# CABINET AGENDA

HARTLEPOOL
BOROUGH COUNCIL

**3 September 2012**

**at 9.30 am**

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

MEMBERS: CABINET:

The Mayor, Stuart Drummond

Councillors Hill, Lauderdale and 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 20 August 2012 (previously circulated)

4. **BUDGET AND POLICY FRAMEWORK**

   No items

5. **KEY DECISIONS**

   No items

6. **OTHER ITEMS REQUIRING DECISION**

   6.1 Medium Term Financial Strategy (MTFS) – Strategy for Managing Financial Risks – *Corporate Management Team*
   6.2 Localisation of Council Tax Support 2013/14 – *Chief Finance Officer*
   6.3 Quarter 1 – Council Overview of Performance and Risk 2012/13 – *Corporate Management Team*

7. **ITEMS FOR DISCUSSION/INFORMATION**

7.1 Neighbourhood Planning (Reporting and Decision Making Procedure) – *Director of Regeneration and Neighbourhoods*

8. **REPORTS FROM OVERVIEW OF SCRUTINY FORUMS**

8.1 Localising Council Tax Benefit – Overview and Scrutiny Views/Comments – *Scrutiny Co-ordinating Committee*

# CABINET REPORT

**3rd September 2012**

**Report of:** Corporate Management Team

**Subject:** MEDIUM TERM FINANCIAL STRATEGY (MTFS) – STRATEGY FOR MANAGING FINANCIAL RISKS

## 1. TYPE OF DECISION/APPLICABLE CATEGORY

Non Key Decision.

## 2. PURPOSE OF REPORT

2.1 The purposes of the report are:

i) to provide details of the financial risks facing the Council in 2013/14 and the following three years;
ii) to enable Cabinet to begin to develop and consult on a proposed strategy to begin to address these significant financial issues.

## 3. BACKGROUND

3.1 A comprehensive update of the MTFS was referred to Cabinet on 11th June 2012 outlining the current economic position and the impact this will have on the amount of money available for public services in future years. Since this report was prepared further economic data has been released which confirmed that at the end of June 2012 the UK economy had experienced the third quarter of negative growth. The latest figures underline the economic challenges facing the UK economy and news on the international economy, particularly for the Euro Zone, is similarly pessimistic.

3.2 As reported in June these issues will continue to have a major impact on the public finances for many years to come. Therefore, whatever the results of the next General Election, the next Government will continue to face significant financial challenges as it has become increasingly clear that the impact of the recession and banking crisis has had a deeper and longer impact on public sector finances in both the UK and around the world. Recent announcements by the Governor of the Bank of England regarding the limited prospects for economic recovery in the remainder of the current year and the following two years underlines the economic challenges facing the UK and the continuing impact this will have on public finances.

3.3 Against this background the report advised Members that the national grant cuts for councils for 2013/14 and 2014/15 previously announced in the 2010 Spending Review will be followed by further grant cuts in 2015/16 and 2016/17 currently forecast to be in the order of 10% to 15% over these two years, which are based on an analysis of available national information. On this basis the Council is facing an overall budget gap for the period 2013/14 to 2016/17 in the order of £17.4m to £20.2m. The following table highlights the level of permanent budgets reductions which need to be made each year and assumes that each year's savings plan is approved by Members. If the required annual permanent budget reductions are not achieved this will defer an additional financial problem to future years which will not be sustainable.

Summary for forecast deficits 2013/14 and 2016/17

| | Low £'000 | High £'000 |
|---|---|---|
| 2013/14 - note 1 | 4,660 | 5,060 |
| 2014/15 - note 1 | 5,120 | 5,520 |
| | 9,780 | 10,580 |
| 2015/16 | 4,300 | 5,300 |
| 2016/17 | 3,300 | 4,300 |
| | 7,600 | 9,600 |
| Total Forecast Deficit -note 2 | 17,380 | 20,180 |

Note 1 - 2013/14 and 2014/15 forecast include impact of revised planning assumptions detailed in June MTFS report which increase the 2013/14 deficit by £0.56m and the cumulative deficit by 2014/15 by £0.88m.

Note 2 - the total forecast deficits are the aggregate of the forecasts for the four years 2013/14 to 2016/17 and assume that each years budget is balances from permanent budget reductions.

3.4 The June 2012 report concentrated on the impact of continuing annual grant cuts on the sustainability of the Council's ongoing budget and outlined a proposed strategy for managing the 2013/14 and 2014/15 budget deficits, as these are the immediate financial challenge facing the Council. A strategy will need to be developed to address the 2015/16 and 2016/17 budget deficits once the proposal for 2013/14 and 2014/15 have been developed in more detail, approved by Members, and implemented.

3.5 Further work has also now been undertaken to assess emerging financial risks, including the impact of more detailed information provided by the Government since June 2012 on changes which will be implemented in April 2013. These issues will be in addition to the impact of continuing annual grant cuts already known and factored into projections. The Council will therefore also need to manage these additional financial risks and develop a financing strategy which mitigates, as far as possible, the impact these issues have on the core budget and the level of cuts which already have to be made to balance the budget.

3.6 This report therefore concentrates on outlining the additional financial risks and developing a strategy to mitigate these issues to help underpin the overall MTFS, as these issues significantly increase the financial risks the Council will need manage over the next few years.

3.7 When account is taken of these additional financial risks and the forecast cuts in the core revenue budget which will be required over the next four years it is clear that the Council faces the most challenging financial position it has ever faced. It would therefore be highly advisable to develop a strategic approach to manage these issues over a number of years to protect the Council's medium term financial position. If a strategic multi-year approach is not taken to fund and manage these additional financial risks this will adversely affect the future financial sustainability of the Council and result in unplanned actions which will be more difficult to implement and increase the cuts which need to be made.

## 4. FINANCIAL RISKS

### 4.1 Risks arising from the 'Business Rates Retention – Technical Consultation'

4.2 On the 17th July 2012 the Government issued a document which provides firmer information on how Business Rate Retention will be implemented, which runs to 251 pages and covers 73 new consultation questions. The consultation period runs for 10 weeks to 24th September 2012. Work is ongoing to prepare a response to the consultation questions and it is suggested that the Mayor approves the proposed response before it is submitted. Officers will also contribute to the ANEC (Association of North East Councils) response from the 12 north east councils.

**4.3** The following paragraphs provide an overview of the key Government proposals. In some cases it is clear that a number of these proposals are very likely to result in a higher grant cut for 2013/14 than the MTFS planning figures. This risk has been highlighted in previous MTFS reports, although it was not possible to quantify the risk until now. If these additional grant cuts are implemented this will increase the budget deficit for 2013/14 and proposals for managing this situation are outlined later in the report. There a number of other proposed changes where the position is still uncertain and additional information is needed to enable the Council to develop a strategy for managing the resulting additional grant cuts, as it is not expected these changes will benefit Hartlepool.

### 4.4 Local Government Spending control totals 2013/14 and 2014/15

4.5 The consultation document confirms the national cuts in grants previously announced for 2013/14 and 2014/15, although details of individual authority allocations will not be provided until late November/December.

4.6 The consultation proposals also state that the 'National spending control totals' will be top sliced to provide funding for a number of specific proposals:

- Capitalisation – this top slice has previously only covered statutory redundancy costs and allows councils to fund these costs through borrowings;

- Safety Net funding – this top slice is to cover the potential impact of business rates shortfalls from April 2013. Owing to the proposed level of the Safety Net thresholds of 7.5% to 10% it is unlikely that any authorities will benefit from these arrangements. It is unclear if the £250m top sliced from the national allocation will be returned to councils if it is not paid out to fund Safety Net payments;

- New Home Bonus – The Government propose to hold back the full £2 billion for each year of the seven years the New Homes Bonus will be paid for. The Government recognise in the early years this is taking significantly more out of the main grant allocations than will be needed, therefore there will be an additional grant allocation of the 'surplus' top sliced amount made with the main settlement in proportion to 'baseline funding levels'. This will be a provisional allocation to 'enable authorities to have as much certainty as possible when setting budgets, although there will be subsequent year end adjustments once final national figures are know'. The financial impact is unclear and there is a risk that areas like Hartlepool lose out, owing to lower relative housing growth.

4.7 These proposals mean that the amount of grant available for distribution to individual councils using the existing grant formula will reduce. This proposal therefore increases the previously reported risk that the actual grant cuts for 2013/14 and 2014/15 will be higher than the forecasts included in the MTFS. In addition, these changes will be locked into the new funding arrangements until 2020, which is the Government's preferred date for the first re-set of the Re-localised Business Rate system.

**4.8 Proposed changes to grant formula for 2013/14**

4.9 The Government proposes a number of 'technical adjustments' to the grant formula which would lock these changes into 2013/14 and future years grant settlements. The Government has provided exemplifications (with caveats) of the proposed changes for individual councils. For Hartlepool the potential impact is an additional grant cut £0.2m to £0.6m. There is a risk that Hartlepool does not benefit from the proposed damping owing to how this interfaces with the existing arrangements, as for 2011/12 and 2012/13 despite suffering disproportionate grant cuts Hartlepool contributed to the floor damping paid to other authorities.

| | Grant cut /(increase) Before damping £'m | Grant cut /(increase) After Damping £'m |
|---|---|---|
| Concessionary Fares | 0.6 | 0.1 |
| Rural Services – changes to sparsity weightings | 0.6 | 0.2 |
| Relative needs and relative resources – this part of the grant formula is designed to allocate additional grant to authorities that are the most dependent on formula grant and have less ability to fund services from Council Tax. One of the proposed changes is to restore the 'relative resources' element to the percentage level it was in 2010/11 which would benefit Hartlepool. | (0.6) | (0.1) |
| **Net Forecast Additional Grant cut from combined impact of proposed changes** | **0.6** | **0.2** |

4.10 The updated MTFS includes some provision for an increased grant cut owing to the clawback of pay savings. It is still not clear if this will be implemented via a reduction in the overall grant allocation for councils, and is unlikely to be made clearer until the settlement for 2013/14 is announced.

**4.11 Changes in population figures**

4.12 Population figures are the major factor determining the level of grant paid to individual councils. The ONS (Office for National Statistics) have recently issued the initial draft 2011 census results (which are still subject to verification and agreement). These initial figures shown an increase in the overall population for England of 7.2%, compared to an increase for Hartlepool of 2%, as summarised below

| **Resident Population** | % Change between 2001 and 2011 census |
|---|---|
| Darlington | 7.9% |
| Hartlepool | 2.0% |
| Middlesbrough | -2.0% |
| Redcar & Cleveland | -2.9% |
| Stockton-on-Tees | 4.2% |
| Tees Valley | 1.6% |
| | |
| England | 7.2% |

4.13 The Government proposes using the interim 2011 census figures in the grant formula for 2013/14 and future years. The key issue for Hartlepool is the lower relative growth in population compared to overall increase for England. It is anticipated that the new population figures will result in an additional grant cut of around **£0.25m.**

4.14 **Setting up the business rates retention scheme**

4.15 As reported to Cabinet on 9th July 2012 the Government proposes setting the safety net thresholds for in-year shortfalls in business rates between 7.5% and 10%. It is still unclear what baseline these percentages will be applied to. The Government is proposing to top slice the national grant by £250 million to pay for safety nets – which broadly equates to 1% of the national business rates for 2012/13 re-distributed to all councils.

4.16 At best the safety net will mean Hartlepool will have to manage annual business rate reductions of **£3m** per year and at worst **£9.8m,** depending on whether the baseline is business rates or budget, before receiving any additional Government grant. Safety net grant will only be paid for the shortfall above the safety net limit. This is a significant risk for Hartlepool owing to the impact of the power station. It is therefore a question of 'when' not 'if' Hartlepool will face a significant in-year reduction in income which it will need to manage, without benefitting from safety net payments.

4.17 An analysis of changes in actual business rates paid by the power station for the last 5 years shows that these have consistently been less than expected at the start of the year owing to reductions in power generation which determine the level of business rates paid. Whilst these changes have been significant they would not have triggered the 'safety net' thresholds proposed by the Government. Therefore, this is a significant new financial risk for the Council to manage.

4.18 In terms of assessing this risk the Council's annual retained share of the business rates income from the power station will be £2.5m. Over the 4 years of the MTFS this is a total income stream of £10m, which highlights the financial risk transferring to the Council. Based on experience over the last 5 years it can be expected that the power station may only be fully operational for 90% of the next 4 years, which could mean the Council potentially having to manage an income shortfall of £1m. This shortfall could be significantly greater if there is prolonged shutdown, as each months closure would reduce the Council's income by £0.2m. There was a prolonged shut down in 2008/09 when the rates paid reduced by around £3m. If this happened in 2013/14 or a future year the Council's share of this funding loss would be £1.5m. A strategy is therefore needed to manage this risk to avoid the need for in-year budget cuts in future years. This financial risk may increase as the power station nears the end of its operational life and will need to be reviewed on an annual basis.

**4.19 Other Financial Risks**

**4.20 Redundancy and early retirement costs**

4.21 A comprehensive assessment of forecast redundancy and early retirement costs for the period 2012/13 to 2014/15 was completed in summer 2011. This analysis provided the basis for developing a proactive financing strategy for funding forecast costs up to 2014/15. The objective of this strategy is to avoid the Council having to manage these unavoidable financial commitments by having to make even higher revenue budget cuts over this period to fund redundancy and early retirement costs.

4.22 The starting point for developing this strategy was the proportion of the 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 practice 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 for the proportion of overall savings which are anticipated will need to come from pay budgets.

4.23 The second stage assessed the level of anticipated redundancy and early retirement costs for the period 2012/13 to 2014/15. 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. Therefore, to assess these potential costs an analysis of costs over the previous two years (2010/11 and 2011/12) was completed as redundancy and early retirement costs for these years totaled £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** |

4.24 The lower percentage cost and pay back period in 2011/12 largely reflected the impact of an increase in the age employees made redundant were eligible for their pension from 50 to 55. This provided a temporary financial benefit to the Council.

4.25 On the basis of the above analysis redundancy and early retirement costs for the period 2012/13 to 2014/15 were previously estimated to be £7.5m. This amount was included in the schedule of 'One-off Strategic Financial issues' and the funding strategy for managing these issues.

4.26 The position on future forecast redundancy costs and early retirement costs now needs to be reviewed to cover the four years 2013/14 to 2016/17 to enable the Council to develop a strategic approach to funding these unavoidable commitments. This review needs to reflect the above principles as the Council still faces the same fundamental issue of managing budget reductions in terms of the proportion of the overall budget spent on pay related costs. With regard to previous years redundancy costs the Council now has a further year of experience and the following table shows the value of total redundancy and early retirement costs as a percentage of the pay savings achieved for the last 3 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 |
| 2012/13 | 55% | 6.6 months |
| **Average** | **80%** | **10 months** |

4.27 The 2012/13 percentage cost and pay back period is broadly in line with the figure for in 2011/12 and this reflects the temporary impact of an increase in the age employees made redundant are eligible for their pension from 50 to 55 from 1st April 2010. This is providing a temporary financial benefit to the Council. It also reflected the greater percentage of savings in 2012/13 from re-contracting savings than staffing savings, which is not repeatable. There was also a financial benefit from managing vacancies during 2011/12 to reduce the number of compulsory redundancies which were required for 2012/13. The deletion of these vacant posts accounted for one third of the 2012/13 pay savings. As reported previously the proportion of employees who will be 55 will increase over the next few years. In addition, it is anticipated that the numbers of vacant posts in the current year will be lower owing to the impact of successive budget cuts and reduced employment opportunities with other councils/parts of the public sector. Therefore, there is a greater probability that redundancy and early retirement costs will be more in line with the average for the three years.

4.28 The three year analysis of pay back periods for redundancy and early retirement costs indicates that these have ranged between 55% and 125% and averaged 80% over three years of the permanent pay cost savings achieved. In the last two years the one-off costs have been lower owing to the impact of the increased age employees made redundant are eligible to receive their pension. As reported previously this is providing a temporary financial benefit to the Council in terms of lower early retirement costs, although this will not be sustainable owing to the age profile of the workforce and the scale of cuts which need to be made over the next few years. On the basis of this range of pay back periods and the overall budget deficit for 2013/14 to 2014/15 of up to £20m the following table details the range of forecast redundancy and early retirement costs facing the Council over the next 3 years.

| | Redundancy and early retirement costs as a percentage of pay savings achieved | Forecast Redundancy and early retirement costs (assumes pay cost savings equate £11m over 3 years (i.e. 56% of 2013/14 to 2014/15 savings target of £20m) |
|---|---|---|
| Highest Estimate | 125% | £14m |
| Lowest Estimate | 55% | £6m |
| Average Estimate | 80% | £9m |

4.29 The above table highlights the significant potential one-off redundancy and early retirement costs of achieving the required permanent budget reductions over the next three years. The table highlights the additional financial impact of increasing numbers of staff made redundant being eligible to receive their pension, which could potentially increase one-off costs to £14m. It is hoped that this situation will not arisen, although this issue will need to be reviewed annually. The lowest estimate reflects the one-off costs relating to the 2012/13 budget savings which were lower owing to the managed process adopted during 2011/12 to hold posts vacant to reduce compulsory redundancies either by deleting the vacant posts or providing redeployment opportunities. As the scope to repeat these measures will reduce as further budget cuts are made, and increasing number of employees become 55 years old, it is not recommended that the lowest estimate would provide a prudent basis for financial planning.

4.30 At this stage it is therefore recommended that the average estimate for three years provides a robust basis for assessing future one-off redundancy and early retirement costs. This will provide a prudent provision for managing this significant financial risk and hopefully avoid these costs increasing the budget deficits facing the Council over the next three years. On this basis it is recommended that provision of £9m is earmarked for these one-off costs. This is £2.5m more than the uncommitted existing reserves after funding 2012/13 redundancy and early retirement costs.

**4.31 Forecast income shortfalls 2014/15**

4.32 There were significant income shortfalls in 2011/12 in Shopping Centre income and Building Control income owing to the impact of the recession. As part of the 2012/13 a budget pressure for the forecast ongoing Shopping

Centre income shortfall was made. A reserve was established to manage the continuation of the Building Control income shortfall in 2012/13. An early review of these areas has been undertaken in the current year and this indicates a further increase in income shortfalls in 2012/13, which will need to be managed within the overall budget in the current year. This review indicates that the current trends are expected to continue until at least 2013/14. Therefore, at this stage it would be advisable to earmark one-off resources to cover the forecast shortfall in 2013/14 of £0.5m. If these adverse trends continue there may be a permanent pressure in 2014/15.

**4.33 Provision for delayed implementation of planned 2013/14 and 2014/15 savings**

4.34 The Council has successfully delivered significant savings over a number of years, particularly the savings implemented in the last two years in response to disproportionate cuts in Government grants. This position reflects the robust management of the budget process and implementation of individual savings projects, which understates the difficult decisions which have been made. There is a risk, both nationally and locally, that the successful achievement of significant cuts over the last two years by councils (including Hartlepool) may suggest that further savings can be easily achieved. Clearly this is not the case as many savings made in the last two years cannot be repeated or scaled up any further, as these measure have now been implemented.

4.35 Further significant savings will need to be made over the next 4 years and it will become increasingly difficult to achieve these savings given the measures implemented in previous years. There is therefore an increased risk that some planned savings may be less than forecast, or savings will take longer to achieve than planned.

4.36 The initial savings programme for 2013/14 and 2014/15 identifies proposed savings of £9.185m, compared to a forecast budget deficit of £10.58m, which means savings of £1.395m still need to be identified. The achievement of the proposed savings will be extremely challenging and it is recommended a risk reserve is established to temporarily manage any in-year savings shortfall. This proposal will avoid the need to identify alternative in-year cuts and provide time to either achieve the planned saving, or identify an alternative permanent savings (which will need full Council approval). Given the scale and complexity of the savings which need to be made over the next 2 years a risk reserve of £0.5m is recommended. In the event that this funding is not needed the uncommitted balance can be carried forward to manage the risks of achieving further budget cuts in 2015/16 and 2016/17 – which will be even more challenging to achieve.

**4.37 Summary of additional financial risks**

**4.38** The previous paragraphs highlight the additional significant financial risks facing the Council over the next 4 years. These issues are in addition to ongoing budget deficits detailed in the previous MTFS report. A number of these issues will begin to impact from April 2013. Other issues have a longer lead time although these are still unavoidable commitments. These issues are summarised in the following table:

| | £'000 |
|---|---|
| Proposed changes to formula grant (para 4.8) | 600 |
| Changes to population figures (para 4.11) | 250 |
| Business Rates Retention – Safety Net threshold risk and impact of power station (para 4.14) | 1,000 |
| Forecast Redundancy and early retirement costs up to 2016/17 (para 4.20) | 2,500 |
| Provision for income shortfalls 2014/15 (para 4.31) | 500 |
| Provision for delayed implementation of planned 2013/14 and 2014/15 savings (para 4.33) | 500 |
| Total Additional Financial Risks | 5,350 |

4.39 In addition to the above issues there are also a number of financial risks which cannot yet be quantified. These issues will need to be reviewed when more information is available. It is not expected that these issues will have a positive benefit on the Council's financial position and cover the following issues:

- Localising Support for Council Tax – there is a separate report on your agenda covering the implications of this change and the significant financial risks transferring to councils. The key risks relate to managing a demand lead budget with a cash-limited budget and the Council's ability to collect Council Tax income from low income households. A further assessment of these risks will be undertaken when more information is available.

- Social Fund – as reported previously councils will become responsible for managing this service with a cash-limited budget from April 2013. The Government has recently announced funding allocations for 2013/14 and 2014/15 (cash limited at same level as 2013/14) and further information and analysis is needed to assess the impact on the Council. It is anticipated that the financial position will not become clear until after the Council begins managing this responsibility and in 2013/14 this risk will need to be managed from within the overall budget.

- Grants rolled into Formula Grant - The Government rolled a number of specific grants into the formula grant in 2011/12. The current consultation asks if these grant allocations should continue to be based on 'tailored distributions'. This proposal should provide higher grant allocations than a general allocation through the formula grant. This issue will continue to be a risk until the Government confirm the detailed arrangements and issue detailed 2013/14 allocations. Further information and analysis is needed to determine the actual impact on the Council. The grants affected cover:

- Local Transport Services
- Supporting People
- Housing Strategy for Older People
- Learning and Skills Council staff transfer funding
- HIV/Aids support
- Preserved Rights funding
- Animal Health and Welfare funding

- Grants transferred into the 'new' formula grant - The Government are also proposing to transfer a range of other grants into the 'new' formula grant which will be paid when Business Rates are re-localised. The stated aim of this proposal 'is to remove separate grants to provide greater financial flexibility for local authorities to manage budgets efficiently'. These changes will impact on the 2013/14 baseline grant and ongoing grant allocations until the grant system is reset, which the Government has indicated will take place in 2020.

  This is a complex area and needs further information from the Government to assess the potential impact. As reported previously this type of change is a financial risk for Hartlepool as moving from 'tailored grant distribution' reflecting previous assessment of need, to allocations based on the main grant, may (and in the past has) lead to higher grant cuts. The grants affected by this change are:

  - 2011/12 Council Tax freeze grant – which is being paid until 2014/15;

  - Council Tax Support Grant – this is the new grant to be paid when Council Tax Benefit is localised. For 2013/14 the proposed national grant transfer is £3.387 billion and for 2014/15 £3.383 billion. The grant reduction reflects the Government's view that demand for Council Tax Benefit will reduce. When account is taken of anticipated Council Tax increases for 2013/14 and 2014/15 this is a real term grant cut, which is in additional to the initial 10% national grant cut;

  - Early Intervention Grant (EIG) – the consultation document outlines proposals to top slice the national grant to fund free education for two year olds. The consultation asks if councils agree with the proposal to continue to apply floor damping to the net EIG. Continuation of an EIG damping floor is a critical issue for Hartlepool, as the existing damping payment is around £2m per year.

## 5. PROPOSED STRATEGY FOR MANAGING FINANCIAL RISKS

5.1 To avoid the financial risks detailed in paragraph 4.38 increasing the budget savings which need to be made over the next 4 years a robust strategic approach is needed to manage and fund these issues. The objective of this strategy will be to identify resources which can be allocated towards mitigating these risks and avoid even higher budget cuts over the next four years. This strategy needs to set targets to identify resources which can be allocated towards funding these risks from areas which the Council can control and manage, which means reviewing the level of existing reserves and managing the current year's revenue budget to provide an underspend.

5.2 The first component of this strategy will be to undertake a further review of reserves. A comprehensive review of reserves was completed as part of the 2012/13 budget process and identified reserves which needed to be retained to manage previously identified risks and / or to fund known unavoidable commitments. Therefore, there will only be limited scope for identifying further reductions in existing reserves which can be allocated towards meeting the additional financial risk identified in this report. At this stage a suggested target for this review of £2m to £2.5m is recommended.

5.3 The second component of this strategy will be for CMT to set percentage targets for and to performance manage departments to achieve specific under spends on budgets for the current year for both corporate and departmental budgets. This will enable the council to manage the current year's budgets to deliver the required service levels, whilst achieving under spend targets from the careful and robust management of budgets. This is an approach which may need to be adopted in future years as part of the Council's strategy for managing the budget and financial risks in an era of significantly lower public spending.

5.4 In relation to corporate budgets the in-year savings target will need to reflect the savings which can be achieved from the national decision not to have an April 2012 pay award. This position was not known when the 2012/13 budget was set and a prudent provision included for an expected pay award. As this amount is now not needed there will be an in-year saving of around £0.9m. The ongoing benefit has already been reflected in the revised budget deficit figure for 2013/14.

5.5 In addition, it is expected that the Council should be able to continue to benefit from current interest rate structures by actively managing investments and borrowing. In the medium term this is a risk area and could become a budget pressure when interest rates rise if the position is not managed carefully. Proposal for managing this risk will be developed as part of the annual review of the Treasury Management Strategy. There should also be a benefit from NEPO actions to secure lower gas and electric charges for 2012/13, although this will depend on winter usage.

5.6 In overall terms an in-year savings target of £2m is recommended for corporate budgets based on the issues in 5.5 and an effective but risk managed treasury management strategy.

5.7 The position in relation to departmental budgets is more challenging as expenditure trends for the whole year are not yet established and in a number of areas expenditure is seasonal and / or demand lead. Notwithstanding these challenges it would be appropriate to set an in-year 2% underspend target for overall departmental expenditure to help provide resources towards the significant financial risks facing the Council in 2013/14 and the following three years. This will be a new approach for departments and will represent a significant financial challenge given the cuts implemented over the last two years. However, this approach will help to further embed a corporate culture for managing budgets, which will become increasingly important over the next few years owing to the impact of ongoing cuts and the need to manage demand lead services with reduced resources and in-year financial flexibility. An in-year 2% savings target for overall departmental expenditure equates to £1.4m and for planning purposes it is suggested that this is allocated to individual departments as follows:

| | £'000 |
|---|---|
| Child and Adult Services | 800 |
| Chief Executive's Department | 180 |
| Less Chief Executive's Department underspend allocated to fund ICT procurement costs | (80) |
| Regeneration and Neighbourhoods | 500 |
| Total | 1,400 |

5.8 The proposals detailed in the previous paragraphs will potentially provide total funding of between £5.4m and £5.9m. Achieving this level of resources, particularly the in-year managed savings in departmental budgets will need careful management and will depend on there being no unexpected unbudgeted commitments during 2012/13. The in-year managed departmental savings cannot be guaranteed however owing to the impact of demand lead services and seasonal factors.

## 6. 2012/13 Financial Management Position

6.1 An initial financial management report would normally be submitted to Cabinet at this stage of the financial year detailing progress to date against the approved budget. This report would not include forecast outturns as expenditure patterns for the year are not yet established. Forecast outturns would be submitted to Cabinet in the second financial management report.

6.2 The normal review of expenditure for the first three months of the current financial year has been completed and whilst, a comprehensive assessment of forecast outturns has not yet been completed for all areas a number of specific issues have been identified in relation to the following areas:

- Corporate Budgets – as detailed in paragraph 5.4 there will be a saving in pay budgets as a result of the national decision not to make a pay award for 2012/13. It is suggested that this saving is allocated towards funding the additional financial risks detailed in this report. On the downside there will be a shortfall in income from the Shopping Centre and in the current year this will need funding from the overall budget.

- Chief Executive's Department – there will be a saving from the Acting Chief Executive, associated backfilling arrangements within the Child and Adult Services department and Head of Human Resources post. In accordance with the decision of Council on 2nd August this amount will be earmarked towards funding one-off ICT procurement costs.

- Child and Adult Services – on the basis of current expenditure patterns it is anticipated that there will be an overspend on the 2012/13 Older People's budget. This position is not unexpected as this is a risk area owing to demographic pressures and increasing prevalence of dementia and a risk reserve was previously established to manage this risk. Further work is needed to assess this risk, including the impact of normal seasonal trends over the winter months when expenditure is normally higher owing to increased demand. Further details will be reported later in the next financial management report. It should be possible to offset part of this overspend from an underspend arising from the delayed implementation of the 2012 fee increase for Older People's Care Home Fees.

- Regeneration and Neighbourhood Services - as detailed earlier in the report there will be a shortfall in income from Building Control owing to the impact of the recession. In the current year this will need funded from the overall budget.

## 7. Conclusion

7.1 The Council has managed significant budget cuts over the last 2 financial years as a result of cuts in Government funding. At the same time the Council has also had to develop a financing strategy to address significant one-off financial risks, including forecast redundancy and early retirement costs up to 2014/15 and Housing Market Renewal costing resulting from a reduction in capital grants. The strategy adopted for one-off costs has avoided these issues directly impacting on the revenue budget in 2012/13, which would have required greater cuts in services.

7.2 The Council is facing greater financial challenges over the next four years than it has faced since becoming a unitary authority in 1996, which reflects the following key issues:

- Continuing reductions in Government grants which it is anticipated will require savings of between £17m and £20m to be made over the next four years;
- Increased redundancy and early retirement over the 4 year period up to 2016/17 arising from the above budget deficits;
- Financial risks transferring to the Council from the localisation of business rates;
- Financial risks arising from the replacement of the national Council Tax Benefit Scheme, with a local Council Tax Support scheme and a 10% headline grant cut;

7.3 The report provides an update on the additional financial risks facing the Council and where possible these have been quantified. In total these risks are estimated to be £5.35m as detailed in paragraph 4.38.

7.4 To avoid these financial risks increasing the budget savings which need to be made over the next 4 years a robust strategic approach is need to manage and fund these issues. The objective of this strategy will be to identify resources which can be allocated towards mitigating these risks and avoid even higher budget cuts over the next four years. This strategy needs to set targets to identify resources which can be allocated towards funding these risks from areas which the Council can control and manage, which effectively means reviewing the level of existing reserves and the managing the current year's revenue budget to provide an under spend.

7.5 Assuming the overall forecast funding can be achieved from reviewing reserves and achieving the in-year under spends for corporate and department underspends the Council may have sufficient funding to cover these financial risks. This position cannot be guaranteed and achievement of these targets will need careful management.

7.6 The report also identifies significant additional risks which cannot yet be quantified and which may impact in 2013/14. If this occurs the Council will need to make additional permanent budget cuts, which will be difficult in the available timescale.

7.7 In summary the proposals outlined in this report are designed to manage the significant financial challenges facing the Council over a number of years and protect, as far as is possible in the current financial environment front lines services.

## 8. RECOMMENDATIONS

8.1 It is recommended that Cabinet:

i) Note the report;

ii) Approve the proposed strategy for managing the additional financial risks detailed in paragraph 4.38 and the specific proposals to set targets to identify resources to fund these risks as follows:

- Approve a Reserves review target of £2m to £2.5m which can be re-allocated to party fund additional financial risks;
- Approve an overall departmental underspend targets of 2%, which equates to £1.4m for 2012/13 and individual departmental targets as detailed in paragraph 5.7;
- Approve a corporate budget underspend target of £2m.

iii) Refer the report to Scrutiny Co-ordinating Committee as part of the formal budget consultation proposals, which will be considered by Scrutiny Co-ordinating Committee in October 2012.

iv) Note that the Mayor will approve the Council's response to the 'Business Rates Retention – Technical Consultation'.

## 9. REASONS FOR RECOMMENDATIONS

To enable Cabinet to approve a strategy to address additional financial risks over the next four years.

## 10. APPENDICES AVAILABLE ON REQUEST, IN THE MEMBERS LIBRARY AND ON-LINE

None.

## 11. BACKGROUND PAPERS

Medium Term Financial Strategy Report referred to Cabinet 11th June 2012.

## 12. CONTACT OFFICER

Chris Little
Chief Finance Officer
Chris.little@hartlepool.gov.uk
01429 523003

# CABINET

## 3rd September 2012

HARTLEPOOL BOROUGH COUNCIL

**Report of:** **Chief Finance Officer**

**Subject:** **LOCALISATION OF COUNCIL TAX SUPPORT 2013/14**

---

**SUMMARY**

### 1. TYPE OF DECISION / APPLICABLE CATEGORY

1.1 Non Key decision.

### 2. PURPOSE OF REPORT

2.1 To set out the implications of the Government's replacement of the current national Council Tax Benefit scheme with a localised council tax support scheme, the linkages to the Medium Term Financial Strategy and to approve a proposed local scheme to form the basis of formal consultation.

### 3. BACKGROUND

3.1 The existing national council tax benefit (CTB) scheme will be abolished at the end of 2012/13. From April 2013, local authorities will be required to operate their own local schemes of council tax support. To implement this change, councils are required to consult on a proposed local scheme and following on from this consultation full Council must approve a local scheme for 2013/14 before 31st January 2013. The approved scheme cannot be changed in-year, although it can be reviewed annually and changes implemented for future years.

3.2 If councils do not approve a Local Council Tax Support scheme before the 31st January 2013 deadline, they will be required to implement a default scheme. This will result in a significant budget pressure as the cost of a default scheme will be the same as the existing national scheme, but the Government Grant cut will still apply. The financial impact on Hartlepool of a default scheme in 2013/14 would be a gross budget pressure of £1.6m, as detailed in paragraph 4.2. The Council would be required to maintain a default scheme throughout 2013/14 and could only then introduce a local scheme in 2014/15 – a year after it is expected most other Councils will have implemented a local scheme.

3.3 The costs of the current national CTB scheme are met by the Department for Work and Pensions, however for the new local scheme the Council will be allocated a cash limited grant. The Government has stated that the national grant cut will be 10%, however when account is taken of the value of awards under the current CTB scheme and the potential council tax increase for 2013/14 the actual grant cut for Hartlepool for 2013/14 is 14%.

3.4 Provisional data from the government shows that the national funding control totals for Council Tax Support schemes in England are estimated at £3.387 billion in 2013/14. There will be a further cash reduction to £3.383 billion in 2014/15 and when account is taken of Council Tax increases and potential demand pressures the real term reduction is greater, which will increase the financial challenges Councils need to manage.

3.5 The updated MTFS report presented to Cabinet in June recognised this risk and included a budget pressure of £0.4m in 2013/14, rising to £0.8m 2014/15 to cover the impact of planned annual Council Tax increases of 2.5% and to provide a small provision for increased demand led costs. No additional pressure was included for either 2015/16 or 2016/17 owing to the uncertainty of this change and this position will need to be reviewed when the MTFS is rolled forward. In the event that the 2013/14 provision is not sufficient the Council will have to fund the resulting shortfall in 2013/14 from the General Fund budget and / or reserves. The Council would then need to address the medium term sustainability of the scheme by either reviewing the local Council Tax Support scheme for 2014/15, or funding an additional General Fund budget pressure.

3.6 The Government have stated that in introducing a local Council Tax Support Scheme, it will seek to ensure that low income pensioners are protected. As reported previously this protection will mean that other groups currently in receipt of CTB will face higher cuts in their financial support as a result of the Government funding cut. Initial analysis indicated that protecting pensioners in Hartlepool could see a reduction of 15% to 20% in the levels of council tax support for non pensioners. Further details are provided later in the report.

3.7 The changes to the CTB scheme are only one component of the Welfare Reform changes and many households in Hartlepool will be affected by a number of these changes. This will be extremely challenging for household budgets and will also impact on the local economy given the relatively high level of benefit recipients within the borough.

## 4. Overview of Government Proposals and Requirements

4.1 The Welfare Reform Act 2012 details the Government's proposals for the abolition of national Council Tax Benefit and its replacement with new localised schemes. A Local Government Finance Bill is currently moving through parliament which sets out a framework for new localised council tax support schemes. This primary legislation will be supplemented by later detailed statutory regulations. The key features of the local Council Tax Support scheme proposals are:

- Headline Government funding for local schemes will be reduced by 10%;

- There will be a statutorily prescribed scheme for pensioners that will maintain support in line with the current CTB scheme for current and future low income pensioners;

- Councils will be free to design their own schemes and may supplement the cost of a local scheme from their own budgets / resources.

4.2 The Council will need to adopt a Local Scheme by 31st January 2013 and failure to do so will result in a Default Scheme being imposed. The Local CTS scheme decision will be required to be made by full Council. A Default Scheme would be equivalent to the current CTB scheme, which would result in an additional forecast gross budget pressure of £1.6m in 2013/14, increasing to £2.7m in 2016/17. This would increase the forecast budget cuts which need to be made.

4.3 The Local Government Finance Bill also contains proposals for technical reforms to Council Tax that will provide Council's with the potential to generate additional council tax revenue from making changes to Council Tax exemptions and discounts covering empty properties that are uninhabitable / undergoing major repairs, short term empty unfurnished properties and second homes. The additional Council Tax revenues can be used to offset in part the costs of a local Council Tax Support scheme or could be used to fund General Fund expenditure. The major potential income stream arises from 'encouraging councils to use existing flexibility to increase Council Tax yield by removing the former 50% discount on empty Council Tax properties (after 6 months). Hartlepool implemented this change in 2012/13 as part of the strategy for balancing the budget. Details of the potential additional Council Tax yields for Hartlepool from implementing other technical changes are set out in the table below:

**Potential Additional Council Tax yield from proposed Changes to Exemptions and Discounts**

| Class | Description | Current Charge | Proposed Charge | Forecast Yield £ |
|---|---|---|---|---|
| A | Properties undergoing or in need of major structural repair and uninhabitable | Exempt for up to 12 months | 50% discount for up to 12 months | 53,000 |
| C | Properties Empty and unfurnished | Exempt for 6 months | 100% discount for 1 month only | 148,000 |
| | 2nd Homes | 10% discount | Zero % discount | 29,000 |
| | Properties empty over 2 years | 100% | 150% | 70,000 |
| | | | Total | 300,000 |

4.4 Precepting Authorities such as Cleveland Police and Cleveland Fire Authority will also be affected by the local Council Tax scheme proposals. From April 2013 precepting Authorities will receive a share of the existing national CTB funding and will be required to fund their share of the financial risk of operating the new local Council Tax Support Scheme. Under this arrangement funding and risks are shared on the following basis:

- 85% - Hartlepool Council;
- 11% - Cleveland Police Authority
- 4% - Cleveland Fire Authority.

There is a formal requirement to consult with these bodies as part of the development of a local scheme.

4.5 The Government have indicated that in respect of local precepting Authorities ie. Parish councils (there are 8 in Hartlepool) they are hopeful that billing Authorities will pass on an element of their CTS grant funding to compensate parishes for the reductions to their tax base, arising from the changes to the existing CTB scheme. This funding will then be taken into account by parishes when calculating their council tax requirement, in essence making a local CTS scheme cost neutral for the parish councils. Given the relatively modest size of parish precepts in Hartlepool it is recommended that this approach is adopted and CTS grant of about £800 passported to parish councils for 2013/14.

## 5. Impact of headline 10% cut in Government Support for CTB

5.1 As detailed earlier in the report the Government has stated that the national grant cut will be 10%, however when account is taken of the value of awards under the current CTB scheme and a forecast council tax rise for 2013/14 the actual grant cut for Hartlepool for 2013/14 is 14%.

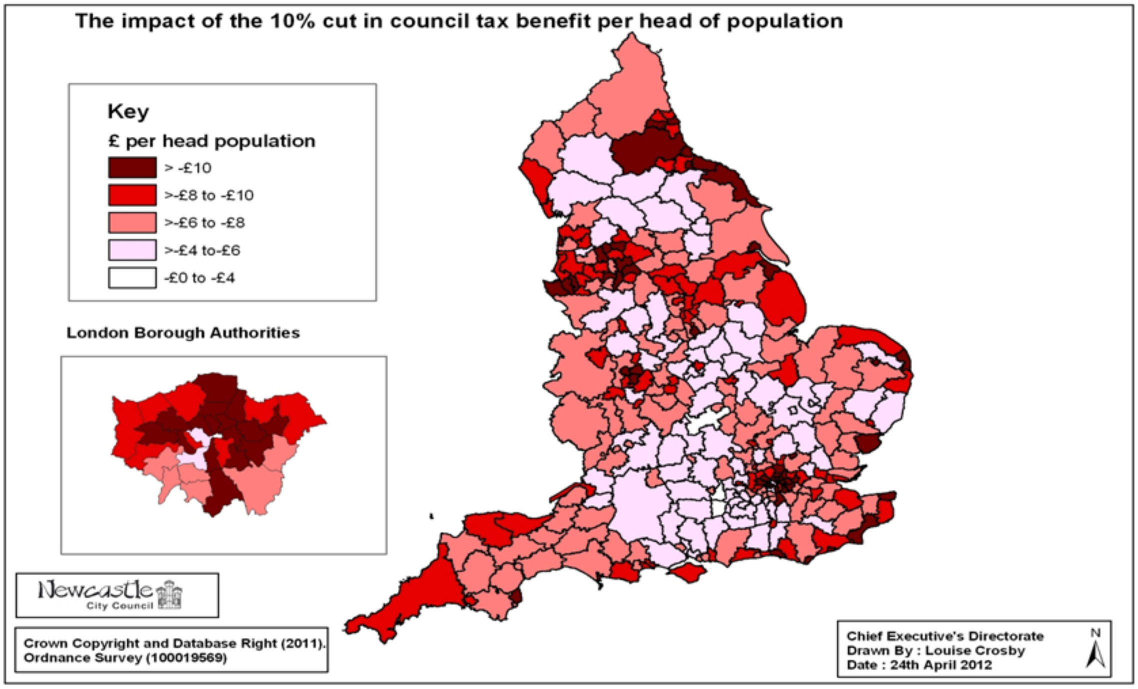
5.2 Regional analysis by the Association of North East Councils (ANEC) shows that Hartlepool faces the largest cut in CTS scheme grant per head of population in the North East of £14.58. Hartlepool's cut is nearly twice the cut of the lowest reduction in the North East of around £8 and is significantly more than the average across the Country. The table below shows the impact of the Government's grant cut in £ per person.

**<u>Estimated Grant Cut per Head of Population</u>**

| Authority | Grant Cut per head of population £ per person |
|---|---|
| Hartlepool | 14.58 |
| Middlesbrough | 12.85 |
| Gateshead | 12.04 |
| South Tyneside | 11.77 |
| Redcar & Cleveland | 11.31 |
| Durham | 10.75 |
| Newcastle | 9.95 |
| Sunderland | 9.76 |
| North Tyneside | 9.33 |
| Stockton | 8.87 |
| Darlington | 8.80 |
| Northumberland | 7.78 |

Source: Association of North East Councils

5.3 Newcastle City Council have, on behalf on ANEC, analysed the impact of the Government's proposed CTB cuts across the Country. This analysis highlights the relatively high levels of dependency on welfare benefits in the North East and the impact of the Government's policy change which will have the greatest effect within regions like the North East. This is shown clearly on the "heat map" below, which shows areas with the greatest per head of population reduction in CTB as darker colours:




Source: Association of North East Councils

## 6. Local CTS - Proposed Scheme Principles

6.1 The development of a new local scheme will need to be as fair as possible (taking account of the reduced Government funding), reflect the needs of the community, recognising the need to be affordable and also be simple for claimants to understand and to administer to avoid increased costs of operating the local scheme.

6.2 Given the magnitude of the Government grant cut and the financial risks identified in the report, Cabinet will need to consider a number of key principles:

**Principle 1 - Every working age household should pay something towards Council Tax**

Existing CTB claimants will have their current entitlements recalculated and reduced by the overall percentage reduction required to implement a sustainable local Council Tax Support scheme.

**Principle 2 - Everyone in the Household should contribute**

Under the current national CTB scheme, when assessing a claimants entitlement to help, other adults in the claimant's home (ie. non dependants) are treated as contributing towards the council tax bill resulting in a lower level of CTB award. The Government are implementing a programme of increases in non dependant deduction levels and therefore it is not proposed to make any further adjustments in addition to those planned by central government.

**Principle 3 - Benefit should not be paid to those with relatively large capital / savings**

The Local CTS scheme proposes £10,000 as a capital limit ie. claimants with savings greater than £10,000 will have no entitlement. This will ensure that people with significant savings cannot claim support whilst continuing to encourage saving for the future.

**Principle 4 – The scheme should encourage work**

Under the current national CTB scheme claimants are allowed to keep some of their earnings before they are taken into account in the benefit calculation (currently set at £5, £10 and £25 for single person, couple and single parent households respectively). Increasing earnings disregards by £5 per week will further develop work incentives and are consistent with CTS schemes being developed by other Councils.

**Principle 5 – Streamline / Simplify the Local CTS Scheme**

In defining its local scheme, the Council can implement changes that will assist in administration and provide greater clarity and ease of understanding for claimants. In this regard it is proposed that the local scheme amends some aspects of the current national CTB scheme ie. removal of 2$^{nd}$ Adult Rebate, and restricting backdating to a maximum of 4 weeks.

**Principle 6- Retain War Widows / War Pensions local disregards framework**

Under the national CTB regulations Local Authorities are required to disregard the first £10 per week of War Pension Scheme and Armed Forces Compensation Scheme payments. In addition local authorities have the discretion to top up the disregard to the full amount. This discretionary top up is currently applied by Hartlepool and it is proposed that the existing arrangements are carried over to any local CTS scheme.

6.3 Many councils are seeking to establish as part of their arrangements a discretionary CTS scheme resource that can be used to reduce the effects of extreme hardship as households respond to the changes. The level of the fund will depend on the local Council Tax Scheme which is adopted and this is addressed in the next section. This fund will be a cash limited annual budget. Therefore, robust criteria will need to be adopted to manage this budget and it is recommended that the existing arrangements for assessing eligibility for Discretionary Housing Payments (DHP) should be adopted.

## 7. Financial Modelling

7.1 The replacement of the current national CTB scheme and funding arrangements with a local Council Tax Support scheme from April 2013 transfers a significant additional financial risk to the Council owing to the impact of the following factors which will need managing:

- Impact of Government CTB grant cut;
- Potential increases in demand for Council Tax Support;
- The impact on collection rates from reducing existing Council Tax support to low income households. This is a significant issue and the greater the cut in existing Council Tax support the greater the impact on collection rates.

7.2 The impact on Council Tax collection rates of reducing existing CTB is expected to be one of the most challenging aspects of these changes. The Council operates effective arrangements covering the collection of Council Tax which underpin its financial strategies. In 2011/12, 97.2% of Council Tax due for the year was collected by 31st March and typically after 5 years this will rise to 99.2%. However, a local CTS scheme will involve households either receiving council tax bills with amounts due for the first time (ie. where previously they paid nothing under the national CTB scheme) or higher amounts of Council Tax to pay. Recovery of these amounts of Council Tax will be significantly more difficult owing to pressure on household budgets therefore collection rates will be much less certain and this will also have implications for bad debt provisions. This is an unprecedented change and the only experience of a similar nature was the impact on collection rates when the Community Charge (Poll Tax) was introduced in 1990 which required Councils to collect a local tax from individuals who had not previously had to make such payments. Reduced collection rates for Community Charge impacted on Council's budgets and were one of the factors which resulted in this system being replaced with Council Tax in April 1993.

7.3 The risks detailed above have been reflected in the financial models in the following paragraphs, although current planning assumptions will need close monitoring and regular review in light of actual experience in 2013/14. Collection costs associated with claimants on low incomes paying small amounts will inevitably increase and collection will be time consuming and difficult especially as households will be affected also by the wider welfare reforms. This position reflects the fact that from April 2013, the Council will need to collect new or small amounts of Council

Tax from 8,600 working age households, which equates to a 15% increase in the number of households the Council will need to collect Council Tax from. In practical terms these amounts are less likely to be paid by monthly direct debit, which is the preferred and lowest cost option for collecting Council Tax. Therefore, increased collection capacity may become a budget pressure in future years, although every effort will be made to manage the increased workloads within existing resources.

7.4 For 2013/14, the Council faces a forecast funding shortfall of 14%, which equates to £1.62m and this is forecast to increase to £2.71m by 2016/17. These deficits are owing to the known Government grant cuts for 2013/14 and 2014/15, the expectation of a cash freeze in grant funding in 2015/16 and 2016/17 and the impact of assumed annual Council Tax increases of 2.5% on the costs of providing Council Tax support to all households, including low income pensioners, as summarised below:

| | 13/14 £m | 14/15 £m | 15/16 £m | 16/17 £m |
|---|---|---|---|---|
| HBC share of forecast Council Tax Support at existing levels | 11.56 | 11.85 | 12.15 | 12.45 |
| Forecast Council Tax Support Grant + Floor Ceiling Adj (13/14 only) | (9.94) | (9.74) | (9.74) | (9.74) |
| Gross Funding Gap | 1.62 | 2.11 | 2.41 | 2.71 |

7.5 The above forecasts are based on claimant levels remaining broadly at existing levels. Caseloads for pensioner claims have remained broadly unchanged since July 2009. For working age claimants the number of claims increased between April 2009 and April 2010 and then remained broadly stable until October 2011. There was then a further increase of just over 1.5% between October 2011 and January 2012, since which time caseloads have remained broadly unchanged. As detailed earlier in the report the MTFS forecasts included £0.4m in 2013/14, increasing to £0.8m in 2014/15 to cover the pressure on this budget from the impact of annual Council Tax increases of 2.5% and potential increases in demand from existing levels of 1% each year, which is a prudent estimate, although this will need to be managed carefully over the next two years. The pressure included in the MTFS provisions partly mitigated the gross funding gaps detailed above.

7.6 The Council will be able to further mitigate the funding gap by implementing a range of changes to exemptions which should increase Council tax income on a sustainable basis by £0.3m per annum, as detailed at 4.3. For planning purposes it is assumed Members will approve these proposals. Achieving this income will be challenging as it is based on an assessment of current level of exemptions granted and these may change.

7.7 After reflecting the above factors the Council still faces a forecast funding gap of £0.92m for 2013/14, which is forecast to increase to £1.61m by

2016/17. These are the net deficits if a local Council Tax Support Scheme is not implemented and the Council is required to fund a default scheme from the General Fund budget, which would increase the forecast budget deficits previously reported.

| | 13/14 £m | 14/15 £m | 15/16 £m | 16/17 £m |
|---|---|---|---|---|
| Gross Funding Gap | 1.62 | 2.11 | 2.41 | 2.71 |
| Pressure included in MTFS | (0.40) | (0.80) | (0.80) | (0.80) |
| Changes to existing Council Tax exemptions' | (0.30) | (0.30) | (0.30) | (0.30) |
| Net Funding Gap | 0.92 | 1.01 | 1.31 | 1.61 |

7.8 The above deficits will either need to be bridged by funding these additional costs from the General Fund budget, which will require additional budget cuts, or by reducing the existing level of CTB support. Members have previously indicated that owing to the overall financial position of the Council that the net deficit will need to be addressed by reducing the existing level of CTB support.

7.9 Therefore, proposals have been developed on this basis. These proposals have considered the impact that cuts in existing CTB support will have on individual households and to mitigate extreme financial hardship the proposals include funding for discretionary Council Tax support. Detailed arrangements for managing this funding will need to be developed and it is recommended that these arrangements reflect the principles currently adopted for 'Discretionary Housing Payments', as this will ensure a robust and systematic approach is adopted.

**7.10 Option 1 – 20% Reduction in Council Tax Support**

This proposal considers the impact of a 20% reduction in Council Tax support and includes a provision of £0.23m in 2013/14 to help mitigate extreme financial hardship. This level of support is not sustainable within the existing level of funding after 2013/14 and this is reflected in the summary below. If Members wish to maintain this level of support an additional budget pressure will need to be included in the MTFS and this will increase the budget savings which need to be implemented. It is recommended that this position is reviewed during 2013/14 when an assessment of the new arrangements can be made.

7.11 Provided costs are in line with the budget forecasts the model based on a 20% reduction should avoid there being any call in 2013/14 and 2014/15 on the one-off funding set aside from the 2011/12 outturn, of £1.197m, to manage the transition to a local scheme in 2013/14. As this position is not guaranteed it is recommended that this amount is held as an uncommitted contingency until the new system has bedded in and a comprehensive review has been completed. Assuming this funding is not needed in 2013/14 or 2014/15 the financial modelling indicates that this funding will begin to be committed to funding a local CTS scheme from 2015/16. In the longer term this will not be sustainable and this one-off funding will need replacing if actual costs behave as forecast.

**Impact 20% Council Tax Support cut**

| | Reserve £m | 13/14 £m | 14/15 £m | 15/16 £m | 16/17 £m |
|---|---|---|---|---|---|
| Provision for Discretionary CTS awards | | 0.23 | 0.18 | 0.10 | 0.10 |
| | | | | | |
| **Funding Gap** | | **0.00** | **0.00** | **0.18** | **0.44** |
| Cont to/(from) 2011/12 CTB Transitional Support Reserve | | 0.00 | 0.00 | (0.18) | (0.44) |
| **Net Funding Gap** | | 0.00 | 0.00 | 0.00 | 0.00 |
| | | | | | |
| Balance 2011/12 CTS Transitional Support Reserve | 1.20 | 1.20 | 1.20 | 1.02 | 0.58 |

## 7.12 Option 2 – 15% Reduction in Council Tax Support

This proposal considers the impact of an initial 15% reduction in Council Tax support and includes a lower provision of £0.1m in 2013/14 to help mitigate extreme financial hardship. This model is less sustainable than a scheme based on a 20% reduction as it requires a contribution from the resources set aside from the 2011/12 outturn to manage the transition to a local scheme from 2013/14 and increasing contributions in the following three years. A scheme based on a 15% reduction is not anticipated to be financially sustainable and will require further cuts in Council Tax Support to be implemented in 2015/16 to make the scheme financially sustainable. This option simply delays the timing of a 20% cut in Council Tax support by 2 years. This approach would increase financial risk to the Council as it would commit a significant element of this one-off funding over the three years 2013/14 to 2015/16, which would mean this funding is not available to manage the financial risks of implementing a local CTS scheme.

**Impact 15% Council Tax Support cut**

| | Reserve £m | 13/14 £m | 14/15 £m | 15/16 £m | 16/17 £m |
|---|---|---|---|---|---|
| Provision for Discretionary CTS awards | | 0.10 | 0.10 | 0.10 | 0.10 |
| | | | | | |
| **Funding Gap** | | **0.06** | **0.09** | **0.35** | **0.70** |
| Cont to/(from) 2011/12 CTB Transitional Support Reserve | | (0.06) | (0.09) | (0.35) | (0.70) |
| **Net Funding Gap** | | 0.00 | 0.00 | 0.00 | 0.00 |
| | | | | | |
| Balance 2011/12 CTS Transitional Support Reserve | 1.20 | 1.14 | 1.05 | 0.70 | 0.00 |

## 7.13 Recommended option for reducing Council Tax Support

7.14 Taking account of the factors detailed in the previous paragraphs, in particular the increased financial risks to the Council from the abolition of the national CTB scheme and associated grant cuts, it is recommended that a scheme based on a 20% reduction is put forward for consultation.

7.15 This option will reduce financial risk to the Council and should provide the most sustainable scheme for future years. Addressing these issues in the initial scheme design is critical as once a local Council Tax Support scheme has been approved for a particular financial year, it cannot be amended within that financial year and the financial risks then transfer to the main General Fund budget.

7.16 This option will provide £0.23m in 2013/14 for Discretionary Council Tax Support and it is recommended that arrangements for managing this funding are developed and based on the principles currently adopted for Discretionary Housing Payments.

7.17 It is also recommended that the Council implements a lower capital/savings threshold as set out in section 6.2 under Principle 3 and implements changes to 2nd Adult Rebate and Backdating as set out in Principle 5 Section 6.2. The resulting savings should be applied to implement measures to encourage work as set out in paragraph 6.2 under Principle 4. .

7.18 This proposal also recommends retaining the existing war widows / war pension local disregards when determining eligibility for Council Tax Support from April 2013.

## 8. Scrutiny Coordinating Committee (SCC)

8.1 Council resolved that an 'SCC Localising Council Tax Benefit Working Group' should be established to consider the impacts of introducing a local CTS scheme within the context of the forecast reduced level of government funding. This group has extensively explored the implications of the Government's proposals in terms of the impact on households and the potential options for developing a local scheme within the reduced funding available. .

8.2 A separate SCC report is on today's Cabinet agenda for consideration as part of the development of a draft local CTS scheme to be agreed by Cabinet prior to the formal consultation process.

## 9. Consultation and Equalities Impact Assessment

9.1 Consultation is a requirement of developing a local scheme to increase awareness, understanding and the impact of changes to CTS amongst stakeholders, including residents, claimants and representative groups. The consultation process will facilitate an appreciation of stakeholder views on the principles of the proposed scheme and will support the delivery of the council's Equality Impact Assessment responsibility.

9.2. It is important to operate arrangements that will engage and illicit a broad balance of views and that will provide a reliable insight and real opportunities for interested stakeholders to comment. The following methods are proposed with a main phase of engagement being in the period September to October 2012:

- September Hartbeat, double page article providing links to the Council's website
- Survey feedback via the website;
- Engagement with Advice and Welfare Groups, Neighbourhood Forums for their views and comments.

The consultation process will be supported by the Corporate Strategy Division and the results of consultation will be reported to Scrutiny for information and to Cabinet for full consideration.

9.3 The consultation will seek views on the proposed 20% reduction in existing Council Tax support and the principles detailed in paragraph 6.2.

9.4 An initial Equality Impact Assessment of the proposals outlined in the report has been completed. This will be reviewed following the consultation period and will inform the development of the final scheme.

## 10. Project Timetable

10.1 Although the primary legislation has not passed through parliament it is important that that the council has a robust proactive project plan for dealing with this challenge. The council's latest proposed timelines are set out below and against a background of an ambitious government legislative timetable:

**Proposed Local CTS Timeplan**

| | |
|---|---|
| SCC Working Group CTS Options Review | July – Aug 12 |
| Cabinet determination of Draft CTS Scheme | Sept 12 |
| Consultation on Draft CTS Scheme | Sept – Oct 12 |
| Cabinet determine CTS scheme refer to Full Council | Dec 12 |
| CTS scheme considered by Full Council | Jan 13 |
| IT system amendments / testing | Jan 13 |
| Communication of New Policy to claimants | Jan – Feb 13 |
| 2013/14 Council Tax Bills produced / issued | Feb 13 – Mar 13. |

## 11. CONCLUSION

11.1 The Government's decision to replace the current national Council Tax Benefit scheme with a local Council Tax Support scheme from April 2013 will transfer a significant additional financial risk to councils. This would be an extremely challenging change in normal circumstances for councils to manage. However, managing this change with a headline national funding reduction of 10% and against a background of continued economic uncertainty will be extremely challenging. Further more the Government's financial model assumes that demand for Council Tax support will reduce over the next two years. This is unlikely in the short-term as the Governor of the Bank of England recently indicated the UK economy will have zero growth in 2012 and then lower growth than previously anticipated in the following few years.

11.2 For Hartlepool the initial grant cut is 14%, which reflects higher anticipated Council Tax Benefit costs in 2013/14 based on existing claimant levels and forecast increases in council tax in 2013/14, which are not reflected in the Government's forecasts and provisional grant allocations. Many other councils particularly those serving deprived communities are forecasting similar initial grant cuts. This funding shortfall will increase in future years as the grant councils receive from the Government towards the cost of Local Council Tax Support schemes will be frozen in cash terms.

11.3 When account is taken of the statutory requirement to protect low income pensioners, a principle Cabinet has previously indicated they support, the Council faces an unavoidable and extremely difficult decision about how the Government grant cut is managed. Cabinet has previously indicated that owing to the existing General Fund budget deficits that the CTB grant cut will need to be funded by implementing a Local Council Tax Scheme within the reduced funding allocation. The scale of this cut has been partly mitigated by the proposed changes to existing Council Tax exemptions and the pressure included in the Medium Term Financial Strategy for 2013/14 and 2014/15. Without these measures a cut of 28% would have been required.

11.4 The changes to CTB will be challenging for councils serving communities with relatively high levels of deprivation, including Hartlepool where 1 in every 3 households is currently receiving some level of support with their council tax bills. These changes will impact directly on the individual and the local economy from reduced spending power.

11.5 The main risks from these changes to the Council's financial position will be:

- the impact of increased in-year demand which will need to be funded from the General Fund budget, as once a local Council Tax Scheme is set it cannot be changed until the following year; and

- the impact on Council Tax collection rates and the costs of collection from a significant increase in the number of households Council Tax payments need to be collected from, many of which will be receiving a Council Tax bill for the first time as a local Council Tax Scheme will not cover the full cost of Council Tax.

11.6 The Council is required to consult on a draft local Council Tax Support scheme and the report recommends that this should be based on a 20% reduction in existing support for households currently receiving Council Tax Benefit, with the exception of low income pensioners which councils are required to protect.

11.7 This proposal should enable the council to implement a sustainable scheme for the period of the current MTFS 2013/14 to 2016/17. However, the local scheme will need to be closely monitored to ensure actual claimant numbers and collection rates are in line with current forecasts as any variances will either require the Council to revise the local scheme or result in an additional General Fund budget pressure. Based on current forecasts this proposal should not require any support in 2013/14 from the one-off funding allocated to support the transition to a local Council Tax Support.

11.8 As this position cannot be guaranteed it is recommended that this one-off funding is not committed until the actual costs of operating a local Council Tax Support scheme in 2013/14 are known and a comprehensive review has been completed. This information will enable a longer term view of the sustainability of the local CTS scheme to be undertaken, which will provide the basis for changes which may be necessary for 2014/15 and future years.

11.9 Following completion of public consultation a further report will be submitted to Cabinet to agree the final proposal to be referred to full Council for approval before the statutory deadline of 31st January 2012. If a local scheme is not approved by full Council by this deadline the Council will be forced to adopt the default scheme for 2013/14 and this will result in an unbudgeted gross pressure of £1.62m.

## 12. RECOMMENDATIONS

12.1 It is recommended that Cabinet approves the following proposals to form part of the overall consultation proposals and to note that these issues will be referred to Council in January 2013 for consideration and approval:

i) Approve the implementation of the reduced Council Tax exemptions detailed in paragraph 4.3 and the allocation of the resulting additional income to partly mitigate the impact of the Government Council Tax Benefit grant cut in 2013/14 and future years;

ii) Approve the proposal to passport an element Council Tax Support grant from 2013/14, estimated total value £800, to Parish Councils and authorise the Chief Finance Officer to advise the Parish Council's of this position and the implications for Council Tax levels for Parish Councils;

iii) Approve the consultation proposal to implement a 20% reduction in existing Council Tax Support based on the principles detailed in section 6.2 and the following supporting measures:

- To provide £0.23m in 2013/14 for Discretionary Council Tax Support and the development of detailed arrangements for managing this funding based on the principles currently adopted for Discretionary Housing Payments;
- Maintaining the existing local war widow / war pension disregards;
- The implementation of changes to streamline / simplify the administration of a local CTS scheme as set out in section 6.2 under Principle 5;
- The implementation of a lower capital/savings threshold as set out in section 6.2 under Principle 3 and the allocation of the resulting saving together with those arising under Principle 5 to implement measures to encourage work as set out in paragraph 6.2 under Principle 4.
- Authorise the Chief Finance Officer to complete the consultation process as detailed in paragraph 9 and to report the consultation response back to Cabinet;

iv) Assuming (iii) is approved to note that the one-off Council Tax Scheme Transitional Support Reserves of £1.197m, established from the 2011/12 outturn, is not anticipated to be needed in 2013/14 and should be retained until the actual costs of operating a local Council Tax Support scheme in 2013/14 have been assessed and the position of financial risks of operating the new local Council Tax Support scheme are more certain.

## 13. REASONS FOR RECOMMENDATIONS

13.1 To allow Cabinet to refer this in principle decision to formal consultation.

## 14. APPENDICES AVAILABLE ON REQUEST, IN THE MEMBERS LIBRARY AND ON-LINE

14.1 Not Applicable

## 15. BACKGROUND PAPERS

15.1 Cabinet report 11 June 2012 – Localisation of Council Tax Benefit.

## 16. CONTACT OFFICER

John Morton
Assistant Chief Finance Officer
01429 523093
John.morton@hartlepool.gov.uk

# CABINET REPORT

**3 September 2012**

**Report of:** Corporate Management Team

**Subject:** QUARTER 1 – COUNCIL OVERVIEW OF PERFORMANCE AND RISK 2012/13

**1. TYPE OF DECISION/APPLICABLE CATEGORY**

Non Key

**2. PURPOSE OF REPORT**

2.1 To inform Cabinet of the progress made against the Council's 2012/13 Corporate and Departmental Plans, for the period ending 30 June 2012.

**3. BACKGROUND**

3.1 The Corporate Plan was agreed by Council on 12 April 2012 and the three Departmental Plans were agreed by Cabinet on 19 March 2012.

3.2 All of the plans contain an action plan setting out how the Council proposes to deliver the Council's priority outcomes. Key Performance Indicators are also included which can then be used to monitor progress throughout the year and at year end. Departmental Plans also contained a section listing the Risks that could prevent the department from delivering the priority outcomes.

3.3 The Council's Performance Management System (Covalent) is used to collect and analyse progress against the actions, performance indicators and risks detailed in the Corporate Plan and the three Departmental Plans. The information in the system was used to prepare this report.

3.4 The structure of the report is:

| Paragraphs | Content |
|---|---|
| 4.1 – 4.9 | Council Overview of Performance and Risk |
| 5.1 – 5.9 | Child and Adult Services Departmental Plan Update |
| 6.1 – 6.10 | Regeneration and Neighbourhoods Departmental Plan Update |
| 7.1 – 7.8 | Chief Executives Department Update |
| 8.1 | Recommendations |

## 4. COUNCIL OVERVIEW OF PERFORMANCE AND RISK

4.1 In total the three departmental plans for 2012/13 include 181 actions and 173 performance indicators to deliver and measure improvements across key priority areas (outcomes) identified in the Community Strategy and Council Corporate Plan.

4.2 Of the 173 indicators, 94 had targets set and the remaining 79 were for monitoring purposes only. 52 of the 94 targeted indicators are collected quarterly, and the remaining 42 are collected annually. Only the 52 targeted indicators that are monitored quarterly are included in the analysis for this report.

4.3 Officers have assessed the indicators and actions included in the plans, making judgements based on progress to the 30 June 2012. Progress is categorised as: -

- **PI target achieved or Action completed**
- **PI on track to achieve target or Action on track to be completed**
- **PI/Action having made acceptable progress**
- **PI/Action requiring intervention**
- **PI Target not achieved or Action not completed.**

4.4 The Corporate Plan addresses the key priorities and issues facing the Council, and includes an action plan that draws the key actions and performance indicators from the Council's three Departmental Plans. The 2012/13 Corporate Plan includes 65 actions and 20 performance indicators (that have targets and are monitored quarterly).

4.5 Charts 1 and 2 below summarise officers' assessments of the Corporate Plan actions and indicators (that have targets **and** are measurable throughout the year). As at 30 June 2012, the position was a positive one, with: -

- 61 actions (92%) have already been completed or assessed as being on target to be achieved by their scheduled completion date;
- 12 performance indicators (60%) have been assessed as being on track to achieve their year end target;
- 3 actions (5%) and 3 performance indicators (15%) have been assessed as having made acceptable progress;
- 1 action (2%) and 1 indicator (5%) have been assessed as requiring intervention, and further information relating to these can be found later in the report – see paragraphs 6.4 and 6.7;
- There are 4 indicators where a judgement has not been made, and the reasons for this are detailed in the relevant Departmental Plan sections later in the report.

Chart 1: Corporate Plan Action Progress for period to 30 June 2012.

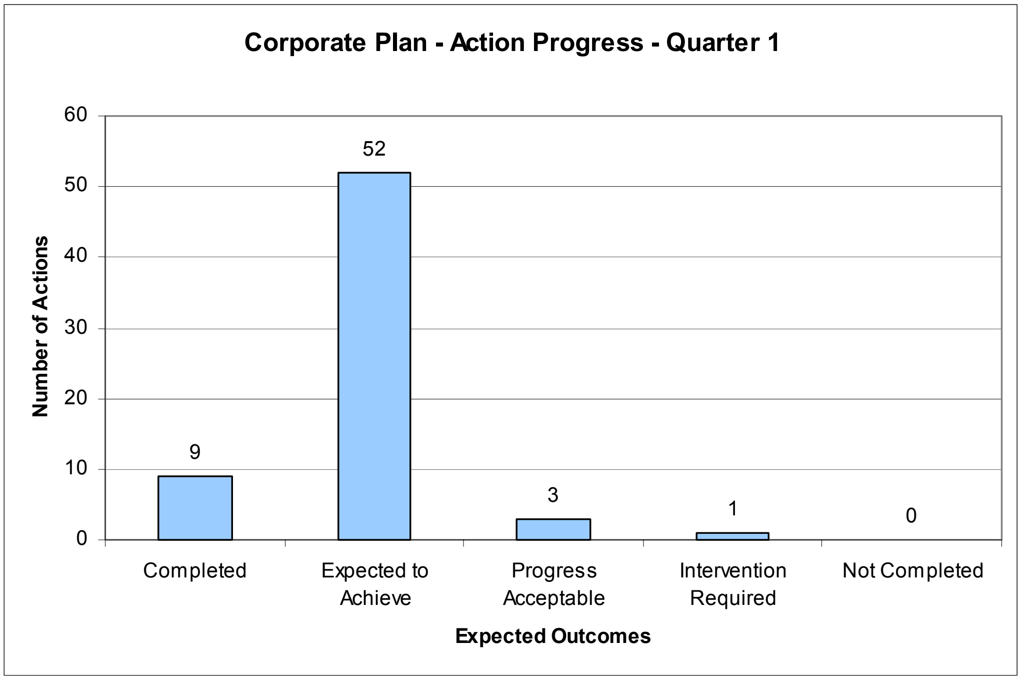
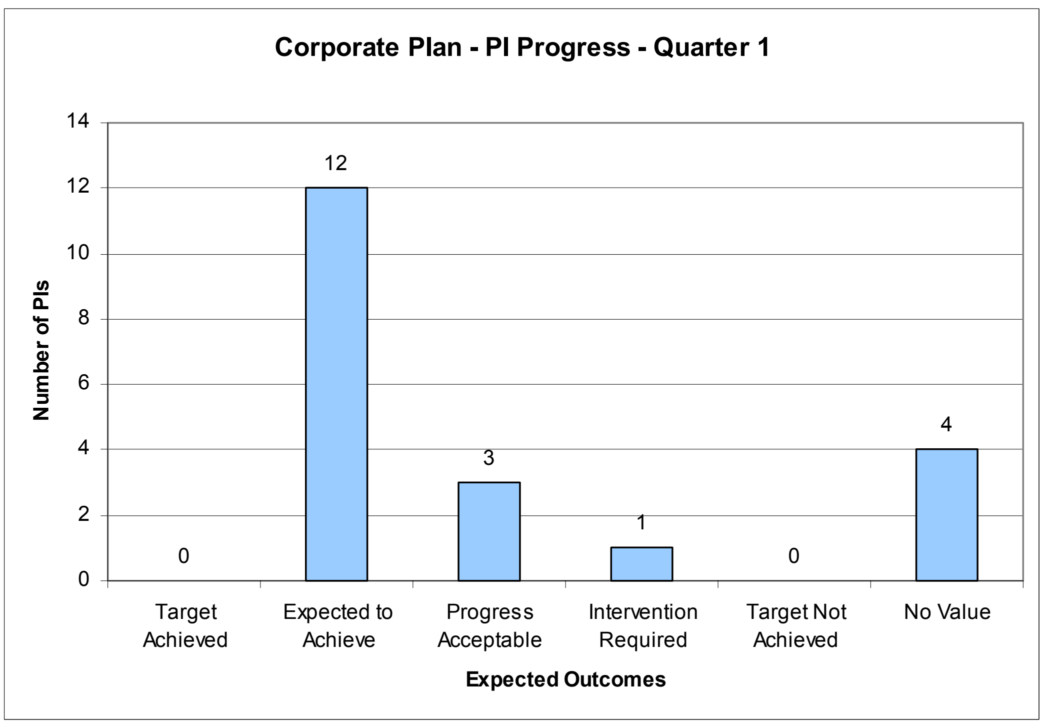



Chart 2: Corporate Plan PI Progress for period to 30 June 2012




4.6 As previously stated (paragraphs 4.1 and 4.2) the three Departmental Plans include 181 actions and 52 performance indicators that can be monitored on a quarterly basis and have had targets set. Progress is illustrated in Charts 3 and 4.

4.7 Across all 3 Departmental Plans progress is good as demonstrated in Charts 3 and 4:

- Over 94% of actions (171 actions) are on track to be achieved;
- 4% (8 actions) have been assessed as having made acceptable progress;
- A further 2 actions (1%) have been flagged as requiring intervention. Further information relating to these actions can be found later in the report (paragraph 6.4);
- 43 indicators (83%) have been assessed as being on track to achieve their year end target or having made acceptable progress;
- Over 61% of PIs have been assessed as being on track to achieve their year end target;
- Of the remaining 5 indicators 1 (2%) has been flagged as requiring intervention and more information is included later in the report (see paragraph 6.7);
- The remaining 4 indicators can not be assessed at this stage as all have a 'time-lag' on the performance data which means that quarter 1 data is not available at the time of writing this report, and therefore a judgment on whether or not year end target will be achieved can not be made at this time.

Chart 3 – Departmental Plans Overall Action Progress for period to 30 June 2012

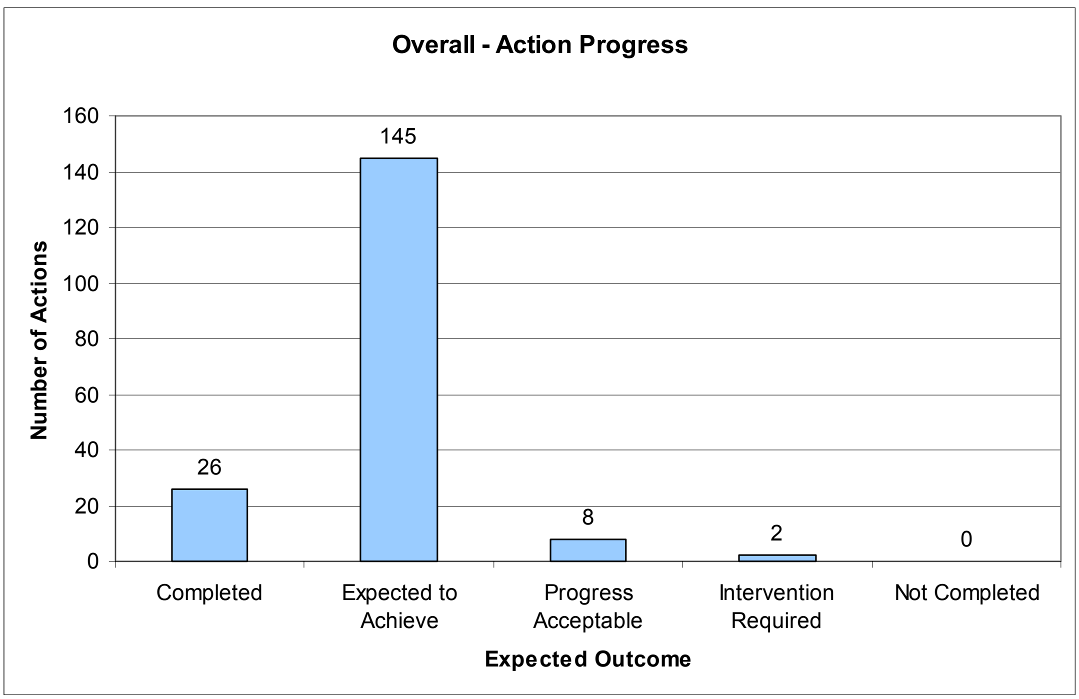
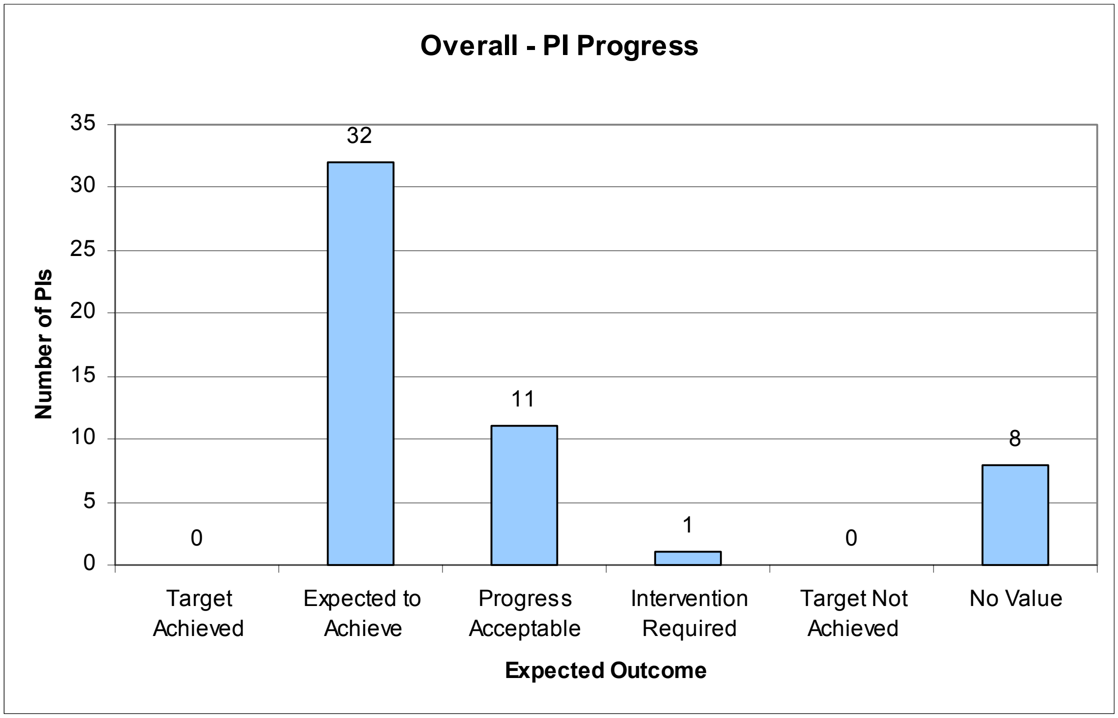


Chart 4 – Departmental Plans Overall PI Progress for period to 30 June 2012




4.8 87 strategic risks have been identified across the Council. These are being managed in accordance with the Council's Risk Management Framework as agreed by Performance Portfolio Holder on 23 March 2011. This splits risks into two categories:

- Actively Managed Risks: those where additional control measures are being pursued or need highlighting and monitoring through senior managers and elected members; and
- Accepted Risks: those risks that have been identified by departments as under control.

4.9 Accepted risks continue to be monitored by individual departments to ensure the risk is kept at an acceptable level. Sections 5.8, 6.9 and 7.6 of this report provide an update on the Actively Managed Risks.

## 5. CHILD AND ADULT SERVICES DEPARTMENTAL PLAN UPDATE

5.1 The Child and Adult Departmental Plan contributes to 11 outcomes, spread across 6 themes:

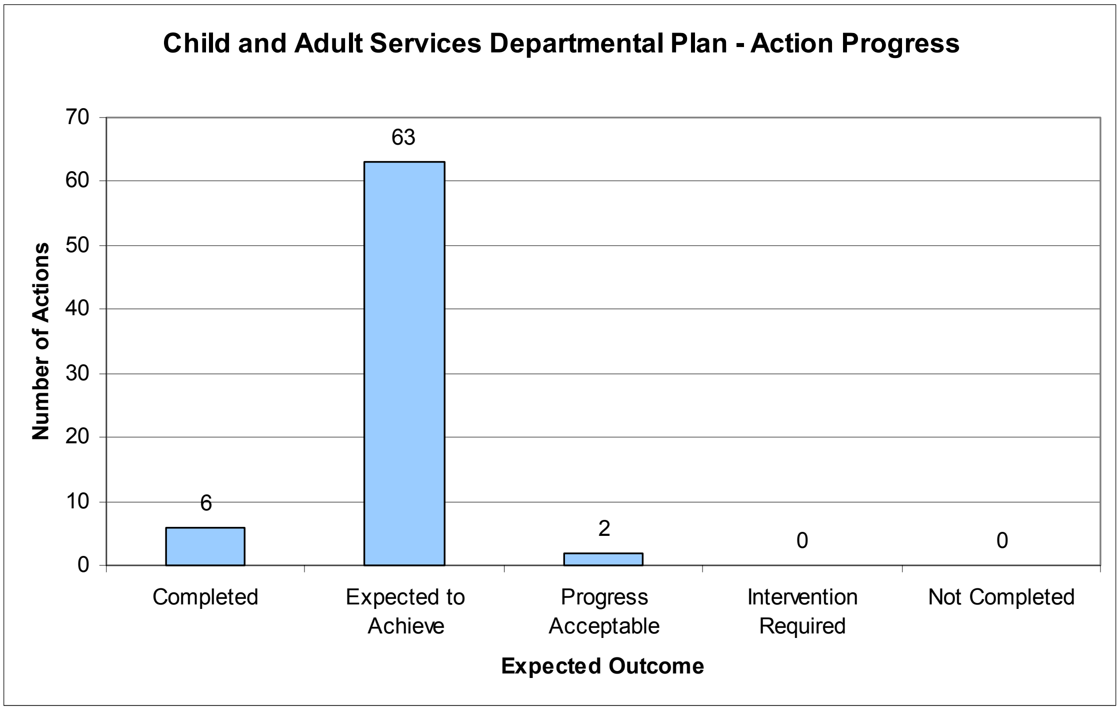
- Jobs and the Economy
- Lifelong Learning and Skills
- Health and Wellbeing
- Community Safety
- Culture and Leisure
- Strengthening Communities

5.2 Included in the Departmental Plan are 71 actions and 90 performance indicators spread across 11 outcomes. In addition the department has identified 17 strategic risks that are included in the Council's Risk Registers.

5.3 As can be seen in chart 5 overall progress is good with:

- 69 actions (97%) having been completed or assessed as being on target to be achieved by their scheduled completion date;
- Two of the remaining actions have been flagged as having made acceptable progress;

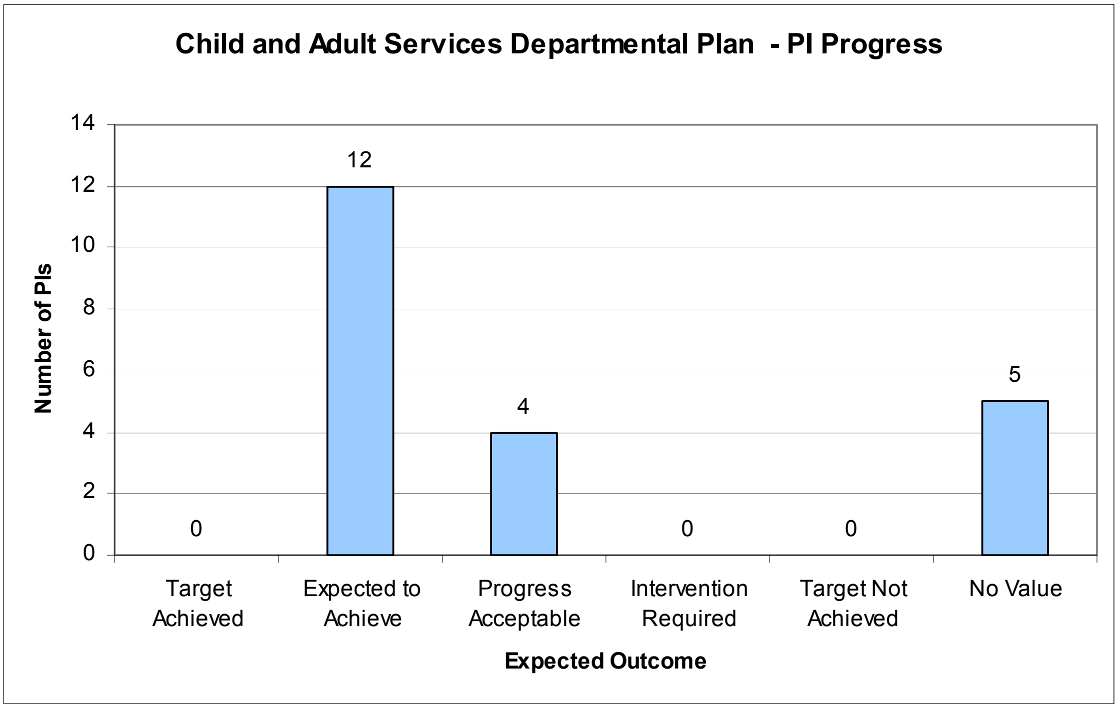
Chart 5: CAD Overall Action Progress – to 30 June 2012




5.4 Chart 6 summarises officers' assessments of the 21 Performance Indicators that have targets **and** are measurable throughout the year. As at 30 June 2012, the position was a positive one, with:

- 12 indicators (57%) being assessed as being on track to achieve their year end target;
- A further four indicators (19%) having been assessed as having made acceptable progress;
- The remaining 5 indicators (19%) have no performance data available for the period up to 30 June 2012 at this stage. This is due to the indicators having a 'time-lag' before data can be published and as a result no judgement can be made at the time of preparing this report as to whether year end target will be achieved.

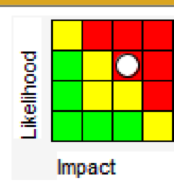
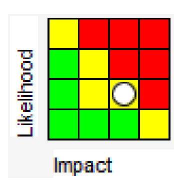
Chart 6: CAD Targeted Performance Indicators – Progress to 30 June 2012

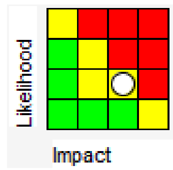
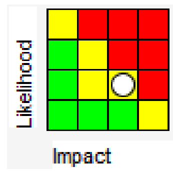
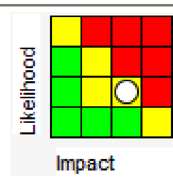
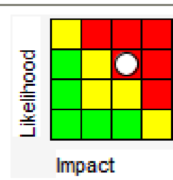
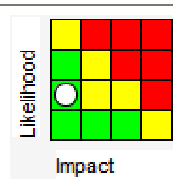
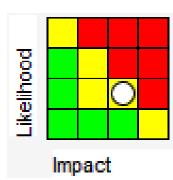
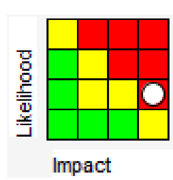


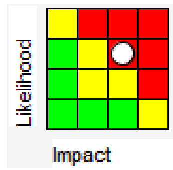

5.5 A further 69 indicators have targets which can only be assessed at the year end or are for monitoring purposes only.

5.6 There are 7 risks on the Accepted Risk Register within the Child and Adult Services Department and a further 10 on the Actively Managed Risk Register. The table below provides a summary of the position of the risks on the Actively Managed Risk Register along with details as to what action is being taken with regard to these risks.

Table 1: CAD Actively Managed Risks 2012/13

| Code | Title | Current Risk Matrix | Latest Note |
|---|---|---|---|
| CAD R001 | Service issue as a result of insufficient budget allocation or changes in national funding/grants (Actively Managed) |  | Additional capacity has been built in to the schools improvement service as from September 2012, as schools have provided a source of funding to support improvement work, however the overall risk to the service generally remains. |
| CAD R002 | Increased demand on services due to demographic pressures and current economic climate (Actively Managed) |  | Risk status remains unchanged. Early indications are that reablement services are working effectively with 66% of people having no ongoing support needs following a period of reablement. Increasing complexity of cases continues to create workload pressure within social work teams and there is a particular pressure emerging in relation to care home placements for older people with EMI needs such as dementia. |

| Code | Title | Current Risk Matrix | Latest Note |
|---|---|---|---|
| | | | Services that support the management of such pressures may be at risk if funding is not secured in the longer term. |
| CAD R003 | Failure to provide statutory services to safeguard children & vulnerable adults and protect their well-being. (Actively Managed) |  | Revised child protection procedures launched by safeguarding board. Staff receive appropriate training, supervision and support. |
| CAD R004 | An increase in the number of schools falling below Performance Achievement Standard (Actively Managed) |  | A number of schools have been identified in June 2012 as been at risk of falling below national expectations; again this will be reviewed in September 2012. Any school still at risk will fall under the support offered through the recently revised Hartlepool Schools causing concern policy. |
| CAD R005 | Failure to meet the statutory duties and requirements vested within the Child and Adult Services department (Actively Managed) |  | All statutory duties continue to be met, but must be regularly reviewed as local and national budget cuts impact on services offered. |
| CAD R006 | Alcohol investment does not enable the provision of sufficient services to meet the increased level of need. (Actively Managed) |  | PCT funded QIP programme (re gap analysis and recommendations for improvement) to be completed August. Business case produced thereafter. Some flexibility in national drug funding allocation for alcohol services. |
| CAD R007 | Adverse publicity and community tension (e.g. in regard to reintegration of drug users,/offenders back into community, drug related deaths, establishing community services/Pharmacist) (Actively Managed) |  | Ongoing work through PCT to develop Healthy Living Pharmacies to increase services for substance misusers. Harm Minimisation programme of information and events planned |
| CAD R008 | Damage / Disruption due to violence to staff, health & safety incidents or poor working conditions (Actively Managed) |  | Violence to staff procedures and guidance have been reviewed corporately and are with the trade unions for approval. Training is ongoing via the H&S wellbeing team. The VAS group meet on a monthly basis to review EPR entries. All teams have procedures in place for out of office and out of hours working, the lone working policy currently being reviewed by out of office H&S meeting. |
| CAD R009 | Failure to plan future needs and be able to respond to market pressures. (Actively Managed) |  | No change to risk score. Pressure continues on placements for looked after children, continued expansion of capacity of fostering service to support placement requirements. Recent business case agreed by Cabinet to develop children's home in Hartlepool. |

| Code | Title | Current Risk Matrix | Latest Note |
|---|---|---|---|
| CAD R011 | Failure to work in effective partnerships with NHS, including risk of cost shunting. (Actively Managed) |   | From an adult social care perspective there continues to be concern in relation to continuing healthcare funding and ensuring that people's health care needs are appropriately assessed, met and funded. Discussions continue with the PCT to try and ensure that processes work effectively - reducing duplication and the potential for conflict. |

5.9 For the period up to 30 June 2012 the Child and Adult Services Department have identified a number of achievements including: -

- Implement the Early Intervention Strategy – New service delivery model commenced in June 2012. All services identified have been commissioned and commenced delivery. Service starting to take referrals through hub and respond to local need.
- The recent inspection of fostering service identified no statutory requirements, two recommendations for action and one good practice recommendation.
- Early evidence suggests that school leavers are once again taking up the local September guarantee offer. This will once again place us in a strong position to reduce the numbers of young people who are not in education/employment/training in Hartlepool.
- Through the development of the Early Intervention Strategy £400,000pa was secured to support the further development of safe and exciting things to do for local children/young people outside of school time.
- The PCT is participating in the Special Educational Needs pathfinder.
- Following the successful recruitment of staff the British Heart Foundation Younger Wiser project got underway on 1 April 2012. Schools are being encouraged to engage in the project and many attended a BHF training day. The secondary school smoking element – Gibber Theatre in Education has been delivered in all secondary schools and is awaiting evaluation.
- An alcohol programme for offenders was developed and delivered between May 2011 and June 2012. An executive summary of findings is available from the CJIT Manager. All offenders engaged in the programme reduced their level of alcohol consumption, of the 15 individuals who completed the programme, 7 had a reduction in the number of times they were either arrested and/or charged in the period during the intervention compared to the period prior to the intervention.
- The Shadow Health and Wellbeing Board has developed an immunisation strategy to improve uptake rates of the flu vaccination
- Diamond Jubilee and Olympic Torch events successfully delivered

## 6 REGENERATION AND NEIGHBOURHOODS DEPARTMENTAL PLAN UPDATE

6.1 The Regeneration and Neighbourhoods Departmental Plan contributes to 21 outcomes, spread across 7 themes.

- Jobs and the Economy
- Health and Wellbeing
- Community Safety
- Environment
- Housing
- Strengthening Communities
- Organisational Development

6.2 Included in the departmental plan were 59 actions and 50 performance indicators spread across the 21 outcomes. In addition the department has identified 36 risks that are included in the Council's Risk Registers

6.3 As can be seen in chart 7, overall progress is good with:

- 56 actions (95%) having already been completed or assessed as being on track to be completed by the agreed date;
- One further action (2%) has been adjudged to have made acceptable progress;
- The remaining 2 actions (4%) have been flagged as requiring intervention, and these actions are shown in the table 2.

Chart 7: RND Overall Action Progress – to 30 June 2012.

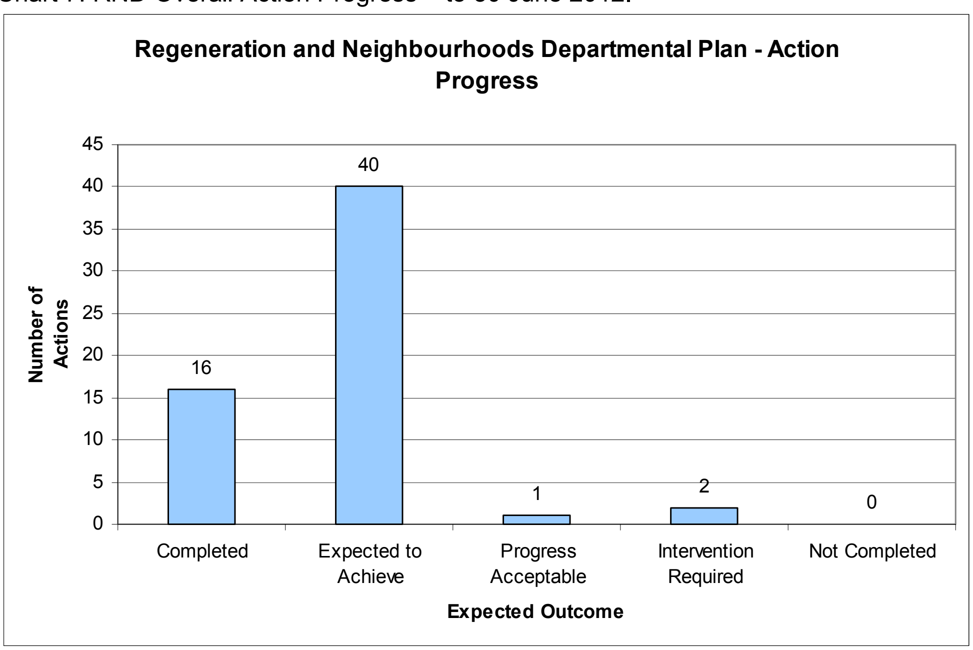


Table 2: RND Actions requiring intervention

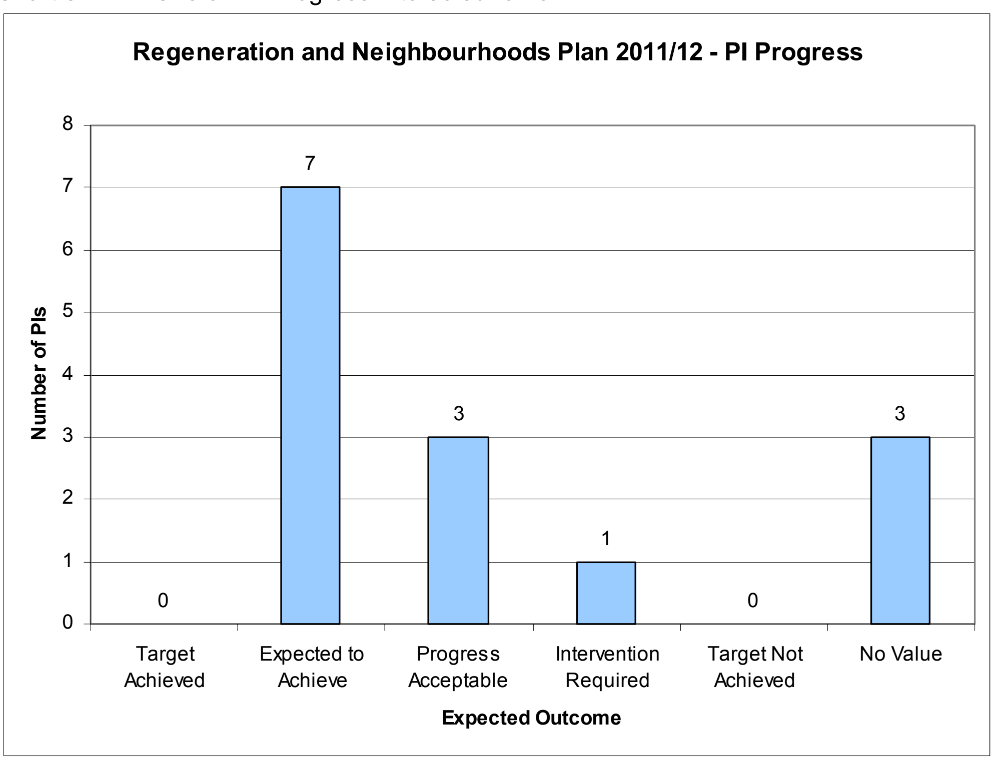
| **Outcome:** Hartlepool has attracted new investment and developed major programmes to regenerate the area and improve connectivity | | | |
|---|---|---|---|
| **Ref** | **Action** | **Due Date** | **Note** |
| RND12/13-JE05 | Undertake examination of the Core Strategy in public. | 31 Jul 2012 | Core Strategy now know as the Local Plan has been submitted to the Secretary of State on the 26/6/12, it is anticipated that the Examination in Public (EIP) will be held October/November 2012, however this is at the discretion of the Planning Inspectorate, initial discussions with the Planning Inspectorate have indicated that the timescale for the EIP is late 2012. It is anticipated that the Inspectors report will be due March 2013 with a view to adopt shortly after. |
| RND12/13-JE06 | Adopt the Core Strategy | 31 Oct 2012 | |

6.4 For the reasons stated in the table above it is proposed to change the due dates of the two actions to: -

- RND 12/13 – JE05 change to 31 December 2012
- RND 12/13 – JE06 change to 31 May 2013

6.5 Chart 8 summarises officers' assessments of the 14 performance indicators that have targets **and** are measurable throughout they year. Three indicators do not have quarter 1 outturns available at the time of preparing this report and so no judgment can be made.

Chart 8: RND Overall PI Progress – to 30 June 2012.



6.6 It can be seen that, as at 30 June 2012, the position was a positive one with:

- 7 indicators (50%) having been assessed as being on track to achieve year end target
- 3 (21%) indicators have been assessed as having made acceptable progress.
- The remaining indicator (7%) has been flagged up as requiring intervention, and further information is provided in Table 3.

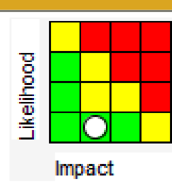
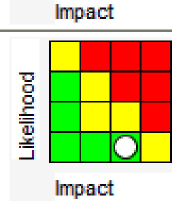
Table 3: RND Performance Indicators requiring intervention

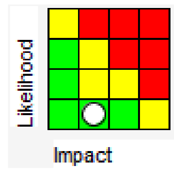
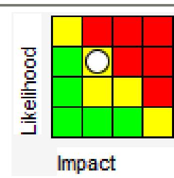
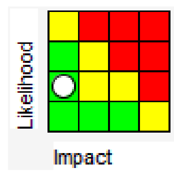
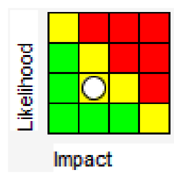
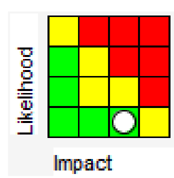
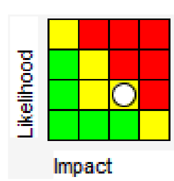
| **Outcome:** 23 Housing services and housing options respond to the specific needs of all communities within Hartlepool | | | | |
|---|---|---|---|---|
| **Ref** | **Indicator** | **2011/12 Outturn** | **Year End Target** | **Note** |
| RND P051 | Number of households where homelessness has been prevented through Local Authority action | 1.92 | 12.00 | During Q1 71 households were prevented from becoming homeless. This equates to 1.92 per thousand households for the quarter which is short of the target for this stage of the year and has triggered a review of all case work outcomes for the period. Despite similar levels of cases being dealt with by the team, the options available to clients have tended to be more limited. |

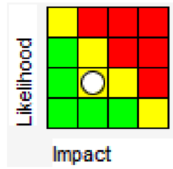
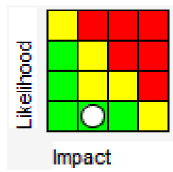
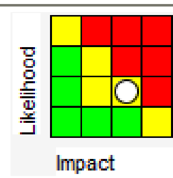
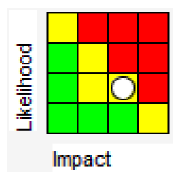
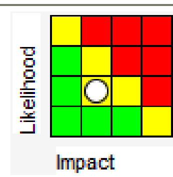
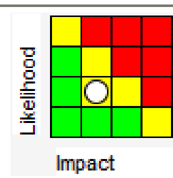
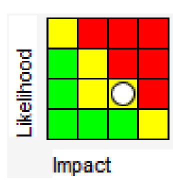
6.7 A further 36 indicators have targets which can only be assessed at the year end or are for monitoring purposes only.

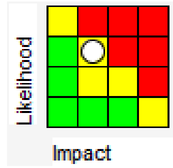
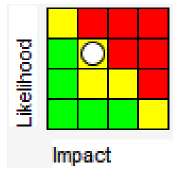
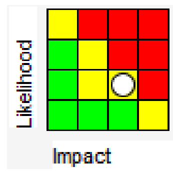
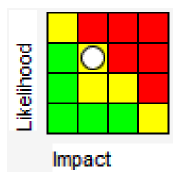
6.8 There are 17 risks on the Accepted Risk Register within the Regeneration and Neighbourhoods Department and a further 17 on the Actively Managed Risk Register. The table below provides a summary of the position of the risks on the Actively Managed Risk Registers along with details as to what action is being taken with regards to these risks.

Table 4: RND Actively Managed Risks 2012/13

| **Code** | **Title** | **Current Risk Matrix** | **Latest Note** |
|---|---|---|---|
| RND R051 | Failure to comply with DDA legislation in Council buildings (Actively Managed) |   | Capital bid approved, works being programmed. |
| RND R052 | Council liability for RTA related accidents resulting from employees driving whilst on council business (Actively Managed) |   | Road Safety Team are now administering the driver training process |

| Code | Title | Current Risk Matrix | Latest Note |
|---|---|---|---|
| RND R053 | Failure to effectively implement selective licensing |  | After one year the management of the scheme has been radically altered and there is now a very low risk of this implementation failing |
| RND R054 | Failure to maintain highway infrastructure to acceptable standard resulting in additional cost implications through insurance claims |  | Likelihood increased to Likely due to ever decreasing funding and rapidly deteriorating infrastructure |
| RND R055 | Failure to provide an effective transport infrastructure for disabled people (Actively Managed) |  | Provision of low floor bus infrastructure continues on an annual basis funded by TVBNI capital investment. All new infrastructure and maintenance programme included provision of dropped crossing facilities with appropriate tactile paving |
| RND R057 | Reduction in funding for Housing Investment |  | Hartlepool has been relatively successful in attracting more resources than expected, therefore in some areas, new affordable housing and bring empties back into use we have over performed. However funding to provide loans and grants to home owners on low incomes remains a stretched although it is being managed effectively |
| RND R059 | Failure to provide a 'sound' Planning Policy Framework leading to a lack of clear planning guidance (Actively Managed) |  | Core Strategy now known as the Local Plan has been submitted to the SoS for examination. The document has been out to consultation during the publication stage comments received from this consultation are currently being assessed, compliance with the recently adopted National Planning Policy Framework (NPPF) has been undertaken and out to consultation. On track to achieve adoption on Core Strategy in 2013, however it is likely to be later than Autumn given the additional NPPF compliance requirements, anticipated EIP October/November 2012. Meanwhile Local Plan 'saved policies' remain in place, the NPPF have given local authorities a year to adopt a Core Strategy. |
| RND R060 | Failure to deliver current regeneration programmes |  | The Council continues to actively influence partners such as JCP and contributes to appropriate consultation processes on national policy. In addition the Council has actively pursued funding opportunities such as RGF and has successfully commenced implementation of the Enterprise Zone where Hartlepool has achieved 33% of the Tees Valley land allocation and has delivered the first |

| Code | Title | Current Risk Matrix | Latest Note |
|---|---|---|---|
| | | | two Tees Valley projects at Queens Meadow, Omega Plastics and Propipe. |
| RND R061 | Inability to meet very high levels of local housing needs including affordable housing |   | In conjunction with the bring empties back into use and the new build by registered providers this risk has been reduced. The housing waiting list has been actively reviewed and is managed so improvements have been made to the numbers waiting and the time taken to be rehoused. |
| RND R062 | Effective delivery of housing market renewal affected by external decisions and funding |   | Scheme has commenced to work on the final HMR site and funding is in place to undertake a scheme by agreement with owners once all the residents trapped on the site are rehoused the final work will be to buy vacant property by agreement and clear the properties this is expected to take place over the next 3 years. |
| RND R063 | Lack of resources to maintain building stock (Actively Managed) |   | No formal budget in 12/13 for capital works. Council Capital Fund Team bids to capital receipt fund. |
| RND R064 | Failure in asset management planning to make best use of assets in terms of acquisition, disposal and occupation (Actively Managed) |   | Medium and long-term accommodation strategy is constantly reviewed through the Council's corporate financial team. Key strategic reports to Cabinet and Scrutiny provide position statements/ proposals to ensure active management of the portfolio |
| RND R079 | Failure to meet the statutory requirements of the Regeneration and Neighbourhoods department (Actively Managed) |   | Legislation continues to be monitored to identify changes and action where appropriate. |
| RND R080 | Failure to monitor and maintain Council owned trees (Actively Managed) |   | Agreed the inspection programme continues, with any remedial work undertaken. Matrix as previous 24/5/12 |
| RND R081 | Failure to provide sound planning advice / enforcement in relation to waste sites in the borough (Actively Managed) |   | Waste sites are complex planning issues, whilst advice is given in good faith, we do not have specialist planning officers who deal with these as their main element of work. Where necessary we do use consultants or Counsel on particular contentious planning issues, as an example Niramax. Monthly meetings to discuss problem sites occur and multi agency visits carried out, group working well albeit some issues can be protracted. |

| Code | Title | Current Risk Matrix | Latest Note |
|---|---|---|---|
| RND R083 | Loss of personal or sensitive data resulting from a lack of information security (RND) |   | Support Services continue to promote good practice and work with managers to ensure Information Security is actively managed. For example, recent work in ITU has considerably strengthened arrangements in that area. Dept representatives continue to attend the corporate group where new policies are currently being prepared for consultation and approval |
| RND R084 | Unsafe or unsatisfactory building conditions occurring due to lack of available maintenance resources |   | Council Capital Fund Team contingency fund allocated with reserve in place. Planned maintenance programme in place. |
| RND R085 | Failure to achieve the Council's Capital Receipts target because of the difficult economic climate and market conditions |   | Despite the economic climate being difficult sales have been agreed that will far exceed the capital receipts target. Provided that completions are achieved on 50% of the agreed sales then the risk is covered |
| RND R086 | Failure to achieve the required level of financial rebate through the NEPO arrangements |   | Close monitoring of NEPO performance is required to flag up any forthcoming shortfalls or increases in costs as early as possible. This risk has been reviewed as 'likely' on the basis that there is a distinct possibility that should NEPO not cover their cost base through income from contracts (and they currently have an £800,000 financial gap) then LA rebates will be reduced to make up any shortfall. |

6.9 For the period up to 30 June 2012 the Regeneration and Neighbourhoods Department have identified a number of achievements including:

- The Voluntary & Community Sector (VCS) Strategy has now been combined with the Compact and endorsed by Cabinet. Work is continuing to establish a Voluntary & Community Sector Steering group to monitor compliance.
- An approach to troubled families to 'break the cycle' of households having a detrimental affect on communities has been developed and implemented through the Think Family, Think Communities programme approved at Cabinet. A Families and Communities Board has been set up with terms of reference and membership agreed.
- A review of the terms and conditions of allotment tenancy has been undertaken, involving tenants and other interested parties. The new terms and conditions have been implemented from April 2012.
- A new Strategic Housing Market Assessment has been completed that fully identifies the housing needs in Hartlepool for now and the future.

- Local Development Orders for the 3 Enterprise zones in Hartlepool have been adopted and implement with effect from 1st April 2012
- The initial phase of the Photovoltaic works to council buildings including Hartlepool Enterprise Centre, Chatham children's Centre, Exmoor Home, Wharton Terrace and Summerhill is complete. Further phases are planned for later in the year, which include the central library Civic Centre and Church Street offices, along with Kingsley Primary school.

## 7 CHIEF EXECUTIVE'S DEPARTMENTAL PLAN UPDATE

7.1 The Chief Executive's Departmental Plan contributes to 7 outcomes, spread across 2 themes:

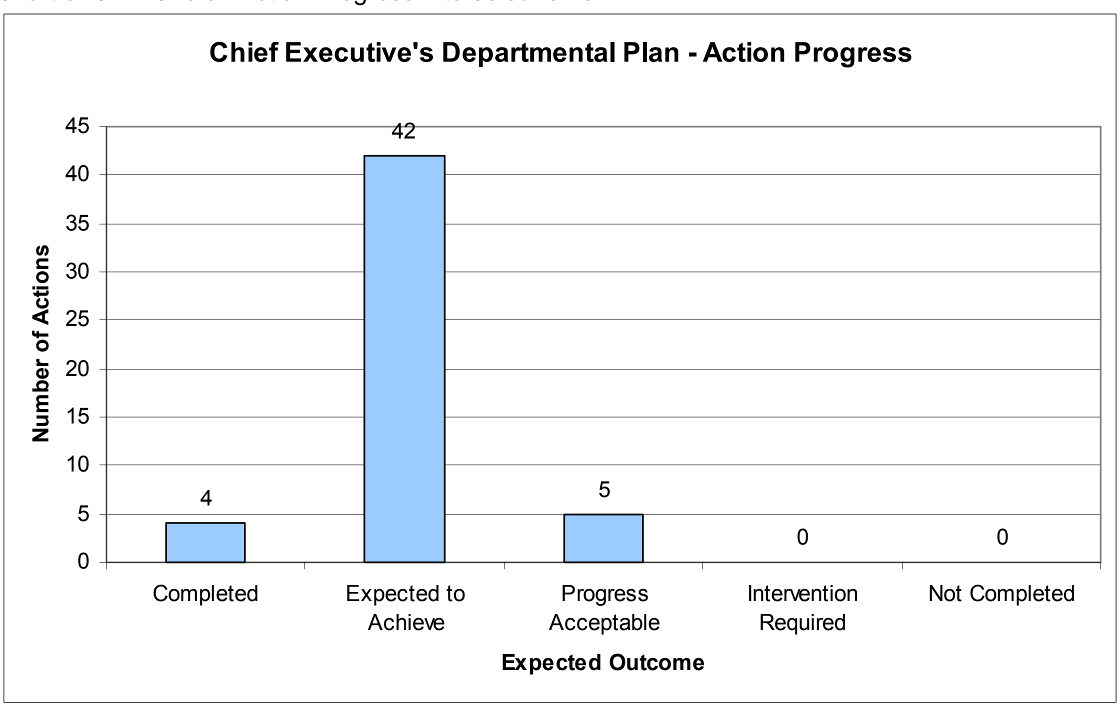
- Jobs and the Economy
- Organisational Development

7.2 Included in the departmental plan are 51 actions and 33 performance indicators spread across 7 outcomes. In addition the department has identified 34 risks that are included in the Council's Risk Registers.

7.3 As can be seen in chart 9, overall progress across the department is positive, with:

- over 90% of actions (46 actions) having already been completed or being on track to be completed by their agreed due date.
- The remaining 5 actions (10%) have been assessed as having made acceptable progress.

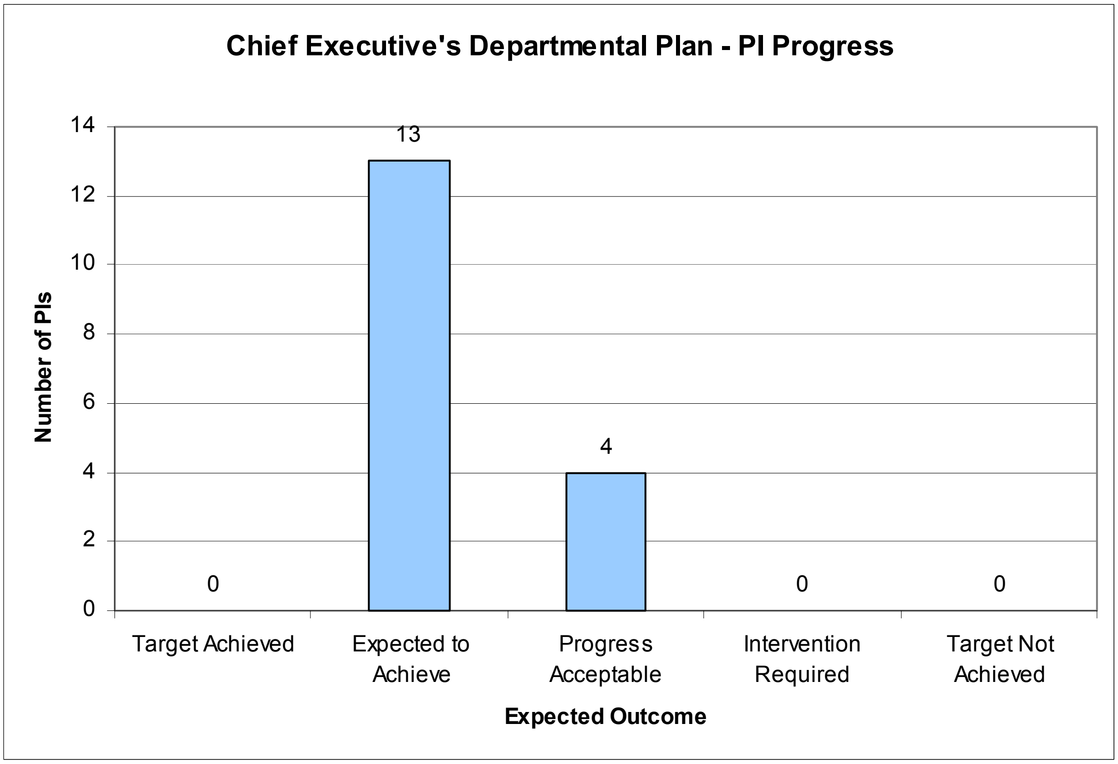
Chart 9: CED Overall Action Progress – to 30 June 2012.



7.4 Chart 10 summarises officers' assessments of the 17 performance indicators that have targets **and** are measurable throughout the year. It can be seen that, as at 30 June 2012, the position was also positive, with:

- 13 indicators (76%) either having been assessed as being on track to achieve target ;
- 4 indicators (24%) having had made acceptable progress.

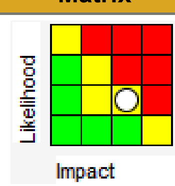
Chart 10: CED Overall PI Progress – to 30 June 2012

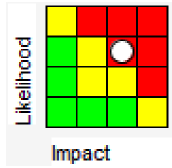
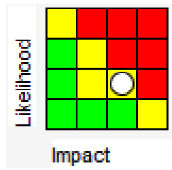
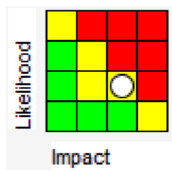
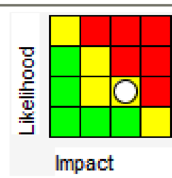



7.5 A further 16 indicators have targets which can only be assessed at the year end or are for monitoring purposes only.

7.6 There are 29 risks on the Accepted Risk Register within the Chief Executive's Department and a further 5 on the Actively Managed Risk Register. The table below provides a summary of the position of the risks on the Actively Manager Risk Register along with details to show what action is being taken with regards to these risks.

Table 5: CED Actively Managed Risks 2012/13

| Code | Title | Current Risk Matrix | Latest Note |
|---|---|---|---|
| CED R059 | Failure to integrate equality into all aspects of the Council's work leading to non compliance with legislation and Council aims (Actively Managed) |   | The Council equality objectives agreed and performance information published. |

| Code | Title | Current Risk Matrix | Latest Note |
|---|---|---|---|
| CED R088 | Future and Current Equal Pay Claims including settlement of, or adverse findings in ET of existing equal pay claims (Actively Managed) |  | On-going case right of all Equal Pay claims. Risk assessment of terms and conditions arrangements reported to CMT for action. |
| CED R089 | Experiencing failure or lack of access to Critical ICT systems (Actively Managed) |  | The system arrangements are under review through service / contract meetings to ensure that adequate arrangements are in place. |
| CED R090 | Failure to meet the statutory requirements of the Chief Executive's department (Actively Managed) |  | There is ongoing monitoring of the requirements of the potential legislative changes in respect of the Localism Bill, Open Public Services White Paper and finance and welfare reform consultations through Chief Executive's department management team in conjunction with responses to white papers and consultation documents through Cabinet and update reports as appropriate. |
| CED R091 | Failure to have corporately adequate arrangements in place to manage and deliver the budget strategy and the BT programme (Actively Managed) |  | The programme and all the component elements have been completed and reported to cabinet and the savings levels required achieved |

7.7 The Chief Executives Department has overall responsibility for Health, Safety and Wellbeing across the Council. In accordance with the Council aim of promoting healthy working the Council has, following a successful pilot, become an accredited centre to provide the Institution of Occupational Safety and Health (IOSH) Managing Safely qualification. This qualification has been adopted by the Council as the minimum health and safety qualification managers are expected to obtain. A programme of training has been set up to ensure managers have achieved this qualification by April 2013.

The Council has become accredited with the Contractors Health and Safety Assessment Scheme (CHAS) having demonstrated compliance and sound management of current health and safety legislation. CHAS is increasingly required by organisations for whom the Council may provide services.

7.8 For the period up to 30 June 2012 the Chief Executive's Department have identified a number of achievements including: -

- A lot of activity around Financial Inclusion has taken place, including the submissions of a Big Lottery Financial Inclusion bid, presentations to the Retired Men's Forum and Multiple Sclerosis Society and a number of Credit Union Events in June.

- The Statement of Accounts was completed before the statutory deadline of 30 June 2012, and were reported to Audit Committee on 20 July 2012.
- First edition of Hartbeat has been published and distributed, with strong sponsorship and advertising support.
- Lone Worker protocol has been produced, and ratified by the Finance and Corporate Services Portfolio Holder at the meeting on 18 July 2012.

## 8. RECOMMENDATIONS

8.1 Cabinet is asked to: -

- note the current position with regard to performance.
- agree to the proposed date changes as detailed in paragraph 6.4

## 9. REASONS FOR RECOMMENDATIONS

9.1 Cabinet and the individual Portfolio Holders have overall responsibility for the monitoring of the Corporate Plan and the three Departmental Plans.

## 10. APPENDICES AVAILABLE ON REQUEST, IN THE MEMBERS LIBRARY AND ON-LINE

10.1 There are no appendices to the report.

## 11. BACKGROUND PAPERS

11.1 There were no background papers used in the preparation of the report.

## 12. CONTACT OFFICER

12.1 David Hunt
Strategy and Performance Officer
Tel: 01429 284073
E-mail: david.hunt@hartlepool.gov.uk

# CABINET REPORT

**3 September 2012**

HARTLEPOOL BOROUGH COUNCIL

**Report of:** Director Regeneration and Neighbourhoods

**Subject:** NEIGHBOURHOOD PLANNING (REPORTING AND DECISION MAKING PROCEDURE)

## 1. TYPE OF DECISION/APPLICABLE CATEGORY

1.1 Non key – for information only.

## 2. PURPOSE OF REPORT

2.1 To inform Cabinet of the progress that has been made to date on Neighbourhood Planning (Localism Act 2011) in Hartlepool and notify them of the proposed reporting and decision making procedure in relation to the Local Authority.

## 3. BACKGROUND

3.1 Neighbourhood Planning is central to the Coalition Government's Localism Act 2011 and an integral part of the Big Society agenda. It is intended to give local people greater ownership of plans and policies that affect their area, and to provide communities with the opportunity to influence how their neighbourhood is developed in the future.

3.2 In May 2011, Hartlepool was successful in securing £20,000 from the Department of Communities and Local Government (DCLG) to develop and produce a Development Plan Document (DPD) for the rural area of Hartlepool. The 10 year land use and development framework will become part of the formal planning process and must be in general conformity with national planning policy and the Local Authority's Development Plan (Hartlepool Local Plan). Neighbourhood Plans also need to be independently ratified by a Referendum, before being adopted by the Local Authority. It is anticipated that the Hartlepool Rural Plan will be completed by late 2013 / early 2014.

3.3 In conjunction with Hartlepool Borough Council, the Headland Parish Council are about to commence development of The Headland Neighbourhood Plan. Support has been secured from Princes Foundation and Planning Aid to deliver a collaborative planning workshop and bespoke training in specialist planning related fields (for example policy writing and collecting evidence bases). It is anticipated that The Headland Neighbourhood Plan will take approximately 2 years to complete commencing in September 2012.

## 4. LOCAL AUTHORITY INVOLVEMENT

4.1 In accordance with the Localism Act 2011 and Neighbourhood Planning Regulations published on 6 April 2012, the Local Planning Authority (LPA) have a statutory obligation to fulfil a number of duties throughout the development of a Neighbourhood Plan which include:

- Providing technical assistance, support and guidance to the Parish Council or Neighbourhood Forum. This can include sharing evidence and information on planning issues, providing advice on national and local planning policies, assisting with consultation and facilitating communication with external partners;
- Formally publicising the proposed Neighbourhood Plan boundary and statement of suitability submitted by the Parish Council or Neighbourhood Forum. During this time, representations from interested parties can be made to the LPA in relation the boundary and / or the Group undertaking the Plan development; all of which must be considered when formally designating the boundary at the end of the statutory consultation period;
- To validate the Neighbourhood Plan before arranging an independent examination (to be undertaken by a suitably qualified individual) and neighbourhood referendum. It should be noted that the Neighbourhood Planning Regulations in relation to referendum have been through the House of Commons and Lords, but have not been adopted as law at this stage; and
- Should a simple majority vote be gained at referendum, the LPA have a statutory obligation to adopt the Neighbourhood Plan.

## 5. PROPOSALS

5.1 It is intended that reporting on Neighbourhood Planning will take a similar format to that currently used for Development Plan Documents (DPDs) that are developed in the town (i.e. Hartlepool Local Plan).

5.2 To date, general progress reports on Neighbourhood Planning in Hartlepool have been taken to the Neighbourhood Consultative Forums and Cabinet.

5.3 It is anticipated that at key stages of the Plan development, the following reporting and decision making procedure will apply:

- First draft of Neighbourhood Plan: a report and a copy of the first draft of the Neighbourhood Plan will be taken to Cabinet for information. This will be prior to the statutory eight week period of consultation, in line with the Voluntary and Community Sector (VCS) Strategy and the Statement of Community Involvement (SCI);

- Final draft of Neighbourhood Plan (pre-referendum): a report and a copy of the final draft of the Neighbourhood Plan will be taken to Cabinet and Full Council for information. This will outline the proposals contained within the Plan, detail how the independent examination will be formed, and confirm arrangements for the referendum; and
- Final draft of Neighbourhood Plan (post examination and referendum): should a majority vote be gained at referendum, a report and a copy of the final draft of the Neighbourhood Plan will be taken to Cabinet and Full Council for adoption. This is due to the Plan superseding the Local Plan which is consequently an amendment to part of Hartlepool Borough Council's Budget and Policy Framework.

## 6. RISK IMPLICATIONS

6.1 Consultation

As outlined in Section 4.1, consultation on the draft Neighbourhood Plan will be delivered in adherence with the Voluntary and Community Sector Strategy and Statement of Community Involvement (SCI) for a statutory period of eight weeks.

6.2 Financial Considerations

As outlined in Section 4.1, the Neighbourhood Plan will be subject to an independent examination and referendum, both of which the Local Authority have a duty to arrange and fund. In the case of the Hartlepool Rural Plan, £20,000 has been awarded by DCLG to the Working Group to assist with any costs associated with the Plan development; although an indicative cost of £5,000 was initially outlined for independent examination and referendum from this fund, any additional costs not met by the DCLG funding may have to be sourced from elsewhere.

6.3 Legal Considerations

Neighbourhood Planning Regulations (General) came in to force on 6 April 2012 and are now law. As outlined in Section 5.3, the Local Authority will have a duty to adopt the Neighbourhood Plan should a simple majority vote be gained at referendum; this will require an amendment to part of Hartlepool Borough Council's Budget and Policy Framework (as the Plan will supersede the Local Plan) and once adopted, the Neighbourhood Plan will have legal status.

6.4 Equality and Diversity Considerations

Equality and diversity have been considered in the development of the consultation framework and an Equality Impact Assessment (EIA) will be completed prior to the statutory public consultation period on the first draft of the Neighbourhood Plan.

6.5 Staff Considerations

As outlined in Section 4.1, the Local Authority has a statutory obligation to provide technical assistance, support and guidance to the Parish Council or Neighbourhood Forum, formally publicise and designate the boundary, validate the Plan before organising an independent examination and referendum.

HBC's Neighbourhood Management Team will continue to provide in kind support to the Hartlepool Rural Plan Working Group, including undertaking secretariat duties and providing support and guidance in all aspects of the Plan's development.

6.6 Asset Management Considerations
There are no direct asset management considerations in this case.

6.7 Section 17 Considerations
There are no Section 17 considerations in relation to the reporting and decision making procedure for Neighbourhood Planning.

6.8 Family / Child Poverty Considerations
There are no family and child poverty considerations in this instance.

## 7. RECOMMENDATIONS

7.1 Cabinet to note the progress of Neighbourhood Planning in Hartlepool to date and the proposed reporting and decision making procedure in relation to the Local Authority.

## 8. REASONS FOR RECOMMENDATIONS

8.1 Hartlepool Borough Council is implementing Neighbourhood Planning Policy in line with the Localism Act 2011.

## 9. BACKGROUND PAPERS

9.1 Cabinet (9 January 2012) - Review of Community Involvement and Engagement (including LSP Review).

## 10. CONTACT OFFICER

Dave Stubbs
Director of Regeneration and Neighbourhoods
Tel. 01429 523301
email. dave.stubbs@hartlepool.gov.uk

**CABINET**

**3 September 2012**

HARTLEPOOL BOROUGH COUNCIL

**Report of:** Scrutiny Co-ordinating Committee

**Subject:** LOCALISING COUNCIL TAX BENEFIT – OVERVIEW AND SCRUTINY VIEWS / COMMENTS

---

## 1. TYPE OF DECISION / APPLICABLE CATEGORY

1.1 This is a non-key decision.

## 2. PURPOSE OF REPORT

2.1 To outline the views of the Scrutiny Co-ordinating Committee in relation to the localisation of Council Tax Benefits, for consideration by Cabinet.

## 3. BACKGROUND INFORMATION

3.1 The Scrutiny Co-ordinating Committee at its meeting on the 14 October 2011, received a detailed report on the Government's proposal for localising support for Council Tax Benefits from 2013/14. During the course of discussions, emphasis was placed upon the importance of Member involvement in the development of the new local scheme of council tax support and in doing this, the Committee agreed that a Working Group would be established. The overall aim of the Working Group being to:

'Inform and influence the development of Council policy/practice for the implementation of the legislation in relation to the localisation of council tax benefits.'

3.2 The membership of the Working Group:

Councillors C Akers-Belcher, Cook, Hall, James, Richardson, Wells and Wilcox.

3.3 In progressing the work of the group, emphasis has been placed upon the importance of utilising the wealth of experience and knowledge that exists within those who directly provide benefits advice to residents. On this basis, the following organisations were invited to participate in the activities / meetings of the Working Group:-

West View Advice and Resource Centre Ltd
Manor Residents
Hartlepool Citizens Advice Bureau
Hartlepool Carers
50+ Forum / HVDA
Age UK Teesside (Age Concern)
Surestart (FISH)

3.4 Representatives from West View Advice and Resource Centre Ltd, Hartlepool Carers, 50+ Forum / HVDA, Age UK Teesside (Age Concern) and Surestart (FISH) went on the participated fully in the Working Groups discussions, which took place on the 3 July, 20 July, 1 August, 9 August and 15 August 2012.

## 4. ISSUES TO BE CONSIDERED BY THE WORKING GROUP

4.1 As a starting point for discussions, the Chief Finance Officer provided detailed information on the impact of the changes to the existing Council Tax scheme and modelling information of different factors to enable the Working Group to gain an understanding of the Council's budget position, the current Council Tax Benefit System and Government's proposal for localising support for Council Tax Benefits from 2013/14. A summary of the implications of the proposal being that:-

i) From April 2013 Council Tax Benefit will be abolished and local authorities will be required to have in place local schemes which needs to be approved by full Council before 31st January 2013;

ii) Whilst the government will provide grant help to meet costs, the grant will be:

- At least 10% less than awards under the current national scheme; and
- A fixed cash limited sum irrespective of the number of applicants.

iii) The Council will be <u>required</u> to protect vulnerable (low income) pensioners;

iv) Potential reductions in existing levels of Council Tax Support and the associated challenges of collecting increased Council Tax from households, many of which are currently receiving 100% support.

4.2 It was noted that the 10% funding cut was based on the Governments planning assumption that there would be no allowance for increased demand or Council Tax increases. However, local forecasts reflected an anticipated 2.5% Council Tax increase for 2013/14, which would increase costs to be funded from the initial cash limited grant and effectively result in a 14% grant cut (rather than the 10% indicated). It was also highlighted that as a result of the requirement to protect pensioners, the headline grant cut of 10% was anticipated to result in the 20% reduction in support for non pensioners.

4.3 In terms of the financial impact of this to Hartlepool it was anticipated that it would equate to an initial gross funding hap of £1.62m, increasing to £2.71m by 2016/17 as summarised below. These forecasts assume there is no significant increase in demand (**Table 1** below).

**Table 1** - Forecasts

| | 13/14 £m | 14/15 £m | 15/16 £m | 16/17 £m |
|---|---|---|---|---|
| HBC share of forecast Council Tax Support at existing levels | 11.56 | 11.85 | 12.15 | 12.45 |
| Forecast Council Tax Support Grant + Floor Ceiling Adj (13/14 only) | (9.94) | (9.74) | (9.74) | (9.74) |
| Gross Funding Gap | 1.62 | 2.11 | 2.41 | 2.71 |

4.4 It was clear that in dealing with the proposal that a very difficult strategic decision needs to be taken, in terms of whether the Council:-

i) Designs a new scheme within the reduced funding allocation; or
ii) Cuts other services more to maintain the existing scheme; or
iii) Implements a combination of i) and ii) above.

## 5. WORKING GROUP VIEWS AND DISCUSSIONS

5.1 Members were extremely concerned regarding the extremely detrimental impact of Council Tax Benefit (CTB) cuts to the residents of Hartlepool, with 1 in 3 households currently receiving CTB (amounting to £13.3m per annum). The spread of these benefits being £5.8m to pensioners, £3.5m to working age unemployed and £4m to working age other).

5.2 It was recognised by Members that although there was little that could be done to stop the changes being implemented, alternative options needed to be explored to try and mitigate the impact of the 10% grant cut (which actually equates to 14% for 2013/14) on the most vulnerable groups in the town. In considering how / whether this could be achieved, Members considered the following scenarios to see where savings could potentially be made and what would be the practical impact:-

- Capping Council Tax Benefit to a maximum of Bands, A, B and C;
- Removing discretion for those in receipt of a war widows pension;
- Removing / means testing Council Tax Benefit for those in receipt of Disability Living Allowance;

- Explore options to make savings under single occupancy reductions for Council Tax;
- Removal of the earned income disregard if the maximum benefit is restricted to Band A;
- Reduce / remove Council Tax Benefit that continues when a claimant goes back to work;
- Explore options surrounding tariff income for people with capital (savings);
- Abolish national backdating regulation provisions;
- Families with two more children;
- Abolish national $2^{nd}$ Adult Rebate Scheme; and
- Carers who are not in receipt of benefits at the point at which they cease to be carers and instead become unemployed.

5.3 On the basis of the information provided, the Working Group discounted a number of potential scenarios and focused attention on the five remaining. Details of the information provided and the outcome of discussions are outlined in Section 5.8 below.

5.4 In addition to these scenarios, the Working Group considered the potential impact of an across the board council tax support cut. Information provided in relation to the impact of both a 12% and 20% showed that the imposition of a 12% cut was not sustainable over a 4 year period and after two years (and potentially sooner) the Council would need to implement a 20% cut to address the ongoing impact of the Government grant cut and avoid increasing the General Fund budget deficits.

5.5 The financial modelling for a 20% cut provides funding for Discretionary Council Tax Support (CTS) to help alleviate extreme financial hardship. Additionally, this option should not require support from the 2011/12 CTS Transitional Support Scheme in year 1, which means this funding is available to manage the significant financial risks of implementing this change from April 2012. A summary of the information provided shown in **Table 2** below.

<u>**Table 2** - Impact of 20% Council Tax Support (CTS) Cut</u>

| | Reserve £m | 13/14 £m | 14/15 £m | 15/16 £m | 16/17 £m | 17/18 £m |
|---|---|---|---|---|---|---|
| Forecast impact 20% Council Tax Support Cut<br><br>Provision of Discretionary CTS awards | | 0.23 | 0.18 | 0.10 | 0.10 | 0.10 |
| Net Funding Gap | | 0.00 | 0.00 | 0.00 | 0.00 | 0.13 |
| Balance 2011/12 CTS Transitional Support Reserve | 1.20 | 1.20 | 1.20 | 1.02 | 0.58 | 0.00 |

5.6 Members were advised of indications that a similar 'across the board' approach to the required cuts was likely to be taken by neighbouring local authorities. It was also highlighted that the implementation of such an approach would reduce the risk of the Council being open to discrimination claims and allows capacity for the local scheme to be reviewed on an annual basis to reflect any potential legislative or funding changes that might arise.

5.7 In considering the merits or otherwise of an across the board cut, Members reluctantly acknowledged the merits of a 20% cut, on a financial and practical implementation basis in terms of systems and potential legal implications in terms of the potential for discrimination claims. It was, however, agreed that with a 20% cut, the focus must be on the implementation of measures to mitigate impact on residents. It was noted that the introduction of a 20% cut would provided additional resources to facilitate this, and in the distribution of these resources Members accepted that a system similar to that already in place for the award of discretionary housing payments would be the best way forward.

5.8 In addition to expressing reluctant support for the implementation of a 20% across the board cut, Members wished to also explore the impact of the additional scenarios identified with any potential additional savings to be added to the funds available for the mitigation of impact. A summary of the information provided in terms of potential saving and views expressed by the Working Group is provided in **Table 3**, below.

**Table 3**

| **Scenario** | **Potential Saving (£)** | **Working Group View / Recommendation** |
|---|---|---|
| **1)** Reduce / remove Council Tax Benefit that continues when a claimant goes back to work (currently 4 weeks) | 37,000 | **To be implemented for 2013/14.**<br><br>In ensuring that the Council continues to play its part in encouraging people to go back to work, Members felt that this should remain at 4 weeks, however, that this should be repayable when people are working – to be spread over a period of 6 months. |
| **2)** Abolish national 2nd Adult Rebate Scheme | 21,000 | **To be implemented for 2013/14.** |

| | | |
|---|---|---|
| **3)** Capping Council Tax Benefit to a maximum of Bands A, B or C | Restricted to:<br><br>Band A level – 200,000<br><br>Band B level – 100,000<br><br>Band C level – 50,000 | Not to be implemented for 2013/14.<br><br>Members were concerned regarding uncertainty in relation to the number of future Council Tax Benefit claims as a result of the difficult economic situation. The option was, however, to be retained as a potential course of later action. |
| **4)** Explore options surrounding tariff income for people with capital (savings) – Reduction from £16,000 to £6,000 | 25,000 | Not to be implemented for 2013/14.<br><br>Work to be undertaken to explore the viability of reducing the threshold to £10,000 for future consideration. |
| **5)**Abolish national backdating regulation provisions | 29,000 | Not to be implemented for 2013/14.<br><br>Work to be undertaken to explore the viability of reducing to one month for future consideration. |

5.9 In considering the above suggestions in additional to the 20% across the board cut, Members were very mindful of the yet unknown impact of other welfare reform legislation and the potential for some groups of individuals to be impacted from multiple directions. On this basis, it was suggested that only two of the above scenarios should be considered for implementation in 2012/13, and that as part of an annual review of the scheme consideration should be given to the other scenarios identified.

5.10 In implementing the new scheme, in whatever form it takes, emphasis was placed upon the importance of effective communication, and working relationships with partners, in getting the message out to affected families, allowing as much notice as possible of the individual implications for families.

5.11 The Working Group was advised that despite the requirement for councils to approve local Council Tax Support schemes for 2013/14 before 31st January 2013 the Government has not yet issued all the necessary secondary legislation. Notwithstanding this position councils are required to formally consult with the public and other interested parties (including the Fire and

Police Authorities) on a draft scheme. In order to meet these requirements a report will be considered by Cabinet on 3rd September and detailed consultation will commence in the middle of September, including publicity within Hartbeat.

## 6. THE WORKING GROUP'S CONCLUSION

6.1 The Working Group concluded that, in developing a policy/process to facilitate the implementation of legislation in relation to the localisation of council tax benefits, the Cabinet should:-

i) Consider the potential of an across the board 20% Council Tax Support Cut;
ii) Consider the implementation of scenarios 1 and 2 (outlined in Table 3) in conjunction to the 20% Council Tax Support Cut;
iii) Implement an impact mitigation process, similar to that already in place for the award of discretionary housing payments, to mitigate the impact of cuts to vulnerable residents; and
iv) Review the localised Council Tax Benefit scheme on an annual basis, and as part of that review consider the remaining scenarios contained in Table 3.

6.2 The Localising Council Tax Benefit Working Group reported its findings back to the Scrutiny Co-ordinating Committee at its meeting on the 17 August 2012. The Committee endorsed the Working Group's findings and conclusions, as detailed in Sections 4, 5 and 6, and agreed that they would be reported Cabinet for consideration.

## 7. PROPOSALS

7.1 No options submitted for consideration other than the recommendation(s).

## 8. IMPLICATIONS OF RECOMMENDATIONS

8.1 There are no financial or other considerations / implications from the consideration of the report.

## 9. RECOMMENDATIONS

9.1 That in developing a policy/process for the implementation of legislation in relation to the localisation of council tax benefits, Cabinet be asked to receive the views contained within this report, and in doing so:-

i) Consider the potential of an 'across the board' 20% Council Tax Support Cut;

ii) Consider the implementation of scenarios 1 and 2 (outlined in Table 3) in conjunction to the 20% Council Tax Support Cut;

iii) Implement an impact mitigation process, similar to that already in place for the award of discretionary housing payments, to mitigate the impact of cuts to vulnerable residents; and

iv) Review the localised Council Tax Benefit scheme on an annual basis, and as part of that review consider the remaining scenarios contained in Table 3.

## 10. REASONS FOR RECOMMENDATIONS

10.1 To contribute to Cabinet discussions in relation to the development of Council policy/practice for the implementation of legislation in relation to the localisation of council tax benefits.

## 11. APPENDICES AVAILABLE ON REQUEST, IN THE MEMBERS LIBRARY AND ON-LINE

11.1 No appendices are attached to this report

## 12. BACKGROUND PAPERS

The following background paper(s) were used in the preparation of this report:-

i) Cabinet report entitled ‘Localisation of Council Tax Benefit 2013/14 – 11 June 2011
ii) Reports and Minutes of the Localising Council Tax Benefit Working Group - 3 July, 20 July, 1 August, 9 August and 15 August 2012
iii) Localising Council Tax Benefit Working Group report entitled “Localising Council Tax Benefit – Final Report – Considered by the Scrutiny Co-ordinating Committee on the 17 August 2012
iv) Minutes of the Scrutiny Co-ordinating Committee on the 17 August 2012

## 13. CONTACT OFFICER

Joan Stevens – Scrutiny Manager
Chief Executive’s Department - Corporate Strategy
Hartlepool Borough Council
Tel: 01429 284142
Email: joan.stevens@hartlepool.gov.uk