery Fund for the project - residual balance not needed.	2	0	N/A
0	Adult	Throston Library Youth Worker	1	Reserve created to fund sessional Youth Worker at Throston Library. - residual balance not needed.	1	0	N/A
0	Adult	Development of Historic Quay	1	Residual balance, not needed.	1	0	N/A
996			**3,426**		**1,174**	**2,252**	

HARTLEPOOL BOROUGH COUNCIL - RESERVE BALANCES AS AT 31 MARCH 2011

RESERVES TO BE REVIEWED (NOT COMMITTED NOR HELD IN TRUST)

Created 2010/11 as per Outturn Strategy £'000	Department	Reserve	Actual Balance 31/03/2011 £'000	Reason for/purpose of the Reserve	Total Value of Reserve to be released for Redundancy Costs £'000	Value of Reserve to be retained £'000	Reason for retention of reserve
£000			£000		£000	£000	
267	Children's	Looked After Children	1,066	Contribution to the Safeguarding and Specialist Services for the development of Looked After Children in this volatile area.	0	1,066	Volatile area and risky to release reserve with increasing numbers of Looked after Children.
	Children's	Brierton/Dyke House BSF Costs	300	Reserve created to fund BSF costs.	0	300	Funding of costs including specialist advisors and BSF costs.
0	Children's	Think Family	299	2010/11 balance of grant funding to be carried forward into 2011/12 to assist with continuation of service following reductions in 2011/12 grant allocations as part of the Early Intervention Grant..	50	249	This is used as part of invest to save work, piloting children on edge of care, including support and training for foster carers. Residual £50k not required.
0	Children's	BSF Implementation Costs	242	This is the revenue reserve to fund the revenue costs of the School Transformation Team.	0	242	Profiled to fund Transformation Team staffing and BSF costs.
0	Children's	Ring-Fenced Grants	227	A number of ring-fenced grants were underspent at the end of 2009/10 and 2010/11 therefore this Reserve was created in order to carry the funding forward into future years.	41	186	**Breastfeeding** - £58k to support PCT initiative. **NDC - Learning Initiatives Ready for Baby** - £5k. **Children's Fund** - £68k funding agreed by Members as part of 2011/12 budget setting. **Education Business Partnerships** - £5k to work with vulnerable young people.
0	Children's	Youth Offending Reserve	206	Ring-Fenced as YOS is a Partnership Budget. Created from planned underspends in previous years to fund YOS initiatives.	40	166	Funding to manage Service, payment of rent for premises and cost of redundancy appeals (4 staff supernumerary) £40k can be released.

Created 2010/11 as per Outturn Strategy £'000	Department	Reserve	Actual Balance 31/03/2011 £'000	Reason for/purpose of the Reserve	Total Value of Reserve to be released for Redundancy Costs £'000	Value of Reserve to be retained £'000	Reason for retention of reserve
£000			£000		£000	£000	
0	Children's	Community Facilities in Schools - Children's Services Funding	154	There was a revenue budget created in 2009/10 for Community Facility subsidies to assist with funding those facilities which were operating a deficit. There was no call on this Reserve during 2009/10. In 2010/11 there was also base budget provision of £100k which an element contributed towards the deficit at the St John Vianney Children's Centre. The balance of this budget has been transferred to this Reserve. The base budget has been deleted as part of the savings exercise so this is now a 'Contingency' budget..	54	100	To hold balance as a contingency, 11/12 to be a transitional year. Reserve maybe required to support schools.
0	Children's	School Rates	116	This was created to manage the volatility of business rate charges within school budgets. Following the implementation of the Dedicated School Grant which now finances any schools rates volatility, and the 2010 review of rateable valuations, this reserve is no longer required.	116	0	N/A
85	Children's	Raising Educational Achievement	85	Incorporates funding to ensure the most vulnerable young people are tracked and supported to remain in education.	0	85	Required to meet needs of vulnerable young people supported in education, especially those who are at risk of entering the Youth Justice System.
2	Children's	Positive Activities for Young People	77	2010/11 balance of grant funding to be carried forward into 2011/12 to assist with continuation of service following reductions in 2011/12 grant allocations as part of the Early Intervention Grant..	0	77	Funding required to meet the needs of vulnerable young people and ensure engaged in purposeful activities, especially those at risk of entering the Youth Justice system.
0	Children's	Early Years Development Childcare Plan	57	This reserve has been created to develop the provision of services for 3 and 4 year olds. Not required for funding services.	57	0	N/A

Created 2010/11 as per Outturn Strategy £'000	Department	Reserve	Actual Balance 31/03/2011 £'000	Reason for/purpose of the Reserve	Total Value of Reserve to be released for Redundancy Costs £'000	Value of Reserve to be retained £'000	Reason for retention of reserve
£000			£000		£000	£000	
0	Children's	Community Facilities in Schools - Corporate Funding	50	Corporate Funding set aside in 2006/07specifically to cover any deficits in school Community Facilities in order to ensure that the facilities can continue to provide services. Reserve not required. Contingency already in place if required.	50	0	N/A
0	Children's	Carlton Outdoor Centre	66	This Ring-Fenced Reserve was created from underspends on the Carlton Centre budget during refurbishment, initially to cover the LA contribution towards any second phase of capital development at Carlton Outdoor Centre. However, following the withdrawal of both Redcar and Stockton from the partnership this Reserve has been used as an 'Income' contingency reserve to ensure that the Carlton budget does not overspend and fall as a cost to Hartlepool tax payers.	0	66	Required to support Carlton Centre following withdrawal of funding by other LAs.
33	Children's	Sustainable Travel/Post 16 Travel	33	Funding towards Post-16 travel previously funded by government grants.	0	33	Pathfinder grant for Post 16 students stopped in 11/12. Currently piloting scheme where colleges pay cost of travel, required as contingency.
	Children's	Raising Educational Achievement	32	Incorporates funding to enhance the Educational achievement and experience through Playing for Success.	0	32	To fund salaries to continue initiative with Hartlepool FC until Aug 11.
32	Children's	City Learning Centre	32	This is Contingency funding to enable the continuation of the service based at the Space to Learn Centre. Not required as planned.	32	0	N/A
15	Children's	Educational Psychologists	30	Created to support initiative at Springwell School during 2011/12.	0	30	Supporting the bursars of 2 student psychologists, including one at Springwell School.

Created 2010/11 as per Outturn Strategy £'000	Department	Reserve	Actual Balance 31/03/2011 £'000	Reason for/purpose of the Reserve	Total Value of Reserve to be released for Redundancy Costs £'000	Value of Reserve to be retained £'000	Reason for retention of reserve
£000			£000		£000	£000	
0	Children's	Local Safeguarding Children's Board (Partnership Funding)	29	Ring-Fenced Reserve - This is Partnership Funding with other bodies so not all HBC funding. Relates to underspends carried forward.	0	29	Partnership funding held by LA, ringfenced to support Serious Case Reviews.
0	Children's	Workforce Development	25	2010/11 balance of grant funding to be carried forward into 2011/12.	0	25	CWDC specific grant funding to support Agency Social Workers and to cover social work training costs for the academic year.
0	Children's	Child Poverty Local Duties	21	Late Notification of ABG allocation to be carried forward to fund targeted family work in 2011/12.	0	21	One off funding required to pilot targeted intervention work with identified poverty issues.
0	Children's	Parenting Support	20	This was created from additional income over and above the grant generated from the Parenting Support Programme in 2007/08. Over achievement of income, not required for core service.	20	0	N/A
0	Children's	Teenage Pregnancy	20	Reserve was created from income generated by the Teenage Pregnancy initiative which has been set aside to enhance the TP Programme. Funding not required as planned.	20	0	N/A
0	Children's	Swimming Pool Maintenance	20	It was decided not to install a moveable floor at Brinkburn Pool which was the original purpose of this Reserve. The Children's Services, Performance Management and Regeneration, Liveability and Housing Portfolio Holders have requested that this be earmarked for the general upkeep of Swimming Pools within the town. Not required as previously planned for pool floor.	20	0	N/A

Created 2010/11 as per Outturn Strategy £'000	Department	Reserve	Actual Balance 31/03/2011 £'000	Reason for/purpose of the Reserve	Total Value of Reserve to be released for Redundancy Costs £'000	Value of Reserve to be retained £'000	Reason for retention of reserve
£000			**£000**		**£000**	**£000**	
0	Children's	Youth Service - General	10	Youth Advisory Group Balances and youth centre catering surpluses have been carried forward from previous years to fund service developments.	10	0	N/A
3	Children's	Raising Educational Achievement	9	Incorporates funding to enhance the Educational achievement and experience through Playing for Success.	0	9	Specific grant funding to fund salaries to continue initiative with Hartlepool FC until Aug 11.
0	Children's	Care Matters	4	Contribution to the Safeguarding and Specialist Services for the development of Looked After Children in this volatile area.	0	4	Required to fund educational visits during Summer 2011 for LAC.
2	Children's	Youth Opportunity Grants	2	Specific Grant Awards given to the Young People for activities during 2011/12.	0	2	Activities booked with young people in 11/12.
439			**3,233**		**510**	**2,723**	

APPENDIX F

HARTLEPOOL BOROUGH COUNCIL - RESERVE BALANCES AS AT 31 MARCH 2011

RESERVES TO BE REVIEWED (NOT COMMITTED NOR HELD IN TRUST)

Created 2010/11 as per Outturn Strategy £'000	Department	Reserve	Actual Balance 31/03/2011 £'000	Reason for/purpose of the Reserve	Total Value of Reserve to be released for Redundancy Costs £'000	Value of Reserve to be retained £'000	Reason for retention of reserve
£000			£000		£000	£000	
0	Regeneration & Neighbourhoods	Jobs and the Economy	380	ABG Funding received at the end of 2009/10.	200	180	Funding needed to cover the continued commitment to projects including ILM, Hartlepool Working Solutions and Business Incubation until March 2012.
0	Regeneration & Neighbourhoods	Regeneration & Neighbourhoods MRU	243	Funding set aside to support the ISQ Gateway Project, Vehicle Trackers and a temporary Planning Officer Post.	78	165	Commitment for a Planning Officer Post, Financing of Vehicle Trackers already purchased and funding to support the ISQ Gateway Project.
0	Regeneration & Neighbourhoods	Earmarked Grant Funding	222	Mainly balances remaining in 09/10 which relate to funding given for a specific purpose over more than one year.	104	118	Funding carried forward to fund ITU Management Consultant, Hart Graffiti removal project, Selective Licensing, and Regeneration grant funded schemes which run for more than one year. £10k redundancy provision transferred to Corporate Redundancy Reserve.
0	Regeneration & Neighbourhoods	Seaside Grant	200	Funding set aside to fund expenditure commitments on a Capital Project.	0	200	Capital grant to be used as part of Seaton redevelopment.
154	Regeneration & Neighbourhoods	Economic Development	154	Completion of various ongoing commitments including the Employment and Integration Scheme, Training Placements, Connect to Work, Jobsmart.	13	141	Grants carried forward to support the ESF Going Forward project.
144	Regeneration & Neighbourhoods	Selective Licensing	144	Income generated from fees required to fund the scheme over a 5 year period.	0	144	Needed to fund running costs for the scheme over 5 years.
132	Regeneration & Neighbourhoods	Community Safety	132	Local Public Service Agreement Phase 2 reward grant for committed projects approved by Safer Hartlepool Partnership - Domestic Violence.	0	132	Grant administered and controlled by SHP and contractually committed.

APPENDIX F

Created 2010/11 as per Outturn Strategy £'000	Department	Reserve	Actual Balance 31/03/2011 £'000	Reason for/purpose of the Reserve	Total Value of Reserve to be released for Redundancy Costs £'000	Value of Reserve to be retained £'000	Reason for retention of reserve
£000			£000		£000	£000	
112	Regeneration & Neighbourhoods	Licensing	112	Licence Fee Income in Advance - previously this was included on the Balance Sheet as Income in Advance and is now required to be carried forward as an 'Earmarked Reserve' under the new IFRS Code of Accounting Practice. The reserve will cover expenditure in 2011/12.	100	12	Needed to support Licensing running costs in 2011/12.
100	Regeneration & Neighbourhoods	Property Services and Facilities Management	100	Use of some of the surplus generated by Trading Accounts to cover the costs of potential remedial works and protect against future income volatility.	100	0	N/A
0	Regeneration & Neighbourhoods	Housing Reserve	96	Various housing expenditure including, selective licensing, IT costs and CADCAM.	0	96	Includes Selective Licensing which requires funding for staff for a further 4 years, Housing IT system upgrades and funding set aside to cover future CADCAM liabilities.
0	Regeneration & Neighbourhoods	Empty Homes	80	To implement / match fund a TV wide pilot to bring empty homes back into use.	0	80	Funding to deliver phase 1 in partnership with HH and match funding Towards bid for HCA funding previously approved by Members.
0	Regeneration & Neighbourhoods	Stranton Nursery	70	Expand and improve retail facilities as previously agreed by Members.	0	70	Work already underway.
0	Regeneration & Neighbourhoods	Baden Street	55	Balance required to fully implement phase 1 of scheme approved by Members.	0	55	Not possible to reduce scheme. To scale back the scheme at this stage would not have the desired effect on reducing antisocial behaviour and would not address the issue of inadequate management of privately rented housing stock.

APPENDIX F

Created 2010/11 as per Outturn Strategy £'000	Department	Reserve	Actual Balance 31/03/2011 £'000	Reason for/purpose of the Reserve	Total Value of Reserve to be released for Redundancy Costs £'000	Value of Reserve to be retained £'000	Reason for retention of reserve
£000			£000		£000	£000	
50	Regeneration & Neighbourhoods	Cemetery & Crematoria	50	Planned use of additional income carried forward to partly fund new cremators as previously agreed by Members as part of funding strategy for this project.	0	50	Funding to reduce prudential borrowing costs.
0	Regeneration & Neighbourhoods	Allotments	50	Implementation of the Council's Allotment Development Strategy as agreed by Members.	0	50	Insufficient revenue budget to invest in service asset improvement.
0	Regeneration & Neighbourhoods	Winter Maintenance	50	Purchase of winter maintenance equipment.	0	50	Replace existing equipment.
0	Regeneration & Neighbourhoods	Furniture Project	50	To implement the findings of the Scrutiny review into reduction of child poverty and increasing access to affordable credit.	0	50	To pilot a scheme to be approved by Members.
46	Regeneration & Neighbourhoods	Community Safety	46	Completion of various contractual/committed projects including 'Target Hardening' & 'Local Volunteering'.	0	46	Contractual obligations.
46	Regeneration & Neighbourhoods	ITU	46	Carry forward of grant set aside to support the running costs of the Integrated Transport Unit (ITU).	0	46	Needed to support staffing costs.
0	Regeneration & Neighbourhoods	Economic Development	45	To fund Economic Development staff as temporary programme money ceases. .	45	0	N/A
37	Regeneration & Neighbourhoods	Urban & Planning Policy	37	Relates to the part carry forward of funding identified to support major regeneration projects such as the Innovation and Skills Quarter (ISQ) Gateway and development of Church Square. The reserve is to support feasibility costs and contribute match funding towards external funding bids.	0	37	Church Square capital refurbishment commitment.

Created 2010/11 as per Outturn Strategy £'000	Department	Reserve	Actual Balance 31/03/2011 £'000	Reason for/purpose of the Reserve	Total Value of Reserve to be released for Redundancy Costs £'000	Value of Reserve to be retained £'000	Reason for retention of reserve
£000			£000		£000	£000	
35	Regeneration & Neighbourhoods	Social Housing New Build	35	Relates to the surplus generated by the New Social Housing which needs to be set aside to cover future maintenance costs in accordance with the approved business case for this project.	0	35	Contractual requirement of Housing Grant.
0	Regeneration & Neighbourhoods	Local Plan	32	To part fund the Local Development Framework within Planning.	0	32	Strategic studies needed to support the Local Development Framework.
31	Regeneration & Neighbourhoods	Neighbourhood Management	31	Carry forward of NDC (New Deal for Communities) funding to continue scheme.	4	27	£4k released to redundancy pot - remainder needed for salary costs.
27	Regeneration & Neighbourhoods	Economic Development	27	Carry forward of Income generated by Graffiti Project which is required to meet ongoing running costs associated with future income generation opportunities.	13	14	Scheme currently under review, funding required to fund ongoing staffing costs and exit costs.
0	Regeneration & Neighbourhoods	Building Maintenance Remedial	22	Traditionally all building projects require remedial work following their completion and this is a quarter of the figure spent last year.	0	22	Without this reserve there will be a pressure on the trading account.
0	Regeneration & Neighbourhoods	Regeneration Reserve - Specific	21	Mainly grant funding earmarked for future use.	21	0	N/A
0	Regeneration & Neighbourhoods	Greatham Community Centre	20	Remedial works necessary upon surrender of lease.	0	20	Complete.
0	Regeneration & Neighbourhoods	H & S Training	20	Legislative requirements for operational staff to be trained to HSE set standards.	0	20	Legal requirement.
18	Regeneration & Neighbourhoods	Property Services and Facilities Management	18	Completion of various commitments under the Invest to Save programme.	0	18	Previously agreed to fund further invest to save projects.
16	Regeneration & Neighbourhoods	Speed Cameras	16	Relates to the funding ring fenced for the Tees Valley Camera Partnership.	0	16	Ring Fenced funding.
15	Regeneration & Neighbourhoods	Economic Development	15	Managed Revenue Underspend earmarked for development of Hartlepool's Economic Regeneration Strategy.	5	10	Has to be carried out.
11	Regeneration & Neighbourhoods	Tree Works	11	Tree Works - completion of planned programme.	11	0	N/A

Created 2010/11 as per Outturn Strategy £'000	Department	Reserve	Actual Balance 31/03/2011 £'000	Reason for/purpose of the Reserve	Total Value of Reserve to be released for Redundancy Costs £'000	Value of Reserve to be retained £'000	Reason for retention of reserve
£000			£000		£000	£000	
0	Regeneration & Neighbourhoods	Neighbourhood Community Development Projects	10	With loss of WNF funding needed to support neighbourhood meetings.	0	10	Unavoidable costs which would have to be borne by revenue account.
0	Regeneration & Neighbourhoods	Village Green Hearings etc.	10	Fund legal costs associated with public inquiries in relation to village green applications.	0	10	2 applications already received.
0	Regeneration & Neighbourhoods	Equine Enforcement	10	An increasing problem of unregulated tethering of horses on council land.	0	10	Member decision to implement equine enforcement policy.
7	Regeneration & Neighbourhoods	Housing	7	Committed for Housing Condition Survey/Strategic Housing Market Assessment.	0	7	Has to be carried out.
5	Regeneration & Neighbourhoods	Neighbourhood Management	5	NDC (New Deal for Communities) Cohesion project - reserves allocated to complete project in 2011/12.	0	5	Needed to complete project in 11/12.
3	Regeneration & Neighbourhoods	Dog Warden	3	Dog Warden - earmarked for funding of new bins which were not received by year end.	3	0	N/A
988			**2,673**		**696**	**1,977**	

APPENDIX G

INITIAL FORECAST 2011/12 OUTTURNS

	Cost/(saving) £'M
Centralised Estimates Forecast outturn reflects impact of current interest rate structures and continuation of existing Treasury Management Strategy of netting down investments and borrowings. This strategy is not sustainable as reserves will be used up and interest rates will increase. In the current year this strategy is providing a lower net cost and reducing investment counter party risk.	(1.350)
Advance 2012/13 BTP 2 Savings The BTP 2 programme is planned to deliver total savings of £5.3m towards the £6.6m budget deficit for 2012/13. Owing to the complexity and long lead times for a number of BTP 2 initiatives implementation of some projects has commenced in the current year. This is necessary to ensure the full year savings will be achieved from 1 st April 2012. The achievement of these savings is essential if the Council is to set a balanced budget for 2012/13 and has confidence that proposed saving will be achieved and are sustainable. There will be a part year benefit in the current year from implementing these savings earlier. Assuming other areas of the overall 2011/12 budget are on target at the year end these savings will be available as a one-off benefit.	(0.900)
Insurance Renewal Saving (part year) A tendering exercise for the renewal of external insurance has recently been completed with Redcar and Cleveland Council. It had not been expected that this would produce a saving owing to the national and international position of the insurance market and trends towards higher premiums. It had been hoped that the Council's claims record would result in premiums being frozen at the 2010/11 level for 3 years. Owing to the particularly competitive premiums submitted for Public Liability insurance a 30% reduction in overall external premiums has been achieved. Assuming there is not an adverse change in the Council's claims experience this saving should be sustainable for 3 years. There is also an option to extend the contract for a further 2 years, if both parties agree.	(0.080)
New Homes Bonus Since the 2011/12 budget was set the Government have provided details of how the New Homes Bonus will work and details of the year 1 allocations.	(0.270)
External Audit Fees The Audit Commission announced reductions in current fees after the 2011/12 budget was set. For planning purposes it is assumed that these reductions will be sustainable. There is a risk that when responsibility for appointing External Auditors transfers to individual authorities that these reductions may not be sustainable. This position will need to be kept under review.	(0.090)
Income Shortfall - Building Control and Development Control The level of income in the current year is being affected by the continued weakness in the economy and a total shortfall of up to £0.25m is currently expected for these areas. This shortfall will need covering in 2011/12. Further work is needed to assess the ongoing position in 2012/13 and the scope for reducing costs. For planning purposes it would be prudent to earmark £0.25m from the current years outturn to cover these trends continuing into 2012/13. Hopefully, the economy will begin to recover before 2013/14 and avoid this becoming a permanent pressure.	0.500

INITIAL FORECAST 2011/12 OUTTURNS

	Cost/(saving) £'M
School Meals shortfall A total subsidy of £0.14m is needed for this service. It had been hoped to fund this amount from the retained element of the Dedicated Schools Grant (DSG) in 2011/12. However, owing to pressure on this budget it is only possible to make a £70k contribution. Therefore, the remaining cost needs to be funded from the Council's own resources in the current year. As pressure on the DSG will increase in 2012/13 a permanent solution for funding the £0.14m subsidy will need to be developed. This issue is currently being reviewed and details will be reported to a future Cabinet meeting.	0.070
Casual Workers Statutory Holiday Pay Working time regulations require employers to pay casual workers holiday pay and arrangements have been implemented to comply with these requirements on an ongoing basis. Where these costs arise they will be funded from departmental base budgets. There is a significant risk that the Council will be required to fund holiday back pay claims to 01.10.07 and an assessment of these costs has been made. It would therefore be prudent to set money aside for costs as part of the 2011/12 outturn strategy.	0.080
Concessionary Fare This pressure covers the tri-annual cost of replacing Concessionary Fare passes. As no provision is included within the base budget for this cost provision needs to be made within the 2011/12 outturn to avoid this being a pressure in 2012/13.	0.060
Net Forecast Outturn	(1.980)

APPENDIX H

Schedule of Grants which transferred into Formula Grant

	Specific grant or ABG	ABG and Specific Grants transferred into Formula Grant £'000	2011/12 Approved allocation £'000	Reduction in Funding £'000	2012/13 Proposed allocation approved by Council 10.02.11 £'000	Reduction in Funding £'000
Formula Grant						
Concessionary Travel	Specific	582	350	0	350	0
Child Death Review Processes	ABG	18	16	2	15	1
Care Matters White Paper	ABG	116	100	16	94	7
Economic Assessment Duty	ABG	65	56	9	53	4
Adult Social Care Workforce	ABG	297	257	40	240	17
Carers - Adult	ABG	436	377	59	352	25
Carers - Child	ABG	109	94	15	88	6
Child & Adolescent Mental Health	ABG	234	202	32	189	13
Learning & Disability Development Fund	ABG	106	92	14	86	6
Local Involvement Networks	ABG	99	86	13	80	6
Mental Capacity Act & Independent Mental Capacity	ABG	63	54	9	51	4
Mental Health	ABG	373	322	51	301	21
Stroke Services	Specific	87	75	12	70	5
Social Care Reform Grant	Specific	440	380	60	355	25
Social Care Reform Grant	Specific	63	54	9	51	4
Social Care Reform Grant - Extra Care Specific	Specific	20	17	3	16	1
Aids	Specific	7	6	1	6	0
Private Sewers		(39)	0	0	0	0
Planning Inspectorate SUDs Appeals Costs		(2)	0	0	0	0
Academies		(282)	0	0	0	0
Local Transport Services	Specific	118	102	16	95	7
Supporting People	ABG	3985	3448	537	3218	231
Housing Strategy for Older People	ABG	70	61	9	57	4
LSC Staff Transfer	ABG	275	238	37	222	16
Preserved Rights	Specific	270	233	37	218	15
Animal Health & Welfare		5	4	1	4	0
Adjusted Formula Grant		**7,515**	**6,626**	**980**	**6,210**	**416**

Equality and Human Rights Commission

Using the equality duties to make fair financial decisions

A guide for decision-makers

Equality and
Human Rights
Commission

Introduction

With major reductions in public spending, organisations in Britain may be required to make difficult financial decisions. This guide sets out what is expected of you as a decision-maker and leader of a public authority responsible for delivering key services at a national, regional and/or local level, in order to make such decisions as fair as possible.

The equality duties do not prevent you from making difficult decisions such as reorganisations and relocations, redundancies, and service reductions nor do they stop you from making decisions which may affect one group more than another. What the equality duties do is enable you to demonstrate that you are making financial decisions in a fair, transparent and accountable way, considering the needs and the rights of different members of your community. This is achieved through assessing the impact that changes to policies, procedures and practices could have on different equality groups.

Assessing the impact of proposed changes to policies, procedures and practices is not just something the law requires, it is a positive opportunity for you as public authority leaders to ensure you make better decisions based on robust evidence.

What the law requires now

Under equality legislation, your authority has legal duties to pay 'due regard' to the need to eliminate discrimination and promote equality with regard to race, disability and gender, including gender reassignment, as well as to promote good race relations.

The law requires that this duty to pay 'due regard' be demonstrated in the decision-making process. Assessing the potential equality impact of proposed changes to policies, procedures and practices is one of the key ways in which public authorities can show 'due regard'.

It is also important to note that public authorities subject to the equality duties are also likely to be subject to the obligations under the Human Rights Act. We would therefore recommend public authorities should consider the potential impact their decisions could have on human rights.

What the law will require from April 2011

The Equality Act 2010 introduces a new public sector duty which extends this coverage to age, sexual orientation, pregnancy and maternity, and religion or belief.

In preparation for these new duties coming into force, we would recommend that you start to assess the impact your financial decisions might have on the new protected groups where relevant and proportionate.

Aim of this guide

This guide aims to assist decision-makers in ensuring that:

- the process followed to assess the equality impact of financial proposals is robust, and
- the impact financial proposals could have on equality groups is thoroughly considered before any decisions are arrived at.

We have also produced detailed practical guidance for those responsible for assessing the equality impact of policies, which is available from our website. You can access this guidance at: www.equalityhumanrights.com/financialdecisions

The benefits of carrying out Equality Impact Assessments (EIAs)

By law an assessment must:

- contain sufficient information to enable a public authority to show it has paid 'due regard' to the equality duties in its decision-making
- identify methods for mitigating or avoiding any adverse impact.

Such assessment does not necessarily have to take the form of one document called an Equality Impact Assessment (EIA), although this is what we recommend for reasons explained below. If you choose not to undertake an EIA, then some alternative form of analysis which systematically assesses any adverse impact of a change in policy, procedure or practice will be required.

An impact assessment is not an end in itself and should be tailored to and proportionate to the decision that is being made. Whether it is proportionate for an authority to conduct an assessment of a financial decision depends on its relevance to the authority's particular function and its likely impact.

We recommend using a formal EIA document when developing financial proposals as it is likely to help you to:

- **ensure you have a written record of the equality considerations** you have taken into account
- **ensure that your decision includes a consideration of the actions that would help to avoid or mitigate any unfair impact on particular equality groups**. Individual decisions should also be informed by the wider context of decisions in your own and other relevant public bodies, so that particular groups are not unduly affected by the cumulative effects of different decisions
- **make your decisions based on evidence**: a decision which is informed by relevant local and national data about equality is a better quality decision. EIAs provide a clear and systematic way to collect, assess and put forward relevant evidence
- **make the decision-making process more transparent**: a process which involves those likely to be affected by the policy, and which is based on evidence, is much more open and transparent. This should also help you secure better public understanding of the difficult decisions you will be making in the coming months
- **comply with the law**: the duties are legal obligations which should remain a top priority, even in times of economic difficulty. Failure to meet the duties may result in authorities being exposed to costly, time-consuming and reputation-damaging legal challenges.

When should assessments be carried out?

An assessment of impact must be carried out at a formative stage so that the assessment is an integral part of the development of a proposed policy, not a later justification of a policy that has already been adopted.

Financial proposals which are relevant to equality such as those likely to impact on equality for your workforce and/or for your community should always be subject to a thorough assessment. This includes proposals to outsource or procure any of your organisation functions. The assessment should form part of the proposal, and you should consider it carefully **before** making your decision.

If you are presented with a proposal that has not been assessed for equality impact, you should question whether this enables you to consider fully the proposed change and its likely impact. Decisions not to impact assess should be fully documented, along with the reasons and the evidence used to come to this conclusion. This is important as authorities may need to rely on this documentation if the decision is challenged.

It is also important to remember that potential impact is not just about numbers. Evidence of a serious impact that may affect a small number of individuals is just as important as a potential impact affecting many people.

What should I be looking for in an assessment?

An assessment needs to be based on relevant data and sufficient analysis to enable the decision-maker to understand the equality implications of a decision and any alternative options or proposals.

As with everything, proportionality is a key principle. Assessing the impact of a major financial proposal is likely to need significantly more effort, and resources dedicated to ensuring effective consultation and involvement, than a simple assessment of a proposal to save money by changing staff travel arrangements. There is no prescribed format for an EIA, however the following questions and answers provide guidance to assist you in determining whether you consider that an EIA is robust enough to rely on:

- **Is the purpose of the financial proposal clearly set out?**
  A robust EIA will set out the reasons for the change; how this change can impact on equality groups, as well as who it is intended to benefit; and the intended outcome. You should also think about how individual financial proposals might relate to one another. This is because a series of changes to different policies or services could have a severe impact on particular equality groups.
  Joint working with your public authority partners will also help you to consider thoroughly the impact of decisions on the people you collectively serve.

> **Example:** A local authority takes separate decisions to limit the eligibility criteria for community care services; increase charges for respite services; scale back its accessible housing programme; and cut concessionary travel. Each separate decision may have a significant effect on the lives of disabled residents, and the cumulative impact of these decisions may be considerable. This combined impact would not be apparent where the decisions are considered in isolation.

- **Has the EIA considered available evidence?**
  Public authorities should consider the data and research already available locally and nationally. The assessment should be underpinned by up-to-date and reliable information about the different groups the proposal is likely to affect. A lack of data is not a sufficient reason to conclude that there is no impact.[1]

- **Have those likely to be affected by the proposal been consulted and involved?**
  Involvement and consultation are crucial to the EIA process. There is an explicit requirement to consult different ethnic groups under race relations law in the context of an EIA but, as a matter of best practice and in order to improve your evidence, applying the same principle to other groups should be considered. No-one can give you a better insight into how proposed changes will affect, for example, disabled people, than disabled people themselves.

- **Have potential positive and negative impacts been identified?**
  It is not enough to state simply that a policy will affect everyone equally; there should be a more in-depth consideration of available evidence to see if particular equality groups are more likely to be affected than others. Equal treatment does not always produce equal outcomes; sometimes authorities will have to take specific steps for particular groups to address an existing disadvantage or to meet differing needs.

- **What course of action does the EIA suggest I take? Is it justifiable?**
  The EIA should clearly identify the option(s) chosen, and their potential impacts, and document the reasons for this decision. There are four possible outcomes of an EIA. More than one may apply to a single proposal:

[1] Where there is no detailed quantitative data available, there may often be national statistics or qualitative studies on the relevant policy area. These can be supplemented by local informal consultation. Providing evidence that your organisation has looked for data will improve the quality and transparency of your EIA. For longer-term monitoring of impact, you can include your plans to collect data in the EIA action plan.

- **Outcome 1: No major change required** when the EIA has not identified any potential for discrimination or adverse impact and all opportunities to promote equality have been taken.

- **Outcome 2: Adjustments to remove barriers identified by the EIA or to better promote equality**. Are you satisfied that the proposed adjustments will remove the barriers identified?

- **Outcome 3: Continue despite having identified some potential for adverse impact or missed opportunities to promote equality**. In this case, the justification should be included in the EIA and should be in line with the duty to have 'due regard'. For the most important relevant policies, compelling reasons will be needed. You should consider whether there are sufficient plans to reduce the negative impact and/or plans to monitor the actual impact, as discussed below.

- **Outcome 4: Stop and rethink** when an EIA shows actual or potential unlawful discrimination.[2]

- **Are there plans to alleviate any negative impact?** Where the assessment indicates a potential negative impact, consideration should be given to means of reducing or mitigating the negative effects. This will in practice be supported by the development of an action plan to reduce impact that identifies the responsibility for delivering each action and the associated timescales for implementation. Considering what action you could take to avoid any negative impact is crucial, to reduce the likelihood that the difficult decisions you will have to take in the near future do not create or perpetuate inequality.

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[2] The relevant Codes of Practice and guidance on the public sector duties provide information about what constitutes unlawful discrimination. More information is available on the Commission's website http://www.equalityhumanrights.com.

Example: A University decides to close down its childcare facility to save money, particularly given that it is currently being underused. It identifies that doing so will have a negative impact on women and individuals from different racial groups, both staff and students.

In order to mitigate such impact, the University designs an action plan to ensure relevant information on childcare facilities in the area is disseminated to staff and students in a timely manner and to develop partnership working with its local authority and ensure sufficient and affordable childcare facilities remains accessible to its students and staff.

- **Are there plans to monitor the actual impact of the proposal?** Although an EIA will help to anticipate a proposal's likely effects on different communities and groups, in reality the full impact of a decision will only be known once it is introduced. It is therefore important to set out arrangements for reviewing the actual impact of the proposals once they have been implemented.

What happens if you don't properly assess the impact of relevant decisions?

If you have not carried out an assessment of the proposal, or have not done so thoroughly, you risk leaving yourself open to legal challenges, which are both costly and time-consuming. Recent legal cases have shown what can happen when authorities do not consider their equality duties when making decisions.[3]

Example: A court recently overturned a decision by Haringey Council to consent to a large-scale building redevelopment in Wards Corner in Tottenham, on the basis that the council had not considered the impact of the proposal on different racial groups before granting planning permission.

However, the result can often be far more fundamental than a legal challenge. If people feel that an authority is acting high-handedly or without properly involving its service users or employees, or listening to their concerns, they are likely to be become disillusioned with you. Above all, authorities which fail to carry out robust assessments risk making

[3] See relevant case law on our webpage at http://www.equalityhumanrights.com/financialdecisions

poor and unfair decisions that could discriminate against particular equality groups and perpetuate or worsen inequality.

As part of its regulatory role to ensure compliance with the equality duties, the Commission will monitor financial decisions with a view to ensuring that these have been taken in compliance with the equality duties and have taken into account the need to mitigate impact where possible.

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Calls from BT landlines are charged at local rates, but calls from mobiles and other providers may vary.

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CABINET REPORT

10 October 2011

HARTLEPOOL BOROUGH COUNCIL

Report of: Director of Regeneration and Neighbourhoods

Subject: REVIEW OF WASTE MANAGEMENT SERVICES

SUMMARY

1. PURPOSE OF REPORT

To give an overview of the proposed changes that would create a more efficient and cost effective provision of waste management services in Hartlepool, and to seek approval for further work to be undertaken regarding these proposals.

2. SUMMARY OF CONTENTS

The Council's Waste & Environmental Services section has proposed a number of changes that would allow for a more effective waste management service to be delivered at a lower cost.

The proposals for 2012/13 focus on waste disposal and the Household Waste Recycling Centre operations and for 2013/14 include four main elements:-

a) Changes to the kerbside dry recycling service;
b) Suspension of the green waste service during winter months;
c) Use of route optimisation technology to increase efficiency of collection rounds;
d) Introduction of a four day working week.

3. RELEVANCE TO CABINET

Waste management affects all wards and is a major concern to residents.

4. TYPE OF DECISION

Key test ii applies. Forward Plan reference No: RN65/11.

5. DECISION MAKING ROUTE

Cabinet 10 October 2011.

6. DECISION(S) REQUIRED

That Cabinet agrees for 2012/13

i) the savings identified in Section 3.0;

and for 2013/14

ii) to tender the kerbside dry recycling contract;

iii) to suspend the current green waste collection service during the winter months, when tonnages are at their lowest (Dec- Feb inclusive);

iv) to commence the process of consultation as outlined in section 10;

v) that Officers pursue the savings highlighted in the Route Optimisation project;

vi) the proposal of a four day working week for the crews affected;

vii) that the 2013/14 recommendations occur simultaneously.

Report of: Director of Regeneration and Neighbourhoods

Subject: REVIEW OF WASTE MANAGEMENT SERVICES

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1. PURPOSE OF REPORT

1.1. To give an overview of the proposed changes that would create a more efficient and cost effective provision of waste management services in Hartlepool, and to seek approval for further work to be undertaken regarding these proposals.

2. CURRENT SITUATION

2.1 A range of waste management services are currently provided by the Council's Waste & Environmental Services section. These services have evolved in response to Government priorities and the needs of the local community. Although the services provided are comprehensive, a review of the waste management service is seen as necessary to reflect the changing priorities of Government, and to make the services more efficient, cost effective and user friendly.

2.2 The waste management services currently provided by the Council include:

a) The Waste Disposal Contract (1996 – 2020). - External contract with SITA UK producing energy from waste and landfill;

b) Household Waste Collections
- Kerbside recycling - Blue Bag / Box. (External contract 2007 – 2011);
- Brown bin / green bin and poly bag (In house service);

c) Household Waste Recycling Centre. - Local contractor (2008 – 2011);

d) Six Recycling Bring Centres - (External contract with Hartlepool Company 2011 – 2014 as part of an arrangement with all Tees Valley Authorities);

e) Bulky Household Waste Removal - (In-house service);

f) Commercial Waste Collections - (In-house service);

g) On street Recycling (Navigation Point and Marina litter bins (In-house service);

h) Council Administrative Buildings (paper, cardboard, plastic bottles and cans). – in-house service; and part of current Kerbside Contract;

i) Confidential Waste Collection Service (In-house service).

CURRENT PERFORMANCE

2.3. Government targets were set for local authorities to achieve a recycling rate of 40% by 2010, 45% by 2015 and 50% by 2020 to meet EU targets.

2.4 The Council has seen an increase in performance over the last five years however this increase has slowed with only a 1.67% increase from 2009/10 to 2010/11

Year	Kerbside Performance	Overall Performance
2006/07	24%	27.62%
2007/08	34%	32.12%
2008/09	38%	37.3%
2009/10	36%	39.10%
2010/11	39%	40.7%

GOVERNMENT REVIEW OF WASTE POLICY IN ENGLAND

2.5 In June 2010 the Coalition Government announced it's 'Waste Policy Review'. The review outlined priorities for the Government in tackling issues surrounding waste management. The main priorities are outlined below:

a) Instigation of a replacement for the Controlled Waste Regulations (1992);

(b) Discontinuation of LATS (Landfill Allowance Trading Scheme) by April 2012, with potential loss of income for Authorities not heavily reliant on landfill, such as Hartlepool;

(c) Removal of Local Authority powers to inspect domestic waste without obtaining various permissions;

(d) Removal of Enforcement Powers (Section 46 of the Environmental Protection Act 1990) and the ability to issue Notices to residents who fail to present domestic household waste in the correct manner. It is proposed these powers will be repealed in the spring of 2013;

(e) Movement away from long-term and interim targets;

(f) Movement towards recording carbon emissions associated with waste streams; and

(g) Promotion of the Local Authority Recycling & Waste Services Commitment – a voluntary commitment that local authorities are encouraged to sign up to. As of May 2011, 111 Local Authorities, including Hartlepool, had signed up to the commitment.

3. PROPOSED EFFICIENCIES IDENTIFIED FOR 2012/13

3.1 An efficiency target of £90,000 has been set against Waste Management and Environmental Services Division for 2012/13. A number of proposals were discussed at the Neighbourhood Services Scrutiny forum on the 8th and 27th July regarding the 2012/13 savings target, the details of which are laid out in section 11 of this report. This target can be achieved through the following:

<u>Household Waste Recycling Centre (HWRC) - £60,000</u>

Increased policing and enforcement to reduce abuse at the site by traders looking to avoid tipping fees, increased recycling due to sorting/segregation of wastes being taken into the site; current economic climate has seen the reduction in the amount of waste entering the site. These three elements have resulted in reduced tonnages of waste being sent to the Energy from Waste Plant and Landfill and will impact on disposal costs in financial year 2012/13.

<u>Waste Transfer Station – £12,000</u>

Increase in recycling due to sorting/segregation of wastes being taken into the site. Currently attaining up to 60% recycling rates, which have significantly greater financial benefits are currently being experienced due to the major refurbishment programme underway at the EfW Plant. A saving of £12,000 is achievable when the SITA plant is fully operational in 2012.

<u>Household Waste Recycling Centre (HWRC) – £18,000</u>

It is proposed the management of the site is to transfer to the in-house team when the present contract expires in March 2012. This will realise a saving of £18,000.

4. PROPOSED CHANGES TO THE WASTE MANAGEMENT SERVICE 2013/14

4.1 This report details four potential changes to the way that waste management services are delivered within Hartlepool, and introduces a number of other potential changes that will be investigated further over the coming months.

4.2 The four main areas reviewed are:

(a) Changes to the kerbside dry recycling service;

(b) Suspension of the green waste service during winter months;

(c) Use of route optimisation technology to increase efficiency of collection rounds;

(d) A four-day working week.

4.3 Introduction of the four areas are outlined in more detail below and need to be introduced simultaneously if they are to be most effective and cause minimal disruption to the service.

5. CHANGES TO KERBSIDE DRY RECYCLING SERVICE

5.1 When first introduced, the Council's recycling service was widely considered as a very comprehensive and innovative means of maximising the amount of dry recyclables collected at the kerbside. Complimentary communication, education and enforcement have led to the current recycling rates being achieved. However, now is the time to review the whole service.

5.2 The current dry recyclables service is undertaken by a combination of in-house and external contractor delivery.

5.3 The contractor currently collects paper, can, glass and textiles from the kerbside using blue boxes and blue bags. The Councils in-house service collects plastic and card in a split bodied vehicle alongside the green waste.

5.4 Since the introduction of the present kerbside recycling scheme in 2004 / 5, significant developments in the waste industry have meant there are now robust end market solutions. As materials are sent where possible to re-processors both locally and across the UK, the risk of export markets crashing is largely mitigated. Investment has been made into the reprocessing of recyclate and technological advancements have allowed for greater segregation after collection. Indeed, Material Recycling Facilities (MRF's) are now able to manage co-mingled and source-segregated materials in the same way. Also the current method of collection, in particular the bags, do create Health & Safety issues and the replacement of receptacles costs £25,000 / annum.

5.5 A waste compositional analysis of the residual waste stream in the Borough, carried out by Measure Evaluation Learning (M.E.L) in 2008 on behalf of the Tees Valley Authorities, found that there is a further 20% of residual waste that can be recycled. It is believed that the improved service that would be available, should the options outlined in this report be adopted, would allow the Council to capture a significant proportion of this

5.6 Local Authorities with the highest recycling performance generally undertake 'co-mingled' collections, where all dry recyclables are collected in a single receptacle, i.e. a wheeled bin. Twelve high performing Unitary Authorities have looked at the number of materials collected for dry recycling, the types of containers used and the frequency of collection. The results for green waste collection and residual collection have shown that:

(a) Seven use a 'co-mingled' collection using a wheeled bin;

(b) Three operate a 'co-mingled' collection using a box and disposable sack;

(c) The remaining two Authorities operate a weekly 'kerbside sort' recycling collection using boxes.

5.7 It is proposed that the Council looks to consolidate its two currently separate dry recycling elements of the kerbside collection service, and considers the option of this one service being carried out by one service provider.

5.8 Over the past six months, we have carried out a 'soft market testing' exercise to determine the feasibility of such a proposal. This has highlighted both the increasing value of dry recyclable waste and the willingness of end processors to carry out kerbside collection services at very competitive rates.

5.9 The proposal to consolidate the two separate dry recycling elements of the kerbside collection service, and have it carried out as one service, could place three collection crews at risk, although TUPE regulations would apply. Also as a result of this proposal being implemented, a total of four refuse vehicles would no longer be needed by the Council.

5.10 If Cabinet agree to these proposals, we would tender the service to ensure value for money, in line with the Best Value Statutory Guidance recently published by CLG.

5.11 The potential savings are detailed in the summary table at Section 9.

6. SUSPENSION OF THE GREEN WASTE SERVICE DURING WINTER MONTHS

6.1 At present, the Green Waste Service operates throughout the year; however, outside of the growing season, the amount of green waste collected is minimal. The average monthly tonnage for green waste during 2010/11 was 359 tonnes. The total tonnage for the three months from December 2010 – February 2011 inclusive was 125 tonnes.

6.2 Hartlepool is the only Local Authority In the region that still undertakes a year-round green waste collection.

6.3 The collection operates throughout the year as the current in-house recycling service is undertaken using a split vehicle, where green waste is stored in one compartment, and plastics and card in the other. Suspension of the green waste service would therefore only be viable if the current dry recycling collection system was changed.

6.4 It is proposed that the green waste service be suspended for three months during December, January and February; thus reducing the annual mileage by 16,766 miles as a result of not collecting and taking green waste to the Council's processor plant at Wingate.

6.5 This would lead to financial savings in the region of £33,530 in fuel. The carbon saving of this three month suspension would amount to 66.15 tonnes CO_2. To put this figure into context, this is enough CO_2 to fill the swimming pool at Mill House Leisure Centre 66 times over.

6.6 The current collection vehicles would be replaced with two specifically for green waste, as opposed to green waste and paper/card. These two vehicles would be purchased at an estimated cost of £60,000.

6.7 Two collection crews would be required to operate the service, and the staff who would be entitled to transfer to a contractor if the dry recyclables collection was outsourced, would be entitled to new contracts for this service.

6.8 It is anticipated that, if the green waste service is suspended, the waste that would have been presented for collection will be either home-composted, held back until the service resumes, taken to the Household Waste Recycling Centre; disposed of in the residual waste; or by a combination of the four. Whichever option is chosen by residents, due to the relatively low volume of waste involved, both cost and carbon savings will still be achieved by the proposed suspension of the green waste collection service.

7. ROUTE OPTIMISATION TECHNOLOGY AND ITS USE TO MAXIMISE EFFICIENCY OF COLLECTION ROUNDS

7.1 The Council has used Routesmart software funded by the Regional Improvement & Efficiency Partnership to investigate the use of route optimisation technology and minimise the number of miles travelled on each collection round. Table 2, outlines the potential mileage, CO_2 and cost savings that would be achieved by implementing the recommendations resulting from the route optimisation project. All savings identified in the table relate directly to fuel savings and amount to £39,333. Further significant savings will be achieved through reduced wear and tear of vehicles, and as a result of optimised routes being introduced alongside a four day working week (details of which are outlined below).

Table 2

		Current	Proposed	Saving
Weekly	Weekly Mileage (miles)	2,395.2	2,017.0	378.2
	Weekly CO2 Emission (kg)	9,450.5	7,958.3	1,492.5
	Weekly Cost (£)	4,790.4	4,034.0	756.4
Annual	Annual Mileage (miles)	124,550.4	104,884.0	19,666.0
	Annual CO2 Emission (kg)	491,427.0	413,830.0	77,597.0
	Annual Cost (£)	249,100.8	209,768.0	**39,332.8**

7.2 The new zonal working system that the optimised routes are based on can be easily replicated for use by Street Cleansing and other services.

8. CONSIDERATION OF A FOUR DAY WORKING WEEK

8.1 A four day working week, Tuesday to Friday, would present a range of benefits, including a reduced requirement for Bank Holiday ‘catch up’ i.e. weekend working. The number of Bank Holidays where a service is required would effectively be greatly reduced, needing only to cover Good Friday, Christmas and New Year. This alone would present a significant reduction in overtime payments and extra payments to the waste disposal contractor for opening on a weekend.

8.2 Downtime that results from the four day working week can be used for vehicle maintenance; thus reducing the need to hire vehicles at approx £250 per day.

8.3 The proposal for a four day working week will also bring Hartlepool in line with its Tees Valley partners.

9. POTENTIAL SAVINGS

9.1 It is estimated that permanent annual savings of between £400K and £450K are achievable by adopting these proposals.

9.2 A soft market testing exercise has indicated that the cost of an external contractor providing the total dry recycling service would be approximately equal to the current costs of the external service. This is due to the buoyancy of the recycling market and the increased value of waste as a commodity.

9.3 However we will need to ascertain costs through the tendering exercise to validate this. There is a confidence that the savings outlined above will be achievable once this exercise is complete.

10. CONSULTATION

10.1 The aim of the consultation is to give residents the opportunity to comment on the proposed suspension of the collection of green waste during the winter and more fundamentally the proposals in respect of kerb-side collection. The consultation will also discover valuable information on other aspects of the recycling service such as the bring centres and the bulky waste collection, as well as how the Council communicates recycling information to residents.

10.2 It is suggested that the consultation process will run from October until December 2011 and will consist of a questionnaire which can be completed online or traditionally. To enable as many residents as possible to take part the consultation will be widely promoted via the local press, the Council's website, Hartbeat magazine and informal drop in sessions held at community venues across the town.

10.3 In addition, further consultation will take place with:

- Residents groups
- Parish Councils
- Neighbourhood Action Plan (NAP) Forums
- Neighbourhood Consultative Forums

10.4 Following this review, the outcome and recommendations will be reported to a subsequent meeting of the Executive.

11 NEIGHBOURHOOD SERVICES SCRUTINY FORUM

11.1 A number of options were discussed at the Neighbourhood Services Scrutiny forum on the 8th and 27th July regarding the 2012/13 savings target, the following proposals were discussed and decisions agreed:

(i) The Forum endorsed the exploration of joint procurement arrangements with neighbouring Local Authorities for the provision of vehicle, equipment and supplies. Officers across the Tees Valley authority are pursuing this proposal however the savings realised would manifest within the Integrated Transport Unit and cannot be set against the Waste Management service area.

ii) The Forum supported the integration of community safety services and the devolving of enforcement powers to the Police and the Police Community Support Officers (PCSO's). ie the issuing of FPNs

iii) That ways of providing a sustainable bulky waste service, with the capability / capacity for increased income generation, be explored; and that in developing the bulky waste service, the Forum's concerns regarding the potential impact on staff be taken in to consideration.

v) That opportunities for joint working regarding the Trade Waste service on a Tees wide basis be explored.

Recycling Kerbside Collection Service:–

i) The Forum supports the short term extension of the kerbside dry recyclable collection service contract, as proposed.

ii) That in the future efforts be focused upon the development of the kerbside dry recyclable collection service, including exploration of the potential options for joint working on a Tees wide basis; and

iii) That in developing the kerbside dry recyclable collection service, emphasis be placed on the importance of consultation with residents and staff and that the Forum's concerns regarding any potential impact on existing staff be taken into consideration.

iv) That the proposed consultations be undertaken at the minimum possible cost (within exiting resources) and that the results obtained be reported back to the Neighbourhood Services Scrutiny Forum.

12. RISKS IMPLICATIONS

12.1 Diversion of extra waste to recycling, as a result of an improved recycling service will impact upon tonnages required under contractual obligations with SITA. However, if the proposed changes realise the maximum 20% savings as suggested in the Waste Compositional Analysis, this will not breach our contractual obligations with SITA.

12.2 Any green waste generated during the green waste suspension period could enter the general waste stream, leading to an increase in residual waste tonnages, an increase in disposal costs and a detrimental effect on recycling figures. However, the amount of green waste collected is low, just 125 tonnes in total for the three month period, and would therefore have a minimal impact. As a worst case scenario, if all green waste collected during the proposed suspension period were to enter the residual waste stream, disposal costs would be circa £5,000.

12.3 These radical changes may cause some disruption to service, which in turn could lead to non-compliance by residents, whether deliberate or accidental. However, as each of the four proposals would be introduced simultaneously, disruption would be minimised. Formal consultation and communication with residents would ensure that users of the service are aware of the changes, that their views have been taken into account, and that the new improved service will be capable of encouraging increased recycling. The consultation and communication process will be carried out by current staff.

12.4 Non-acceptance by residents of any new scheme may arise; however, a consultation exercise to investigate ways of providing a more inclusive and efficient service is currently underway and will ensure that the views, needs and opinions of service users are incorporated into any new service provision.

12.5 If the Council adopts a system where the income it receives from recyclable materials is based on market 'tracker' rates, then the level of income received will also fluctuate. This will present particular problems with budget forecasting. To alleviate this risk, a market 'fixed' rate for the materials will be required as part of any contract arrangement.

12.6 There is a risk that the overall savings outlined may not be fully realised.

13. FINANCIAL CONSIDERATIONS

13.1 Previous reports to Cabinet have highlighted the importance of making savings as part of the Business Transformation and Service Delivery Option programmes in order to avoid unplanned cuts in various parts of the Council. Savings of around 260K have already been achieved in Waste Management through the BT/SDO programmes; however, this further review has evolved from the need to adapt to developments in the waste industry and the Council's commitment to 'continuous improvement' in the delivery of its services.

13.2 Following a 'soft market testing' exercise, external service providers have displayed an apparent willingness to supply any specified receptacles, e.g. a wheeled bin, to all residential properties in Hartlepool, at nil cost to the Council. This in itself would save the Council circa £1.2 million in capital outlay if we were going to a third bin.

14. LEGAL CONSIDERATIONS

14.1 The Council has a statutory duty to provide a waste management service to the residents of Hartlepool.

15. EQUALITY AND DIVERSITY CONSIDERATIONS

15.1 All residents in receipt of an assisted collection service will transfer to any new scheme introduced by the Council as a result of these proposals.

16. STAFF CONSIDERATIONS

16.1 The collection of cardboard, plastics and green waste is presently carried out in-house staff through three teams of one driver and two operatives. The proposed changes could result in the dry recycling aspect of this service being out-sourced. As such, nine employees could transfer to a successful contractor under TUPE regulations.

16.2 The green waste element of this service provision will remain in-house and will require three teams of one driver and two operatives. However, due the proposed suspension of this service during the winter months, these employees will be offered 40 week contracts at 37 hours per week. .

16.3 Bringing the Management of the household Waste Recycling Centre in-house in 2012/13, may involve the TUPE of the existing contractors employees.

17. ASSET MANAGEMENT CONSIDERATIONS

17.1 The Council would retain ownership of the receptacles at the end of any formal contract period.

18. RECOMMENDATIONS

18.1 That Cabinet agrees:

i) the savings identified for 2012/13;

ii) to tender the kerbside dry recycling contract;

iii) to suspend the current green waste collection service during the winter months, when tonnages are at their lowest (Dec- Feb inclusive);

iv) to commence the process of consultation as outlined in section 10;

v) that officers pursue the savings highlighted in the Route Optimisation project;

vi) the proposal of a four day working week for the crews affected;

vii) that each of the four recommendations occur simultaneously.

19. REASONS FOR RECOMMENDATIONS

19.1 The current kerbside dry recycling service needs updating.

19.2 Considerable financial savings can be achieved.

19.3 Hartlepool is the only Local Authority in the Northeast that offers a year-round green waste collection service.

19.4 Route optimisation has highlighted the potential for considerable cost and carbon savings.

19.5 A four day working week would allow the proposals put forward to operate in the most effective manner.

19.6 The four proposals have been designed to complement each other. Also, due to disruption that would result from alterations to the service, it is important that the effect on residents and other clients is minimised. Therefore, it is essential that each of the four proposals are implemented simultaneously.

19.7 A combination of the current economic climate and developments in the waste industry has presented an opportunity to radically change the way in which the Council delivers it waste management services. As detailed in this report, any changes will have the potential to realise significant savings and improve the overall service provision.

20. BACKGROUND PAPERS

Neighbourhood Services Scrutiny report 8th and 27th July
Proposed Changes to Waste Collection Routes: Using RouteSmart Maps (Presentation)

21. CONTACT OFFICER

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CABINET REPORT

10 October 2011

HARTLEPOOL BOROUGH COUNCIL

Report of: Director of Child and Adult Services

Subject: NATIONAL CITIZEN SERVICE 2012 PILOT

SUMMARY

1. PURPOSE OF REPORT

The purpose of this report is to provide a background to a successful bid that has been secured for the delivery of the National Citizen Service 2012 Pilots and update Cabinet members of a possible income of £304,357. The total figure, including 'in kind' contribution, of the bid is £500,000.

2. SUMMARY OF CONTENTS

The report details the Office for Civil Society (OCS), part of the Cabinet Office, working jointly with the Department for Education and other central Government departments, two year programme of pilots to test the National Citizen Service model.

3. RELEVANCE TO CABINET

For this project to be successful, local authority officers will need to support the project to ensure that contractual obligations are met and that Cabinet gives its approval for local officers to work in conjunction with Safer in Tees Valley.

4. TYPE OF DECISION

Key (CAS100/11). Test 1 and 2.

5. DECISION MAKING ROUTE

To be considered by Cabinet

6. DECISION(S) REQUIRED

For Cabinet to note the contents of this report and approve the commencement of delivery by Hartlepool Borough Council and Safer in Tees Valley.

Report of: Director of Child and Adult Services

Subject: NATIONAL CITIZEN SERVICE 2012 PILOT

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1. PURPOSE OF REPORT

1.1 The purpose of this report is to provide a background to a successful bid that has been secured for the delivery of the National Citizen Service 2012 Pilots and update Cabinet members of a possible income of £304,357. The total figure, including 'in kind' contribution, of the bid is £500,000.

2. BACKGROUND

2.1 The Office for Civil Society (OCS), part of the Cabinet Office, working jointly with the Department for Education and other central Government departments, is running a two year programme of pilots to test the NCS model. The first NCS pilots took place in summer 2011 (phase 1), with over 11,000 places available to young people in England. The Government has announced its intention to make 30,000 NCS places available in England in summer 2012 (phase 2). In the longer term, the Government aims to role the NCS programme out for the 600,000 young people leaving school each year.

2.2 Hartlepool Borough Council is currently participating in the delivery of the 2011 NCS pilot (phase 1), as part of the Safer Tees Valley consortium who are the accountable body for the 2011 pilot. The 2011 pilot ran throughout the summer during the months of July and August.

2.3 Following a meeting with the Office for Civil Society it was agreed that Hartlepool Borough Council's Child and Adult Services Department will work with Safer in Tees Valley to deliver a coordinated approach during phase 2 of the pilots. The relationship between all of the partners will be managed via existing structures in place through the 11-19 Partnership. This partnership has already established a NCS Working Group who will be responsible for the day to day operational activity of the programme, ensuring partnership arrangements are in place and working towards the profiled targets. The Working Group will regularly report back to the Partnership on performance and advise of any issues that need to be rectified at this strategic level.

2.4 Hartlepool Borough Council's Integrated Youth Support Service (IYSS), which consists of Connexions and the Youth Service, will lead on the operational delivery of the project and liaise with colleagues from Safer in Tees Valley. A named representation from IYSS will directly report back to the Working Group on a regular basis on the performance of the project.

2.5 All of the secondary schools, including the special school in Hartlepool will positively assist the NCS pilot in 2012 by marketing the project to Year 11 pupils, ensuring that there is a direct routeway onto the programme.

2.6 Hartlepool Borough Council's Sports and Recreation Department will work in partnership with Carlton Outdoor Education Centre (COEC) and West View Project who will deliver elements of phase 2.

2.7 Hartlepool Voluntary and Community groups (VCS) will support the delivery of phase 3, 4 and 5 of the project, members will include West View, Belle Vue, Owton Fens Community Association (OFCA), Barnardo's B76, Manor Resident Association Wharton Trust, One 77 and Hartlepool Families First et al. Volunteers will also be secured from public sector and the business community.

2.8 Hartlepool Voluntary Development Agency (HVDA) who will work closely with all of the participants to promote over 500 voluntary opportunities within the public, private and third sector. An integral part of the programme is to encourage participants to continue volunteering beyond the lifetime of the NCS pilot. Therefore, HVB will engage with participants throughout the programme

3. RECOMMENDATIONS

3.1 It is recommended that the Cabinet approves officers from Child and Adult Services and Economic Development commence delivery with Safer in Tees Valley.

4. REASONS FOR RECOMMENDATIONS

4.1 Hartlepool IYSS are already successfully delivering the NCS pilot -in partnership with key stakeholders across Hartlepool – and there is a delivery structure in place to continue this pilot in 2012. Any funding secured through the NCS pilot could:

- Provide revenue Carlton Outdoor Centre;
- Contribute to staff costs for third sector groups; and;
- Compliment existing services offered through IYSS and NEET reduction programmes including *'Going Forward Together'.*

5. LEGAL AND FINANCIAL CONSIDERATIONS

5.1 Central Government will provide grants to support the delivery of NCS. Funding will be given to selected pilot providers on a grant per participant basis. The Government is seeking proposals from bidders who can offer match funding which is in addition to the central Government grant. Therefore, any financially viable bid will require partners to show what in-kind and cash contributions will be available.

6. RISK IMPLICATIONS

6.1 There are two main risk implications for a proposed NCS pilot being delivered in Hartlepool are:

- Failure to recruit and maintain the number of young people required. Phase 1 of the 2011 model has recently been completed and a full analysis is currently taking place. Therefore, at this stage it is unclear whether young people will remain on the programme for all five phases. However, the IYSS Team and partners have made significant efforts to develop an attractive NCS programme and it is felt that young people will remain for the full duration of the programme.

- That the proposed funding model is financially challenging (with OCS looking for significant match funding or contributions from lead organisations).

7. BACKGROUND PAPERS

7.1 Further information on the NCS pilot can be found on:

http://www.education.gov.uk/childrenandyoungpeople/youngpeople

8. CONTACT OFFICER

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CABINET REPORT

Monday 10 October 2011

HARTLEPOOL BOROUGH COUNCIL

Report of: Director of Regeneration and Neighbourhoods

Subject: FURNITURE SOLUTIONS PROJECT

SUMMARY

1. PURPOSE OF REPORT

1.1 To outline to Cabinet members the proposal regarding the introduction of a Council assisted scheme for the provision of household white goods and furniture in Hartlepool.

2. SUMMARY OF CONTENTS

2.1 The report provides information on the background and the specific details regarding the project proposal.

3. RELEVANCE TO CABINET

3.1 The project has relevance to a number of executive portfolios.

3.2 The report enables Cabinet to comment on the details of the project proposal, which is a town wide scheme and therefore available to residents in all wards.

4. TYPE OF DECISION

4.1 Key decision (test ii applies).
Forward Plan Reference - RN 75/11.

5. DECISION MAKING ROUTE

5.1 Cabinet - 10 October 2011.

6. DECISION(S) REQUIRED

6.1 Cabinet is requested to approve the report on the Furniture Solutions Project.

Report of: Director of Regeneration and Neighbourhoods

Subject: FURNITURE SOLUTIONS PROJECT

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1. PURPOSE OF REPORT

1.1 To outline to Cabinet members the proposal regarding the introduction of a Council assisted scheme for the provision of household white goods and furniture in Hartlepool.

2. BACKGROUND INFORMATION

2.1 As part of the Scrutiny Co-ordinating Committee's investigation into Child Poverty and Financial Inclusion, reference was made to the potential benefits of a scheme, which facilitates the provision of household white goods and furniture to families, particularly those in receipt of benefits.

2.2 The principles for establishing a scheme include:

- Reduce stress and anxiety from having to find furniture (often of low quality);
- Manage associated debts, to address poverty issues and reduce the debt spiral that can trap people. (People on low incomes are often excluded from purchasing household white goods/furniture with often their only solution being to take on unsecured loans from lenders, potentially unlicensed, or sign up to schemes in weekly payment stores/catalogues, all charging high interest rates);
- Increase length of tenancies, creating sustainable communities;
- Improve satisfaction rates in relation to accommodation; and
- Enhance the attraction of low demand properties.

2.3 A report was presented to the Scrutiny Co-ordinating Committee in April 2011. This provided information on the substantial amount of research that has been undertaken on existing schemes, and to outline the options for, and feasibility of, the introduction of a scheme for the provision of essential household items in Hartlepool, for which the Council could provide seed funding to kick start a new venture.

2.4 At the meeting in April, the Committee noted the model Housing Hartlepool is proposing for its tenants and recommended that the details of a Business Case be brought back to a future meeting of the Scrutiny Co-ordinating Committee in relation to the development of a scheme with a community/voluntary sector organisation and partners.

2.5 The details of the proposal for a Furniture Solutions Project were considered by the Scrutiny Co-ordinating Committee in August 2011 who noted the content of the report and project detail, and where appropriate, sought clarification on the points detailed. In addition, there was a request that a further report be brought back to the Scrutiny Co-ordinating Committee following consideration of the proposed scheme by Cabinet.

2.6 A final proposal has now been prepared and is ready for consideration by Cabinet members.

3. PROJECT DESCRIPTION AND PURPOSE

3.1 Following the extensive research undertaken the proposed Furniture Solutions Project has been determined as the provision of household items, which will be available for individuals or families on low incomes and/or in receipt of benefits, in private rented accommodation as well as owner occupiers. These would be movable articles in a property that make it fit for living. Access to low cost loans to meet the cost of essential white goods, furniture and furnishings, which are of good quality and affordable, will also form part of the project.

3.2 In summary, the project will have two strands:
(i) Provision of new or good quality re-used essential white goods, furniture and furnishings at affordable prices; and
(ii) Access to credit at reasonable rates of interest to buy household items required.

3.3 Research shows that people are more likely to succeed in their tenancies when they have well-furnished and equipped accommodation that helps to create a comfortable and secure setting.

3.4 Although a scheme "for the provision of household white goods/furniture to families" was the initial focus for exploration, following the Scrutiny Co-ordinating Committee's investigation into Child Poverty and Financial Inclusion, it is proposed that the target audience for the scheme, would initially be those who are more likely to be affected by financial exclusion. It should however be noted that there may be demand from those who would not have used a service of this kind in the past who have faced financial difficulties, as a result of the current economic climate, for example, people who have been made redundant.

3.5 The 'priority customers' include:
- Households on low income and/or in receipt of benefits;
- Single parents;
- Over 60s;
- Young adults;
- People with disabilities and additional learning needs;

- People who are homeless; and
- Refugees and asylum seekers.

3.6 The scheme will strengthen the approach to tackling financial inclusion that is underway in Hartlepool through the Financial Inclusion Partnership, helping more individuals and families out of the spiral of debt and deprivation. To contribute to this overall objective and to complement the scheme, opportunities will need to be built into the scheme to provide access to free advice on debt and money management.

4. PROJECT DETAILS

4.1 **Strand (i)**

4.1.1 Provision of new or good quality re-used essential white goods, furniture and furnishings at affordable prices.

4.1.2 The scheme will provide customers with the option of purchasing new or good quality re-used household items. The independent service will provide the supply, delivery and installation of household items whether new or re-used. The service needs to be flexible with the ability to be tailored to meet individual needs. The choice and selection of furniture should be comprehensive and attractive, as well as durable and economically priced, providing good value for money. The service will operate within an agreed set of standards to ensure recipients are aware of what can be expected from the service. These will be determined by the provider, but will include reference to relevant and current safety regulations, particularly in relation to the installation and connection of cookers and electrical equipment.

4.1.3 It is anticipated items will be moveable articles within the home and will include 2 and 3 seater sofas, arm chair, coffee table, TV stand, dining table and chairs, single, double and bunk beds with mattress, wardrobe, chest of drawers, bedside cabinet, white goods (cooker, fridge, freezer (or fridge freezer) and washing machine), small domestic appliances (microwave, kettle, toaster, vacuum cleaner, iron and ironing board), carpets and curtains plus starter packs for bedroom (bedding), bathroom (towels) and kitchen (crockery, cutlery etc.). This list is not exhaustive and can be built on as the scheme progresses to ensure it is responsive to customer feedback.

4.1.4 An exercise has been undertaken to market test supplier prices for the main essential household items. This provides a benchmark for costs of products that are of similar style, quality and make/model (where applicable), and include delivery and set up costs / connection fees.

Table 1: Benchmark Costs

Front / Dining Room	cost	Bedroom	cost	Kitchen	cost
2 Seat Sofa - leather - faux leather	 250.00 190.00	Double Bed (inc. Mattress)	140.00	Fridge Freezer	185.00
Arm Chair - leather - faux leather	 199.00 140.00	Single Bed or Bunk Beds (inc. Mattress)	108.00 or 221.00	Oven/Hob	219.00
Coffee Table	32.00	Wardrobe	137.00	Washing Machine	215.00
Dining Set - 2 seat - 4 seat	 99.00 137.00	Drawers	100.00		

4.2 **Strand (ii)**

4.2.1 Access to credit at reasonable rates of interest to buy household items required.

4.2.2 In order to obtain white goods, furniture and furnishings, the customer will need to cover the associated costs of the chosen household items, as they are not eligible for the payments to be covered by Housing Benefit. If required, it is essential that the finance is obtained, from a regulated body, authorised by the Financial Services Authority (FSA). This would be a specific stipulation of the scheme to minimise the risk of customers accessing finance from unlicensed lenders, which can result in spiraling debt problems.

4.2.3 In order to implement a successful scheme, it is essential that a regulated provider who can issue low cost personal loans is engaged. The provider will be responsible for administering direct finance, which ensures the customer has access to affordable credit and possibly bank and savings accounts and other financial services that meet their needs, as well as collecting repayments. The level of finance available, per customer, will be determined by the provider using existing protocols and procedures to ensure a customer is not offered a loan that they are unable to repay. It is anticipated that any payments from the financial services organisation would be transferred direct to the provider of the furniture so that the customer would not be involved in handling the finance themselves.

5. PROJECT BENEFITS

5.1 It is envisaged that introducing this service for individuals and families, in the private rented sector and owner occupiers (where eligible), will deliver a number of positive outcomes, along with benefits for Hartlepool.

5.1.1 ***For People***

- An independent service available to all regardless of tenure providing easy access to good quality furniture;
- Reduce stress, anxiety and worry from having to find furniture (often of low quality);
- Choice from a range of household white goods and furniture items that suit individuals' needs;
- Individuals would own new or nearly new furniture;
- Help avoid the risk of debt through addressing poverty issues (in particular child poverty) and reducing the debt spiral that can trap people to a point where they find it hard to escape.
- Provide individuals with a more affordable alternative to applying for 'payday' loans;
- Improve quality of life of those who need it most; and
- Deliver improved social and financial inclusion.

5.1.2 ***For Hartlepool***

- Improve satisfaction rates in relation to accommodation;
- Enhance the attraction of low demand properties and reduce turnover of empty properties;
- Increase length of tenancies thus creating sustainable tenancies and in turn communities by addressing high turnover and poverty issues, as there is less chance of a tenancy failing if people have furniture, carpets, decoration in place – tenants have a stake in where they live;
- Encourage investment, as any income and profits are retained and invested in the community/voluntary sector and ultimately the local economy;
- Help sustain a local community/voluntary sector organisation; and
- Links to the pilot schemes aimed at bringing empty properties back into use e.g. Baden Street Improvement Scheme plus the Empty Homes Pilot Scheme being delivered in partnership with Housing Hartlepool.

5.1.3 More specifically, with an element of the scheme focused on the re-use of essential white goods, furniture and furnishings it will:

- Help the environment by saving unnecessary landfill and assist the Council with meeting household waste recycling targets;
- Reduce incidents of fly tipping;
- Reduce CO^2 emissions; and
- Provide social benefits for local people including work, volunteering and training/apprenticeship opportunities.

6. FUNDING

6.1 The Council has identified potential sources of capital funding to finance a scheme within existing resources, to assist the development of a Furniture Solutions Project. The intention is to use the funding of £50,000, over two years, to kick start the scheme, with the intention of the operator working to sustain the scheme beyond 2013/14.

Table 2: Funding Profile Example (April 2012 to March 2014)

		Q1	Q2	Q3	Q4	**Total**
2012/13	Project Delivery	5,625	5,625	5,625	5,625	**22,500**
	Management Fee (10%)	625	625	625	625	**2,500**
Sub Total		6,250	6,250	6,250	6,250	**25,000**
2013/14	Project Delivery	5,625	5,625	5,625	5,625	**22,500**
	Management Fee (10%)	625	625	625	625	**2,500**
Sub Total		6,250	6,250	6,250	6,250	**25,000**
Total		**12,500**	**12,500**	**12,500**	**12,500**	**50,000**

7. OUTPUTS

7.1 Table 3: Output Breakdown (April 2012 to March 2014)*

Output Details	Number
community/voluntary organisations supported	1
individuals accessing the service each year	40
volunteering and training/apprenticeship opportunities provided each year	3

*the figures outlined in table 3 are a minimum requirement and will be added to once the operator of the service has been determined.

8. RISKS *(for the Council)*

8.1 As the service is to be run independently from the Council, there is a need to ensure that the operator of the scheme will undertake the delivery of the project in a professional and efficient manner and will have appropriate quality control measures in place. To minimise this risk, the Council is to undertake a comprehensive selection process, which will ensure the necessary checks and assessments are undertaken. The funding support has also been split across two financial years to further reduce the risk associated with the delivery of the Furniture Solutions Project.

8.2 Risks linked specifically to the project delivery for example, debt recovery, will lie with the community/voluntary sector organisation. There is an expectation that the organisation will outline in its submission the safeguards that will be in place to minimise any risks.

9. PROCUREMENT

9.1 The Government's 'Big Society' sees a major opportunity for community/voluntary sector organisations to deliver more services with both the public and private sector, and become bigger and stronger than ever before.

9.2 The delivery of the Furniture Solutions Project is one of the ways the sector can establish a 'pioneering service', and bring wider benefits to their communities.

9.3 As the scheme cost is £50,000 formal tenders do not have to be requested; instead formal quotations will be required from community/voluntary organisations that wish to put forward a proposal. The procurement process will however still broadly follow best practice procedures as outlined in Contract Procedure Rules, particularly in relation to advertising the opportunity. Although there is no requirement to submit quotations to the Contract Scrutiny Committee, the Scrutiny Co-ordinating Committee has asked that the Committee be consulted on the proposals informally.

9.4 There will be an invitation to local community/voluntary sector organisations to put forward proposals for the delivery of such a scheme. This opportunity will be advertised through the routine mechanisms such as the Hartlepool Mail, as well as in the Hartlepool Voluntary Development Agency (HVDA) newsletter (publication schedule permitting) or via a mail out to community/voluntary sector organisations on HVDA's circulation list, in the Hartbeat magazine and on the procurement page of the Council's website under 'advertisements for forthcoming contracts'. The submissions will be assessed against a set of criteria and will need to demonstrate effective processes and include a robust Business Plan, which validates the sustainability of the scheme in the long-term, post 2013/14, through financial forecasting. Details in relation to prospective partners and suppliers will also need to be included, with the role of each clearly identified, plus information about how the scheme will be marketed to the public.

9.5 It will be procured as one contract to a host/lead organisation who could either deliver both strands of the scheme, as outlined in sections 4.1 and 4.2 of this report, or deliver one strand with the other through a partnership arrangement with another organisation.

10. TIMETABLE

10.1

Milestone	Date
Scrutiny Co-ordinating Committee Meeting *(to note the content of the Business Case)*	August 2011
Cabinet *(to seek approval)*	October 2011
Scrutiny Co-ordinating Committee Meeting *(to report back the decision from Cabinet)*	October 2011
Procurement Process Commences	November 2011
Selection of Community/Voluntary Organisation	January/February 2012
Project Commences	April 2012
Interim Monitoring Visit*	March 2013
Final Monitoring and Evaluation Visit*	April 2014
Report to Housing and Transition Portfolio* *(or equivalent)*	May/June 2014

*see 'Monitoring and Evaluation' section below for details

11. MONITORING AND EVALUATION

11.1 The community/voluntary sector will be subject to an interim monitoring visit in March 2013 and a final monitoring and evaluation visit in April 2014, to ensure the funding has been expended in line with the original aims of the scheme and to determine the success of the scheme. The findings will be used to improve and develop the scheme, where applicable, and will also be reported to the Housing and Transition Portfolio Holder (or equivalent).

12. RECOMMENDATIONS

12.1 Cabinet is requested to approve the report on the Furniture Solutions Project.

13. REASONS FOR RECOMMENDATIONS

13.1 Introducing a Furniture Solutions Project has been identified as a priority, as part of the Scrutiny Co-ordinating Committee's investigation into Child Poverty and Financial Inclusion to assist families, particularly those in receipt of benefits when they need to replace or purchase essential household items. Members of the Committee are supportive of introducing the scheme to assist with reducing child poverty in Hartlepool, as the implications of not achieving associated targets are demonstrated overleaf.

i) Children exposed to child poverty, hardship and deprivation will suffer. Their own childhood experiences have a significant impact on their ability to operate as an adult in later life. Children born and raised in persistent poverty are likely to have poor children of their own – thus creating a perpetual cycle of deprivation;

ii) Low educational achievement has a knock on effect on an adult's ability to take up skilled work in the marketplace. This in turn limits the potential productivity of the country as a whole. A lack of skilled workers makes it increasingly difficult for the country to compete in the global economy;

iii) Some people, but not all, who live in persistent poverty are in danger of turning to crime in order to 'supplement' their income. Crime affects everyone within a community and puts a drain on local resources;

iv) Children who experience poverty are more likely to develop long term health issues which in turn puts a strain on public resources. In addition, as adults with a long term debilitating health issue they are more likely to remain out of work. Low birth weights, respiratory illnesses, including asthma, mental health issues and obesity have clear links to poverty and cannot be ignored;

v) Family background is one of the most important predictors of academic success. Children from low income households are more likely to require remedial help or special educational needs assistance than their better off peers;

vi) Growing up in poverty is associated with a substantially higher risk of teenage pregnancy;

vii) A relationship has also been identified between childhood poverty and living in social housing, demonstrating a strong link between these two factors;

viii) Difficulties of access and expense limit participation in pre-school education amongst lower income families. Young people from low income households end up leaving school earlier and are around six times more likely to leave without qualifications than those from higher income households; and

ix) Deprived communities with poor environments and a lack of local resources leads to reduced citizenship, a lack of neighbourliness and trust. Community members are less likely to volunteer or to engage in civic participation.

14. BACKGROUND PAPERS

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

(i) Minutes from the Scrutiny Co-ordinating Committee meetings (23 July and 15 October 2010, 07 April and 19 August 2011);

(ii) Furniture Solutions Project Business Case; and

(iii) Report of the Scrutiny Co-ordinating Committee entitled 'Interim Report - Child Poverty and Financial Inclusion in Hartlepool' (presented to Cabinet on 07 June 2010).

15. CONTACT OFFICER

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CABINET REPORT

10 October 2011

HARTLEPOOL BOROUGH COUNCIL

Report of: Director of Child and Adult Services

Subject: COMMUNITY POOL 2011/2012 - BELLE VUE COMMUNITY SPORTS & YOUTH CENTRE

SUMMARY

1. PURPOSE OF REPORT

1.1 The purpose of this report is to advise and seek approval for the level of grant award to Belle Vue Community Sports and Youth Centre from the Community Pool for the period October 2011 to March 2012.

2. SUMMARY OF CONTENTS

2.1 The Community Pool budget for the 2011/2012 financial year has been set at £457,024. However, the roll forward of the balance of the 2010/2011 Community Pool budget was approved by Grants Committee on 1st March 2011 making the total available to commit during the 2011/2012 financial year £516,034.

2.2 In rounds 1, 2 and 3 awards have been approved totalling £232,106. With the balance of the Directed Lettings allocation being added back to the budget and an under-spend on an award for 2010/2011 which has been deducted from the groups award for the current year, also added back, before Round 4 there was a balance of £286,232.32 to be committed.

2.3 At a meeting of the Grants Committee on 1st March 2011 Members approved funding for 24 voluntary and community groups for the first half of the current financial year. As the Community Pool was being reviewed, Members took a cautious approach and therefore only agreed funding up until the end of September 2011. As the review has not yet concluded Officers are recommending approval of funding for the second half of the financial year for those groups who were awarded funding for the period April to September.

2.4 At a meeting of the Grants Committee on 27th September 2011 a report was presented recommending approval of awards to 24 voluntary sector groups including Belle Vue Community Sports and Youth Centre. All of the other applications were approved by Grants Committee but as two members of Grants Committee declared an interest in the Belle Vue application a decision could not be made and so approval for the award to Belle Vue is requested from Cabinet.

2.5 An application for funding is being presented from Belle Vue Community Sports and Youth Centre. Officers are recommending that an award of £10,171.50 is approved as a contribution to the core costs of the group, including the salary costs of a Finance Officer and a Caretaker.

3. RELEVANCE TO CABINET

3.1 A report was presented to the Grants Committee on 27th September 2011 however, two members of Grants Committee declared an interest in the Belle Vue Community Sports and Youth Centre so therefore the grant application could not be heard at that meeting and was therefore referred to Cabinet for their consideration.

4. TYPE OF DECISION

4.1 Non-key

5. DECISION MAKING ROUTE

5.1 Cabinet on 6 September 2010.

6. DECISION(S) REQUIRED

6.1 Members of Cabinet are requested to approve:

1. Grant aid to Belle Vue Community Sports and Youth Centre of £10,171.50 for the period October 2011 to March 2012 as recommended and detailed in paragraph 4 of the report.

2. Any allocation of grant aid to groups known to be experiencing financial difficulties to be released in monthly/quarterly instalments, as appropriate, in order to safeguard the Council's investment and minimise risk.

3. The balance of the Community Pool, £65,726.32 to be considered for allocation against bids at future meetings within the 2011/2012 financial year.

Report of: Director of Child and Adult Services

Subject: COMMUNITY POOL 2011/2012
BELLE VUE COMMUNITY SPORTS & YOUTH CENTRE

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1. PURPOSE OF REPORT

1.1 The purpose of this report is to advise and seek approval for the level of grant award to Belle Vue Community Sports and Youth Centre from the Community Pool for the period October 2011 to March 2012.

2. BACKGROUND

2.1 The Community Pool budget for the 2011/2012 financial year has been set at £457,024. However, the roll forward of the balance of the 2010/2011 Community Pool budget was approved by Grants Committee on 1st March 2011 making the total available to commit during the 2011/2012 financial year £516,034.

2.2 In rounds 1, 2 and 3 awards have been approved totalling £232,106. With the balance of the Directed Lettings allocation being added back to the budget and an under-spend on an award for 2010/2011 which has been deducted from the groups award for the current year, also added back, before Round 4 there was a balance of £286,232.32 to be committed.

2.3 At a meeting of the Grants Committee on 1st March 2011 Members approved funding for 24 voluntary and community groups for the first half of the current financial year. As the Community Pool was being reviewed, Members took a cautious approach and therefore only agreed funding up until the end of September 2011. As the review has not yet concluded Officers are recommending approval of funding for the second half of the financial year for those groups who were awarded funding for the period April to September.

2.4 At a meeting of the Grants Committee on 27th September 2011 Officers presented a report for Members consideration requesting approval for funding from the Community Pool for 24 voluntary sector groups including Belle Vue Community Sports and Youth Centre. However, two members of the Committee declared an interest in the application from Belle Vue therefore it could not be heard by the Grants Committee and consequently it was referred to Cabinet for consideration.

3. APPLICATION FOR FUNDING FROM BELLE VUE SPORTS AND YOUTH CENTRE (BVCS&YC).

3.1 In relation to the Community Pool criteria, BVCS&YC fall into category iv: *other organisations/groups who provide valuable services with measurable outcomes for the benefit of Hartlepool residents living in the most disadvantaged wards.* It is recognised that Category iv organisations do contribute to the overall community activity and do address some of themes of the Community Strategy.

3.2 BVCS&YC submitted an application for the 2011/2012 financial year for a contribution towards core costs including the salary costs of two key posts: a Finance Officer and a Caretaker. An award of £10,171.50 was approved for the first half of the financial year and Officers are recommending approval of an award of the same amount for the second half of the financial year.

3.3 During the 2011/2012 financial year BVCS&YC will facilitate training for 50 young people enabling them to obtain qualifications raising their aspirations resulting in them becoming more employable.

3.4 BVCS&YC will work with in excess of 500 young people each week, to reduce issues experienced by young people such as bullying, teenage pregnancy, crime and anti-social behaviour and obesity.

3.5 BVCS&YC will also provide sporting facilities for in excess of 1,000 members on a monthly basis.

4. FINANCIAL IMPLICATIONS

4.1 The approval of the second half year grant to this organisation is within the funding envelope available with in the Community Pool.

4.2 Officers are therefore recommending that a grant of £10,171.50 be approved for Belle Vue Community Sports and Youth Centre for the period October 2011 to March 2012 as a contribution to the organisations core costs including a contribution to the salary costs of a Finance Officer and a Caretaker.

5. RECOMMENDATION

5.1 Members of Cabinet are requested to approve:

1. Grant aid to Belle Vue Community Sports and Youth Centre of £10,171.50 for the period October 2011 to March 2012 as recommended and detailed in paragraph 4 of the report.

2. Any allocation of grant aid to groups known to be experiencing financial difficulties to be released in monthly/quarterly instalments, as appropriate, in order to safeguard the Council's investment and minimise risk.

3. The balance of the Community Pool, £65,726.32 to be considered for allocation against bids at future meetings within the 2011/2012 financial year.

6. CONTACT OFFICER

John Mennear, Assistant Director (Community Services)

7. BACKGROUND PAPERS

- Application to Community Pool 2011/2012: Belle Vue Community Sports & Youth Centre
- Report to Cabinet Grants Committee 1st March 2011, 27th September 2011

CABINET REPORT

10th October 2011

Report of: Director of Regeneration & Neighbourhoods

Subject: ECONOMIC REGENERATION FORUM

SUMMARY

1. PURPOSE OF REPORT

To consider and endorse the proposed Terms of Reference [ToR] and membership of the new Economic Regeneration Forum.

2. SUMMARY OF CONTENTS

Details of the new Local Strategic Partnership arrangements and the proposed ToR including the proposed membership of the newly formed Economic Regeneration Forum.

3. RELEVANCE TO CABINET

The Economic Regeneration Forum has responsibility for the Jobs and Economy theme of the Community Strategy which cover a broad area of activity including tackling worklessness and benefit dependency, business support, workforce development , improving adult skills and increasing the overall employment rate.

4. TYPE OF DECISION

Non key

5. DECISION MAKING ROUTE

Cabinet on the 10th October 2011.

6. DECISION(S) REQUIRED

To consider and endorse the proposed Terms of Reference [ToR] and membership of the new Economic Regeneration Forum.

Report of: Director of Regeneration & Neighbourhoods

Subject: ECONOMIC REGENERATION FORUM

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1. PURPOSE OF REPORT

1.1 To consider and endorse the proposed Terms of Reference [ToR] and membership of the new Economic Regeneration Forum.

2. BACKGROUND

2.1 On the18th July 2011, Cabinet agreed to a restructuring of the Local Strategic Partnership including theme groups. This restructure includes the merging of the Economic Forum and Skills Partnership into one group.

2.2 The new Economic Regeneration Forum will be responsible for the Jobs and Economy theme and is specifically charged with overseeing the delivery of the emerging Economic Regeneration Strategy (ERS).

2.3 The new ERS is in draft form and is currently being developed in consultation with key partners including Hartlepool College of Further Education, Skills Funding Agency and Jobcentre Plus. The final draft will be reported to this Cabinet for final endorsement.

2.4 The ERS currently has the following vision, aim and strategic objectives, subject to final consultation;

- **Vision**

'Hartlepool will achieve its potential as an attractive location to *live, work, invest and visit through the creation of a diverse and competitive economy with a skilled and flexible workforce'.*

- **The Aim of the ERS**

The ERS will adopt the existing aim outlined within the Hartlepool's Ambition, Sustainable Community Strategy for 2008 – 2020 which is to:

'Develop a more enterprising, vigorous and diverse local economy that will attract new investment, enable local enterprises and entrepreneurs to be globally competitive and create more employment opportunities for local people'.

The five high level strategic objectives are:

1. **To improve business growth and business infrastructure and enhance a culture of entrepreneurship.**

2. **To attract new investment and develop major programmes to regenerate the area and improve connectivity.**

3. **To increase employment and skills levels and develop a competitive workforce that meets the demands of employers and the economy.**

4. **To increase the economic inclusion of adults and tackle financial exclusion.**

5. **To boost the visitor economy.**

2.5 The ERS will last for 10 years and alongside this strategy is a three year action plan covering the period 2011-2014.This action plan will provide focused strategic interventions that will significantly contribute to the employment, skills, enterprise, business support and regeneration agenda. It will be the Forum's responsibility for ensuring the action plan is implemented and successfully delivered.

3. PROPOSALS

3.1 As part of the restructuring process, a draft Terms of Reference has been produced which include details of the proposed membership and operational arrangements for the new Forum **[Appendix 1].**

3.2 The proposed membership will consist of 23 members as noted in section 3 of **Appendix 1.** The make up of the membership reflects the history of the Economic Forum as a private sector led group but also reflects public sector interests and representation from the voluntary/community sector. In addition, there are two Portfolio Holder positions on the Forum which will be the Portfolio Holder for Regeneration Economic Development and Skills and Children's Services.

3.3 If the membership of the Forum is approved, it will bring together agencies from the public, private and third sector to provide a strategic focus on key economic issues, such as attracting new investment, regenerating the area, improving business infrastructure, supporting business growth and improving adult skills.

3.4 It is proposed that the Forum will meet quarterly, in line with performance management reporting arrangements to enable the Forum to assess progress on the ERS action plan and instigate remedial actions to ensure that key targets are on track.

4. RECOMMENDATIONS

4.1 To consider and endorse the proposed Terms of Reference [ToR] and membership of the new Economic Regeneration Forum.

5. REASONS FOR RECOMMENDATIONS

5.1 The merging of the existing Economic Forum and Skills Partnership to create the new Economic Regeneration Forum will bring together specialists from the public, private and third sector to drive forward the economic, regeneration and skills agenda for Hartlepool.

6. BACKGROUND PAPERS

- Item 5.1 from Cabinet on 18th July 2011.
- Minutes from Cabinet on 18th July 2011.

7. CONTACT OFFICER

Damien Wilson
Assistant Director (Regeneration and Planning)
Regeneration and Neighbourhoods
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Economic Regeneration Forum

Terms of Reference

Version 1.0

September 2011

Contents

1.0 Purpose and functions of the Economic Regeneration Forum

The Economic Regeneration Forum will strive to achieve the vision of the Economic Regeneration Strategy which is:

'Hartlepool will achieve its potential as an attractive location to live, work, invest and visit through the creation of a diverse and competitive economy with a skilled and flexible workforce'.

The purpose of the Economic Regeneration Forum is to pool resources, bring together specialists and experts to test new approaches and to think differently about service delivery and provision. To achieve this, the Forum has agreed a set of key objectives which are:

1. To improve business growth and business infrastructure and enhance a culture of entrepreneurship.
2. To attract new investment and develop major programmes to regenerate the area and improve connectivity.
3. To increase employment and skills levels and develop a competitive workforce that meets the demands of employers and the economy.
4. To increase the economic inclusion of adults and tackle financial exclusion.
5. To boost the visitor economy.

2.0 Roles & Responsibility of Board Members

The main role of all members of the Forum will be to take a Borough wide perspective and develop consensus in the best interests of the residents of Hartlepool. Members will bring their own perspectives and also represent their organisation, interest group or area. They will be recognised for their valuable contribution bringing ideas, knowledge and expertise to the process. Where practicable members should have the authority to take decisions and make commitments. Individual partners will remain responsible and accountable for decisions on their services and the use of their resources. The Forum recognises that each partner has different mechanisms for their own decision making. In some cases decisions may be endorsed by the bodies or organisations from which the members are drawn.

2.1 Standards of behaviour

As a member of the Economic Regeneration Forum, whether in meetings or working on behalf of the partnership, the following guidelines outline what is expected of members.

Accountability: to work openly and honestly and to report back their work on to their Theme Group, organisation or sector.

Commitment: to attend meetings, participate in occasional task group meetings and one-off events. To be properly prepared for meetings by reading the paperwork beforehand. To be prepared to learn from others and from good practice elsewhere and to further develop the breadth of their knowledge of their sector's role within the borough.

High Quality Debate: to remain focussed and strategic and to contribute positively to discussions and work with other members to achieve consensus and take important decisions regarding the strategic development of the borough.

Honesty and Integrity: to act with honesty, objectivity and integrity in achieving consensus through debate. To respect the confidentiality of the information provided.

Objectivity: to consider what is in the best interests for the common good of Hartlepool and to weigh this along with the interests of their organisation, their sector and themselves when making decisions.

Representative: to effectively reflect the interests of their sector, to raise areas of concern and contribute their experience and expertise to discussions and decisions to achieve good workable solutions.

Respect for others: to respect and to take into account the views of other members regardless of their gender, race, age, ethnicity, disability, religion, sexual orientation or any other status.

3.0 Membership of the Economic Regeneration Forum

The membership of the Economic Regeneration Partnership will be made up as follows:

- Chair [Evolution] (Business)
- Vice Chair [NECC] (Business)
- Vice Chair [SFA] [Public)
- Federation of Small Business
- Respondez
- P D Ports
- Hart Bio
- Krimos
- UK Steel Enterprise
- Hartlepool Marina
- J&B Recycling
- Middleton Grange Shopping Centre
- Business [tbc]
- Trade Union
- Voluntary & Community Sector (2)
- Heads of HR
- Cleveland College of Art & Design
- Teesside University
- Hartlepool College of Further Education
- Regeneration and Economic Development and Skills Portfolio Holders HBC
- Children's Services Portfolio Holder HBC
- Jobcentre Plus

3.1 The businesses named above may change over time as determined by the Economic Regeneration Forum.

4.0 Principles

All members of the Economic Regeneration Forum will strive to apply the following nine principles as established in the Community Strategy:

- Effective decision making and communication
- Effective partnership working
- Efficient partnership working
- Acting with integrity
- Ensure widest possible involvement and inclusion
- Demonstrating leadership and influence
- Effective performance management
- Developing skills and knowledge
- Contributing to sustainable development

5.0 Performance management

The Economic Regeneration Forum is responsible for delivering the Jobs and Economy and Lifelong Learning themes of the Community Strategy. This will be achieved by meeting the key objectives within the Economic Regeneration Strategy. The actions identified to deliver this strategy will form part of the Partnership Plan. The Forum will receive regular updates on progress towards achieving targets. Where performance is not on track they will take action to address this.

5.1 Information, advice and support

All information, advice and support will be fit for purpose and tailored to the functions of the Forum. The Forum will ensure that all information is directly relevant to the decisions being taken and is:

- relevant
- accurate
- timely
- objective

- clear and concise
- reliable

The Forum will call on professional advice and support when deemed necessary, particularly when the outcome of decision has a significant legal or financial implication.

6.0 Developing capacity and capability

The Forum is aware of the importance of ensuring members have the right skills, knowledge and experience to play an effective part in delivering the strategic aims of the partnership. It aims to involve individuals who reflect the community they represent. It will balance the need for stability which comes from continuity of knowledge and relationships with the need for new ideas and new thinking.
All members will be given the opportunity to further develop skills and update their knowledge throughout their period of membership.

7.0 Engaging with stakeholders

The Forum will take the lead in forming and maintaining relationships and representation with other partnerships and stakeholders on a local, regional and sub regional level which will directly effect and/or influence its success.

The Economic Regeneration Forum will attend a Face the Public Event once a year to provide an update and receive feedback on current projects. They will work with the Performance & Partnerships Team in the planning and delivery of this event.

The Forum will strive to meet the codes of practice and terms of engagement as set out in Hartlepool's COMPACT.

8.0 Operation of the Economic Regeneration Forum

8.1 Attendance at meetings

Members will endeavour to attend all meetings however if they are unable to attend any meeting then they should submit their apologies in advance of the meeting.

As flexibility and continuity is essential to partnership working, each member may identify a named substitute who may attend on their behalf when necessary. Substitutes should be suitable senior representatives who are able to speak on behalf of their organisation/sector.

8.2 Declaration of Interests

Each member is required to declare any personal or pecuniary interest (direct or indirect) in any agenda items and shall take no part in the discussion or decision making about that item. All such declarations must be included in the minutes of the meeting.

8.3 Meeting Procedures

- The Economic Regeneration Forum will meet four times per year.
- The Economic Development Team will coordinate a forward plan of agenda items
- Items for the agenda should be communicated to the Economic Development Team two weeks before the meeting and reports and appendices should be received electronically by 12:00 noon at least 2 weeks prior to the meeting
- Reports should be in the standard format – a template is available from the Partnership's website or from a member of the team
- The Economic Development Team should be informed of any additional persons attending the meeting to present a report or take part in a presentation

- Papers for the meetings will be made available by the Economic Development Team 1 week before the meeting. Papers will be circulated to members electronically. However, paper copies via the post will be available on request.

8.4 Freedom of Information Act

The Freedom of Information Act gives everyone the right to access information that is held by public authorities. Hartlepool Borough Council has developed guidance to help staff comply with the act. The Economic Regeneration Forum works within this policy when giving out information to partners and the public.

8.5 Public access to meetings

Meetings of the Forum will be open to the public and press unless in exceptional circumstances they are excluded for reasons that shall be recorded. Specially designated seating will be provided for observers. Observers will not be allowed to comment or address the partnership unless asked to do so by the Chair.

8.6 Secretarial and Technical Support arrangements

Secretarial support will be provided by the Economic Development Team. Technical support will be provided by officers from Child and Adults and Regeneration and Neighbourhoods. Other Departments of the Council and external organisations will attend as required.

8.7 Sub Groups

Occasionally a Sub Group of the Economic Regeneration Forum may need to be established to expedite a particular matter, which requires focussed activity or where a more specialist membership is required. The membership of these sub groups would be decided by the Forum and the group would normally have a specific remit and period of operation to oversee or undertake a specific task, reporting directly to the Forum.

8.8 Updating the Terms of Reference

This Terms of Reference can be amended or updated by obtaining a two thirds majority agreement by the Forum. The proposed change should be set out in a report as a published agenda item.

6.3

CABINET

10th October 2011

Report of: Chief Finance Officer

Subject: LOCALISING SUPPORT FOR COUNCIL TAX IN ENGLAND – GOVERNMENT CONSULTATION PROPOSALS

SUMMARY

1. PURPOSE OF REPORT

1.1 The purposes of the report are:

i) to provide details of the Government's proposal for localising support for Council Tax Benefits from 2013/14;
ii) to provide an initial assessment of the financial impact for Hartlepool;
iii) to enable Cabinet to approve the response to the Government's consultation proposals.

2. SUMMARY OF CONTENTS

2.1 The report sets out the current arrangements for providing support for Council Tax and details of a recently published Government consultation paper on a new proposed local scheme framework. The report also details the results of an initial assessment of potential impacts for Hartlepool.

Attached is a draft consultation response from the Council which is to be sent to the Government. This response will be in addition to a consolidated consultation response that will be issued by the Association of North East Council's.

3. RELEVANCE TO CABINET

3.1 Benefits administration activities falls within the Performance Portfolio. However, given the strategic nature of the Governments proposals referred to in this report the matter is referred to Cabinet.

4. TYPE OF DECISION

4.1 Non key decision.

5. DECISION MAKING ROUTE

5.1 Cabinet.

6. DECISION(S) REQUIRED

6.1 It is recommended that Members:

i) Note the report; and the need to actively engage with the police and fire authority precepting bodies;

ii) Consider the proposed response to the consultation proposals detailed in Appendix A and delegate authority to the Chief Finance Officer to finalise the response in light of comments made in conjunction with the Mayor;

iii) Approve the proposals that at this stage the Council would not wish to seek to share risk of increased Council Tax Benefit costs with the other Tees Valley Authorities and to review this position when more information is available and a risk assessment can be completed.

Report of: Chief Finance Officer

Subject: LOCALISING SUPPORT FOR COUNCIL TAX IN ENGLAND – GOVERNMENT CONSULTATION PROPOSALS

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1. PURPOSE OF REPORT

1.1 The purposes of the report are:

iv) to provide details of the Government's proposal for localising support for Council Tax Benefits from 2013/14;

v) to provide an initial assessment of the financial impact for Hartlepool;

vi) to enable Cabinet to approve the response to the Government's consultation proposals.

2. BACKGROUND

2.1 The Government's proposal to localise support for Council Tax Benefits is part of the overall 'Local Government Resource Review', which has also introduced the New Homes Bonus and proposals for the local retention of Business Rates.

2.2 These measures represent a very significant change in the financial arrangements for funding local authorities. Following on from the significant cuts in Government grants for 2011/12 and 2012/13 (both the main Formula Grant and specific grants) these changes increase financial risk for local authorities. Owing to the nature of these proposed changes the financial risks are anticipated to be greater for authorities serving more deprived communities, with greater reliance on Government Grant and less ability to raise funding locally through Council Tax or retained Business Rates – this includes Hartlepool.

2.3 The New Home Bonus provides an additional grant to reward authorities for increasing the number of new homes, with a higher reward for bringing empty houses back into use. The Government has stated that this scheme will run for 6 years. This grant is funded from the existing national business rates pool and the Government have top-sliced this funding to meet the estimated cost of the New Home Bonus scheme. The Government has stated that if additional funding is needed for this scheme this will be top-sliced from the national cash limited Local Authority Formula Grant. There is a risk that if this is necessary that areas with lower housing growth could see further cuts in the main Formula Grant. It is anticipated that most of the North East councils, including Hartlepool, will have lower housing growth than the national average. This position will be kept under review and details reported when they are available.

2.4 Proposals for the local retention of business rates from 2013/14 are subject to a separate detailed consultation and there is a report on your agenda in relation to this issue. These changes represent one of the most significant changes in the funding arrangements for local authorities since the Community Charge was replaced with Council Tax in 1993.

2.5 This report and the separate report on proposals for the local retention of Business Rates enable Members to respond to the Government's consultation proposals. The report also outlines the significant additional financial risks to the Council from these proposed changes, which it is expected the Government will implement. As these issues will impact from 2013/14 it is essential that the Council addresses the 2012/13 budget deficit on a sustainable basis to ensure the Council does not face an unmanageable budget position in 2013/14.

3. CURRENT COUNCIL TAX BENEFIT ARRANGEMENTS

3.1 Council Tax Benefit is an income related social security benefit which may be claimed by an eligible individual (either sole or joint liability) to pay all, or part, of their Council Tax liability. Council Tax Benefit is calculated after Council Tax discounts (e.g. Single Person Discount) and exemptions/disregarded adults (e.g. students living at home) have been taken into account.

3.2 The calculation of Council Tax Benefit net of discounts and exemptions is an important issue as the financial impact of discounts and exemptions on an authority's financial position is addressed through the annual setting of the Council Tax base. The level of Council Tax base then impacts on the level of Formula Grant allocated to individual councils through the mechanisms for resource equalisation – the element of the existing formula which seeks to balance spending need with local ability to raise income through Council Tax. As detailed in the report on proposals for local retention of Business Rates these linkages will be removed under the proposed system and this increases financial risk.

3.3 Although Council Tax Benefit is currently a national benefit with policy and rules set by Central Government, it is administered by local authorities. These arrangements also apply to Housing Benefit. From an individual's perspective this means that the same basic eligibility rules apply for all local authorities.

3.4 The costs of funding Council Tax Benefit are currently met by the Department for Work and Pensions which reimburses expenditure incurred by local authorities. These arrangements mean that local authorities do not face financial risk from the demand lead nature of benefit payments as this risk is managed by Central Government.

4. PROPOSAL TO LOCALISE SUPPORT FOR COUNCIL TAX BENEFITS

4.1 The detailed consultation document issued by the Department for Communities and Local Government states that 'the Government has decided to localise support for Council Tax to:

- Give local authorities a greater stake in the economic future of their local area, and so supporting the Government's wider agenda to enable stronger, balanced economic growth across the country. The Government has considered the situation of low-income pensioners who would currently be eligible for support with their Council Tax bill and would not expect them to seek paid employment to increase their income. The Government therefore proposes that as a vulnerable group, low income pensioners should be protected from any reduction in support as a result of this reform;

- Provide local authorities with the opportunity to reform the system of support for working age claimants. In particular it will enable local authorities to align the system of support for working age households much more closely with the existing system of Council Tax discounts and exemptions, simplifying the complex system of criteria and allowances;

- Reinforce local control over Council Tax. Enabling decisions to be taken locally about the provision of support with Council Tax is consistent with a drive for greater local financial accountability and decision making, including the Government's proposals for local referendum on Council Tax levels;

- Give local authorities a significant degree of control over how a 10% reduction in expenditure on the current Council Tax Benefit bill is achieved, allowing councils to balance local priorities and their own financial circumstances. Reducing the costs of support for Council Tax is a contribution to the Government's vital programme of deficit reduction. Localisation is intended to help deliver savings of around £500m a year on the current Council Tax Benefit bill across Great Britain;

- Give local authorities a financial stake in the provision of support for Council Tax. This reform will create a stronger incentive for councils to get people back into work and so support the positive work incentives that will be introduced through the Government's plans for 'Universal Credit.'

4.2 The proposal to localise responsibility for Council Tax Benefit and at the same time reduce funding by 10%, transfers a significant financial risk to local authorities. The requirement to protect vulnerable pensioners, and potentially other vulnerable groups, whilst logical and desirable, will increase the challenges local authorities face in managing demand led expenditure within a cash limited budget.

4.3 The consultation document sets out 45 specific consultation questions and proposals in relation to 9 specific areas as summarised in the following sections.

4.4 Principles of the scheme

The Government has stated that 'it has been clear that, in introducing a localised system of support for Council Tax, it will seek to ensure the most vulnerable in society, particularly low income pensioners, are protected and that changes should help ensure that work pays'.

The consultation document does not set out specific proposals for how authorities achieve these principles, but seeks views on how local schemes can be aligned to 'support the work incentives that Universal Credit is intended to deliver'.

The consultation proposals seem based on the assumption that local authorities need an incentive to help people get back into work. This is a simplistic assumption and understates the complex reasons why people are not in work and an individual authority's ability to address these issues. There seems to be a disconnection between the Government's recognition that some areas face greater challenges in attracting inward investment, which will create jobs, as recognised through the establishment of Enterprise Zones and the proposal to use local Council Tax Benefit as an incentive to create jobs.

4.5 Establishing local schemes

This section deals with issues relating to the detailed design of local schemes and covers issues relating to consulting on the proposed local scheme, links with budget and Council Tax setting, work incentives and adjusting schemes over time.

Clearly, a key issue in relation to establishing a local scheme will be the level of available funding (which is detailed in 4.10) and how vulnerable groups will be protected. Government have given a commitment to protect pensioners (existing and new pensioners) from any reduction in Council Tax Benefit and have indicated that Council's should also consider ensuring support for other vulnerable groups. Other vulnerable groups are not defined but could include e.g. disabled claimants, lone parents with children, etc. Under the new system there will be less overall funding, therefore the more groups that are protected will magnify the impact on other Council Tax Benefit claimants. This will place an additional burden on household budgets particularly working age "non vulnerable" claimants which will be required to pay a higher proportion of their Council Tax. From the

Council's perspective this element of Council Tax will be harder (and more expensive) to collect and this has implications for the budget. The Government have indicated that Council's as part of their consultation arrangements will need to submit their local Council Tax support scheme to some form of public scrutiny. Furthermore precepting authorities i.e. Police and Fire authorities will need to be consulted as financial pressures associated with failure to collect Council Tax will be channelled via the Collection Fund.

4.6 Joint Working

This section deals predominantly with issues which arise in two-tier areas where there is a county council and districts councils, and seeks views on designing schemes which protect both tiers of local Government. This is not an issue for Hartlepool.

4.7 Managing Risk

Currently support for Council Tax is demand lead and funded through a specific grant. From 2013/14 local authorities will be paid a cash limited grant and will need to manage demand risk and collection risk from those households which experience a reduction in support with their Council Tax.

This is a significant change for local authorities and the consultation seeks views on how these risks can be managed. Two proposals are suggested. The first involves local contingency arrangements, which simply means designing into local schemes provision for increases in take-up or demand.

This is clearly a complex area and managing a cash limited annual budget could result in an in-year overspend transferring to the General Fund budget. On the other hand if there is an underspend this could benefit the General Fund, but would mean that vulnerable people had received less support than they could have had. These issues will be more challenging for areas with higher numbers of people receiving Council Tax Benefit albeit the Government have suggested that billing authority's should be able to share financial pressures as a result of high levels of support demand with major precepting authorities e.g. Police and Fire.

The consultation also refers to sharing risk with other authorities. This is mainly relevant to areas with a county council and district councils. However, the consultation does not rule out risk sharing between unitary authorities.

On a practical basis risk sharing for unitary authorities would need to be organised between two, or more neighbouring authorities. In the Tees Valley this could be based on the LEP (Local Enterprise Partnership) area. Although given the similarities of the area this is unlikely to mitigate risk and could increase Hartlepool's risk given higher reliance of other areas on major employers.

In practise risk sharing between unitary authorities is not practical as it will be extremely difficult for each authority's Chief Finance Officer to adequately and robustly assess risks in potential partner authorities and therefore advise their own authority appropriately. The principle of risk sharing by pooling of Government Grant and pooling of Council Tax support demand costs is compromised given the proposed 10% cut in grant and the fact that different councils may define different local schemes. At this stage it is suggested that this is not pursued, although this position may need reviewing when further details are available.

The consultation makes only limited reference to a national contingency fund and indicates this would need to be taken into account when taking decisions on the distribution of grant. This suggests that any national contingency fund will be funded from the overall cash limit. Currently Council Tax Benefit is not managed within an overall cash limit and there is a national safety net for increased benefits take-up which may arise from a national economic downturn, or other factors. The localisation of Council Tax Benefit removes this safety net and passes this responsibility to local authorities and major precepting bodies. This is at odds with other benefits transferring to the Universal Credit which will continue to be managed on a demand lead basis. Transferring this risk to local authorities and major preceptors puts other services and financial stability at risk. There is no specific mention of a national safety net to manage the impact of a large employer closing or significantly reducing its workforce.

These are critical issues and the Councils response needs to ask the Government to rethink its approach to the overall national cash limit and recognise there are certain risks which cannot realistically be managed locally and need to be managed by the national Government.

4.8 Administering local schemes

This section deals with practical issues from running a local Council Tax Benefit scheme covering establishing eligibility and making a claim, providing certainty for claimants, granting the award, hardship, transitional protection, appeals and administrative arrangements for pensioners. The consultation proposal makes reference to local support for Council Tax being fair and easy to understand for claimants, particularly the impact on encouraging people back into work and avoiding disincentives to work.

The Government also state these objectives should seek to minimise costs, errors and fraud. It is unlikely that the objective of minimising costs can be achieved moving from a national scheme to a local scheme administered by 300+ Local Authorities as there will be significant diseconomies of scale. This will increase pressure at a local level as existing funding for administrative costs in unlikely to cover costs of running local schemes. The proposals for authorities to possibly work jointly take no account of the extremely challenging timescales for implementing a new system from April 2013, as primary legislation will not be passed until summer 2012, leaving around 6 months for detailed implementation. A local scheme will need to have been determined and associated IT changes made and tested to ensure Council Tax bills produced in February 2013 for 2013/14 are accurate. Nationally computer software companies have indicated they will not undertake development work until statutory regulations have been laid down after the primary legislation. This timetable is improbable if not impossible increasing the risks of a successful implementation.

4.9 Data Sharing

The Government indicate that it intends that people who apply for Council Tax support should not have to provide their local authority with the same information, or supporting evidence, that they have already provided to the DWP in application for Universal Credit. Local Authority ongoing access to DWP systems information (as happens currently) will be essential. However, there are issues in relation to Data Protection and human right issues which need to be resolved.

Locally, Members will be aware of the issues encountered in relation to free school meals and the sharing of data. This highlights the complexity of these issues and addressing Data Protection and human rights issues will be critical for the administrative efficiency of the local Council Tax Benefit arrangements.

4.10 Funding

This is the key issue in relation to the proposed changes which moves from a nationally managed and funded scheme, to local schemes based on cash limited grants paid to individual authorities. At the same time the level of funding will be cut by 10% and local authorities will be required to protect pensioners and potentially other vulnerable groups. This will constrain local authorities ability to define effective and fair schemes.

These changes mean that individual councils will either need to design schemes within a 10% lower cash limit, or make up the shortfall from their General Fund budgets by cutting other services to offset the 10% funding cut. This second option is probably not practical given the level of cuts already required to the General Fund budget by 2013/14 and existing demand lead and demographic pressures in relation to caring for Looked After Children, vulnerable adults with mental health/physical disabilities and increasing numbers of older people requiring support.

Implementation of a local scheme within a 10% lower cash limit, will not be easy as it will result in cuts in support for local people. The implementation of a local scheme will also need to address the statutory requirement to protect pensioners (and any other groups either Central Government or Members themselves determine to protect), and manage the financial risk that actual demand and/or take up of Council Tax Benefit exceeds local planning forecasts. These risks will still then have to be managed through the Council's General Fund budget – which will have been reduced significantly in 2011/12 and 2012/13.

The consultation document considers two proposals for reviewing grant allocations for individual councils. The first option is based on frequent updates to reflect changes in demand or take-up. The second would leave cash grants unchanged for several years – the Government state that this option 'incentivises local authorities to take steps to manage demand down' and 'enables a local authority to gain if liabilities under the scheme were to fall during that period'.

The second option increases financial risk to authorities, particularly those serving communities with higher levels of deprivation and with the greatest challenges in growing the local economy. It is also based on a simplistic argument that all authorities are starting from the same place and have the same ability and/or opportunity to grow the local authority. Based on historic trends, geographical and wider socio-economic factors this is not the case. Council's therefore need to put across the case for regular reviews of the grant allocations. Also there is a need to argue a case for safety nets to deal with increased demand as a result of national economic conditions outside of local authority control and the closure of major local employer(s).

The Government will undertake a separate detailed technical consultation on the specific factors and indicators which it is proposed should determine the level of grant allocated to individual authorities. Details will be reported when they are made available.

4.11 Administrative costs

The Government indicate that it 'does not intend the administration of local schemes to put pressure on local government finance, in line with the new burdens doctrine'. At this stage it is too early and there is insufficient information to assess if this will be the case.

However, moving from a national scheme to 300+ local schemes is likely to lead to diseconomies of scale, so it is difficult to see how this will be the case. Additionally, the collection of increased Council Tax as a result of some people receiving less Council Tax support will increase operational costs as this income will be more difficult to collect. This could also lead to a reduction in the Council Tax collection rates and increase levels of Council Tax write-offs.

4.12 Transitional and implementation issues

This section deals with the timetable for implementing the new scheme in April 2013. The current timetable indicates that primary and secondary legislation is not due until summer 2012. This would only leave around 6 or 7 months to design local schemes, consult on these proposals, design, specify and procure new IT systems, financially model the local scheme and implement on 1st April 2013. In practice all this activity would need to be completed before new Council Tax bills are produced late February 2013. This will be a significant challenge and there will be a high risk that this deadline cannot be achieved, particularly given actions outside the control of individual local authorities.

To help local authorities, the Government should reconsider the very tight timescale for introduction, publish its model schemes as soon as possible and make an absolute commitment to meet all local authority costs in moving to a new scheme.

5. INITIAL ASSESSMENT OF PROPOSED CHANGES ON HARTLEPOOL

5.1 As an authority serving a relatively deprived community the proposals to transfer Council Tax Benefit and a 10% cut in existing funding to local authorities will be extremely challenging and increase financial risk. The implementation of these changes in 2013/14 will compound the challenges of implementing significant cuts in the General Fund Budget. These changes will also mean less money will be going into the local economy.

5.2 In 2011/12 the Council will raise total Council Tax (excluding Police and Fire Authority Precepts) of £39.7m and this money is used to fund General Fund expenditure. Around £28.6m (72%) of Council Tax is paid directly by individual households. The remaining £11.1m (28%) is paid via the existing Council Tax Benefit system for households in receipt of full or partial Council Tax Benefit, including pensioners.

5.3 On this basis and the Government's proposals to reduce grant funding by 10% in 2013/14 it is anticipated the Council will receive £1.1m less grant to fund a local Council Tax Benefit scheme from April 2013. This is a significantly greater cut in funding than more affluent areas and therefore more challenging to manage within the context of the Council's own financial position and the ability of the local economy to provide jobs which pay enough to take people out of benefit.

5.4 The following table illustrates this challenge by comparing Hartlepool to Wokingham – which has a similar overall budget to Hartlepool, but funds a much higher proportion of its budget from Council Tax, has less reliance on Government grant and significantly lower numbers of houses-holds in receipt of Council Tax Benefit. The table highlights the additional financial challenge localising Council Tax Benefit will have on Hartlepool, both in terms of the higher cash reduction in overall funding and the percentage this represents of the total Council Tax income and net budget.

Comparison of Hartlepool and Wokingham (2010/11 figures)

	Hartlepool	Wokingham
Percentage of net budget funded from Council Tax	43%	80%
Percentage of Council Tax paid as Council Benefit	28%	6%
Value of 10% cut in Council Tax Benefit Grant	£1.1m	£0.4m

5.5 As indicated in the 2011/12 Medium Term Financial Strategy report the cuts in core funding for local authorities had the greatest impact on those areas with the greatest dependency on Government grants and less ability to fund services locally through Council Tax. The changes to localise Council Tax Benefit follow a similar pattern (as illustrated in the above table) as they result in higher cash cuts for councils serving more deprived communities. These cuts are harder to manage at a local level as the individual councils have less financial resilience as they are more dependent on Government grants and fund a lower percentage of their spend from Council Tax.

5.6 To put this reduction into context and to reflect the Government's intention that the New Homes Bonus will be an incentive for local authorities to approve housing development the local tax base has increased by 960 Band D properties since 2005/06. This is an increase of 3%, which equates to an increase in Council Tax yield of around £1.4m – compared to the expected cut in 2013/14 for funding Council Tax Benefit of £1.1m. This illustrates the financial risk of this change and the limited local financial flexibility. It should be noted that under the existing grant system the increase in tax base reduced the amount of Formula Grant allocated and individual authorities only receive additional Formula Grant if local growth in the Council Tax base was less than the national average.

5.7 As well as the initial impact in 2013/14 the Council also faces a significant ongoing financial risk if the initial cash grant is not adjusted frequently, or updated to reflect annual increases in Council Tax. Even assuming a modest annual uplift in the baseline grant, estimated at £11m in 2013/14, of 2.5% per year the annual risk to the Council is £0.280m – which is in addition to the initial 10% grant cut of £1.1m. If baseline grant is fixed for a number of years the cumulative impact would be significant.

5.8 In terms of the impact on individual household this will depend on the detailed design of the local schemes. Initial analysis indicates that owing to statutory requirement to protect low income pensioners some households could see a reduction of 15% to 20% in current levels of Council Tax support. Details of current case loads are summarised below:

	Number households receiving Council Tax Benefit	Value of Council Tax Award
Pensioners	6,700	£5.0m
Working age households	8,300	£6.1m
	15,000	£11.1m

6. PROPOSED RESPONSE TO CONSULTATION PROPOSALS

6.1 The statement in the consultation document that ‘the Government has decided to localise support for Council Tax’ clearly sets out the Government’s intention to implement this change. The consultation document does not ask authorities for a view on whether localising support for Council Tax is appropriate and concentrates on seeking views on practical issues relating to the implementation of local Council Tax Benefit.

6.2 However, it is important that the response to the consultation raises concerns that that this proposal reverses a long standing convention that Council Tax Benefit is an integral component of the overall national social security system and not a risk that individual authorities are best placed to managed. This is an important principle of equity between authorities and their ability to fund local services. Equally, there is limited evidence that local authorities need an incentive to improve local economies and to help people back into work. Whilst local authorities should wherever possible seek to maximise their role, responsibilities and local influence, the administration of a scheme on a sustainability reduced funding basis and with significant associated financial risks should be resisted and lobbying undertaken that support for council tax should be included within Universal Credit (and administrated by the DWP) a potential pathway included within the Welfare Reform Bill 2011.

6.3 These details are addressed in the proposed response to the consultation proposals detailed in Appendix A.

7. RECOMMENDATIONS

7.1 It is recommended that Members:

iv) Note the report; and the need to actively engage with the police and fire authority precepting bodies;

v) Consider the proposed response to the consultation proposals detailed in Appendix A and delegate authority to the Chief Finance Officer to finalise the response in light of comments made in conjunction with the Mayor;

vi) Approve the proposals that at this stage the Council would not wish to seek to share risk of increased Council Tax Benefit costs with the other Tees Valley Authorities and to review this position when more information is available and a risk assessment can be completed.

Appendix A

Dear Secretary of State,

Localising support for Council Tax in England

As the Elected Mayor of Hartlepool I appreciate, alongside my Cabinet colleagues, the opportunity to comment on the above proposals. We hope the Government will respond positively to the concerns of local authorities to ensure changes are fair and equitable, both to individual households and individual local authorities.

Whilst, it is recognised that the Government needs to reduce the national deficit and stabilise the public finances, we do not agree with all the measures the Government are implementing to achieve these objectives. We were particularly concerned that the two year grant settlement for local authorities covering 2011/12 and 2012/13 resulted in higher grant cuts for councils with greater dependency on grants and serving more deprived communities. We believe that cuts in grant should have been shared more fairly and equitably across all authorities and recognised that authorities and communities with the greatest dependency on Government grant faced greater challenges as a result of grant cuts.

This is an important issue when considering other changes to the local government finance system, including the proposals to localise support for Council Tax. As you are aware some areas, including Hartlepool, have already suffered higher grant cuts than other areas. Whilst, we recognise that we receive higher grants than other areas, this reflects an assessment of need and local ability to fund services through Council Tax – these factors need to be recognised to avoid a two tier system of local authority services developing.

These principles are equally relevant to proposals to localise support for Council Tax Benefits.

The consultation document states 'the Government has decided to localise support for Council Tax' and then provides five reasons for this decision. This decision avoids asking local authorities whether support for Council Tax Benefit should be inside the Universal Credit, or outside. I believe this is a fundamental question the Government should have asked as there are compelling reasons for including Council Tax Benefit within the Universal Credit. These arguments have already been accepted for Housing Benefit. The proposal to include Council Tax Benefit within the Universal Credit would have required separate consultation as specific issues would need to be addressed.

With regard to the proposals to localise support for Council Tax Benefit there are a number of significant issues which we believe need addressing to ensure the system is fair, equitable and financially sustainable for all authorities and households. These issues are outlined below:

- The proposal to transfer this responsibility to individual authorities would be challenging at any time, to do so in a period of weak economic growth will be significantly more challenging and expose authorities to greater financial risks. For authorities serving more deprived communities these challenges will be even greater. This risk does not seem to have been recognised in the consultation paper. Many authorities face a significant challenge just to catch up with employment levels in more affluent areas and there is no historic evidence that this will be possible without major structural changes in the economy. It is unlikely that localising Council Tax Benefit will provide the catalyst to address regional gaps in economic activity.

- The consultation proposal suggests that local authorities need an incentive to move people into work. This is a simplistic assumption and fails to recognise the actions already taken by individual authorities to promote economic development and employment. This assumption also understates the complex reasons why people are not in work and an individual authority's ability to address these issues. There seems to be a disconnection between the Government's recognition that some areas face greater challenges in attracting inward investment, which will create jobs, as recognised through the establishment of Enterprise Zones and the proposal to localise Council Tax Benefit as an incentive to create jobs.

- The proposal to move to a cash limited grant system and implement a 10% funding reduction in April 2013 needs reconsidering as the current proposal will place the greatest burden and risk on authorities serving some of the most deprived communities. These are also the areas which had the highest grant cuts for 2011/12 and 2012/13.

  When account is taken of the requirement to protect low-income pensioners, which we fully support, we estimate that other low-income households in Hartlepool could see reductions in Council Tax support of between 15% and 20%, as it will not be possible to protect all groups.

  Previous significant changes in local government funding have been phased over a number of years. Consideration needs to be given to phasing these changes over a number of years to manage the impact on individuals and local authorities.

- The grant allocated to individual council's needs to be based on an up to date assessment of need, including the cost of protecting low-income pensioners to ensure local authorities are not exposed to unnecessary risk when the scheme is implemented. Safeguards need to be built into the system to deal with large shocks in demand, either caused by a national economic downturn or the impact of a major local employer closing. These issues will require additional funding for a temporary period, as it will not be possible to contain demand lead costs within cash limited budgets, as the Government will know from experience of managing the overall Social Security budget.

The consultation proposals for re-localising business rates include proposals for protecting individual councils from unexpected reductions in business rate income. Similar arrangements need to be made to help manage unexpected increases in Council Tax Benefit costs outside of an individual authority's control. Council's will not be able to afford to meet these costs and precepting authorities from existing service budgets as these will have reduced significantly by 2013/14.

This protection could partly be paid by regularly reviewing the grant allocations to individual Councils to reflect claimant numbers, as in many cases increased employment is driven by market factors and geographical location outside an individual authority's control.

- Similarly, grant allocations need to be adjusted regularly to reflect changing in demand and take-up. This will be critical in the early years of the new system as authorities need to know that funding will follow need. The issue of updating annual grant allocations also needs to reflect increases in Council Tax levels. This is particularly important for authorities with a high proportion of households receiving help with their Council Tax bills. If this issue is not addressed the situation for some authorities could become financially unsustainable over a very short period as the compounded impact could be significant, even if Council Tax increases are kept very low.

Detailed responses to the specific consultation proposals are attached.

I hope these comments are helpful and the Government addresses our concerns before finalising their proposals.

Stuart Drummond
Elected Mayor

Localising Support for Council Tax
List of consultation questions

Section 5	
5a: Given the Government's firm commitment to protect pensioners, is maintaining the current system of criteria and allowances the best way to deliver this guarantee of support?	**Yes. However, there are pensioners that will have a level of income higher than that of other claimant's dependant on benefit.**
5b: What is the best way of balancing the protection of vulnerable groups with the need for local authority flexibility?	**The more protection that is applied to other vulnerable groups in addition to the commitments made for pensioners will substantially magnify the benefit cuts for working age non protected groups. A more detailed description of "vulnerable" and the definition of associated groups is necessary by way of national guidance to promote some degree of consistency.**
Section 6	
6a: What, if any, additional data and expertise will local authorities require to be able to forecast demand and take-up?	**Existing local authority databases will help forecast future benefit costs from existing claimant caseload, but modelling of demand for future support based on economic forecasts will be challenging and potentially have high margins of error.**
6b: What forms of external scrutiny, other than public consultation, might be desirable?	**Consultation with major precepting bodies ie. Police and fire will be required as financial pressures associated with failure to collect Council Tax will be channelled through the Collection Fund.**
6c: Should there be any minimum requirements for consultation, for example, minimum time periods?	**No. This should be a matter for local determination.**
6d: Do you agree that councils should be able to change schemes from year to year? What, if any restrictions, should be placed on their freedom to do this?	**Yes. If the Government implement this change and are committed to localism they need to allow councils to change schemes to address changing circumstances. There should be no restrictions placed on councils aside from their own existing constitutional arrangements for changing budgets and complying with locally determined consultation.**
6e: How can the Government ensure that work incentives are supported, and in particular, that low earning households do not face high participation tax rates?	**This can be achieved by local schemes adjusting the taper for withdrawal of support as earnings rise.**

Section 7	
7a: Should billing authorities have default responsibility for defining and administering the schemes?	**Yes. Billing Authorities should retain this responsibility albeit there is a need for this to be supplemented by effective consultation and engagement with major precepting authorities.**
7b: What safeguards are needed to protect the interests of major precepting authorities in the design of the scheme, on the basis that they will be a key partner in managing financial risk?	**See 7a re consultation / engagement.**
7c: Should local precepting authorities (such as parish councils) be consulted as part of the preparation of the scheme? Should this extend to neighbouring authorities?	**No. In many areas parish councils only cover part of a billing authority's area. Billing authorities should determine who should be consulted to reflect local circumstances, council's track record of engaging and consulting with residents on a range of issues and the existing working relationships at a local level.**
7d: Should it be possible for an authority (for example, a single billing authority, county council in a two-tier area) be responsible for the scheme in an area for which it is not a billing authority?	**No, needs to be managed / co-ordinated by the billing authority.**
7e: Are there circumstances where Government should require an authority other than the billing authority to lead on either developing or administering a scheme?	**No. Developing and administering a scheme should be lead by the authority with greatest financial responsibility for the scheme.**
Section 8	
8a: Should billing authorities normally share risks with major precepting authorities?	**Yes**
8b: Should other forms of risk sharing (for example, between district councils) be possible?	**Risk Sharing by pooling of govt grant and pooling of council tax support costs demand, is compromised given the 10% cut in funding and the fact that different councils may have different local schemes / priorities and pressures.**
8c: What administrative changes are required to enable risk sharing to happen?	**Detailed Financial Modelling and Planning would need to be set up at the Design stage and this is unlikely to be achievable for an April 2013 start date.**
8d: What safeguards do you think are necessary to ensure that risk sharing is used appropriately?	**A need for transparency and billing authority responsibility for providing regular monitoring data on levels / costs of council tax benefit awards and council tax collection**

	performance. Any risk sharing across local authorities to be covered by a legally binding agreement.
Section 9	
9a: In what aspects of administration would it be desirable for a consistent approach to be taken across all schemes?	**Definition of vulnerable groups and a common appeals framework (to cover award determinations).**
9b: How should this consistency be achieved? Is it desirable to set this out in Regulations?	**Set it out in primary or secondary legislation.**
9c: Should local authorities be encouraged to use these approaches (run-ons, advance claims, retaining information stubs) to provide certainty for claimants?	**Yes**
9d: Are there any other aspects of administration which could provide greater certainty for claimants?	**Longer Award periods and a simpler application and verification process which will aid speedier determinations.**
9e: How should local authorities be encouraged to incorporate these features into the design of their schemes?	**Guidance should be issued or Model Schemes that are to be published in the New Year should have the features built in.**
9f: Do you agree that local authorities should continue to be free to offer discretionary support for council tax, beyond the terms of the formal scheme?	**Yes but will be constrained by available funding.**
9g: What, if any, circumstances merit transitional protection following changes to local schemes?	**Transitional protection funded nationally should support those affected by a switch from a national to a local scheme. This protection could be for a defined period or reduced on a sliding scale.**
9h: Should arrangements for appeals be integrated with the new arrangements for council tax appeals?	**Yes**
9i: What administrative changes could be made to the current system of council tax support for pensioners to improve the way support is delivered (noting that factors determining the calculation of the award will be prescribed by central Government)?	**A simpler application process, changes of circumstances process and longer award period will help access to support and certainty.**
Section 10	
10a: What would be the minimum (core) information necessary to administer a local council tax benefit scheme?	**Ongoing access to DWP systems even after the introduction of Universal Credit.**
10b: Why would a local authority need any information beyond this "core", and what would that be?	**More detail about the proposed Model Schemes is required.**
10c: Other than the Department for Work and Pensions, what possible sources of information are there that local	**Data on earnings from HMRC and pensioner date of birth from the Pension Service.**

authorities could use to establish claimants' circumstances? Would you prefer to use raw data or data that has been interpreted in some way?	
10d: If the information were to be used to place the applicants into categories, how many categories should there be and what would be the defining characteristics of each?	**Examples but not exhaustive:** **-Pensioners (including disabled pensioners)** **-Disabled Working Age** **-Disabled receiving Employment and Support Allowance**
10e: How would potentially fraudulent claims be investigated if local authorities did not have access to the raw data?	**Data Matching of information between council and DWP systems will identify potentially fraudulent claims**
10f: What powers would local authorities need in order to be able to investigate suspected fraud in council tax support?	**The Authorised Officer powers that are currently in place would need to be sustained.**
10g: In what ways could the Single Fraud Investigation Service support the work of local authorities in investigating fraud?	**Not feasible to respond until results of Sept 2011 option paper on investigations is known.**
10h: If local authorities investigate possible fraudulent claims for council tax support, to what information, in what form would they need access?	**Council's would need to access application forms/ details and statements provided in support of customer claims.**
10i: What penalties should be imposed for fraudulent claims, should they apply nationally, and should they relate to the penalties imposed for benefit fraud?	**Needs to be a national framework for consistency.**
10j: Should all attempts by an individual to commit fraud be taken into account in the imposition of penalties?	**Yes**
Section 11	
11a: Apart from the allocation of central government funding, should additional constraints be placed on the funding councils can devote to their schemes?	**No but given current local govt funding constraints subsidising a local benefit scheme is unlikely.**
11b: Should the schemes be run unchanged over several years or be adjusted annually to reflect changes in need?	**Adjusted regularly to reflect changes in need.**
Section 12	
12a: What can be done to help local authorities minimise administration costs?	**Data sharing with DWP, longer award periods, specifying a standard model scheme and associated IT infrastructure within which local authorities can make local customisations**
12b: How could joint working be encouraged or incentivised?	**DCLG / DWP need to take the lead working with IT suppliers / LGA etc**
Section 13	
13a: Do you agree that a one-off introduction is preferable? If not, how would you move to a new localised system while managing the funding reduction?	**One off introduction with transitional protection arrangements for existing claimants.**

13b: What information would local authorities need to retain about current recipients/applicants of council tax benefit in order to determine their entitlement to council tax support?	**All information on CTB applications under the current scheme would need to be archived and accessible.**
13c: What can Government do to help local authorities in the transition?	**Revisit the timescales for implementation, publish model schemes ASAP, meet local authority costs in moving to a new scheme.**
13d: If new or amended IT systems are needed what steps could Government take to shorten the period for design and procurement?	**Effective early consultation with IT suppliers and provide funding to enable them to commence development work now.**
13e: Should applications, if submitted prior 1 April 2013, be treated as if submitted under the new system?	**No, applications submitted prior to April 2013 should be assessed on the old scheme**
13f: How should rights accrued under the previous system be treated?	**Transitional protection rules or retain current entitlement until a change in circumstances and then apply the new scheme.**

6.4

CABINET

10th October 2011

HARTLEPOOL BOROUGH COUNCIL

Report of: Chief Finance Officer

Subject: PROPOSALS FOR BUSINESS RATES RETENTION - GOVERNMENT CONSULTATION PROPOSALS

SUMMARY

1. PURPOSE OF REPORT

1.1 The purposes of the report are:

i) to provide details of the Government's proposal for Business Rates Retention 2013/14;

ii) to provide an initial assessment of the financial impact for Hartlepool;

iii) to enable Cabinet to approve the response to the Government's consultation proposals.

2. SUMMARY OF CONTENTS

2.1 The report sets out the current arrangements for Business Rates collection and details of a recently published Government consultation paper on the proposal to localise business rates as part of the overall 'Local Government Resource Review'.

2.2 Attached is a draft consultation response from the Council which is to be sent to the Government. This response will be in addition to a consolidated consultation response that will be issued by the Association of North East Council's.

3. RELEVANCE TO CABINET

3.1 Collection and administration of National Non Domestic Rates falls within the Performance Portfolio. However, given the strategic nature of the Governments proposals referred to in this report the matter is referred to Cabinet.

4. TYPE OF DECISION

4.1 Non key decision

5. DECISION MAKING ROUTE

5.1 Cabinet

6. DECISION(S) REQUIRED

6.1 It is recommended that Members:

i) Note the report;

ii) Consider the proposed response to the consultation proposals detailed in Appendix A and delegate authority to the Chief Finance Officer to finalise the response in light of comments made in conjunction with the Mayor;

iii) Approve the proposals that at this stage the Council would not wish to seek to share risk by pooling top up payments with the other Tees Valley Authorities and to review this position when more information is available and a risk assessment can be completed;

iv) To note that the Chief Finance Officer will submit a response to the questions raised in the 8 supporting technical papers issued by the Government, which will reflect the comments made in Appendix A and propose suggestions which would protect the Council financial position if implemented by the Government.

Report of: Chief Finance Officer

Subject: PROPOSALS FOR BUSINESS RATES RETENTION - GOVERNMENT CONSULTATION PROPOSALS

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1. PURPOSE OF REPORT

1.1 The purposes of the report are:

i) to provide details of the Government's proposal for Business Rates Retention 2013/14;

ii) to provide an initial assessment of the financial impact for Hartlepool;

iii) to enable Cabinet to approve the response to the Government's consultation proposals.

2. BACKGROUND

2.1 The Government's proposal to re-localise business rates is part of the overall 'Local Government Resource Review', which has also introduced the New Homes Bonus and proposals to localise support for Council Tax Benefits.

2.2 These proposals represent a radical change in the financial arrangements for funding local authorities. Following on from the significant cuts in the Government grants (both the main Formula Grant and specific grants) these changes increase financial risk for local authorities. Owing to the nature of these proposed changes the financial risks are anticipated to be greater for authorities serving more deprived communities, with greater reliance on Government grant and less ability to raise funding locally through Council Tax or retained business rates – this includes Hartlepool.

2.3 The New Home Bonus provides an additional grant to reward authorities for increasing the number of new homes, with a higher reward for bringing empty houses back into use. The Government has stated that this scheme will run for 6 years. This grant is funded from the existing national business rates pool and the Government have top-sliced this funding to meet the estimated cost of the New Home Bonus scheme. The Government has stated that if additional funding is needed for this scheme this will be top-sliced from the national cash limited Local Authority Formula Grant. There is a risk that if this is necessary that areas with lower housing growth could see further cuts in the main Formula grant. It is anticipated this category will include most of the North East councils, including Hartlepool. This position will be kept under review and details reported when they are available.

2.4 Proposals to localise support for Council Tax Benefit from 2013/14 are subject to a separate detailed consultation and there is a report on your agenda in relation to this issue.

2.5 This report and the separate report on proposals to localise support for Council Tax Benefits enable Members to respond to the Government's consultation proposals. The reports also outline the significant additional financial risks to the Council from these proposed changes, which it is expected the Government will implement. As these issues will impact from 2013/14 it is essential that the Council addresses the 2012/13 budget deficit on a sustainable basis to ensure the Council does not face an unmanageable budget position in 2013/14.

2.6 To avoid repeating issues the main body of the report describes the proposed changes and the Appendix outlines the proposed response to these changes and addresses the specific consultation questions put forward by the Government.

3. CURRENT BUSINESS RATES ARRANGEMENTS

3.1 Under the current Business Rates system each commercial property has a rateable value which is assessed by the Valuation Office Agency on the basis of the annual rental that a tenant would be willing to pay for it on the open market. Central Government set the national Business Rates multiplier, currently 43.3p, which is increased each year by the Retail Prices Index. The annual Business Rates bill is then calculated on the basis of the rateable value multiplied by the national Business Rates multiplier.

3.2 Business Rates are collected by individual billing authorities and these monies are paid over to Central Government. The overall Business Rates income is then redistributed to individual local authorities through the formula grant system which is designed to equalise resources and need. This redistribution system is based on a complex formula which assesses each authority's ability to raise resources locally through Council Tax and spending need using a variety of factors, including levels of deprivation. These arrangements have been in place for many years and from Central Government's perspective require the development of complex formula and Ministerial decision on total funding for local authorities.

3.3 These arrangements mean that some authorities receive less redistributed funding than they have collected in Business Rates, such as central London authorities, whilst other receive more than they can raise locally. This is the position for the 12 North East councils, including both Newcastle and Gateshead which both have major retail shopping centres and other regional facilities. The position for Newcastle and Gateshead clearly demonstrates the financial reliance on the existing funding system for authorities in areas like the North East, with lower business levels, less ability to raise funding through Council Tax and higher levels of deprivation and demands on services.

3.4 This is also the position for Hartlepool as the Council currently receives £13m more redistributed funding than it collects in Business Rates. For 2011/12 total Business Rates for Hartlepool are £27m, compared to redistributed funding of £40m. Proposals to change the existing arrangements therefore have significant potential implications for the Council, both financial and the impact on services.

4. PROPOSAL FOR LOCAL BUSINESS RATES RETENTION

4.1 The Government have issued a detailed consultation paper, supported by 8 technical papers. This documentation runs to 248 pages and ask 96 specific consultation questions, which demonstrates the complexity of the current funding arrangements and proposals for changing these arrangements.

4.2 The detailed consultation document issued by the Department for Communities and Local Government states there are 4 principles for reforming the existing system:

- to build into the local government finance system **an incentive for local authorities** to promote local growth over the long term;

- **to reduce local authorities dependency** upon central government, by producing as many self sufficient authorities as possible;

- to maintain a degree of redistribution of resources to ensure that authorities with high need and low taxbases are still **able to meet the needs** of their area; and

- **protection for businesses** and specifically, no increases in locally-imposed taxation without the agreement of local businesses.

4.3 The Government have also stated that if these changes are introduced for 2013/14 that no authority will be any worse off financially for this year than if the changes had not been implemented.

4.4 The consultation document also sets out seven core components of the proposed schemes, which the Government state has been developed to:

- ensure a fair starting point for all local authorities;
- deliver a strong growth incentive where all authorities can benefit from increases in their business growth and from hosting renewable energy projects;
- include a check on disproportionate benefits;

- ensure sufficient stability in the system; and
- include an ability to reset in future to ensure levels of need are met.

4.5 Details of the seven core components are outlined in the following paragraphs

4.6 Setting the baseline

The consultation proposals have recognised 'that there are wide variations across councils between current formula grant allocations and the amount of business rates individual councils collect. Therefore it is not possible to simply allow business rates to be retained where they are paid; there needs to be a degree of re-balancing, or some authorities would see very large reductions in their revenue, which could adversely affect their ability to deliver core services to their communities.'

The Government therefore propose a re-balancing of resources at the outset of the scheme. This will involve a system of 'tariffs' and 'top-ups'. Tariff authorities will continue to pay some of their locally collected business rates over to the Government and these resources will then be allocated to top-up authorities.

The consultation suggests using the 2012/13 formula grant as the baseline for determining the first year (i.e. 2013/14) tariffs and top-ups. If this proposal is implemented this will lock the grant cuts implemented in 2011/12 and 2012/13 into the future top-up payments received by the Council. As these cuts were higher for Hartlepool than many other areas it is suggested that the Government should use this opportunity to reassess the baseline to provide a fairer reduction in funding for all authorities over the period of the Spending Review. This could be achieved within the national spending limits by reducing cuts in funding for 2013/14 and 2014/15 to those authorities which experience the greatest grant reduction in 2011/12 and 2012/13.

The consultation proposals also make reference to making technical adjustments to the 2012/13 which will impact on the baseline. These adjustments are likely to have a marginal impact, although given the overall financial position facing the Council even small adjustments will be important.

4.7 Setting tariffs and top ups

The Government have stated that the system of tariffs and top ups is designed to ensure 'a fair starting point, as each authority will receive an amount equal to what it would have received in formula grant according to the approach adopted to establishing the baseline'.

The consultation sets out two options for tariff and top up amounts after year one of the scheme. The first would be to uprate the year one tariff and top up by the Retail Prices Index (RPI). As the Business Rate multiplier is uprated each year by RPI there is a clear logic in adopting this approach as it maintains the real term value of tariff and top up amounts. It also ensures authorities only benefit from real term growth in the local business tax base.

The second proposal would not uprate tariff and top up amounts by RPI, which would set these as cash amounts. This clearly provides less protection for top up authorities. This may be mitigated by other proposed protections in the new scheme, although this position cannot be assessed until final proposals are determined by the Government and it is unlikely this will be the case. The consultation document states 'authorities in receipt of a top up would face a very strong incentive to grow their taxbase to offset real-terms reductions in their top up amount'.

4.8 The incentive effect

The consultation documents states that 'the incentive effect is at the heart of the changes that business rates retention is aiming to deliver – shifting from the allocation of local government funding solely on the basis of a central government assessment of need and resources to future increases in funding being on the basis of local economic growth'.

This is a fundamental change in the financial arrangements between central and local government which has significant risk, both short and long term, for individual councils. Depending on the actual changes which are implemented for business rates, the protection built into the new system, the links with Council Tax Benefit reform, Council Tax referendum and the New Homes Bonus, these incentives may only benefit authorities in more affluent areas of the country which have previously had higher growth and are likely to come of the recession quicker. Areas serving more deprived communities are unlikely to see any significant financial benefits and in reality are likely to face greater challenges as a result of these changes.

4.9 A levy recouping a share of disproportionate benefit

The consultation proposals recognise the possibility that some local authorities with high business rate taxbases could see disproportionate financial gains. This recognises that certain businesses (often those with high business rates) will wish to expand or locate in specific areas of the country, particularly London and the South East.

Therefore, proposals are put forward for managing this position whereby the Government would collect a levy recouping a share of the disproportionate benefit. This resource would then be used to help manage large, unforeseen negative volatility in individual authority's budgets. For example, if the power station closed down for a temporary period the council would receive additional top up funding.

This section also proposes that business rate revenue from renewal energy projects are kept by local authorities within the area of the project, and that those revenues are discounted in the calculation of any levy that might be applied to growth in business rates generated.

Clearly this proposal reflects a specific Government priority and desire to encourage renewable energy. This is a complex issue as not all authorities have the same physical capacity or geographical location to benefit from many forms of renewable energy. Therefore, these should be supported in other ways by Central Government given their national benefits. Alternatively, areas which are willing to accommodate more traditional industries, which are equally important nationally, should receive a similar benefit. From Hartlepool's perspective there is an argument that the local community should see a similar benefit from the development of a new nuclear power station.

4.10 Adjusting for revaluation

Every five years, the Valuation Office Agency re-assesses all business properties and gives them new rateable values. At the same time the Business Rate multiplier is adjusted to ensure there is no change in the overall Business Rates yield, other than the annual RPI uplift. These changes impact on the Business Rates payable by individual business and this is managed through a system of transitional reliefs to protect individual businesses from large increases.

The Government propose that tariff and top up amounts will be adjusted at revaluation, so that there is no impact on an individual authority as a result of the revaluation.

4.11 Resetting the system

This section deals with proposals for resetting the system (i.e. the tariff and top up amounts) to reflect changing circumstances to ensure there is not a divergence between resources and services. This is a very important principle as the proposed changes are a fundamental change in the existing funding arrangements for local authorities. The future impact of these cannot be fully assessed and will be driven by decisions of individual councils and factors outside of local control.

Two possible approaches to reset periods are proposed. The first would be to decide not to set a fixed period for resets and allow Ministers to determine on an objective basis when a reset is necessary. The second could be to set a fixed period and a 10 year period is suggest as this would give a strong incentive effect and encourage long term investment in growth.

The second option, set the reset period, would provide greatest certainty and transpancy. It would also avoid the political problems associated with Council Tax revaluations which have never been carried out since Council Tax was introduced in 1993/94, which has been one of the main criticisms and problems of the existing funding system.

The importance of the reset period will depend on the other safeguards built into the new system to protect individual councils from unexpected local changes. As the proposed changes are unprecedented an early initial reset, say after 5 years, would be appropriate to ensure the new system is working in a fair way.

4.12 Pooling

Under a rates retention system the Government propose that a group of authorities could come together and voluntarily pool tariff or top up payments. This consultation suggests there are two potential benefits of pooling. It could enable groups of authorities to make additional increases in growth collaborative. For the Tees Valley this could potentially work alongside the collaboration on the Enterprise Zone. Pooling could also potentially help authorities manage volatility by sharing fluctuations across a wider economic area

On a practical basis risk sharing in the Tees Valley could be based on the LEP (Local Enterprise Partnership) area. Although given the similarities of the area this is unlikely to mitigate risk and could increase Hartlepool's risk given higher reliance of other areas on major employers. There is also the additional complication that one of the Tees Valley authorities currently collects Business Rates which is broadly equal to their Formula Grant – so there is no incentive for them to pool.

In practise I do not think risk sharing between unitary authorities is practical as it will be extremely difficult for each authority's Chief Finance Officer to adequately and robustly assess risks in potential partner authorities and therefore advise their own authority appropriately. At this stage it is suggested that this is not pursued, although this position may need reviewing when further details are available.

4.13 Interactions with existing Government policies and commitments

The proposals to change the Business Rates system represents a radical reform of the local government finance system. The consultation paper explains how the Government propose to deliver existing policies and commitments alongside business rate reform.

The key issues relate to the New Homes Bonus and Local Authority Central Services Education Grant and how this links with the academies programme. To deliver these existing commitments the Government will continue transferring funding from the main local government funding pot for these programmes.

The consultation proposals indicate that in the early years of the New Homes Bonus it is expected that more funding will be retained than is needed. Local Authorities are therefore asked for their views on the mechanism for refunding surplus funding to local government.

From Hartlepool's perspective this should be done on the basis of the cuts implemented to 2011/12 and 2012/13 as these cuts would have been lower if this funding had not been top sliced from the national funding allocation.

4.14 SUPPORTING LOCAL ECONOMIC GROWTH THROUGH NEW INSTRUMENTS

The consultation proposals state that the Government is committed to strengthening the tools local authorities have to promote growth. The main proposal is the planned implementation of Tax Increment Financing (TIF). The basic idea behind TIF is the freedom to borrow against extra business rates to help pay for upfront infrastructure costs needed to facilitate new developments.

This is a complex issue and the consultation proposals outline two alternative approaches. Option 1 would theoretically allow free and unfettered access to TIF and the use of Prudential Borrowing. This would be the most risky approach for individual authorities as they would need to determine the business case and fund any shortfall in forecast business rates from the General Fund budget.

Option 2 would take the form of a more centralised approach with limits on the number of schemes, although individual authorities would still mange risk and fund any shortfall in forecast business rates from the General Fund budget.

The reality of TIF is that it relies upon a buoyant and growing economy, where there is clear private sector demand and business case for local authorities to invest in infrastructure. Even in this type of climate local authorities would be taking a financial risk on projects being sustainable over 25 years+. In the climate of low economic growth, significant and sustained cuts in local government funding it is unlikely that very few financially viable schemes will come forward. For top up allowances any increase achieved in business rates will probably be needed to help pay for existing services and to offset demand lead pressures.

The consultation document also refers to the impact of Enterprise Zones. The business rates revenue within an Enterprise Zone area will be disregarded from the calculation of excess growth levies (unlikely to apply in the North East) and not taken into account in any re-assessment of tariffs and top up amounts. This proposal is welcomed as business rates revenue within an Enterprise Zone is retained by the local enterprise partnerships and it would therefore be inappropriate to claw back this growth from top up amounts. The main benefits from Enterprise Zone sites in Hartlepool relates to capital allowances, which will be significantly greater than the business discounts benefits which are capped at £55,000 per business. The aim of the capital allowances is to attract significant capital investment and jobs in off shore wind technology.

5. INITIAL ASSESSMENT OF PROPOSED CHANGES ON HARTLEPOOL

5.1 Prior to the cuts in Government grants for 2011/12 the previous funding system for local government recognised that some authorities had less ability than others to fund services from Council Tax and/or Business Rates. The grant system recognised this position by providing higher grants based on an assessment of need, including relative levels of deprivation, and ability to fund services locally through Council Tax. This link began to be eroded in 2011/12 as authorities with greatest dependency on grants received the highest reductions in funding. This position will be repeated for 2012/13. Whilst, the 2012/13 grant cuts will be lower than those implemented for 2011/12 this is against a background of significant front loading in the current year.

5.2 For Hartlepool, the cut in Formula Grant over these two years is 20% - a reduction in annual funding of £10m from the 2010/11 baseline. Over this period the Council has also suffered significant cuts in specific grant transferred into the Formula Grant.

5.3 The proposed change to business rates needs to be considered against this background. The consultation proposals indicate that in 2013/14 no authority will be worse off than if these changes were not implemented.

5.4 The impact of changes to business rates beyond 2014/15 is more difficult to assess and will depend on the actual proposals which the Government implement and the linkages between these proposals. Further details will be reported as they become available.

5.5 On the basis of current information on the proposed business rate changes there are five key issues for the Council:

- The basis for setting the base line;
- Setting the initial tariffs and top ups;
- Whether the initial tariffs and top ups are uprated annually in line with RPI, or not uprated by RPI and paid as a cash grant;
- The frequency of resets for the system; and
- Increased local financial risk.

5.6 The consultation proposals suggest that the baseline and initial tariffs and top ups will be based on 2012/13 and the overall funding that would have been allocated for 2013/14 if the business rates changes had not been implemented. Nationally this confirms the 2011/12 and 2013/14 grants cuts are being locked in and a further cut will be made in local government funding for 2013/14.

5.7 For Hartlepool this is expected to mean a top up amount of £13m, which is the difference between the current redistributed funding of £40m and the business rates collected locally of £27m.

5.8 As the business rate multiplier is indexed annually for RPI its seems logical to uprate the tariffs and top ups to maintain the real term value of these amounts. This arrangement will avoid authorities gaining from an RPI uprate, which would run counter to the incentive arguments put forward by the Government for localising business rates.

5.9 It the tariffs and top ups are not uprated annually by RPI this would penalise top up authorities and over a very short period would have a significant impact on an authorities ability to fund services. The following table illustrates the potential real term reduction in funding for Hartlepool for three RPI scenarios, the first based on the Bank of England target for RPI of 2%, the second with annual RPI of 3% and the third RPI of 4%:

Annual RPI assumption	Annual real term funding cut if tariffs and top ups not uprated for RPI	Cumulative real term impact over 3 years if tariffs and top ups not uprated for RPI
2%	£0.26m	£0.8m
3%	£0.39m	£1.2m
4%	£0.52m	£1.6m

5.10 The analysis in the above table clearly demonstrates the importance of uprating tariff and top up amounts to maintain the financial stability of local government as a whole, not just those authorities which benefit from higher growth in business rates. Uprating both tariff and top ups amounts would help ensure that some of the benefits of national growth, which is often driven by national factors and investment in national infrastructure, benefitted all authorities. The annual indexing would also help mitigate the inflationary and demographic pressures facing all councils, particularly those responsible for providing children's and adult services.

5.11 In terms of the system reset period this will depend on the other safeguards built into the new system to protect individual councils from unexpected local changes. As the proposed changes are unprecedented an early initial reset, say after 5 years, would be appropriate to ensure the new system is working in a fair way. This requirement should be a statutory requirement and not a decision for Ministerial discretion. This will avoid the problem of the current system whereby successive Government's have put of Council Tax valuation; which is part of the reason for the problems with the current system.

5.12 The proposal in the consultation document set out broad arrangements which could provide two forms of protection for local authorities. The first option would provide a level of short term protection against major drops in income to allow local authorities time to adjust budgets. The second option would provide longer term protection against drops in income below the baseline. These broad principles are to be welcomed. However, the effectiveness of this proposal will depend on the detailed arrangements; particularly trigger points for authorities gaining additional support and the period temporary funding is paid for.

5.13 The inclusion of these proposals clearly demonstrates that the Government recognise the risk that these radical proposals mean for local authorities. It is less clear if they recognise these risks are greater for authorities receiving top up payments, or the ability to cut services in response to further funding cuts. This is an area which will need reviewing when more information is available.

5.14 To put this risk into context the top 10 business rate payers contribute almost 40% (nearly £11 million) of the £27 million annual Business Rates collected by the Council. One local business contributes 15% (£4 million) of the overall amount collected. This clearly demonstrates existing dependency on a small number of large Business Rate payers and the financial risks if these businesses close. If one (or more) of these major Business Rate payers ceased to operate in Hartlepool it would take many years to replace this income by encouraging other business and realistically this would not be achievable. It is therefore essential that the final arrangements for protecting individual councils from major changes in the local business rates base are robust and sustainable.

5.15 The proposed changes will have no direct impact on any businesses as they will see no difference in the way they pay business rates or the way this tax is set, which will continue to be based on property values set by the Valuation Office Agency and the national determined business rate multiplier. Similarly, when five yearly re-valuations are completed these changes will continue to be managed at a national level.

5.16 Whilst, this stability will be welcomed by businesses, it will not help local businesses understand the link between the business rates they pay and the services councils provide. Businesses will naturally want to see councils investing in infrastructure projects, training and education and services which attract visitors. The reality is that a large proportion of Hartlepool's budget is spent on caring for vulnerable children and adults and over time this percentage will increase owing to demographic pressures. Education services are largely funded through the Dedicated Schools Grant.

6. PROPOSED RESPONSE TO CONSULTATION PROPOSALS

6.1 The statement in the consultation document that 'the Government is determined to repatriate business rates' clearly sets out the Government's intention to implement this change. The consultation document does not ask authorities for a view on whether this proposal is appropriate and concentrates on seeking views on practical issues relating to the implementation of the proposed change.

6.2 The consultation document states that 'those places with greatest dependency should, and will, continue to receive support, while being allowed to keep the products of enterprise. Those places which raise the greatest sums through business rates should expect to make a contribution'. These statements provide a degree of re-assurance about future funding levels. However, there are concerns about the longer term impact of these changes, the development of two tiers of local authorities, those with above average growth in business rate and a second group dependant on top up payments, and the additional financial risks individual local authorities will need to manage as a result of these changes.

6.3 The proposals to repatriate business rates reverses a long standing convention that this funding is a key component of the local government finance system and is used to balance an individual authorities ability to raise income locally and an assessment of need. This is an important principle of equity between authorities and their ability to fund local services.

6.4 The proposals are based on an assumption that local authorities need an incentive to improve local economies and encourage business. Limited evidence is provided to support this view and this needs to be addressed in the Council's response.

6.5 These details are addressed in the proposed response to the consultation proposals detailed in Appendix A.

6.6 Representatives from the finance departments of the 12 North East Authorities have been working on a joint response for the Association of North East Councils (ANEC) covering common issues (of which there are many). This joint response will be approved by ANEC before it is submitted.

6.7 The Finance Group is also pooling resources to look at the 8 detailed technical papers issued by the Government, with a view to submitting an ANEC response on common issues and to assist individual councils to submit their own responses. These issues were still being work on when this report was prepared and a response to these technical issues will be submitted before the consultation deadline on 24th October 2011.

7. RECOMMENDATIONS

7.1 It is recommended that Members:

i) Note the report;

ii) Consider the proposed response to the consultation proposals detailed in Appendix A and delegate authority to the Chief Finance Officer to finalise the response in light of comments made in conjunction with the Mayor;

iii) Approve the proposals that at this stage the Council would not wish to seek to share risk by pooling top up payments with the other Tees Valley Authorities and to review this position when more information is available and a risk assessment can be completed;

iv) To note that the Chief Finance Officer will submit a response to the questions raised in the 8 supporting technical papers issued by the Government, which will reflect the comments made in Appendix A and propose suggestions which would protect the Council financial position if implemented by the Government.

Appendix A

Dear Secretary of State,

Local Government Resource Review: Proposals for Business Rates Retention

As the Elected Mayor of Hartlepool I appreciate, alongside my Cabinet colleagues, the opportunity to comment on the above proposals. We hope the Government will respond positively to the concerns of local authorities to ensure changes are fair and equitable, both to individual local authorities and the people they serve.

Whilst, it is recognised that the Government needs to reduce the national deficit and stabilise the public finance, we do not agree with all the measures the Government are implementing to achieve these objectives. We were particularly concerned that the two year grant settlement for local authorities covering 2011/12 and 2013/14 resulted in higher grant cuts for councils with greater dependency on grants and serving more deprived communities. We argued that cuts in grant should have been shared more fairly and equitably across all authorities.

This is an important issue when considering other changes to the local government finance system, including the proposals to repatriate business rates. As you are aware some areas, including Hartlepool, have already suffered higher grant cuts than other areas. Whilst, we recognised that we receive higher grants than other areas, this reflects an assessment of need and local ability to fund services through Council Tax – these factors need to be recognised to avoid a two tier system of local authority services developing.

The Council agrees that proud cities and towns should not be forced to come to national Government with a begging bowl. This hasn't been our approach in the past, we have always set out positive proposals to address issues facing local authorities and will continue to do so.

We are however very concerned that the radical proposals to repatriate business rates are not based on firm principles and could undermine the financial sustainability of many councils, including Hartlepool. **We do not believe that authorities need an incentive to promote growth over the long term.** This is at the core of everything we do as a Council, particularly our priority to reduce child poverty which is the key to raising aspirations, freeing people from a lifetime of welfare dependency and creating a fairer and more prosperous local community. The Council cannot achieve these changes on its own, the problems are too complex and many of the solutions outside our control. That is why we backed the proposals to establish Enterprise Zones and we were delighted that the Government supported this proposal. This is the type of initiative we need to revitalise Hartlepool's economy.

We are concerned that the repatriation of business rates will not **reduce the Councils dependency upon central Government.** For Hartlepool, and other local authorities with high need and low tax bases, we will be swapping dependency on formula grant for dependency on business rate top up grants; albeit with a potential marginal benefit that increases in business rates would be retained.

We are also concerned that the degree of redistribution will not be sufficient to ensure we are still **able to meet the needs** of our area on a sustainable basis. This position reflects the fact that for every £1 we collect in business rates we get nearly £1.50 back – this equates to a current benefit of £13m per year.

If this amount is the future annual top up payment it is essential that this payment is uprated annually by RPI to protect the real term value of support provided for Hartlepool. If top up payments are not updated by RPI there would be further redistribution of resources away from areas with high need and low tax bases and this would **reduce our ability to meet the needs of local people**.

The following table illustrates the potential real term reduction in funding for Hartlepool for three RPI scenarios, the first based on the Bank of England target for RPI of 2%, the second with annual RPI of 3% and the third RPI of 4%:

Annual RPI assumption	Annual real term funding cut if tariffs and top ups not uprated for RPI	Cumulative real term impact over 3 years if tariffs and top ups not uprated for RPI
2%	£0.26m	£0.8m
3%	£0.39m	£1.2m
4%	£0.52m	£1.6m

The analysis in the above table clearly demonstrates the importance of uprating tariff and top up amounts to maintain the financial stability of local government as a whole, not just those authorities which benefit from higher growth in business rates. Uprating both tariff and top up amounts would help ensure that some of the benefits of national growth, which is often driven by national factors and investment in national infrastructure, benefitted all authorities. The annual indexing would also help mitigate the inflationary and demographic pressures facing all councils, particularly those responsible for providing children's and adult services.

The consultation proposals clearly have significantly different implications for different authorities, reflecting their existing financial positions and service needs. For example, comparing Hartlepool an area with high need and low tax base, with Wokingham, an area with low need and high tax base, it is evident that different authorities will be able to manage the position significantly more easily and with less impact on services than other areas.

Comparison of Hartlepool and Wokingham

	Hartlepool	Wokingham
1) Deprivation measures:		
- Percentage of Council Tax paid as Council Tax Benefit	28%	6%
- Looked after Children per 10,000 population of children	81	22
- Children in Poverty	29%	*
2) Financial measures		
- Percentage of net budget funded from Council Tax	43%	80%
- Percentage of properties in Council Tax Bands A and B	*	*
- Percentage of properties in Council Tax Band D	*	*

* to be completed prior to submission to Government.

The consultation proposals to repatriate business rates seem focused on financial issues and incentivising local authorities to promote growth. We believe there are much wider issues to take into account around the wide range of services local authorities provide which affect people's lives – caring for and safeguarding adults and children, creating the conditions for economic growth, skills, health, transport, roads, environment, housing, planning and leisure to name but a few. These are essentially quality of life issues and at the heart of localism. None of these important issues relates directly to Business Rates income and many of these vital services have no impact on increasing this income.

The Council agrees that the current system is not perfect, but it does attempt to be fair by providing different councils with different levels of resources to meet different need and compensates for different Council Tax yields. We are concerned that changing one part of the existing system will undermine these principles and do not believe there is a compelling case for the proposed changes.

We are particularly concerned that implementing such radical changes after significant cuts in local authority funding, which have been higher for more deprived areas, and before sustainable and robust economic growth has been established, could lead to a period of financial uncertainty. Local

Authorities need a period of certainty and we would suggest that these changes are deferred until the economy has recovered.

I hope these comments are helpful and the Government addresses our concerns before finalising their proposals.

Stuart Drummond
Elected Mayor

Summary of consultation questions

Chapter 3: A scheme for rate retention	
Component 1: Setting the baseline	
Q1: What do you think that the Government should consider in setting the baseline?	**Response - prior** to 2011/12 the Local Government Funding system aimed to address the difference between an individual authority's service needs and ability to raise resources locally. The grant reductions implemented for 2011/12 and 2012/13 reduced the level of equalisation by implementing grant reductions which had the greatest negative impact on authorities with the greatest dependency on Government grant and least ability to raise resources locally. The proposal to use the 2012/13 formula grant as the baseline would lock the 2011/12 and 2012/13 grant reductions into future funding allocations. Therefore, in setting the baseline the Government should take the opportunity to address the unfairness of the grant reductions applied for 2011/12 and 2012/13. The Council is concerned that this will be the only opportunity there is to address the unfairness of the grant reductions implemented for 2011/12 and 2012/13 and believes that this opportunity needs to be taken. This may require the implementation date to be delayed until 2014/15 to ensure a robust baseline can be established and all local authorities have a certain and sustainable financial future.
Q2: Do you agree with the proposal to use 2012-13 formula grant as the basis for constructing the baseline? If so, which of the two options at paragraphs 3.13 and 3.14 do you prefer and why?	**Response** – see response to Q1.
Component 2: Setting the tariffs and top ups	
Q3: Do you agree with this proposed component of tariff and top up amounts as a way of re-balancing the system in year one?	**Response** – as indicated in the response to Q1 the Council does not believe that the 2012/13 formula grant is the correct basis for constructing the baseline. The Council is pleased that the Government recognise that a system of tariffs and top up amounts is needed to balance the system in year one. This

	arrangement would be even more effective if the Government addressed the concerns we have raised in relation to Q1. The system of tariffs and top up amounts goes some way towards addressing the needs of different authorities and their ability to generate business rates.
Q4: Which option for setting the fixed tariff and top up amounts do you prefer and why?	**Response – the Council considers the first option to uprate the year one tariff and top up amounts by the Retail Prices Index is the appropriate option.** The Council believes that this option will help provide financial stability for authorities and partly address the difference in service needs and ability to raise resources locally of individual authorities. This uprating by RPI will enable all authorities and their residents to benefit from the RPI increase applied to the national business rates multiplier. The use of the national RPI uplift in the business rates multiplier should maintain the real term funding position of all authorities to ensure that only business rates income retained locally comes from increasing the local business rates base. The Council does not believe that tariff authorities should gain from RPI as they would be rewarded financially from a technical change, rather than managing an increase in the tax bases. The Council does not believe that the second option (i.e. not to uprate by RPI) would provide a stronger incentive to grow the tax base as significant incentives already exist for councils to increase business expansion and start-ups. For Hartlepool encouraging business expansion is a key long standing objective and key to reducing unemployment, childhood poverty and improving the towns well being and future. It needs to be recognised that growing the tax base is a complex issue and is governed by many factors outside of an individual authority's control. These problems have been recognised through the establishment of Enterprise Zones.

	It also needs to be recognised that different authorities are starting from different baselines and have different abilities to grow their tax bases. In Hartlepool's case the Council currently collects £13 million less in business rates than it receives back through the existing system. To put this gap into context it is equivalent to : • 76 times the business rates the Council currently collects from our 10th highest business rate payer. • the business rates the Council would collect by opening 18 new supermarkets.
Component 3: The incentive effect	
Q5: Do you agree that the incentive effect would work as described?	The Council does not believe the incentive effect will work as described as there are very complex reasons behind individual businesses decisions to expand an existing business or set up a new business. Many of these factors are outside of an individual authorities direct control such as links to national infrastructure and existing suppliers (which is an important issue for manufacturing industries operating on a 'just in time' supplier basis). The Council is concerned that the incentive effect will simply exacerbate the concentration of business development in the south east of England and will not help address existing imbalances in the UK economy.
Component 4: A levy recouping a share of disproportionate benefit	
Q6: Do you agree with our proposal for a levy on disproportionate benefit, and why?	Yes – essential to ensure all councils and their residents benefit from growth in the economy. These will facilitate 'safety net' payments to those councils which suffer significant negative volatility and so ensure some stability in the system.
Q7: Which option for calculating the levy do you prefer and why?	Prefer option 2 – as it should provide financial stability.
Q8: What preference do you have for the size of the levy?	1% as a norm in periods of stable growth, lower when the economy is poor.
Q9: Do you agree with this approach to deliver the Renewable Energy commitment?	Yes. The Council would request that new nuclear power stations are classified as renewable to incentive/reward communities with such a facility in their area.

Q10: Do you agree that the levy pot should fund a safety net to protect local authorities: i) whose funding falls by more than a fixed percentage compared with the previous year (protection from large year to year changes); or ii) whose funding falls by more than a fixed percentage below their baseline position (the rates income floor)?	Yes – essential mechanism for protecting a council's budget and local services from changes outside of an individual authority's control.
Q11: What should be the balance between offering strong protections and strongly incentivising growth?	The balance should be directed towards offering strong protection, as local authorities are already facing financial challenges from a range of factors, including reductions in funding already implemented, demographic pressures and other changes such as the proposals to localise Council Tax Benefits.
Q12: Which of the options for using any additional levy proceeds, above those required to fund the safety net, are you attracted to and why?	The Council believes the whole of the annual levy should be redistributed, firstly to provide ongoing support to authorities that have experienced significant losses, then to top up growth to areas which have not contributed to the levy and finally to support revenue expenditure in areas with lower growth. This will ensure authorities all receive some protection from lower growth.
Q13: Are there any other ways you think we should consider using the levy proceeds?	Yes to compensate authorities which suffered above average 'spending power' reductions in 2011/12, particularly authorities which were eligible for Transitional funding. This would partly redress the unfair grant reductions made in 2011/12 and reinstate an element of resource equalisation to authorities with high need and low resources bases.
Component 5: Adjusting for revaluation	
Q14: Do you agree with the proposal to readjust the tariff and top up of each authority at each revaluation to maintain the incentive to promote physical growth and manage volatility in budgets?	Yes
Q15: Do you agree with this overall approach to managing transitional relief?	Yes
Component 6: Resetting the system	
Q16: Do you agree that the system should include the capacity to reset tariff and top up levels for changing levels of service need over time?	Yes, subject to the Government consulting local authorities on proposed changes and the implementation of appropriate transitional arrangements.
Q17: Should the timings of reset be fixed or subject to government decision?	Fixed periods which the Council suggests are linked to the five yearly re-assessment of business property

	rateable values. The Council does not believe resets should be a Government decision as there is a risk a future Government could delay resetting the system. This would repeat the mistakes of not undertaking a Council Tax revaluation.
Q18: If fixed, what timescale do you think is appropriate?	The Council believes that as the business retention proposals are a major financial change that an earlier reset, no later than 5 years from the date of implementation is undertaken to ensure the new system is working effectively for all authorities.
Q19: What are the advantages and disadvantages of both partial and full resets? Which do you prefer?	The Council does not support the principle of partial resets as this constrains the level of funding with the overall Local Government funding system and will create a system of 'have's and have not's. Full resets need to be undertaken to balance the benefits on business rates not attributable to the efforts of an individual local authority, such as new business arising from national infrastructure, such as High Speed rail links.
Q20: Do you agree that we should retain flexibility on whether a reset involves a new basis for assessing need?	Yes, subject to the Government consulting local authorities on proposed changes and the implementation of appropriate transitional arrangements.
Component 7: Pooling	
Q21: Do you agree that pooling should be subject to the three criteria listed at paragraph 3.50 and why?	The Council does not believe that pooling arrangements with neighbouring authorities with similar socio-economic challenges will provide any benefit or mitigate financial risk.
Q22: What assurances on workability and governance should be required?	No comment
Q23: How should pooling in two tier areas be managed? Should districts be permitted to form pools outside their county area subject to the consent of the county or should there be a fourth criterion stating that there should always be alignment?	Not relevant as Hartlepool is a unitary authority.
Q24: Should there be further incentives for groups of authorities forming pools and if so, what would form the most effective incentive?	No
Impact on non-billing authorities	
Q25: Do you agree with these	It is interesting that the Government

approaches to non-billing authorities?	recognise that Police and Fire Authorities have limited levers for driving business growth. There are similar constraints in relation to council budgets as a significant proportion of a council's budget is used to support Social Care Services which have no direct impact on driving business growth. In Hartlepool spending on these services accounts for 42% of the net budget. These services relate to the provision of care for vulnerable people (including Looked After Children, adults with physical and mental health disabilities etc.) who are not economically active. The Council is concerned that the Business Retention proposals do not adequately address these issues and link future funding to increases in business rates which will not reflect increases in demand for these services. Therefore, there is a risk that some authorities will see a shortfall in funding compared to service needs. It seems perverse that this issue is recognised for Police and Fire services, but not Social Care.
Chapter 4: Interactions with existing policies and commitments	
New Homes Bonus	
Q26: Do you agree this overall approach to funding the New Homes Bonus within the rates retention system?	No. The Council is concerned that the New Homes Bonus has been funded by top slicing available national funding for local authorities, which contributed to some areas suffering higher than average spending power cuts in 2011/12.
Q27. What do you think the mechanism for refunding surplus funding to local government should be?	Yes. Surplus funding should be used to compensate authorities which suffered above average 'spending power' reductions in 2011/12, particularly authorities which were eligible for Transitional funding. This would partly redress the unfair grant reductions made in 2011/12 and reinstate and element of resource equalisation to authorities with high need and low resources bases.

Business rates relief	
Q28: Do you agree that the current system of business rates reliefs should be maintained?	Rate reliefs are useful. However, concerns as there is an Empty Property Relief which goes against other drivers aiming for local authorities to promote growth in the business sector. In addition, charities are at risk as local authorities may wish to use prime location properties for local businesses that can pay. Government needs to look at growth at a local level. Will all Authorities be able to offer discretionary relief? Will businesses move into those areas which can grant relief?
Chapter 5: Supporting local economic growth through new instruments	
Q29: Which approach to Tax Increment Financing do you prefer and why?	Option 2 if local authorities are able to keep growth over the life of borrowing (ie 25yrs) to repay borrowing costs. The Council believes that TIF will have limited impact outside the largest authorities owing to potential risks.
Q30: Which approach do you consider will enable local authorities and developers to take maximum advantage of Tax Increment Financing?	No comment
Q31: Would the risks to revenues from the levy and reset in option 1 limit the appetite for authorities to securitise growth revenues?	Yes, potentially.
Q32: Do you agree that pooling could mitigate this risk?	No Comment
Q33: Do you agree that central government would need to limit the numbers of projects in option 2? How best might this work in practice?	For Government to determine.

CABINET REPORT

10th October 2011

Report of: Director of Regeneration and Neighbourhoods

Subject: TEES VALLEY ENTERPRISE ZONE

SUMMARY

1. PURPOSE OF REPORT

To update members on the Government approved Enterprise Zone status for Tees Valley.

2. SUMMARY OF CONTENTS

Details of the Tees Valley Enterprise Zones that have been agreed by Government.

3. RELEVANCE TO CABINET

Economic policy that will have long term impacts on the economic wellbeing on the town.

4. TYPE OF DECISION

Non Key Decision.

5. DECISION MAKING ROUTE

Cabinet on the 10th October, 2011.

6. DECISION(S) REQUIRED

That the report be received for information.

Report of: Director of Regeneration and Neighbourhoods

Subject: TEES VALLEY ENTERPRISE ZONE

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1. PURPOSE OF REPORT

1.1 To update Members on the Government approved Enterprise Zone status for Tees Valley.

2. BACKGROUND

2.1 Cabinet was advised on the 6.6.11 of the opportunity to create an Enterprise Zone in the Tees Valley. The Government has now approved the Tees Valley submission and Hartlepool has achieved over 30% of the Tees Valley land allocation. The Government has clearly stated that deliverability to 2015 in terms of private sector investment and job creation is an essential feature of approved sites.

2.2 Two types of Enterprise Zone have been approved in Hartlepool and details are described below;

Capital Allowance Site – Port Estates

- Site area of120 ha.
- Advance engineering and low carbon sector focus particularly aimed at offshore wind opportunities.
- Long term potential to create 1,800 jobs. In addition significant off site supplier chain investment may create another 1,000 jobs.
- 100% capital allowance for plant and equipment investment.
- Simplified planning regime governed by Local Development Order[LDO]
- Implementation of super fast broadband

Business Rates Discount Site – Queens Meadow

- Site area of 8 ha.
- Advance engineering, fine chemicals, medical and new business start ups.
- Long term potential to create 1,860 jobs on site.
- Business rate discount of up to £55,000 pa for 5 years with maximum allowance of £275k per business.
- Simplified planning regime governed by [LDO]
- Implementation of super fast broadband

2.3 The Government has also committed to paying the LEP an equal amount of money that is remitted in business rates and this resource will be invested in additional sites across the Tees Valley. Oakesway Business Park, which comprises around 14.16 ha has been identified as a key supplier chain site to the Port Estates and will in the longer term receive investment from this additional funding to stimulate private sector investment and job creation. It is anticipated that 1,000 jobs could be created in the long term.

2.4 The Government is currently consulting on the Local Government Resources Review and proposals for Business Rates Retention. A detailed report on these proposals will be referred to Cabinet on 10th October 2011. The Government has stated that all the uplift in Business Rate revenues within and Enterprise Zone area will be disregarded from the calculation of top up grant payable to Authorities which currently collect less Business rates than they get back through the existing Local Government system.

3. RECOMMENDATIONS

3.1 That the report be received for information.

4. CONTACT OFFICER

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CABINET REPORT

10 October 2011

HARTLEPOOL BOROUGH COUNCIL

Report of: Director of Child and Adult Services

Subject: JOINT STRATEGIC NEEDS ASSESSMENT (JSNA)

SUMMARY

1. PURPOSE OF REPORT

1.1 The Purpose of this report is to present to Cabinet the process for refreshing the Joint Strategic Needs Assessment (JSNA).

2. SUMMARY OF CONTENTS

2.1 The report will remind Cabinet about the purpose of the Joint Strategic Needs Assessment (JSNA); the content of the document; process and consultation undertaken to refresh the document and how it will be used across agencies to commission services and address priorities.

3. RELEVANCE TO CABINET

3.1 This is the principal joint needs assessment that should be used by all agencies to inform the identification of priorities and subsequent commissioning of services, to improve the health and well being of the population.

4. TYPE OF DECISION

4.1 Note the content of the document and endorse the use of the Joint Strategic Needs Assessment in commissioning services.

5. DECISION MAKING ROUTE

5.1 Cabinet

6. DECISION(S) REQUIRED

6.1 Cabinet to support the following recommendations:

i. Cabinet is asked to note the process for refreshing JSNA.

ii. Cabinet is asked to note that JSNA will be taken forward through the Shadow Health and Wellbeing Board.

Report of: Director of Child and Adult Services

Subject: JOINT STRATEGIC NEEDS ASSESSMENT (JSNA)

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1. PURPOSE OF REPORT

1.1 The purpose of this report is to present to Cabinet the process for refreshing 11/12 Joint Strategic Needs Assessment. The report will remind Cabinet of the importance of the JSNA across agencies, as well as describe the content and the process and consultation undertaken to refresh the documents. The paper will highlight the significance of JSNA in the commissioning of services to met the needs and priorities identified through the process.

2. BACKGROUND

2.1 The Joint Strategic Needs Assessment brings together councils, NHS and other partners to develop common priorities for the improvement of local health and wellbeing. The process of undertaking the JSNA encourages partners to work together to generate a shared picture of local needs, and then design systematic interventions that will meet these needs and produce better outcomes for local health.

2.2 The process of developing the JSNA is to look at the intelligence data of a particular area or population and then identify gaps. From this partners identify priorities to address those gaps over the short, medium and longer term.

2.3 The first JSNA outputs for the Local Authority, Primary Care Trust and partners in Hartlepool were published in September 2008. For each area there is:

- a reference document,
- a summary document, and
- additional documents that provide the national context for JSNA.

2.4 The process of refresh for 2011/12 has been to review the content of all of the above and reflect on progress and identify new areas for consideration and priorities for joint action.

3. CONTENT OF JSNA

3.1 The attached presentation illustrates the key themes, topics, process and product of the 2011/12 JSNA.

4. USING JSNA TO COMMISSION SERVICES

4.1 The JSNA has created a shared view of needs. The NHS and Public Health White Papers (2010) both mention the significance of JSNA and that it is a key deliverable of the emerging Health and Wellbeing Board. Therefore it must be used across and within agencies to inform the commissioning of services. Commissioning services should be needs led and evidence based and therefore the JSNA provides a comprehensive document where needs of various groups can be viewed collectively and systematically.

4.2 Partner agencies are required to use the JSNA as an integral part of the commissioning process and this will be particularly relevant at a time of austerity.

4.3 The Local Authority is also expected to use the JSNA across all levels within the organisation to understand needs, identify priorities and subsequently commission services. The awareness of JSNA will be continuously raised across all relevant functions.

5. RECOMMENDATIONS

5.1 Cabinet is asked to note the process for refreshing JSNA.

5.2 Cabinet is asked to note that JSNA will be taken forward through the shadow Health and Wellbeing Board.

6. CONTACT OFFICER

Louise Wallace, Assistant Director of Health Improvement, HBC/NHS Hartlepool, 4th Floor, Civic Centre

CABINET REPORT

10 October 2011

HARTLEPOOL BOROUGH COUNCIL

Report of: Chief Customer and Workforce Services Officer

Subject: IMPLEMENTATION OF SCRUTINY RECOMMENDATIONS TO CABINET

SUMMARY

1. PURPOSE OF REPORT

To inform Cabinet of the timetable for implementing Scrutiny Co-ordinating Committee recommendations relating to potential service changes / savings particularly in the Revenue & Benefits service areas not included in the OGC procurement exercise.

2. SUMMARY OF CONTENTS

The report lists the recommendations made by Scrutiny Co-ordinating Committee to Cabinet on 20 June 2011 and details appropriate progress, plans and comments in relation to each recommendation.

3. RELEVANCE TO CABINET

Cabinet requested a report on this matter.

4. TYPE OF DECISION

Non-key

5. DECISION MAKING ROUTE

Cabinet on 10 October 2011

6. DECISION(S) REQUIRED

Cabinet are requested to note the implementation progress and timetable in relation to Scrutiny Co-ordinating Committee's recommendations regarding potential service changes / savings particularly in the Revenue & Benefits service areas not included in the OGC procurement exercise.

Report of: Chief Customer and Workforce Services Officer

Subject: IMPLEMENTATION OF SCRUTINY RECOMMENDATIONS TO CABINET

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1. PURPOSE OF THE REPORT

1.1 To inform Cabinet of the timetable for implementing Scrutiny Co-ordinating Committee recommendations relating to potential service changes / savings particularly in the Revenue & Benefits service areas not included in the OGC procurement exercise.

2. BACKGROUND

2.1 Cabinet considered and agreed a report on 8 April 2011 which authorised a procurement exercise to be undertaken for ICT, Revenues and Benefits services as part of the Council's strategy for bridging the budget deficit 2012/13.

2.2 The decision was called-in and duly considered at a meeting of Scrutiny Co-ordinating Committee on 14 June 2011. A report setting out the outcomes and recommendations of the Committee was reported to Cabinet on 20 June 2011 by the Chair of Scrutiny Co-ordinating Committee.

2.3 Cabinet reaffirmed their previous decision in relation to undertaking a procurement exercise for ICT, Revenues and Benefits Services and also requested that a timetable for the implementation of the recommendations of the Committee relating to potential service changes / savings, particularly in relation to those areas of the Revenue and Benefits Services not included in the OGC procurement exercise, be reported to an early Cabinet meeting.

3. IMPLEMENTING SCRUTINY CO-ORDINATING COMMITTEE'S RECOMMENDATIONS

3.1 The recommendations of the Scrutiny Co-ordinating Committee are listed in the left-hand column (the original numbering is used for ease of reference).

3.2 The progress and timetable for implementing the recommendations is described in the right-hand column.

Scrutiny Co-ordinating Committee Recommendation	Implementation – Progress / Timescales
ii) Given the level of uncertainty in relation to the detail / impact of the Government's welfare reform proposals, there is at this time a need to retain expertise in-house to enable the Council to respond to changes in the future;	The staffing structure and arrangements for retained services and for undertaking the client function of managing and maintaining the contract is currently being developed. It will be confirmed in a report to Cabinet in December 2011 together with recommendations for the award of contract.
iii) The provision of bailiff services to other local authorities across the Tees Valley and Durham County be explored and that:- a) Subject to the development of a business plan the viability of increasing the number of staff within the bailiff team / service should be explored, with the aim of increasing capacity for income generation; and b) Any surplus income resulting from this be reinvested in frontline delivery to support / expand the provision of face to face advice services.	The report setting out the planned future changes to the remit of the council's Internal Bailiff Services and other potential work opportunities was considered and agreed by the Performance Portfolio Holder on 22 December 2010. Recent developments include the submission of a bid in response to a procurement exercise by Darlington Borough Council and a commitment to bid for a contract in 2012 with Redcar & Cleveland Borough Council. Bailiff existing operating costs and income generation will be the subject of ongoing review as the service expands and develops.
iv) In supporting the retention of Revenues and Benefits services 'in house', the following significant service improvements would be necessary:- a) That late payment letters / reminders should be non threatening and include clear reference to possible benefit eligibility and the availability of benefit / financial advice; b) That in relation to Revenues and	This has been implemented.

Benefits ICT: - The ability of the current ICT systems to be interrogated to provide greater sensitivity in the early identification of those residents facing / or already in financial difficulty should be explored; and	There would be a cost associated with this system development which, given the potential outsourcing of the service, is not a prudent investment for the Council. Should the procurement exercise not result in the award of a contract for Revenues and Benefits Services, system improvements will be revisited.
- Utilising the 'early identification' information obtained, a process be put in place to ensure that residents in financial difficulty are referred to community based independent advice / information services prior to the commencement of any enforcement action.	Current correspondence includes reference to the availability of benefit / financial advice.
c) In relation to the provision of mobile outreach / home support services:	
- The principle of the mobile outreach / mobile benefit team be reintroduced;	The mobile benefit team has not been withdrawn end is being sustained. However, it no longer operates with a 'real-time ICT' system because of high operating costs and relatively low take up. The service currently operates well with no significant waiting list or unmet demand.
- The reintroduction of outreach / home support services be delivered in partnership with the voluntary and community sector, as part of the roll out of Connected Care;	The development of integrated advice support services is part of a wider project across the Council. The Benefits Team is part of that review. It is expected that a mapping exercise will be completed by November 2011
- In order to deliver the service on a collaborative basis, a protocol and service level agreement would need to be developed to facilitate the sharing of information with partners; and	As above
- The mobile technology previously utilised by the mobile benefit team be reused, with the exclusion of the 3G connectivity elements of the package which had been the basis of problems in the past.	The mobile benefit team has not been withdrawn. It no longer operates with a 'real-time ICT' system however as explained above. This outreach service is

	with in the contract specification and is a requirement of the contractor who they wish to re-introduce such technology.
v) That in relation to the availability of job descriptions, person specifications and structures:-	
a) The Committee was exceptionally concerned to find that a number of job descriptions, person specifications and structures across the Council had not been updated following the job evaluation / SDO processes, and requested that all necessary updates be completed by the 30 June 2011 and details of those not meeting this deadline reported back to the Scrutiny Co-ordinating Committee;	Completed
b) The Committee requested that fully updated job descriptions, person specifications and structures in relation to revenues and benefits service be brought back to the Scrutiny Co-ordinating Committee, as soon as possible after the 30 June 2011 deadline, for consideration in conjunction with the 6 monthly update on the monitoring of Scrutiny recommendations; and	Completed and available to Scrutiny Co-ordinating Committee
c) The band / grade of Chief Officer posts be shown on all departmental structures.	Completed
vi) That in terms of the revenues and benefits service staffing structure:-	
a) As part of the move towards greater efficiency, the disproportionate allocation of revenues and benefits posts above grade 9 should be addressed to enable resources to be focused on the provision of continued / improved front line processing services. This should be undertaken in conjunction with a review of the monies allocated to the Contact Centre and shared services ensuring resources equate to work undertaken in the administration of Housing and Council Tax Benefit.	The structure of the Benefits Service has not been reviewed given the current procurement exercise and potential TUPE transfer of staff to an external provider. Support provided to the Benefits Service by the CEX Support Services Team and Hartlepool Connect has been assessed and a proportionate number of staff in those teams has been identified on TUPE lists.
b) A complete rationalisation of the	The counter fraud budget and staffing

budget / staffing structure for the provision of counter fraud services is needed to prepare for changes over the next two years and mitigate the future requirement to shed or TUPE staff to the DWP.	structure will be reviewed as part of the proposals presented to Cabinet in December with recommendations for the award of contract.
c) Given the need to rationalise the budget / staffing structure for the provision of counter fraud services, the currently vacant Fraud Officer post should be deleted from the establishment and the saving identified utilised to either reduce the revenues and benefits 'administration' budget overspend or fund the provision of increased outreach services.	As above. Note the Fraud Officer post remains vacant.
d) In order to <u>fully</u> integrate financial inclusion within the local authority's working arrangements, and remove duplication of activities across a number of posts, Members are of the opinion that some rationalisation and realignment of posts, as outlined in 3.4.3 will generate a more efficient service by creating an Inclusion Team operating from the Civic Centre.	The development of integrated advice and support services is part of a wider project across the Council. The Benefits Team is part of that review. It is expected that a mapping exercise will be completed by November 2011.
vii) That during consideration of options for the future operation of cash office services, the Performance Portfolio Holder be asked to explore the feasibility of Cash Office staff working alongside Revenues and Benefits staff, to undertake revenues and benefits work during quiet times, as a means of facilitating the retention of existing cash office services / opening hours.	The Cash Office is included in the Revenues specification. The provision of a Cash Office is a requirement of the contract. The operation of the Benefits Service has not been reviewed given the current procurement exercise and potential TUPE transfer of staff to an external provider. Should the procurement exercise not result in the award of a contract for Revenues and Benefits Services, the operation of the Cash Office will be revisited.

4. RECOMMENDATION

4.1 Cabinet are requested to note the implementation progress and timetable in relation to Scrutiny Co-ordinating Committee's recommendations regarding potential service changes / savings particularly in the Revenue & Benefits service areas not included in the OGC procurement exercise.