CABINET

MINUTES AND DECISION RECORD

10 OCTOBER 2011

The meeting commenced at 9.15 am in the Civic Centre, Hartlepool

Present:

The Mayor, Stuart Drummond - In the Chair

Councillors: Jonathan Brash (Housing and Transition Portfolio Holder)
Robbie Payne (Deputy Mayor) (Finance and Procurement Portfolio Holder),
Gerard Hall (Adult and Public Health Services Portfolio Holder).
Cath Hill (Culture, Leisure and Tourism Portfolio Holder),
Hilary Thompson (Performance Portfolio Holder).

Also Present: Councillor Marjorie James, Chair of Scrutiny Coordinating Committee

Officers: Nicola Bailey, Acting Chief Executive
Chris Little, Chief Finance Officer
Peter Devlin, Chief Solicitor
Joanne Machers, Chief Customer and Workforce Services Officer
Dave Stubbs, Director of Regeneration and Neighbourhoods
Damien Wilson, Assistant Director, Regeneration and Planning
Denise Ogden, Assistant Director, Neighbourhood Services
Graham Frankland, Assistant Director, Resources
Jill Harrison, Assistant Director, Adult Social Care
Louise Wallace, Assistant Director, Health Improvement
John Morton, Assistant Chief Finance and Customer Services Officer
Andrew Carter, Senior Planning Officer
Gemma Day, Principal Regeneration Officer
Joan Stevens, Scrutiny Manager
Steve Hilton, Public Relations Officer
David Cosgrove, Democratic Services Team

108. Apologies for Absence

Councillor Pam Hargreaves (Transport and Neighbourhoods Portfolio Holder), Peter Jackson (Regeneration and Economic Development and Skills Portfolio Holder) and Chris Simmons (Children's Services Portfolio Holder).

109. Declarations of interest by Members

The Mayor, Stuart Drummond and Councillor Payne declared a prejudicial interest in Minute No. 120 “Community Pool 2011/2012 – Belle Vue Community Sports and Youth Centre”.

110. Minutes of the meeting held on 3 October 2011

Confirmed.

111. Medium Term Financial Strategy (MFTS) 2012/13 to 2014/15 (*Corporate Management Team*)

Type of decision

Budget and Policy Framework

Purpose of report

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

Issue(s) for consideration by Cabinet

The Chief Financial Officer indicated that previous budget reports had advised Cabinet that the Government had 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 had 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 confirmed the headline cuts in Local Government funding for 2013/14 and 2014/15. Details of the cuts in individual councils funding for these years would not be known until after the Government had completed a review of the current funding system for councils.

For planning purpose the MTFS assumed that in 2013/14 and 2014/15 Hartlepool’s grant would decrease in line with the National Grant cuts. As indicated previously this was likely to be an optimistic assumption and actual grant cuts were anticipated to be higher than the national cuts, for two reasons. Firstly, experience of the grant cuts in 2011/12 and 2012/13 indicated that local funding cuts were likely to be higher than the national average. Secondly, an assumption that the Government’s review of the current funding system would 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.

At this stage insufficient information was available to assess the potential impact of these changes. The position would need to be reviewed when more information was provided by the Government. In the meantime the known grant cut for 2012/13 and existing planning assumptions for 2013/14 and 2014/15 meant the Council would 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.

The Chief Financial Officer stated that the forecast budget deficits also reflected 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.

The review of the MTFS needed 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

These issues needed to be considered as an overall strategic framework for developing a coherent financial strategy and short and medium term plans to address these.

The Chief Financial Officer reminded Cabinet that the existing planning assumptions indicated that the Council needed 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 needed to make £6.6m of these additional cuts before the start of 2012/13 and this would be very challenging. If these cuts are not made in 2012/13 this would mean that cuts of £9.5m needed 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 the report therefore assumed that the Council would 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

The Chief Financial Officer outlined the revised budget pressures that the council faced from 2012/12 to 2014/15. For 2012/13 pressures total £1.711m, as detailed in Appendix B to the report. This was more than the £1m headroom included in the 2012/13 budget forecasts for potential pressures and therefore increased the budget gap as it was recommended these were funded. A number of other potential pressures had been identified, as detailed in Appendix C to the report and it was currently recommended that these items should not be funded.

For 2012/13 the revised planning assumptions provide a net benefit of £0.544m, which partly offsets the additional pressures identified above. When account was 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 were achieved the Council still needed to bridge a gap for 2012/13 of £1.38m.

The revised deficits for 2013/14 and 2014/15 assume that each year's budget would be balanced on an annual basis by making permanent cuts in expenditure. The 2012/13 pressures and revised planning assumptions marginally increase the overall deficit which needed 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

The Chief Financial Officer moved on to outlining the strategy that would be required to manage the budget position of the council. The MTFS assumed that the 2012/13 budget was balanced on a sustainable basis through a combination of departmental cuts and project savings. The Council would then still face significant deficits in 2013/14 and 2014/15. There would not be a single approach to addressing these deficits and a range of measures would be required. Some proposals would have much longer lead in times running over more than one financial year. Some decisions would need to be taken by Cabinet and Council outside the traditional budget cycle to ensure financial benefits could be achieved within the required timescales.

Addressing future deficits would require the Council to adopt a range of measures including reassessing priorities and new ways of working. Details of these issues would be the subject of separate reports as more detailed proposals and issues for consideration were worked up to enable Cabinet to determine their agreed way forward.

In addition to managing cuts in the General Fund revenue budget the

Council would also need to manage the following strategic financial issues:

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

Given the scale of the budget deficits over the next three years of £15.083m reductions in the size of staffing establishments and staff would be unavoidable. The Council would continue to seek to minimise compulsory redundancies wherever possible.

The Government had 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 was only designed to achieve a 'managed exit' not to complete schemes. 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. If the bid was not successful the Council's funding shortfall will increase by £2m.

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.

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 had then been included as a budget pressure. Given the size of the budget deficits over the next few years this approach is less appropriate and an alternative strategy was needed to avoid an ongoing budget pressure. It was therefore suggested that a one-off 'Council Capital Projects' budget of £1m is established on a contingency basis from one-off resources.

The one-off Strategic Financial issues were in addition to the General Fund budget deficit and had a total value of £14m, which consisted 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

As detailed in the following table the estimated one-off costs exceed available resources by £4.47m. The forecasts in the table assumed that costs would be phased over the next three years. For financial planning purposes redundancy and early retirement costs were expected to follow the annual budget deficits, although in practise there will be some variation between years.

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

At this stage bridging the estimated residual gap would be wholly reliant on achieving capital receipts over the next three years. Achieving the required capital receipts would be based on the asset sales identified in Appendix E to the report. 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

The Chief Financial Officer indicated that a review of the reserves and risks had been undertaken as an integral part of the process. At the 31st March 2011 the Council had total reserves of £39.023m. This included reserves held in trust for schools which could not be spent by the Council and capital reserves earmarked to fund capital expenditure commitments re-phased into 2011/12. When account is taken of these amounts and an amount that needed to be included back into the reserves to reflect the Transitional Grant that was used to meet redundancy costs, the net reserves available for review was £25.379m. Appendix F to the report provided an explanation of the risk individual reserves.

The review of reserves was based on a detailed re-assessment of the risks individual reserves were originally earmarked for. This re-assessment of risk identified which reserves need to be maintained, those that could be scaled back and those that were no longer needed. In total the re-assessment of risks had identified £6.044m of reserves which could be released to partly fund the forecast one-off strategic costs.

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

The Chief Financial Officer reported that work is ongoing to estimate the first forecast outturns for the current year and details would 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. At this stage a number of issues were beginning to emerge and initial outturns have been prepared. It is anticipated that these issues could provide a one-off net benefit in the current year of £1.980m, as detailed in Appendix G to the report.

The Chief Financial Officer highlighted the potential impact of Government proposals for changing Business Rates and Council Tax benefit funding arrangements. The existing MTFS forecasts take no account of these proposed changes as details had only recently been issued by the Government. These changes would have a fundamental impact on the system for funding local authorities and the financial positions of individual councils. Reports later on the agenda set out the significant implications of these two arrangements.

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. A separate report would be submitted to Cabinet detailing the draft Early Intervention Strategy and priority commissioning intentions. A second report would be submitted in November covering the outcome of consultation and restructures within services.

The Chief Financial Officer indicated that the report identified the key financial risks which would 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.

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

There were 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. Non-financial risks were equally significant and would also need to be managed. These included the 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. Also, the capacity of the organisation to manage legislative changes, such as implementing a local Council Tax Benefit system and responding to other Government initiatives.

In concluding, the Chief Financial Officer stated that the financial challenges facing the public sector and councils were greater now than anything which had existed in the past 50 years. In recommending the initial questions to be put forward for consultation, the Chief Financial Officer also highlighted that government had announced in the past few days that there would be a Council Tax freeze for 2012/13. The grant for this was, however, only for one year, unlike the grant the government had given councils for the council tax freeze in 2010/11 which would be paid over the four years of the government. In light of this the question arose as to whether the authority took the grant for the council tax freeze or raised council tax by the 2.5% initially as projected in the MTFS. If the grant was taken, the Chief Financial Officer stressed that savings would need to be made in 2013/14 to replace the income not being generated from the forecast council tax rise.

Cabinet questioned what level of deficit gap would there be if the council tax increase was not approved and the grant taken. The Chief Financial Officer stated that the deficit gap would increase by a further £1m in 2013/14.

Cabinet commented that the capital receipts strategy would need to be developed and managed in the next few years to bring the additional income the authority needed. There were, however, risks to this, particularly in buying strategic land/property for future disposal. It may, however, be one way to bring additional income into the council.

The additional pressure on concessionary fares was also highlighted by Cabinet as a concern. The Director of Regeneration and Neighbourhoods commented that government had set the increase in this grant above inflation to cover the increasing fuel costs but the grant simply wasn't high enough to cover the costs which were increasing mainly due to out of town travel.

Cabinet was aware of the issues surrounding Equality Impact Assessments that had also been included in the report and questioned if these were all completed. The Chief Customer and Workforce Services Officer all the assessments had been completed.

There was concern at some of the properties that were/would incur costs for the authority in the next financial year. The rent increase for the offices in Park Towers was seen as unsustainable when the council had property of its own that could be utilised instead. The Director commented that a contribution towards the rent at Park Towers had been achieved from Housing Hartlepool.

The Brierton Sports Centre was a major concern and it was suggested that a partner organisation could be brought on board as soon as possible. Officers stated that this and other options were already being explored.

Concern was also voiced at the pressure on the Healthy Eating Grant which was considered to be short sighted in light of the national campaigns against child and adult obesity. The Director commented that the duty and allocations on this were being passed back to the schools though it was up to them how they spent the money. The wider issue of service buy-back from the schools was a major issue that could have significant implications should certain services reach a 'tipping point' through schools not buying them back from the authority. Most schools did understand the value they received from council services and at times came back to the authority after testing private sector provision.

The Mayor indicated that the report contained proposals that were appropriate at this point in time. Further work would continue on developing the MTFS and any ideas that could come forward for saving money would be welcomed. Through the consultation, while timescales were tight, as many people and groups should be consulted as possible. The Council was at the point where it was going to cut significant sections of service to the public and make lots of staff redundant. The public doesn't always accept the excuse that these cuts are due to the governments decisions and we need to explain to them why we were cutting some services while protecting others; not everyone understands the things the Council did in their community and what it had to spend on them.

There was a view in Cabinet that whatever consultation was undertaken, the backlash would be against the Council. Some groups had no intention of doing anything other than criticising the council so it had to be questioned as to what value there actually was in the consultation.

In promoting the consultation it was suggested that utilising case studies may assist in giving more understandable information to the public in particular.

Decision

1. That the report be noted.

2 That the issues/questions set out below, be approved for consultation –
   - 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.
   - Should the Council look to increasing Council Tax by 2.5% as originally anticipated under the MTFS or take the government's one-year grant to maintain a council tax freeze accepting the consequent savings that would be required in 2013/14.

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

4. Cabinet notes 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;

5. That the development of a capital receipts disposal strategy be approved, 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 to the authority, based on the proposed land sales detailed in Appendix E to the report and officers be authorised to progress these sales, subject to the Finance and Procurement Portfolio Holder approving individual land sales.

112. Localising support for Council Tax in England – Government consultation proposals (*Chief Financial Officer*)

Type of decision

Non-key.

Purpose of report

The purposes of the report were:

(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.

Issue(s) for consideration by Cabinet

The Assistant Chief Finance and Customer Services Officer reported that the Government's proposal to localise support for Council Tax Benefits was part of the overall 'Local Government Resource Review', which had also introduced the New Homes Bonus and proposals for the local retention of Business Rates.

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 increased financial risk for local authorities. Owing to the nature of these proposed changes the financial risks were 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 included Hartlepool.

The New Home Bonus provided 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 had stated that this scheme would run for six years. This grant would be funded from the existing national business rates pool and the Government had top-sliced this funding to meet the estimated cost of the New Home Bonus scheme. The Government had stated that if additional funding was needed for this scheme this would be top-sliced from the national cash limited Local Authority Formula Grant. There was a risk that if this was necessary that areas with lower housing growth could see further cuts in the main Formula Grant. It was anticipated that most of the North East councils, including Hartlepool, would have lower housing growth than the national average. This position would be kept under review and details reported when they were available.

One other issue drawn out by the Assistant Chief Finance and Customer Services Officer was the government's indication that pensioners would be 'supported' under the new arrangements. It was not clear as to how this would be implemented and what affect it would have on other supported groups.

The Mayor considered this to be the single most significant risk to Hartlepool that the coalition government had brought forward. It would affect everyone in the town, not just those currently receiving council tax benefit. As was shown in the report, 28% of the households in the town received some form of council tax benefit and it was likely that the council would be taking away a large proportion of their benefit. Cabinet commented that while this was a change directed towards making it more advantageous for people to be in work rather than in receipt of benefit, their needed to be jobs for them in the first place. There was also concern that while being directed towards protecting the elderly, the council would be pushing the burden onto working families. The council's targets for reducing child poverty would also be dramatically affected.

The report included a comparison of Hartlepool's position against that of Wokingham which had a similar sized budget to Hartlepool.

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

This highlighted the significant disproportionate affect of the changes on Hartlepool. Cabinet commented that it also reflected what was likely to be a significant north-south divide under these changes.

Cabinet Members also indicated their concern at the government's suggestion that pensioners should be protected but without clarification as to if these were the only group that should be protected and also the affects these changes could have on child poverty. Any household claiming this benefit was a vulnerable household and these changes were only going to lead to things being made worse for them. The council could then end up losing income through people's inability to pay and then have to pursue them through the courts for payment.

The Mayor indicated that every percentage rise in council tax in the future was going to hit those on the lowest incomes even harder. It was suggested that while the response to the consultation put across the council's position very well, there should be added commentary in relation to the effect these changes would have on child poverty levels.

Decision

1. That the report and the need to actively engage with the police and fire authority precepting bodies be noted.

2. That the proposed response to the consultation proposals detailed in Appendix A to the report be approved subject to the additional comments detailed above and that authority be delegated to the Chief Finance Officer, in consultation with the Mayor, to finalise the response in light of the comments made.

3. That 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 be agreed and that this position be reviewed when more information was available and a risk assessment could be completed.

113. Proposals for Business Rates Retention – Government consultation proposals (*Chief Financial Officer*)

Type of decision

Non-key.

Purpose of report

The purposes of the report were:

(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.

Issue(s) for consideration by Cabinet

The Assistant Chief Finance and Customer Services Officer reported that 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.

The current business rates framework meant that some council received less from the pool than they collected (central London Authorities) while others received more than they could raise locally. The latter applied to all twelve Northeast local authorities. Hartlepool currently received around £40m from the pool but collected only £27m locally.

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. This consultation document ran to over 248 pages with eight detailed technical papers. An outline of the main issues contained within the consultation was given in the report.

The initial assessment of the impact of the changes on Hartlepool was that as a 'top-up' authority and with its small size and small number of businesses (ten contribute almost 40% of the annual business rates) the council was exposed to negative volatility risks if any one of the existing major businesses closed. There would need to be robust protection arrangements to protect councils, such as Hartlepool in those situations.

Appendix A to the report set out a proposed response to the consultation document which would be supplemented by a response to the technical issues being prepared by the Association of North East Councils (ANEC).

The Mayor commented that if the Council was in the position of only keeping what it collected in business rates, we would be £13m short of the income we current received in grant. In simple terms that meant to fund that gap, the town would need three more nuclear power stations and eighteen new Tesco superstores. With ten businesses contributing almost 40% of the annual business rates in Hartlepool, any one of those businesses closing would have a significant effect.

The Assistant Chief Finance and Customer Services Officer indicated that one of the regular questions around business rates was had the government been redistributing all the rates that had been collected and it did seem that they have. This unmasks how fundamental a change this is as all the funding the council had been getting to support people had been through the business rates.

The Mayor indicated that it would be extremely difficult to offer business rate relief to struggling businesses in the future. The new Enterprise Zones would bring no income as they were business rate free; that was one of their principle attractions. Hartlepool could potential receive no cash benefit from any growth in the Enterprise Zones for a decade.

The Acting Chief Executive was also extremely worried about the cumulative effects of these changes. The potential effect of a one year council tax freeze in 2012/13, the localisation of business rates and council tax benefits could make 2013/14 the most challenging of the next three years. Without a balance budget for the next two years, the deficit in the third could be in excess of £10m.

The Mayor was particularly critical of the government and the way authorities like Hartlepool had been treated over the recent years due to the 'floor dampening' that was applied to the formula grant calculation to ensure authorities like Hartlepool didn't get disproportionately more than other authorities. Hartlepool had paid millions into this calculation over recent years and now was getting nothing back. The Mayor questioned if it was open to the council to challenge the government on this. The Chief Financial Officer indicated that other authorities had tried in the past without any success. The government's line was that they were moving from one system onto another with a new set of rules. If authorities like Newcastle and Gateshead could not be self sufficient in terms of business rates, then none of the northeast authorities could.

Decision

1. That the report be noted.

2. That the proposed response to the consultation proposals detailed in Appendix A to the report be approved and that authority be delegated to the Chief Finance Officer, in consultation with the Mayor, to finalise the response.

3. That 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 be agreed and that this position be reviewed when more information was available and a risk assessment could be completed;

4. That the Chief Finance Officer submits a response to the questions raised in the eight supporting technical papers issued by the Government, which will reflect the comments made in Appendix A to the report and propose suggestions which would protect the Council financial position if implemented by the Government.

114. Tees Valley Enterprise Zone (*Director of Regeneration and Neighbourhoods*)

Type of decision

Non-key.

Purpose of report

To update members on the Government approved Enterprise Zone status for Tees Valley.

Issue(s) for consideration by Cabinet

The Mayor reported that Cabinet had been advised in June 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. Details of the zones and the criteria that applied were set out in the report.

Decision

That the report be noted.

115. Enterprise Zones Local Development Orders (*Director of Regeneration and Neighbourhoods*)

Type of decision

Budget and Policy Framework.
Key Decision tests (i) and (ii) apply. Forward Plan reference RN84/11.

Purpose of report

The report outlined proposals to establish Local Development Orders within the new Enterprise Zones aimed at encouraging investment through a simplified planning process. The report sought 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.

Issue(s) for consideration by Cabinet

The Mayor reported that the Queens Meadow, the Port and Oakesway employment sites had 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. The report set out how the EZs would operate and how the local development orders would work.

The Assistant Director, Regeneration and Planning highlighted that should any development within an EZ fit within the targeted sectors for that zone, they essentially received planning permission by default. Guidance on how businesses should operate would be issued. The Mayor was concerned that while no planning applications would be processed by the authority, the business checking process would essential take up as much resources. The Assistant Director commented that this may be the case but without the EZ it would be doubtful that the company may have come to Hartlepool.

There was general concern expressed at the potential for the bypassing of the planning regulations and how development within the zones could be controlled. The Assistant Director indicated that there would be agreed criteria for the zones. Companies would simply have to submit a minimum of information and as long they met the criteria they could start building on the site. There would be wide consultation on the development of the criteria.

Decision

That the Director of Regeneration and Neighbourhoods be authorised to:

(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.

116. Review of Waste Management Services (*Director of Regeneration and Neighbourhoods*)

Type of decision

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

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.

Issue(s) for consideration by Cabinet

The Assistant Director, Neighbourhood Services reported that a range of waste management services are currently provided by the Council's Waste and Environmental Services section. These services had 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 was seen as necessary to reflect the changing priorities of Government, and to make the services more efficient, cost effective and user friendly.

In June 2010 the Coalition Government announced its 'Waste Policy Review'. The review outlined priorities for the Government in tackling issues surrounding waste management.

An efficiency target of £90,000 had 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. Details of the scrutiny response were set out within the report. This target could be achieved through the following:

Household Waste Recycling Centre (HWRC) - £60,000
Waste Transfer Station – £12,000
Household Waste Recycling Centre (HWRC) – £18,000

The Assistant Director indicated that there were four potential changes to the way that waste management services were delivered within Hartlepool, and a number of other potential changes that would be investigated further over the coming months.

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.

The introduction of these four proposals were outlined in detail within the report. It was indicated that they should be introduced simultaneously if they were to be most effective and cause minimal disruption to the service.

The Mayor raised the question of the government's recently announced proposals for the reintroduction of weekly residual waste. The Assistant Director commented that £250m over five years would not be sufficient for every local authority to reintroduce the weekly residual waste collection. The costs of the reintroduction would be £1.2m in Hartlepool each year if implemented. Feedback on the current service showed very high levels of satisfaction and no desire to return to the weekly collection, of residual waste. The Mayor also indicated that such a return would also be contrary to all the education of children in recycling the council had undertaken in schools over the last ten years. Members were also concerned at the potential increased costs that could be incurred through additional landfill tax.

Cabinet supported the proposals put forward, particularly the introduction of the four day week and route optimisation. The number of waste receptacles may be an issue for some householders but the Assistant Director indicated that the new bin would have the same footprint as the current blue box. Staff would be visiting resident associations and other groups to talk about the changes and how the council could assist householders, particularly the elderly and disabled.

There was some concern expressed at the outsourcing of part of the service. The Director of Regeneration and Neighbourhoods commented that some of the companies that had been approached initially had indicated that they would provide the new bins. The in-house service would be tendering for the service. If it was necessary staff could be redeployed to the green waste collection service.

Decision

1. That the savings identified for 2012/13 be approved.

2. That the kerbside dry recycling contract be subject to tender.

3. That the current green waste collection service be suspended during the winter months, when tonnages are at their lowest (December to February inclusive);

4. That the consultation process as outlined in the report be progressed.

5. That the savings highlighted in the Route Optimisation project be pursued.

6. That the proposal of a four day working week for the crews affected be agreed.

7. That each of the four recommendations be implemented simultaneously.

Councillor Brash left the meeting as this point in the proceedings.

117. Inquorate Meeting

It was noted that the meeting was not quorate. The Mayor indicated that (as permitted under the Local Government Act 2000 and the Constitution) he would exercise his powers of decision and that he would do so in accordance with the wishes of the Members present, indicated in the usual way. Each of the decisions set out in the decision record were confirmed by the Mayor accordingly.

118. National Citizen Service 2012 Pilot (*Director of Child and Adult Services*)

Type of decision

Key Decision, tests 1 and 2 apply. Forward Plan reference CAS100/11.

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.

Issue(s) for consideration by Cabinet

The Assistant Director, Adult Social Care reported that the Office for Civil Society (OCS), part of the Cabinet Office, working jointly with the Department for Education and other central Government departments, was 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 had 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.

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

Following a meeting with the Office for Civil Society it was agreed that Hartlepool Borough Council's Child and Adult Services Department would work with Safer in Tees Valley to deliver a coordinated approach during phase 2 of the pilots. The relationship between all of the partners would be managed via existing structures in place through the 11-19 Partnership. This partnership has already established a NCS Working Group who would be responsible for the day to day operational activity of the programme, ensuring partnership arrangements were in place and working towards the profiled targets.

Cabinet considered that the main risk to the programme was the potential failure to recruit sufficient young people to the scheme. The Assistant Director indicated that the programme was voluntary and promoted as such to young people. There was value in having involvement in the programme in their CV and it could also give them useful skills for work. The scheme was offered to all school leavers and there was no 'compulsion' involved. The scheme had been very successful last year.

Cabinet questioned the funding and the move towards operating the scheme on our own rather than through the consortium. The Assistant Director stated that the national funding was per person involved. Hartlepool had taken a much more active role last year and it worked here much better than in other areas. Hartlepool had therefore been invited to take the lead role for this year.

Decision

That approval be given to officers from Child and Adult Services and Economic Development commence delivery with Safer in Tees Valley.

119. Furniture Solutions Project (*Director of Regeneration and Neighbourhoods*)

Type of decision

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

Purpose of report

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.

Issue(s) for consideration by Cabinet

The Assistant Director, Regeneration and Planning reported that 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. 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.

The details of the proposal for a Furniture Solutions Project were considered by the Scrutiny Co-ordinating Committee in August 2011 and a final proposal had now been prepared for consideration by Cabinet.

Following the extensive research undertaken the proposed Furniture Solutions Project had been determined as the provision of household items, which would 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 were of good quality and affordable, would also form part of the project.

In summary, the project would 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.

Research had shown that people were more likely to succeed in their tenancies when they had well-furnished and equipped accommodation that helps to create a comfortable and secure setting.

Cabinet Members commented that there had been a similar scheme some years ago that had been successful and questioned if this was a scheme that could be operated by a number of local groups coming together as a consortia. The Assistant Director commented that that was the type of approach that would be encouraged.

The Mayor expressed his concern at approving a project that would cost £50,000 when much of the meeting had been spent on consideration of savings and cuts. The Mayor questioned if it would be possible to contract with other organisations that were already doing this type of thing. The Assistant Director commented that discussions had been held with organisations from Newcastle and Thornaby and the scheme operated by Housing Hartlepool. The housing Hartlepool was a very specific scheme targeted at their tenants only.

Cabinet considered that at this time it could not support the commencement of the scheme and that it should be part of the budget consultation process. If there were opportunities to link to other organisations doing this type of scheme they should be explored further.

Decision

That the potential introduction of the Furniture Solutions Project be subject to the budget consultation process.

120. Community Pool 2011/2012 – Belle Vue Community Sports and Youth Centre (*Director of Child and Adult Services*)

Type of decision

Non-key.

Purpose of report

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.

Issue(s) for consideration by Cabinet

That in light of the meeting being Inquorate and the declaration of interests by the Mayor and Deputy Mayor, this matter was deferred to the next meeting of Cabinet.

Decision

That the report be deferred.

121. Economic Regeneration Forum (*Director of Regeneration and Neighbourhoods*)

Type of decision

Non-key.

Purpose of report

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

Issue(s) for consideration by Cabinet

The Assistant Director, Regeneration and Planning reported that in July Cabinet agreed to a restructuring of the Local Strategic Partnership including theme groups. This restructure included the merging of the Economic Forum and Skills Partnership into one group.

The new Economic Regeneration Forum would be responsible for the Jobs and Economy theme and was specifically charged with overseeing the delivery of the emerging Economic Regeneration Strategy (ERS). The new ERS was in draft form and was currently being developed in consultation with key partners including Hartlepool College of Further Education, Skills Funding Agency and Jobcentre Plus. The final draft would be reported to Cabinet for final endorsement.

Details of the draft membership and terms of reference were set out in the appendix to the report. The Mayor commented that in the past the Economic Forum had been good at putting together strategies and monitoring performance but considered that the new forum should be more involved in delivery and supporting the Local Enterprise Partnership (LEP). Cabinet questioned how the proposed membership of the forum had been determined. The Assistant Director commented that there was some carry over from the previous forum with some new members who could commit the time to support the functions of the group.

Decision

That the proposed Terms of Reference and membership of the new Economic Regeneration Forum be endorsed.

122. Joint Strategic Needs Assessment (JSNA) (*Director of Child and Adult Services*)

Type of decision

Non-key.

Purpose of report

The Purpose of this report is to present to Cabinet the process for refreshing the Joint Strategic Needs Assessment (JSNA).

Issue(s) for consideration by Cabinet

The Assistant Director, Health Improvement reported that the Joint Strategic Needs Assessment brought 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.

The Assistant Director outlined the process of the review and gave a presentation highlighting the new web based JSNA. The JSNA would be managed through the Health and Wellbeing Board. The first meeting of the Shadow Board was being held later in the day.

Decision

1. That the process for refreshing the JSNA be noted.

2. That Cabinet note that the JSNA would be taken forward through the shadow Health and Wellbeing Board.

123. Implementation of Scrutiny recommendations to Cabinet (*Chief Customer and Workforce Services Officer*)

Type of decision

Non-key.

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 and Benefits service areas not included in the OGC procurement exercise.

Issue(s) for consideration by Cabinet

The Chief Customer and Workforce Services Officer reported that 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. 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.

The recommendations of the Scrutiny Coordinating Committee were set out in the report together with the implementation progress and timescales.

Decision

That the implementation progress and timetable in relation to Scrutiny Coordinating Committee's recommendations regarding potential service changes / savings particularly in the Revenue and Benefits service areas not included in the OGC procurement exercise be noted.

The meeting concluded at 12.00 noon.

P J DEVLIN

CHIEF SOLICITOR

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