

SCRUTINY CO-ORDINATING COMMITTEE AGENDA



19 October 2012

at 10.00am

in the Council Chamber, Civic Centre, Hartlepool

MEMBERS: SCRUTINY CO-ORDINATING COMMITTEE:

Councillors Ainslie, C Akers-Belcher, S Akers-Belcher, Beck, Cook, Fisher, Gibbon, Hall, James, Loynes, Payne, Richardson, Shields, Tempest, Wells and Wilcox.

1. **APOLOGIES FOR ABSENCE**

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

3. **MINUTES**

3.1 To confirm the minutes of the meetings held on 28 September 2012 (*to follow*)

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

No items

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

No items

6. **FORWARD PLAN**

6.1 The Executive's Forward Plan: November 2012 - February 2013 – *Scrutiny Manager*

7. CONSIDERATION OF PROGRESS REPORTS / BUDGET AND POLICY FRAMEWORK DOCUMENTS

7.1 Medium Term Financial Strategy (MTFS) 2013/2014 to 2016/2017 - Initial Consultation Proposals – *Chief Finance Officer*

7.2 Draft Hartlepool Health and Wellbeing Strategy – *Director of Public Health*

8. CONSIDERATION OF FINANCIAL MONITORING/CORPORATE REPORTS

No items

9. ITEMS FOR DISCUSSION

9.1 Departmental Plans - Outcome Framework and Timetable - *Assistant Chief Executive*

9.2 Feedback from the Transport Working Group - School Transport Budget Issue – *Scrutiny Manager (To Follow)*

10. CALL-IN REQUESTS

No items

11. ANY OTHER ITEMS WHICH THE CHAIRMAN CONSIDERS ARE URGENT

ITEMS FOR INFORMATION

Date of Next Meeting 7 December 2012, commencing at 1.00 pm in the Council Chamber, Civic Centre, Hartlepool

SCRUTINY CO-ORDINATING COMMITTEE

MINUTES

28 September 2012

The meeting commenced at 2.00 pm in the Civic Centre, Hartlepool

Present:

Councillor: Marjorie James (In the Chair)

Councillors: Jim Ainslie, Christopher Akers-Belcher, Stephen Akers-Belcher, Paul Beck, Rob Cook, Keith Fisher, Gerard Hall, Brenda Loynes, Robbie Payne, Carl Richardson, Linda Shields, Sylvia Tempest and Angie Wilcox.

Also Present:

Councillor Cath Hill, Children's and Community Services Portfolio Holder

Officers: Andrew Atkin, Assistant Chief Executive
Denise Ogden, Assistant Director, Neighbourhood Services
Peter McIntosh, Head of Planning and Development
Sue Beevers, Admissions, School Place Planning and Support Services Manager
Patrick Wilson, Employment Development Officer
Ian Harrison, Principal Trading Standards and Licensing Officer
Joan Stevens, Scrutiny Manager
Angela Armstrong, Principal Democratic Services Officer

66. Apologies for Absence

Apologies for absence were received from Councillor Ray Wells.

67. Declarations of interest by Members

None.

68. Confirmation of the minutes of the meetings held on 17 August 2012

Confirmed.

69. Responses from the Council, the Executive or Committees of the Council to Reports of the Scrutiny Co-ordinating Committee – Children’s and Community Services Portfolio Holder Response to the Call-In of Decision: Proposed School Admissions Arrangements for 2013-14 *(Children’s and Community Services Portfolio Holder)*

The report included the response from the Children’s and Community Services Portfolio Holder regarding the Call-In of the decision relating to the admissions policy for community and voluntary controlled primary schools in Hartlepool for the school year 2013/14 and the co-ordinated admissions procedures to primary and secondary schools for 2013/14.

A discussion ensued which included the following issues:

- (i) A Member sought clarification on the timescale for the consultation on the review of catchment areas. The Head of Planning and Development confirmed that work was underway to examine catchment areas and identify any trends that had emerged over the last six years. Additional statistical information was currently awaited from the Joint Strategy Unit and this would be reported to Members once available. It was considered helpful if Members could have early sight of any information and the potential for any consultations as there was anxiety by some families living in the Bishop Cuthbert area in relation to schools’ catchment areas.
- (ii) It was noted that the potential development at the southern end of the town in the Claxton area may have a similar effect and the future population projections in relation to the needs of prospective residents and their families should be considered at the planning stage for all future developments. The Head of Planning and Development confirmed that further information on the potential implications of the development of the Claxton area would be reported to Members.
- (iii) A Member commented that a request had been made for information on the consultation undertaken with south area residents on the potential development at the Claxton Area and this was still awaited. The Assistant Director, Neighbourhood Services confirmed that she would look into this and ensure it was forwarded to appropriate Members.
- (iv) It was noted that the development at Bishop Cuthbert had initially included holding land in case a new primary school was required. However, in the early stages of the development of the estate, when consulted, residents did not support the building of a primary school on the site. The land allocated for the creation of a primary school was therefore released to a developer for inclusion within the residential development of the site.

Recommended

- (i) The Portfolio Holder's decision as outlined in the report as a result of the Call-In process was noted.
- (ii) That the school population projections for the area identified for potential development in the Claxton and Bishop Cuthbert area be provided for Members.

70. Consideration of request for scrutiny reviews from Council, Executive Members and Non Executive Members

None.

71. Forward Plan

None.

72. Consideration of progress reports/budget and policy framework documents

None.

73. Consideration of financial monitoring/corporate reports – Quarter 1 – Council Overview of Performance and Risk 2012/13 *(Corporate Management Team)*

The report included the progress made against the Council's 2012/13 Corporate and Departmental Plans, for the period ending 30 June 2012. It was noted that of the 173 indicators, 94 had targets set and the remaining 79 were for monitoring purposes only. 52 of the 94 targeted indicators were collected quarterly and the remaining 42 collected annually. Only the 52 targeted indicators that were monitored quarterly were included in the analysis within the report. The Assistant Chief Executive added that the majority of targets were on track with only one or two actions and performance indicators that required intervention.

A discussion ensued which included the following issues:

- (i) A Member sought clarification on what improvements had been made to the uptake rates of flu vaccination as a result of the development of immunisation strategy by the Shadow Health and Wellbeing Board. The Assistant Chief Executive indicated that he would contact the Director of Public Health and produce a note of changes and improvements for Members.
- (ii) Concern was raised by Members at the lack of overview and scrutiny

involvement in the Shadow Health and Wellbeing Board arrangements and it was suggested that Scrutiny should be involved in the development of future strategies and plans through liaison with the Board. The Assistant Chief Executive indicated he would raise that issue with the Director of Public Health.

- (iii) A Member raised concerns about the demand on services due to demographic pressures and economic climate in relation to adult social care. The Assistant Chief Executive confirmed that this was an area of actively managed risk due to the increased demand and pressure on service provision.
- (iv) It was suggested that future reports incorporate a section detailing the timetabling of the progress of the action. The Assistant Chief Executive indicated that guidance to Departments would be amended to ensure this information was included in future reports.
- (v) A Member noted that problems emanating from alcohol abuse were more significant than those emanating from drug abuse and yet government legislation and funding was aimed at the intervention and prevention of drug abuse. The Assistant Chief Executive indicated that despite reducing funding, officers were working with partners to ensure the resources that were available were used in the most effective way.
- (vi) A Member highlighted a number of issues around the Early Intervention Grant and the Assistant Chief Executive acknowledged that these issues would be addressed through the medium term financial strategy.
- (vii) It was noted that Hartlepool Access Group had raised concerns with a Member that they had not been consulted on the recently refurbished concourse to the civic centre. The Assistant Chief Executive indicated that an officer would contact the HAG to gain their views on the recent refurbishment of the concourse to the Civic Centre.
- (viii) A Member questioned the matrix used to monitor performance and suggested that the impact of any changes should be included to enable the setting of realistic targets and effective future allocation of funding. The Assistant Chief Executive acknowledged that tracking the impact of risk against performance was important and would look at ways of identifying any significant risk changes.

Recommendation

- (i) The current position regarding performance was noted.
- (ii) The Director of Public Health to provide Members with an update on the changes to the Immunisation Strategy developed by the Shadow Health and Wellbeing Board and any resulting improvements in the flu vaccination uptake.
- (iii) The Director of Public Health be informed of Scrutiny Co-ordinating's concerns in relation to the lack of involvement of Overview and Scrutiny in the Shadow Health and Wellbeing Board arrangements.
- (iv) That future reports outlining performance and risk include the timetabling of progress for each action.
- (v) The Hartlepool Access Group be approached to ascertain their views

- on the recently refurbished concourse of the Civic Centre.
- (vi) That the Assistant Chief Executive examine ways to track the impact of risk against performance in future reports to enable the identification of any significant risk changes.

74. Illegal Money Lending – Information Request (*Scrutiny Manager*)

In response to a request made by the Scrutiny Co-ordinating Committee on 27 July 2012, the Community Safety Team had provided a document which included information on mosaic lifestyle types and illegal money lending on a ward by ward basis. A discussion ensued which included the following issues:

- (i) Members had some concerns that the statistics used within the report may be out of date. The Assistant Director, Neighbourhood Services confirmed that the report had been produced in June 2012 and that up to date information would be circulated to Members.
- (ii) From the statistics provided, Members noted that the prevalence of illegal money lending appeared to be where there were larger numbers of unemployed families or families reliant on benefits. The importance of raising awareness of the options available for people in relation to finance was emphasised, along with the need to ensure adequate enforcement was in place via the Council's Licensing Section and partners such as the Police. The Principal Trading Standards and Licensing Officer confirmed that illegal money lending had been around for decades and that all enforcement was now undertaken by a national Illegal Money Lending Team based in Birmingham. They act on intelligence received and had only received 4 sources of intelligence over that previous 12 months. It was noted that raising awareness of their hotline numbers should be undertaken.
- (iii) A Member highlighted that the West Middlesbrough Neighbourhood Trust had a long standing campaign in partnership with Middlesbrough Borough Council to stop loan sharks and had received national recognition for their achievements in this regard. It was suggested that a representative from the Trust be invited to a future meeting for an information sharing session to share areas of good practice.
- (iv) A Member highlighted the forthcoming welfare reform changes as they would have a significant impact on people relying on benefits and/or in receipt of a low income. The Principal Trading Standards and Licensing Officer confirmed that a week of action and raising awareness would be taking place mid-November, including a specific campaign targeting taxi drivers who were particularly vulnerable due to the way their business was financed.
- (v) The need to raise awareness of the alternative methods of financial support was also highlighted including the provision of small loan amounts for those individuals who needed it.
- (vi) In response to a number of issues raised by a Member, the Principal Trading Standards and Licensing Officer confirmed that consumer credit licenses were issued by the Office of Fair Trading and a number

- of small companies were licensed in the town. It was noted that extremely high APR's did not necessarily constitute criminal offences as the highest interest rates tended to be associated with short term/pay day loans and method of APR calculation did not favour such short periods. High interest rates were often charged as costs were higher ie door to door collection and the risk of non-payment/bad debt.
- (vii) A Member questioned the level of detail known about people operating illegal money lending practices. The Principal Trading Standards and Licensing Officer confirmed that whilst the Police did forward information to the national team, the information needed to be detailed enough to progress an enquiry. In response to a further question, Members were informed that Council officers would participate in covert exercises if requested to support the national team when dealing with issues specific to Hartlepool.
- (viii) There was concerns raised in relation to the additional criminality that may be underlying within 'loan shark' operations, including the reliance on violence in order to obtain payments.
- (ix) A Member highlighted the recently created food bank that would operate in the town for people in need, where advice and support would also be available from the Hartlepool Credit Union.

Recommended

- (i) Members noted the report and supporting documentation.
- (ii) That a further copy of the Mosaic Lifestyle Types and Illegal Money Lending document, including the most up to date statistics, be circulated to the Committee.
- (iii) That a representative from the West Middlesbrough Neighbourhood Trust be invited to a future meeting of the Committee to share experience and areas of good practice.
- (iv) That further promotion of alternative mechanisms of financial support be undertaken.

75. Safer Hartlepool Partnership Performance *(Assistant Director, Neighbourhood Services)*

The report provided an overview of the Safer Hartlepool Partnership (SHP) performance for 2011/12 and Quarter 1 (Q1) performance 2012/13. The strategic objectives for 2011-2014 and the annual priorities for 2012/13 were also included in the report. The report detailed the performance for 2011/12 in the following areas:

- Reducing Crime and Repeat Victimization;
- Reducing the harm caused by drugs and alcohol;
- Creating confident, cohesive and safe communities; and
- Reducing offending and re-offending.

In conclusion it was noted that the SHP performance for 2011/12 had remained positive with significant reductions recorded across the

Partnership. Members were asked to note that the key challenges in relation to tackling violence including domestic abuse, substance misuse and re-offending were evident for 2012/13.

A discussion ensued which included the following issues:

- (i) A Member sought clarification on the increased number of hate incidents in 2011/12 as opposed to 2010/11. The Assistant Director, Neighbourhood Services indicated that hate crime covered a wide range of crimes involving vulnerable adults, people with disabilities, gay and lesbian, and the black and ethnic minority community. It was noted that a joint action plan for the Tees Valley was being developed and work was also being undertaken with the Adult Safeguarding Team and Hart Gables.
- (ii) In relation to domestic violence, a Member commented a lot of male victims did not want to report any incidents of domestic violence as they did not want to admit it had occurred. The Assistant Director, Neighbourhood Services confirmed that they were aware of this issue and noted that there were also incidents reported of domestic violence of children to parents and grandparents. However, it was noted that this was an area where early intervention work was increasingly important.
- (iii) A Member referred to discussions earlier in the minutes in relation to the welfare reforms to be introduced in April and how organisations were helping and supporting people through these changes. The Assistant Director, Neighbourhood Services confirmed that a representative from Harbour participates in the domestic violence forum which worked closely with the police and youth offending team and had commissioned West View Advice and Resource Centre to raise awareness of the financial advice services available.
- (iv) The importance of neighbourhood policing was discussed and it was hoped that this would remain at the forefront of the police's priorities. The Assistant Director, Neighbourhood Services commented that the temporary Chief Constable had indicated that neighbourhood policing remained a priority for Cleveland Police.
- (v) A Member questioned when the Bi-annual survey would be undertaken in relation to the perceptions of drunk or rowdy behaviour was seen as a problem. The Assistant Director, Neighbourhood Services confirmed that this would be commenced shortly but would inform the Member direct of the exact dates.
- (vi) A Member commented that whilst the perception was that there were problems of drug abuse in some areas more than other, it was noted that this was a town-wide issue. The Assistant Director, Neighbourhood Services confirmed from the 117 incidents of drugs seized within the town, it had been proven that drug abuse had no social boundaries.
- (vii) Members discussed the forthcoming election for the Police and Crime Commissioner and suggested that the successful candidate be invited to address all Members about the priorities of Cleveland Police for Hartlepool and ensure that Members have the opportunity to indicate

their priorities and where they considered additional resources were required.

- (viii) The vital role that Community Police Support Officers play in the community was also discussed along with their current powers.

Recommended

- (i) The performance of the Safer Hartlepool Partnership during 2011/12 and Quarter 1 of 2012/13 was noted.
- (ii) That as soon as practical after the Police and Crime Commission elections, the successful candidate be invited to address all Members outlining the priorities of Cleveland Police for Hartlepool.

76. Hartlepool Borough Council Closed Circuit Television (CCTV) Strategy and Protocols 2012-2015 *(Assistant Director, Neighbourhood Services)*

The report presented the refreshed Closed Circuit Television (CCTV) Strategy and Protocols 2012-2015 including the new national regulatory framework, new technological developments, local context, service delivery, performance and financial implications of implementing the strategy.

A Member sought clarification on the timescales for the implementation of the Strategy. The Assistant Director, Neighbourhood Services indicated that the Strategy would be considered by Cabinet on 4 October 2012 for implementation prior to the end of the year. It was noted that whilst funding was limited, alternative options such as replacing wired cameras with wireless cameras were being suggested.

In relation to the monitoring of the current system, the Assistant Director, Neighbourhood Services confirmed that this would shortly be going out to tender and that the monitoring of the CCTV system was undertaken through a Service Level Agreement in place with Housing Hartlepool. It was noted that a lot of the maintenance required was due to wires being cut and the introduction of wireless systems would alleviate this issue.

The importance of ensuring the public's confidence in any CCTV system being fully operational was emphasised.

Recommended

The report was noted.

77. Six Monthly Monitoring of Agreed Scrutiny Co-ordinating Committee's Recommendations *(Scrutiny Support Officer)*

The Scrutiny Support Officer provided details of progress made on the delivery of the agreed scrutiny recommendations against investigations undertaken by the Forum since the 2005/06 municipal year. The report included a chart which provided the overall progress made by all scrutiny forums since 2005 and Appendix A provided a detailed explanation of progress made against each recommendation agreed by this Forum.

It was noted that since the 2005/06 municipal year, 69% of the Scrutiny Co-ordinating Committee's recommendations had been completed with 2% in progress, 13% assigned, 2% overdue and 13% cancelled.

It was highlighted that the action to explore how best to increase business recycling without addition additional financial pressures to the waste revenue budgets (action SCR-SCC/7f) had been completed since the production of this report.

A Member referred to action SCR-SCC/24a/iii in relation to financial advice services and highlighted that FISH (Families Information and Support Hub) was currently delivering a multi-agency approach to information sharing with residents which covered a wide range of benefits advice on a face to face basis. The importance of ensuring that FISH provided a front facing service within the Civic Centre as well as within outreach centres was discussed as it was considered that this would enable the Revenues and Benefits Team to concentrate on back office functions. The need to ensure effective partnership working between the Welfare Reform Strategic Group and FISH (Families Information and Support Hub) was noted as this would ensure the Council was in the best position to deal with the affects of the forthcoming changes. It was suggested that Scrutiny Co-ordinating Committee consider this issue at a future meeting with a view to submitted a report to Cabinet.

Recommended

- i) That progress against the Scrutiny Co-ordinating Committee's agreed recommendations since the 2005/06 municipal year, be noted.
- ii) Members were requested to retain Appendix A for future reference.
- iii) That the Committee examine the potential impact of the forthcoming welfare reform changes and the provision of face to face support provided by FISH.

78. Request for Funding to Support the Current Scrutiny Investigation of the Young People’s Representatives from the Children’s Services Scrutiny Forum (*Scrutiny Manager*)

The report sought approval for a request for funding from the Young People’s Representatives from the Children’s Services Scrutiny Forum from within the Overview and Scrutiny Function’s dedicated scrutiny budget.

Recommended

- (i) The proposal was supported based on the information provided within Table 1 of the report.
- (ii) The proposal was deemed a sufficient priority within the remaining budgetary provision.
- (iii) That the funding allocated was in accordance with the Council’s Financial Procedure Rules.

79. Scrutiny Investigation into Poverty – Scoping Report (*Scrutiny Manager*)

The Scrutiny Manager presented a scoping report for the Committee’s consideration of scrutiny investigation into Poverty.

The aim of Investigation

To strategically evaluate and contribute towards the development of the ‘Poverty’ topic within Hartlepool’s Joint Strategic Needs Assessment, whilst reflecting (where possible/appropriate) on the Marmot principles.

Proposed Terms of Reference

- (i) To gather evidence in relation to the following:
 - (a) What are the key issues?
 - (b) Who is at risk and why?
 - (c) What is the level of need?
 - (d) What services are currently provided?
 - (e) What is the projected level of need/service use?
 - (f) What evidence is there for effective intervention?
 - (g) What do people say?
 - (h) What needs might be unmet?
 - (i) What additional needs assessment is required?
 - (j) What are the recommendations for commissioning?

It was suggested that the above would be grouped together generically in relation to age and needs.

- (ii) To formulate a view in relation to:-
 - (a) The needs of Hartlepool residents; and
 - (b) The current level and quality of service provision to meet those needs.
- (iii) To make recommendations to inform the development and delivery of the health and wellbeing and commissioning strategies.

Potential Areas of Enquiry/Sources of Evidence

- (a) Member of Parliament for Hartlepool;
 - (b) Elected Mayor;
 - (c) All Cabinet Members (given the inclusion of 'poverty' in all Portfolios);
 - (d) Director and/or Appropriate Officers across all Departments and the Strategic Welfare Reform Group;
 - (e) Welfare Reform professionals;
 - (f) Representatives from the NHS Tees/Hartlepool North Tees Hartlepool NHS Foundation Trust and Director of Public Health;
 - (g) A comparable local authority as an example of good practice;
 - (h) Interested groups/bodies:
 - Economic Forum
 - Financial Inclusion Partnership (bodies making up the partnership*)
 - Job Centre Plus
 - Learning and Skills Council
 - Department for Work and Pensions (Job Centre Plus)
 - Hartlepool Special Needs Support Group
 - Association of North East Councils (ANEC)
 - ANEC Child Poverty Task and Finish Group
 - Child Poverty Action Group
 - Child Poverty Coalition
 - Child Poverty Unit (contacts.cpu@childpovertyunit.gsi.gov.uk)
 - Children's Trust, Learning and Skills Council
 - Joseph Rowntree Foundation
 - Connected Care
 - Citizens Advice Bureau*
 - Hartlepool Carers
 - Age UK Teesside (Age Concern)
 - 50+ Forum/HVDA
 - Families Information and Support Hub (FISH)
 - Early Intervention Locality Services; and
 - Hartlepool Credit Union
- (i) Voluntary and Community Groups (through VCS implementation Group*);

* Membership – Headland Future, Park Residents Association, Scouts/OFCA, West View Project and HVDA. Also, Councillor James and Cranney and The Mayor.

- (j) Local residents;
- (k) Representatives of minority communities of interest or heritage; and
- (l) Neighbourhood Forums.

Members attention was drawn to the proposed timetable of the scrutiny investigation which included a number of additional meetings. The Scrutiny Manager highlighted that the next meetings of the Neighbourhood Forums would consider the JSNA topics of Employment and Environment and would utilise the 'quizdom' process to encourage public involvement. It was suggested that the January meeting of the Committee which would involve the voluntary and community sector as part of the investigation into poverty should adopt the same format.

Recommended

- (i) The Scrutiny Co-ordinating Committee's aim of the investigation, proposed terms of reference, potential areas of evidence and proposed timetable for the scrutiny investigation into poverty as outlined in the report were approved.
- (ii) That the January meeting of the Committee which would involve the voluntary and community sector utilise the 'quizdom' process to encourage public involvement.

80. Call-In Requests

None.

81. Any Other Items which the Chair Considers are Urgent

None.

The meeting concluded at 11.27 am

CHAIR

SCRUTINY CO-ORDINATING COMMITTEE

19 October 2012



Report of: Scrutiny Manager

Subject: THE FORWARD PLAN – NOVEMBER 2012 TO FEBRUARY 2013

1. PURPOSE OF REPORT

1.1 To provide the opportunity for the Scrutiny Co-ordinating Committee to consider whether any item within the attached Executive's Forward Plan should be considered by this Committee or referred to a particular Scrutiny Forum.

2. BACKGROUND INFORMATION

2.1 As you are aware, the Scrutiny Co-ordinating Committee has delegated powers to manage the work of Scrutiny, as it thinks fit, and if appropriate can exercise or delegate to individual Scrutiny Forums.

2.2 One of the main duties of the Scrutiny Co-ordinating Committee is to hold the Executive to account by considering the forthcoming decisions of the Executive and to decide whether value can be added to the decision by the Scrutiny process in advance of the decision being made.

2.3 This would not negate Non-Executive Members ability to call-in a decision after it has been made. As such, the most recent copy of the Executive's Forward Plan is attached as **Appendix 1** for the Scrutiny Co-ordinating Committee's information. Please note that at the time of production of the report the most recent Forward Plan (November 2012 to February 2013) had not yet been published, as such a copy will be circulated under separate cover prior to today's meeting.

3. RECOMMENDATION

3.1 It is recommended that the Scrutiny Co-ordinating Committee considers the content of the Executive's Forward Plan.

Contact Officer:- Joan Stevens – Scrutiny Manager
Chief Executive's Department - Corporate Strategy
Hartlepool Borough Council
Tel: 01429 28 4142
Email: joan.stevens@hartlepool.gov.uk

BACKGROUND PAPERS

No background papers were used in the preparation of this report

SCRUTINY CO-ORDINATING COMMITTEE

19th October 2012



Report of: Chief Finance Officer

Subject: MEDIUM TERM FINANCIAL STRATEGY
(MTFS) 2013/2014 TO 2016/2017 – INITIAL
CONSULTATION PROPOSALS

1. PURPOSE OF REPORT

- 1.1 To outline the key issues affecting the Council's financial position over the period 2013/2014 to 2016/2017 and the implications this has for setting the 2013/2014 budget.

2. BACKGROUND

- 2.1 A detailed report on the key issues affecting the Council's financial position will be considered by Cabinet on 4 October 2012. A copy of the Cabinet report is attached at **Appendix 1**.

3. SUMMARY OF CABINET REPORT

- 3.1 The Council has made significant budget cuts over the last two years (2011/12 and 2012/13) to address the reductions in Government grants. Previous reports advised Members that further cuts will need to be made in 2013/14 and beyond as a result of continuing grant cuts, the impact of inflation and demographic pressures.
- 3.2 The planning assumptions reported in February 2012 have been reviewed to reflect the latest available national information and an assessment of local issues. The planning forecasts have also been rolled forward to cover the period up to 2016/17. The revised forecasts will require the Council to make aggregate cuts of between £19m and £21m before the start of 2016/17. Detailed proposals for bridging this gap will need to be developed and will require some very difficult decisions. Initially these proposals concentrate on 2013/14 and 2014/15 as over this period cuts of nearly £11 million will need to be made.
- 3.3 The report advises Members that the Council faces a very difficult financial position over the next four years in addressing an ongoing

budget deficit of between £19m and £21m. The ongoing budget deficit needs to be addressed on an annual basis as deferring cuts is not an option as the position would become unmanageable and expose the Council to an unsustainable level of financial risk.

3.4 In addition to implementing a robust strategy to address the ongoing budget deficit the Council also needs to address the impact of significant national changes in the funding system for Local Authorities which the Government are introducing from April 2013, covering Council Tax Benefit Reform and the re-localisation of business rates. Furthermore, the Council needs to address financial risks arising from these changes. Addressing these overall financial issues is the most challenging financial position the Council has faced since becoming a unitary authority. To enable Members to consider these issues alongside the core MTFS proposals copies of the following reports submitted to Cabinet are attached:

- **Appendix 2 - Cabinet Report 3rd September 2012 - Medium Term Financial Strategy (MTFS) – Strategy for Managing Financial Risks**

This report provided details of the additional financial risks which the Council will need to manage from 2013/14 and over the following three years. The report proposed a strategy for managing these risks which aims to avoid these risks increasing the budget cuts which will need to be made over the next four years. This strategy is based on reviewing existing reserves and setting targets for achieving in-year budget underspends.

- **Appendix 3 – Cabinet Report 3rd September 2012 - Localisation of Council Tax Support 2013/14**

This report set out the implications of the Government's replacement of the current national Council Tax Benefit scheme with a localised Council Tax Support scheme and the linkages to the Medium Term Financial Strategy. The report enabled Cabinet to approve a proposed local scheme to form the basis of formal consultation. A further report will be submitted to Cabinet to provide details of the consultation results and to enable Cabinet to approve a proposed Council Tax Support Scheme for 2013/14, which will then be referred to full Council in January 2012.

As Members will be aware the Scrutiny Co-ordinating Committee Council Tax Working Group has held a number of meetings to examine the impact of these changes and has reported back to Cabinet.

4. **SPECIFIC BUDGET ISSUES FOR CHIEF EXECUTIVES DEPARTMENT**

4.1 The MTFS report (Appendix 1) includes details of proposed pressures and savings proposals for all departmental budgets. For the Chief Executives' department the specific issues are as follows:

- **2013/14 Pressures**

One item has been identified for the Chief Executives department which relates to the Shopping Centre income inflation expectation of £24,000 included in the MTFS. Owing to the impact of the recession on the Shopping Centre this is now not expected to be achievable. Therefore, this needs recognising as a budget pressure.

- **Savings Proposals 2013/14 and 2014/15**

Details of the savings proposals included in the MTFS report for the Chief Executives' department are provided in **Appendix 4**.

5. **ISSUES FOR SCRUTINY CO-ORDINATING COMMITTEE CONSIDERATION**

5.1 Details of the initial consultation proposals being considered by Cabinet are set out in the MTFS report attached at **Appendix 1** and also in paragraph 5.1 (ii) of this report. Details of Cabinet's views on these proposals will be provided at your meeting on 19 October 2012.

6. **RECOMMENDATION**

6.1 It is recommended that Members:-

- i) Note the report;
- ii) Consider the Cabinet report of 4 October 2012 and the initial consultation proposals detailed below (note references to paragraph numbers and Appendices refer to the MTFS report attached as Appendix 1 to this report):
 - Proposed indicative Council Tax increases for 2013/14 and 2014/15 of 2.5%;
 - The proposal to phase the use of the £0.727m set aside within the 2011/12 outturn strategy to offset the loss of the 2012/13 Council Tax Freeze grant in 2013/14 over two years, £0.348m in 2013/14 and £0.379m in 2014/15 to support the budget strategy summarised in paragraph 6.19;
 - The proposed pressures to be funded in 2013/14 detailed in Appendix A;

- The proposed strategy for managing changes in Education funding arising from the Government's Academy programme as detailed in paragraph 8.20;
 - The proposed strategy for managing Financial Risks summarised in paragraphs 8.28 to 8.30 and detailed in the report considered by Cabinet on 3rd September 2012 – 'Strategy for Managing Financial Risks';
 - The proposed strategy for managing residual PCT funding detailed in paragraph 9.
- iii) To note that Scrutiny Co-ordinating Committee (SCC) has previously agreed a detailed work schedule for considering the 2013/14 savings proposals summarised in Appendix B and these issues will be referred to the appropriate Scrutiny Forums for consideration, alongside the 2013/14 budget pressures.

CONTACT OFFICER

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BACKGROUND PAPERS

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

- (i) Report to Cabinet by the Corporate Management Team – 4th October 2012 entitled 'Medium Term Financial Strategy (MTFS) 2013/2014 to 2015/2016'
- (ii) Report to Cabinet by the Corporate Management Team – 3rd September 2012 - Medium Term Financial Strategy (MTFS) – Strategy for Managing Financial Risks
- (iii) Report to Cabinet by the Chief Finance Officer 3rd September 2012 - Localisation of Council Tax Support 2013/14

<h1>CABINET</h1> <p>4th October 2012</p>



Report of: Corporate Management Team

Subject: MEDIUM TERM FINANCIAL STRATEGY (MTFS)
2013/14 TO 2016/17

1. TYPE OF DECISION / APPLICABLE CATEGORY

Non Key Decision.

2. PURPOSE OF REPORT

2.1 The purpose of the report is to update the MTFS and to enable Cabinet to determine the draft budget consultation proposals for 2013/14.

3. BACKGROUND

3.1 Previous reports to Cabinet on 11th June and 3rd September 2012 provided details of the significant financial challenges facing the Council in 2013/14 and future years arising from:

- continued reductions in Government funding for Councils, which are unprecedented in terms of the scale and period over which year-on-year funding cuts are being implemented;
- changes to the overall system for funding Local Authorities. These changes are the most significant changes since the Community Charge was replaced by the Council Tax in 1993 and will impact on authorities in 2013/14 and future financial years.

These changes cover two key issues, the re-localisation of business rates and the replacement of the national Council Tax Benefit System with locally determined Council Tax Support Schemes. As a result of these changes individual Councils will be required to manage additional and significant financial risks at a time of declining funding and pressure on services.

- the need to fund significant additional one-off local financial risks, including forecast redundancy / early retirement costs arising from the implementation of budget cuts, income risks from the re-localisation of

Business Rates (specifically the impact of the power station) and income shortfalls arising from the impact of the recession.

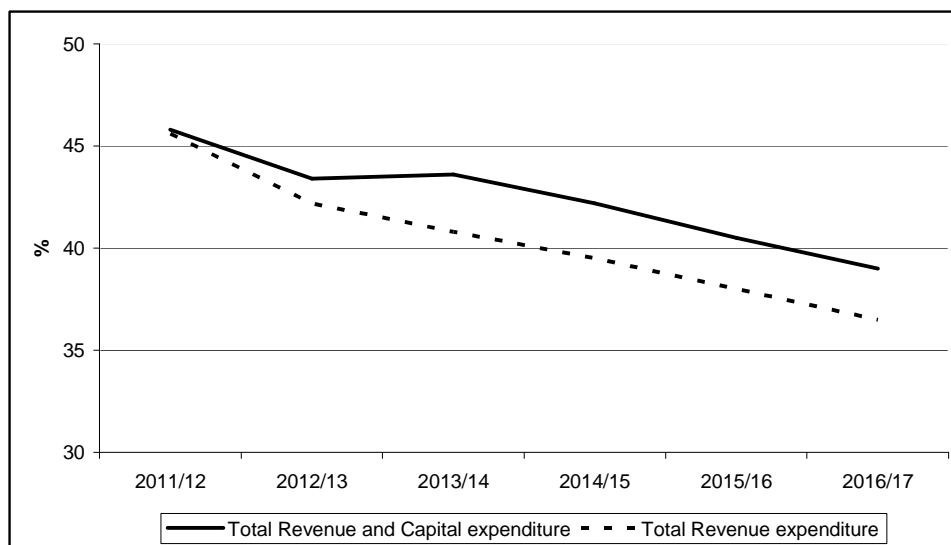
- 3.2 These issues are the most significant financial challenges the Council has faced since becoming a Unitary Authority in 1996 and will need to be addressed against a background of the budget cuts made in 2011/12 and 2012/13. Previous reports have therefore advised Members that to address these significant financial risks the Council will need to develop a robust, multi-year, strategic approach to manage these issues.
- 3.3 This report summarises the issues previously reported to Cabinet to enable Members to determine the draft budget consultation proposals for 2013/14.

4. Economic Position and Outlook

- 4.1 The current economic position and outlook are extremely important for the public sector as they effectively determine the amount of money available for public services.
- 4.2 The UK economy went into recession in 2008 as a result of the impact of the international banking crisis and the subsequent impact on the world wide economy, which has had the most notable impact on the Euro area. The slow and uneven recovery in UK economic activity means that this recession has now outlasted the previous downturns of the 1930s, 1970s and 1980s.
- 4.3 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. The most visible impacts of this continuing situation are the challenges facing the Greek economy, more recently Spain and potentially other European countries. This position reflects the fact that the recession was caused by a banking crisis and it is more difficult and takes significantly longer for economies to recover from a recession caused by a banking and financial crisis.
- 4.4 Against this background it is expected that growth in the UK economy will take longer to recover to 'normal' levels. It also needs to be remembered that the recession and banking crisis cut the overall size of the economy, therefore it will take time for growth to get the overall level of economic activity back to the pre-recession level. This will continue to impact on the Government's finances as tax revenues will continue at a lower level, particularly taxes from the banking sector.
- 4.5 These issues will constrain whichever party(s) forms the next Government. In addition, any new Government will need to establish their credibility with the financial markets to avoid the UK facing the types of problems experienced by countries in the Euro Zone of increasing Government Borrowing costs which lead to higher spending cuts.

4.6 National Financial Position

- 4.7 The national financial position and decisions made by the Government have had a significant impact on councils over the last two years (2011/12 and 2012/13). The most significant financial factor has been the impact of the Government's 2010 Spending Review.
- 4.8 The 2010 Spending Review outlined the Government's strategy for reducing the public spending deficit. This anticipates funding around 75% of the deficit reduction through spending cuts and 25% through tax increases.
- 4.9 For local authorities the funding cuts detailed in the 2010 Spending Review were amongst the highest in the public sector at 28% over 4 years up to 2014/15. The cuts in local authority funding are significantly higher than the national average cut in public spending of 19%, which reflects the Government's priorities, particularly in relation to health and education. More significantly, the cuts in funding for local authorities were front loaded in 2011/12 and 2012/13.
- 4.10 Announcements by the Government since the 2010 Spending Review have continued to reinforce the Government's strategy for public sector spending and their commitment to reducing the national budget deficit. The Chancellor of the Exchequer has indicated that spending cuts will continue beyond the current 4 year spending review into 2015/16 and 2016/17, although the precise details will clearly depend on the results of the next General Election.
- 4.11 The Chancellor's 2012 Budget provided details of forecast public spending for 2015/16 and 2016/17 and stated that total public expenditure as a percentage of Gross Domestic (GDP) will continue to fall until 2016/17. Details are summarised in the following table which highlights the forecast falls in total public expenditure (i.e. capital and revenue expenditure) and more importantly the forecast falls in revenue expenditure within the public sector, which are greater.

Summary of forecast public expenditure as percentage of Gross Domestic Product 2011/12 to 2016/17

Source data - Chancellor's Budget Report 2012 - Annex 1

- 4.12 The Chancellor's Budget report also stated that average annual real term reductions in overall Government departmental expenditure will increase from 2.3% indicated in the 2010 Spending Review to 3.8% in 2015/16 and 2016/17. The Budget report does not provide details of the impact on individual Government departments. Based on an analysis of the Chancellor's budget forecasts, existing levels of Government expenditure and an expectation that the NHS and Education budgets will continue to receive relative priority, it is anticipated that local authorities will face further grant cuts in 2015/16 and 2016/17, when the next Government Spending Review is announced.
- 4.13 At this stage it is difficult to assess the level of these additional cuts, although based on an analysis of the available national information further cuts in the order of 10% and 15% cannot be ruled out over the two years (2015/16 and 2016/17). For Hartlepool this equates to between £4m and £6m. Clearly, on the back of the formula grant cuts already being made between 2011/12 and 2014/15, of £13.9m (£10.2m made in 2011/12 and 2012/13, plus £3.7m forecast for 2013/14 and 2014/15) additional funding cuts of this magnitude will have a fundamental impact on the Council. Managing ongoing budget deficits will become increasingly more difficult given the measures which have already been implemented in previous years and will require new ways of delivering services, such as collaborating with other authorities, potential trusts etc. to mitigate the level of cuts in front line services.
- 4.14 There is also a risk that the continued ability of local authorities to effectively and safely manage significant changes and cuts in funding over the last two years may result in the sector again being singled out for more cuts in the future. However, this approach would risk imposing an unmanageable financial position on local authorities as despite the challenges the sector has

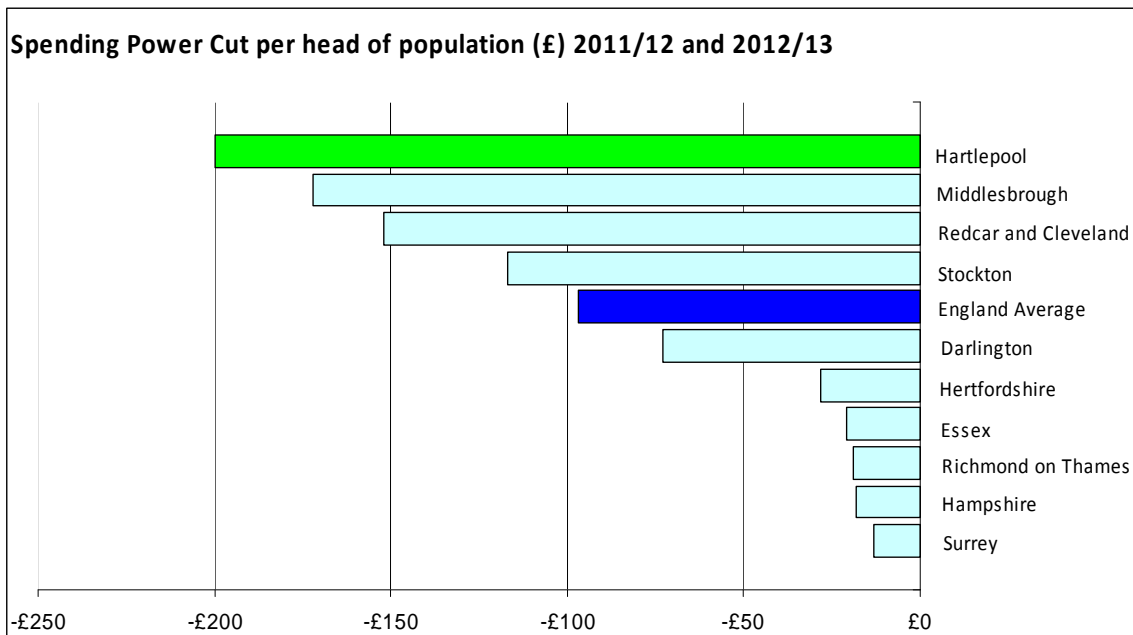
managed in the past, additional cuts will be significantly more difficult to manage and may not be sustainable. Further updates will be provided when more information is available.

4.15 In the meantime, this report concentrates on the budget deficits facing Hartlepool in 2013/14 and 2014/15.

4.16 Local Financial Position

4.17 As reported previously the front loading of Government grant cuts in 2011/12 and 2012/13 has had the greatest impact on councils which are more reliant on Government grant to fund local services, than those authorities with greater ability to fund local services from Council Tax. As a result Hartlepool and the other 11 North East Councils have suffered higher grant cuts per resident than other areas.

4.18 The comparisons in the following table highlights the scale of the gross spending power reductions for 2011/12 and 2012/13, which have a disproportionate impact on councils with greater dependency on Government grant (reflecting previous assessment of need) and less ability to raise income from Council Tax (reflecting the make up of the local housing stock).



4.19 As a result of the overall spending reductions Hartlepool's total grants have been cut by £18.6m, a 25% reduction over the last two years. These grant cuts included the complete withdrawal of the Working Neighbourhoods Fund. For other grant regimes the grant cuts have required the Council to make very difficult decisions to balance budgets. The grant cuts for 2011/12 and 2012/13 are summarised below.

	Cumulative reduction 11/12 & 12/13		
	Per resident	%	Amount £'m
Core Formula Grant	£110	20%	10.2
Specific and ABG transferred into Core Formula Grant	£17	21%	1.6
Specific and ABG transferred into Early Intervention Grant	£21	21%	1.9
Sub Total	£148	20%	13.7
Working Neighbourhoods Fund	£52	100%	4.9
Gross Spending Power reduction	£200	25%	18.6

- 4.20 The cuts in the Core Formula Grant have required the Council to make significant savings in the General Fund Budget (the main revenue budget) over the last two years. For 2012/13 this involved making permanent cuts of £5.110m in departmental budgets and the use of one off resources of £0.484m to offset the removal of proposed ICT / Revenues and Benefits and Denominational Transport savings from the 2012/13 budget by full Council.
- 4.21 To replace the proposed ICT / Revenues and Benefits savings the Corporate Management Team have been instructed by full Council to examine a range of options for achieving saving in ICT costs. It is anticipated these alternative proposals will provide a part year saving in 2013/14, with the full year benefit being achieved in 2014/15.
- 4.22 In relation to Denominational Transport the budget forecasts included in the MTFs assume this saving will be achieved in 2013/14, although this will be subject to Cabinet and Council approving detailed proposals. A separate report on this issue is also on the agenda for this meeting and this indicates that for 2013/14 there will be a shortfall in the full year saving of £30,000 owing to the part year implementation of this proposal. This temporary cost pressure is included in the updated budget forecasts detailed later in the report.
- 4.23 The decision was also taken to freeze Council Tax in 2012/13 in light of the sustained financial pressure on household budgets as a result of inflation and / or pay restraint. As a result of this decision the Council is eligible to receive the Government's one-off 2012/13 Council Tax freeze grant. For Hartlepool this one off grant is approximately £1m, which is the amount which would have been raised from the planned 2.5% Council Tax increase included in the MTFs for 2012/13.
- 4.24 Cabinet and full Council recognised that this decision would result in a permanent reduction in Council Tax income of £1m per year, unless the

shortfall could be made up by a higher increase in Council Tax in future years above the forecasts included in the MTFS. It was also recognised that this was unlikely to be achievable owing to the introduction of Council Tax Referendum arrangements. Therefore, to help the Council manage the impact of the £1m one-off 2012/13 Council Tax freeze grant being withdrawn in 2013/14, an amount of £0.727m was set aside from the 2011/12 outturn to partly mitigate this issue in 2013/14. The availability of this one-off funding will not provide a permanent solution and only provides a slightly longer lead time to develop a permanent solution. The use of this one-off money needs to be considered in the context of the updated budget forecasts for the next two years and this issue is considered later in the report.

5. Budget Forecast 2013/14 to 2016/17

5.1 As reported previously an initial assessment of the forecast budget deficits for 2013/14 and 2014/15 was reported in February 2012 as part of the previous MTFS. These forecasts reflected the following key planning assumptions:

- Local grant cuts will be in line with the national reductions for Local Authorities. There is a risk that local grant cuts may be higher than the national reductions previously announced by the Government. There is no information available to assess this risk and the Council will not know the actual grant cuts until late November/December when the Government provide detailed 2013/14 grant allocations for individual Councils. As detailed later in the report the Government have issued details of some specific proposals to the Formula Grant (the main Council grant) which will reduce Hartlepool's funding and this is reflected in the updated forecast. These are not the final changes and as a result this continues to be a risk;
- The impact on the 2012/13 Council Tax Freeze grant being removed in 2013/14, which adds £1m to the 2013/14 budget deficit;
- Budget pressures for 2013/14 do not exceed the headroom provision of £1m included in the MTFS forecasts.

5.2 The initial forecast deficits reported in February 2012 were updated in June to reflect the latest information available from the Government. There was a further update in September to reflect further additional information from the Government. The key changes from the initial forecasts deficits reported in February are detailed in the following paragraphs.

5.3 Indicative Council Tax Increases 2013/14 and 2014/15

5.4 The initial forecasts reported in February 2012 were based on indicative annual Council Tax increases for the next two years of 3.49%. The indicative Council Tax increases reflected the Council Tax Referendum trigger point set by the Government for 2012/13 of 3.5%.

5.5 Whilst Council Tax Referendum trigger points for 2013/14 will not be set by the Government until January 2013 it is now anticipated these will be set at a

lower level than those applied for 2012/13 as the Government were frustrated by the number of authorities increasing Council Tax just below the trigger point. In addition, the Government will wish to see lower Council Tax increases as a result of expected falls in inflation, including the specific impact of the Government's public sector pay cap reducing pressure on local authority budgets, and the need to manage the withdrawal of the one-off 2012/13 Council Tax freeze grant in 2013/14.

In view of the above factors Cabinet determined in June 2012 to reduce the indicative Council Tax increases to 2.5% for the next two years. This change reduces forecast Council Tax income by £0.4m for 2013/14 and £0.8m for 2014/15 and therefore increases the budget deficits for the next two years.

5.6 Changes in Financial Planning Assumptions

5.7 As reported in June the initial budget forecasts have also been updated to reflect a number of changes in local planning assumptions, which increase the budget deficit by £0.56m in 2013/14 and £0.880m in 2014/15 as detailed in the following table:

	Increase/ (decrease) in 2013/14 budget deficit reported in February 2012 £'000	Increase/ (decrease) in 2014/15 budget deficit reported in February 2012 £'000
<p><u>Council Tax Benefit changes</u></p> <p>The new Council Tax Support grant will be cash limited for 2013/14 and 2014/15, and the initial national grant allocation will be subject to a headline grant cut of 10%. Locally the real term cut for 2013/14 is 14% owing to the impact of actual claimant numbers and the indicative Council Tax increase for 2013/14.</p> <p>As reported previously this pressure is needed to partly mitigate the impact of the cut in the new Council Tax Support grant and to avoid cuts in the level of Council Tax support exceeding 20%.</p>	400	800
	Increase/ (decrease) in 2013/14 budget deficit reported in February 2012 £'000	Increase/ (decrease) in 2014/15 budget deficit reported in February 2012 £'000
<p><u>Impact of Public Sector Pay cap</u></p> <p>The base budgets for 2012/13 and 2013/14 included prudent provision for pay awards based on the information available at the time. After the 2012/13</p>	(450)	(1,100)

<p>budget was set the National Employers organisation announced that there will be no pay award for 2012/13 and they did not agree to the Trade Union request to refer this issue to ACAS. The National Employers Organisation acknowledged that this is the third successive year there has been a pay freeze for local authority employees, including low paid employees who have not benefitted from the flat rate increase of £250 awarded nationally to other public sector workers earning below £21,000. The National Employers Organisation therefore indicated they wish to commence negotiations on the April 2013 pay award at an early date.</p> <p>In terms of the impact on the Council's budget it is anticipated that a cumulative reduction in pay budgets can be made in 2013/14 to reflect the April 2012 pay freeze and in anticipation of continued pay restraint in April 2013 as a result of the Governments 1% public sector pay cap. There is an outside risk that the actual April 2013 pay award may potentially exceed the reduced provision included in the base budget for 2013/14, although this is currently assessed as a very low risk.</p> <p>A more significant risk is the Council's ability to achieve the salary turnover targets built into the base budget owing to significantly lower turnover as a result of reduced employment opportunities in other councils and the wider economy and the deletion of vacant posts to balance the 2012/13 budget. This risk was recognised when the 2012/13 budget was set and the target reduced by 50%, to £0.65m. At that time it was hoped that the remaining risk could be removed as part of the 2013/14 budget and offset from a reduction in the provision for pay awards. Given the anticipated pay cap for 2013/14 it would be prudent to use this opportunity to remove this ongoing risk from the budget for 2013/14 and future years.</p> <p>The net impact of the above proposals is a reduction in the overall forecast budget deficit in 2013/14 of £0.45m and in 2014/15 £1.1m.</p>		
	<p>Increase/ (decrease) in 2013/14 budget deficit reported in February 2012 £'000</p>	<p>Increase/ (decrease) in 2014/15 budget deficit reported in February 2012 £'000</p>
<p><u>Impact of Public Sector Pay cap (continued)</u></p> <p>Assuming the 2012/13 turnover target is achieved it will then be possible to release £0.5m of the Strategic Risk Reserve allocated to manage this</p>		

<p>risk. It is recommended that if this amount can be released that this funding is allocated towards funding the additional one-off Strategic Risks reported to Cabinet on 3rd September 2012.</p>		
<p><u>Additional Grant cut 2013/14 to reflect clawback of lower pay awards</u></p> <p>Following the announcement of the two year 1% pay cap for the public sector the Department for Communities and Local Government announced that there will be additional cuts in local authority grants in 2013/14 and 2014/15.</p> <p>The Department for Communities and Local Government have stated that these reductions are based on the difference between the assumed 2.5% pay increase provision they included in the provisional national grant allocations for 2013/14 and 2014/15 and the 1% pay cap. Nationally this equates to £240m in 2013/14 and £257m in 2014/15.</p> <p>The impact on individual authorities will depend on how these additional cuts are implemented. It is therefore difficult to assess the impact on Hartlepool, although if the additional grant cuts follow the pattern for the cuts already implement there could be an additional disproportionate impact. For planning purposes the minimum additional grant cut is anticipated to be in the order of £0.57m per year</p>	570	1,140
<p><u>Changes in Local Planning Assumptions</u></p> <p>The report to Cabinet in June also identified a range of local planning assumptions which consisted of a saving of £0.120m in severance repayment costs from 2009/10 which were funded on a loan basis, and a saving in External Audit Fees of £0.090m arising from the Audit Commission tendering exercise for external audit work. The report also indentified a cost pressure of £0.250m from ceasing to capitalise expenditure, which has been funded from Prudential Borrowing and the resulting revenue payments costs have previously been funded as a budget pressure. This strategy provided a temporary benefit in previous years.</p>	40	40
	<p>Increase/ (decrease) in 2013/14 budget deficit reported in February 2012 £'000</p>	<p>Increase/ (decrease) in 2014/15 budget deficit reported in February 2012 £'000</p>
<p><u>Changes in Local Planning Assumptions (continued)</u></p> <p>However, owing to the ongoing cuts in grant funding it would be prudent to remove this capitalisation</p>		

from the 2013/14 base budget. Continuing to capitalise expenditure up to 2014/15 would result in annual repayments in the order of £0.2m, compared to an annual 'saving' of £0.25m. Continuing beyond 2015/16 would result in annual repayment costs exceeding the annual 'saving'. Capitalisation of revenue expenditure may still be appropriate in specific ad-hoc circumstances, for example to help manage the overall revenue budget if demand pressures in any one year exceed available resources, pending the development of a permanent solution.		
Net increase in budget deficit from changes in planning assumptions	560	880

- 5.8 The report to Cabinet in September advised Members that additional information provided by the Government at the end of July indicated that Hartlepool is expected to suffer additional grant cuts owing to changes in the grant formula to be used for 2013/14 and future years. Based on information provided by the Government this additional grant cut is forecast to be £0.6m. In addition, the Government have indicated that they will use the initial draft 2011 Office for National Statistics census result within the grant formula for 2013/14 and future years. As these figures show a lower increase in Hartlepool population (2%), compared to an overall increase for England (7.2%) the Council will face an additional grant cut of around £0.25m.
- 5.9 Assuming these changes are implemented by the Government they would increase the budget cuts which need to be made for 2013/14 by £0.85m. However, as these additional grant cuts could not have previously been anticipated and the exact impact will not be known until the 2013/14 grant settlement is issued by the Government, which is expected in December, it was recommended in the September report that on a one-off basis for 2013/14 the Council should seek to offset these additional grant cuts from one-off resources identified from the strategy to fund additional risks. This strategy does not provide a permanent solution, although it provides a longer lead time to identify permanent additional budget cuts for 2014/15. This proposal is consistent with the Council's strategic approach of managing ongoing grant cuts and the overall financial position over a number of years.
- 5.10 Work has also progressed over the summer to identify ongoing and unavoidable commitments which need to be funded from the headroom included in the MTFs forecasts for budget pressures. In light of the Council's overall financial position the Corporate Management Team have taken a robust approach to assessing potential pressures for 2013/14. These issues total £0.539m, as detailed in Appendix A, which is significantly less than the pressures identified in previous years and the initial provision included in the 2013/14 MTFs for potential pressure of £1m. Therefore, there is a net reduction in the budget deficit for 2013/14 of £0.461m.
- 5.11 A review of budget pressures included in the 2012/13 budget has also been completed and this has identified that the amount needed for Concessionary Fares can be reduced by £0.1m. This reduction reflects the conclusion of

detailed negotiations with the bus operators and the latest assessment of concessionary journey's to be paid for by the Council.

- 5.12 Following decisions taken by Council with regard to the Chief Executive post it is anticipated that a salary saving will be achieved in 2013/14 and future years. For planning purposes the budget forecast reflects the minimum ongoing saving at the top of the reduced salary grade (£23,000), although assuming an initial appointment is made at the bottom of the salary grade there may be a slightly higher saving in 2013/14. This position can be reviewed if an appointment is made before the 2013/14 budget is set.
- 5.13 Provision has also been made in the 2013/14 budget forecast for the anticipated one-off reduction of £30,000 in the Denominational Transport savings not being achieved until September 2013. If this saving is not achieved alternative annual savings of £125,000 will need to be identified to replace the assumed saving built into the 2013/14 budget forecasts.
- 5.14 The impact of the changes detailed in the previous paragraphs on the forecast budget deficits for 2013/14 and 2014/15 is summarised in paragraph 6.19.

6. Strategy for managing revised forecast budget deficits for 2013/14 and 2014/15

- 6.1 In response to the financial challenges over the last few years, particularly the grant cuts for 2011/12 and 2012/13, the Council has had to take difficult decisions and make significant cuts to balance the budget. The Council approached the previous financial challenges in a planned and systematic way underpinned initially by the Business Transformation Programme. Using this approach the Council has been able to implement significant and fundamental changes in the way the organisation is structured by reducing from 5 to 3 departments. The restructuring has also been supported by re-assessing and re-aligning the responsibilities of senior managers, which reduced the number of chief officer and senior management posts. These measures provided ongoing annual savings in the order of £2.5m. On the downside these changes reduce capacity and place additional responsibilities on remaining officers.
- 6.2 The Business Transformation Programme also provided the basis for systematically reviewing a range of services and delivering the savings required in 2011/12 and 2012/13 to balance the budget, which was the key objective of the programme. In many ways the Council has changed significantly since this programme was adopted. However, the success in achieving savings which have had a minimum impact (when considered in the context of the grant cuts) on front line services tends to understate how much has changed, which illustrates how successful these changes have been.
- 6.3 Another key aspect of the approach adopted over the last few years is the success in achieving sustainable budget savings and the early achievement of these measures in many instances. This has enabled the Council to avoid

having to take emergency measures to balance the budget over the last few years.

- 6.4 It also needs to be recognised that the measures implemented over the last few years cannot be repeated as the change has been made and embedded in the organisation. For example, the Council can only reduce from 5 to 3 departments once.
- 6.5 It will be significantly more challenging to achieve the scale of cuts which need to be made over the next two years given the reductions already implemented over the last few years. Therefore, the Council needs to begin to develop a robust plan for achieving the required savings over the next two years to ensure a balanced and sustainable budget can be set.
- 6.6 To begin to put the budget deficits over the next two years into context the following table highlights the impact of these overall reductions on departmental budgets if all areas were reduced by the same percentage. This is not a suggested strategy and only intended to illustrate the scale of the financial challenges facing the Council over the next 2 years.

Indicative impact of budget deficits on departmental budgets 2013/14 and 2014/15 (based on initial deficits identified in February 2012)

	£'000
Chief Executive's Department	460
Children and Adult Services	6,044
Regeneration and Neighbourhoods	2,396
	8,900

- 6.7 To put these figures into a more detailed context the following issues are highlighted. These examples are only included to illustrate the scale of the budget deficits facing the Council over the next 2 years as it would **clearly not be practical** to implement cuts of this magnitude in any of these areas and a more balanced approach will be needed;

Corporate impact – of overall deficit of around £9m

- The overall deficit equates to 20% of the General fund pay bill (i.e. 1 in 5 jobs); OR
- Nearly twice the total budget for the whole of Chief Executive's department, including the cost of front line Council Tax and Benefits services, payroll services, democratic services etc.

Child and Adult Services – savings in this area of £6.0m equate to either:

- A 60% reduction in the Children and Families budget, which covers Children's Social Work teams, fostering and looked after children budgets; OR
- The complete withdrawal of all housing related support for vulnerable adults (Supporting People), the closure of all libraries, community

centres, leisure facilities, cultural services and grants to the community and voluntary sector.

Regeneration and Neighbourhood Services - savings in this area of £2.4m equate to either:

- The complete withdrawal of all economic development and highways maintenance; OR
- The complete withdrawal of Street Cleansing, Neighbourhood Management and Road Safety.

Chief Executive's Department – savings in this area of £0.5m equate to either:

- A 60% reduction in the Revenues Budget; OR
- A 40% reduction in the Corporate Finance Budget; OR
- A 100% reduction in the Legal Budget; OR
- The complete withdrawal of all public relations, democratic services and support for members' budgets, which currently cost £0.4m per year to provide.

- 6.8 The above information highlights the scale of the budget deficits and the impact this will have on services over the next two years. A detailed strategy needs to be developed to begin to address this position and ensure the required savings can be made for both 2013/14 and 2014/15. The Council cannot delay the development of this plan or its subsequent implementation as this would make the position for 2014/15 unsustainable.
- 6.9 Given the scale of the budget deficits there is not a single solution to the financial challenges facing the Council and a range of measures will need to be pursued.
- 6.10 A key area where significant savings can be made is in relation to collaboration with other authorities. Collaboration savings whilst difficult to achieve, will help protect front line services. As Members are aware initial feasibility work was undertaken with Darlington Borough Council to identify areas where collaboration could provide savings. This initial work has now been extended to include Redcar and Cleveland Council as a 'Tri-Borough' approach will increase the potential savings and resilience available to individual authorities. At this stage the figures included in this report are based on the potential savings identified from the initial feasibility study. These issues need firming up with detailed business cases and then approving by all 3 authorities before they can be implemented and savings reflected in the 2013/14 budget proposals. This is an extremely complex task, which needs to be completed in a short time frame, which nevertheless provides time for all authorities involved to complete the detailed business cases, including the necessary due diligence of these proposals and completion of democratic processes.

It is important when considering the options in respect of collaboration that there are a number of underpinning factors which are vitally important in the consideration of options, which are being taken into account as part of this

work. These include maintaining the sovereignty of the individual organisation and the decision making process and protecting front line service provision.

- 6.11 In relation to Child and Adult Services and Corporate Services a range of business cases are being developed to demonstrate in detail how collaboration savings can be achieved. Initially these proposals are examining how savings in management and administration costs may be made through collaboration, which would be impossible for individual councils to make acting alone. The aim of this approach is to reduce the impact of Government grant cuts on the front line. It needs to be recognised that once collaboration saving are made in management and administration costs that further significant savings will not be possible, and a period of stability will be needed to ensure any new arrangements are working effectively. In the longer term additional savings in these areas could only be made if the functions and services councils provide change. Child and Adult Services are also looking at potential collaboration savings from joint procurement.

As previously agreed by Cabinet, work is also being undertaken in respect of Corporate Services and this work is running slightly behind the work in Child and Adults, as Corporate Services are primarily provided to the rest of the organisation and will need to reflect the potential shape of the organisation. Work is currently ongoing to scope the services and identify benchmark information to inform potential models.

- 6.12 Similarly, initial investigation of potential collaboration across a range of Regeneration and Neighbourhood Services is also being undertaken to identify potential savings.
- 6.13 It is anticipated that if individual business cases demonstrate savings can be made and implementation is approved by Members, collaboration savings will begin to be achieved in 2013/14 and increase in 2014/15. Details will be reported to Members when they are available to enable proposals to be considered. This work is underpinned by the fundamental principle of individual authorities retaining 100% sovereignty for services within their area. However, whilst there is an absolute guarantee around sovereignty, the benefits of collaboration will only be achieved if the three boroughs commit to developing robust business cases and more importantly then follow through the implementation of these changes. This will be extremely challenging as it is a new way of working and will require decisions to be made on a timely basis by all three authorities to deliver savings for 2013/14 and 2014/15. These arrangements will not work if one or more organisations slow down the process.
- 6.14 It is also envisaged that the collaboration projects may provide procurement savings through bulk buying power and / or driving down existing contract prices. It is also envisaged that the collaboration work will build on the actions taken by individual authorities to review management structures and provide further savings and resilience by working together where appropriate. The underlying aim of making savings in these areas is to protect front line

services, or at least minimise the impact from the ongoing cuts in Government grants. However, it needs to be recognised that whilst the aim of collaboration is to protect front line services the measures needed to achieve these significant savings will require radical and innovative changes in the way services are managed and organised, although these changes will not impact on the sovereignty of individual authorities.

- 6.15 It also needs to be recognised that collaboration will not solve the budget deficits facing the Council over the next two years. However, it should make a significant contribution towards reducing the overall deficit and therefore partly mitigate the impact on front line services. If collaboration savings are not achieved the Council will have to identify alternative proposals, which will inevitably be less palatable and impact on the continued delivery of front line services.
- 6.16 A range of other measures are also being explored to provide the basis for a savings programme for the next two years. These measures, alongside proposed collaboration savings, are summarised in Appendix B. At this stage these are indicative proposals to provide a starting point for consultation and the development of a final programme, which will reflect the refinement of these initial proposals and the development of detailed business cases to implement individual proposals. As Members will appreciate from previous years the early adoption of an approved programme of savings provides the appropriate lead time to achieve savings from the start of each financial year and manage operational changes. In previous years this approach enabled the Council to manage financial and non financial risk effectively.
- 6.17 Over the next two years the potential collaboration projects are anticipated to provide savings of around £2.3m, largely from savings in management and administration costs. These proposals will therefore help reduce the impact on front line services of continuing grant cuts. Other proposed measures are anticipated to provide savings of around £6.3m over the next two years. These potential savings are not guaranteed and their achievement will depend on Members approving detailed business cases and savings proposals. Achieving these savings will also be more challenging than in previous year's owing to the cuts which have already been made and will therefore require robust management to ensure forecast timescales are achieved. As savings become more difficult to achieve there is an increasing risk that implementation will be delayed or the actual savings will be less than forecast. This position will need very careful management to avoid storing up financial problems for future years.
- 6.18 The available one-off resources of £0.727m earmarked from the 2011/12 Outturn Strategy to partly offset the removal of the 2012/13 Council Tax freeze grant next year (which is reflected in the forecast 2012/13 budget deficit) provides some financial flexibility to manage the budget position. It was initially anticipated that these resources would all be used to support the 2013/14 budget. In view of the changes in forecast deficits for the next two years and the proposed savings programme detailed above it is now

recommended that the use of these resources is phased to support the budgets in 2013/14 and 2014/15. Assuming the actual Formula Grant cuts for 2013/14 are not greater than the forecast identified in this report this approach will provide a longer lead time to address the budget deficits facing the Council over the next 2 years. However, this approach will defer an additional budget problem of £0.379m until 2015/16, which means the total unfunded deficit for 2015/16 is £1.282m (broadly in line with the amount reported in June of £1.395m).

6.19 The following table summarises the changes in planning assumptions detailed in the previous paragraphs and the following issues are highlighted for Members information:

- The budget deficits for 2013/14 and 2014/15 will only be bridged if significant sustainable budget savings are made in these years;
- The 2013/14 budget will be supported by one-off resources of £1.198m, which avoids higher budget cuts being required for this year;
- These forecasts will change if the actual grant cuts for 2013/14 and 2014/15 exceed the forecast included in this report and this would mean the proposed strategy for managing the 2013/14 deficit would need to be reviewed.

Budget Deficits 2013/14 and 2014/15 based on annual Council Tax increases of 2.5%

	Cumulative figures	
	2013/14 £'000	2014/15 £'000
Initial Forecast Deficits reported June 2012 (based on annual 2.5% Council Tax increases)	4,100	8,900
<u>Changes in planning forecasts reported in June 2012</u>		
Add Reduction in Council Tax income from reducing from an indicative 3.49% annual increase to 2.5% (paragraph 5.5)	400	800
Add Changes in planning assumptions (paragraph 5.7)	560	880
Revised Forecast Deficit reported June 2012	5,060	10,580
<u>Additional Changes in planning forecasts since June 2012</u>		
Add Forecast additional Formula Grant cuts arising from proposal announced by Government in July (paragraph 5.8)	600	600
Add Impact of changes in population figures used in to allocate Formula grant (paragraph 5.8)	250	250
Less Lower pressures to be funded from 2013/14 budget headroom provision of £1m (paragraph 5.10)	(461)	(461)
Less reduction in 2012/13 Concessionary Fares pressure (paragraph 5.11)	(100)	(100)
Less reduction in Chief Executive salary (assumes initial appointment at minimum of grade) (paragraph 5.12)	(23)	(23)
Revised Forecast Deficit	5,326	10,846
Less Forecast ICT saving	(300)	(700)
Less Forecast Collaboration Savings	(1,000)	(2,297)
Less Forecast Other Savings	(2,828)	(6,188)
Net Forecast Deficit after proposed savings	1,198	1,661
Less One-off resources allocated to offset removal of 2012/13 Council Tax freeze grant	(348)	(379)
Less One-off funding to be identified from 2012/13 outturn strategy to offset additional Formula grant cuts and impact on changes in population figures used to allocate Formula grant (paragraph 5.9)	(850)	0
Net Deficit still to be funded from budget cuts	0	1,282
Net Deficit still to be funded from budget cuts reported in June	205	1,395

6.20 The above forecasts do not include provision for increased Looked after Children costs. It has previously been reported that these costs are currently anticipated to exceed the ongoing revenue budget in 2012/13 and 2013/14 and it is planned to fund the additional costs from the specific reserve earmarked to manage this risk. It had been hoped that this strategy would provide time to reduce ongoing costs to the level of the base budget. It is increasingly anticipated that this will not be possible owing to increases in the number of Looked after Children. Therefore, this issue is anticipated to be a significant commitment against the 2014/15 budget headroom and based on current spending levels £0.4m may need to be allocated from 2014/15. Increases in Looked after Children numbers and costs have been experienced by all councils in the North East. These trends exacerbate the impact of Government funding cuts implemented over the last two years and the Association of North East Council's is lobbying the Government to

address this issue and to provide additional funding for Looked after Children pressures.

- 6.21 Similarly, the forecasts do not include provision for the increasing costs of supporting older people with social care needs, which may also need to be funded from the 2014/15 budget headroom for pressures. It has previously been highlighted that demographic pressures and increasing prevalence of dementia are resulting in increased spend in this area, and costs are currently anticipated to exceed the ongoing revenue budget in 2013/14. A strategic risk reserve was established to manage this risk which is expected to meet the additional costs in 2013/14, but based on current trends it is anticipated that £0.5m may need to be allocated to manage the ongoing pressure from 2014/15. Investment in approaches such as reablement, extra care housing and low level support is beginning to impact on care home admissions but when considered in the context of demographic pressures such measures are likely at best, to constrain demand at current levels (while also improving outcomes for people) rather than significantly reduce ongoing costs. Increases in the number of older people requiring social care support and the increasing complexity of needs of those people accessing services are common trends being experienced by many Councils and there may be further pressures and increases in demand as a result of welfare reforms.
- 6.22 Work is also progressing on potential savings from changes in staff terms and conditions. Any proposals will need Members approval and negotiation with the Trade Unions and are therefore unlikely to have any financial benefit until 2014/15.
- 6.23 **Council meeting 13th October 2012**
- 6.24 At the above meeting it was agreed that as part of the 2013/14 budget process the Council would review existing car mileage rates and support for Trade Unions to determine if any saving can be made in these areas. In the timescale for completing this report it was not possible to review these areas and this work will be completed over the next few months and reported to Cabinet in the December MTFS report.
- 6.25 In relation to car mileage costs the Council introduced new arrangements for reimbursing staff using their own cars for official Council business in 2011/12. These arrangements reduced the annual cost to the Council from £853,000 in 2010/11 to £453,000 in 2011/12, a saving of £400,000. This is a recurring year on year saving and from 2012/13 has increased to £430,000 per year. This saving has been achieved at the same time as a pay freeze for all Council staff, which has now lasted 3 years.

7 Forecast Budget Deficits 2013/14 to 2016/17

- 7.1 The previous paragraphs concentrated on budget deficits for 2013/14 and 2014/15 as these are the most immediate financial challenge facing the Council. However, as indicated earlier in the report, the public sector faces a period of continued spending reductions up to 2016/17 and potentially

beyond. The next Government Spending Review will cover 2015/16 and 2016/17 and it is anticipated this will continue to reflect the constraint of public spending to reduce the overall level of Government debt, the continued prioritisation of health and education relative to other public services and continued pressure on welfare spending. The overall position for public spending is unlikely to change even if there is a change in Government. A new Government will still need to adopt a robust public spending strategy to avoid losing the UK's existing AAA credit rating which would lead to increasing Government borrowing costs and consequently higher cuts in public spending.

- 7.2 For local authorities it is anticipated that grant cuts will continue into 2015/16 and 2016/17. Analysis of national public spending forecasts indicates that over these two years additional total grant cuts in the order of 10% to 15% would be a prudent planning assumption. For Hartlepool, this could equate to an additional grant cut over these two years of £4m to £6m.
- 7.3 The Council will also face local pressures from expenditure on services rising as a result of inflation and demographic pressures exceeding the additional income which can be raised by increasing Council Tax. This is a **structural financial problem** facing authorities like Hartlepool which only fund around 50% of their net budgets from Council Tax. Prior to the spending cuts implemented in 2011/12 the national funding system for local authorities recognised this issue and annual grant increases and the allocation of resources based on need and ability to raise funding locally from Council Tax protected these areas. This level of financial protection is not expected to be built into the new 'tariffs and top' arrangements implemented when business rates are re-localised in April 2013.
- 7.4 The impact for Hartlepool, assuming an inflation rate of 2.5%, is an annual inflationary costs pressure of £2.3m, compared to an additional income from a 2.5% Council Tax increase of £1m – **an annual structural deficit of £1.3m**. To remove the annual structural deficits yearly Council Tax increases of around 5% would be required.
- 7.5 The removal of the 2011/12 Council Tax freeze grant, which is paid for 4 years, in 2015/16 will add £1m to the deficit for this year.
- 7.6 In summary for the period 2013/14 to 2016/17 the Council is facing an overall budget gap in the order of £18.8m to £20.8m. The maximum forecast deficit is slightly higher than the forecast reported in June of £20.2m owing to the impact of the additional forecast grant reductions arising from the proposals issued by the Government in July and net changes in local planning assumptions.
- 7.7 The forecast annual deficits are summarised below and as indicated earlier in the report the Council faces a very significant known deficit over the next 2 years and forecast ongoing deficits in the following two years.

- 7.8 Against this background the Council will need to implement robust measures to identify the necessary annual savings to balance each year's budget. This strategy will need to be supported by a robust strategic approach to managing one-off financial risks (as detailed in section 8.27) to avoid these issues increasing the cuts in core budget and therefore services.

Summary of forecast deficits 2013/14 to 2016/17

	Low £'000	High £'000
2013/14 - note 1	5,356	5,356
2014/15 - note 1	5,490	5,490
	10,846	10,846
2015/16 - note 2	4,649	5,649
2016/17	3,300	4,300
	7,949	9,949
Total Forecast Deficit -note 3	18,795	20,795

Note 1 - 2013/14 and 2014/15 forecast include impact of revised planning assumptions detailed in paragraph 6.18.

Note 2 - the 2015/16 deficits are higher than reported in June by £0.379m, which is the amount of the 2014/15 deficit it is proposed to fund from the Council Tax Freeze grant reserve and therefore needs to be replaced with permanent savings in 2015/16.

Note 3 - 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. Where temporary funding is used to balance a specific years budget the implications on the following years deficit are reflect in the deficit for the later year.

8. Financial Risks – National issues

- 8.1 The range and level of financial risks facing Councils over the next four years, particularly the changes which the Government will implement in April 2013, are unprecedented and will have a significant financial impact on Councils. These issues may impact on the budget position outlined in the previous paragraphs, although until the Government provides more information it is not possible to assess the potential impact on Hartlepool. This means that when more information is available the Council may need to respond quickly to changes which it is expected may reduce funding available in 2013/14. The following paragraphs provide a summary of these issues, details of which have been reported previously.
- 8.2 **Council Tax Benefit changes**
- 8.3 A comprehensive report was considered by Cabinet on 3rd September detailing the impact of the Government's decision to replace the current national Council Tax Benefit scheme with Council Tax Support schemes

determined by individual Councils. This report enabled the Council to commence consultation on a local Council Tax Support scheme.

- 8.4 As reported previously the grant available to fund local Council Tax Support schemes is being cut at a national level by 10%. This is the headline grant cut, the actual grant cut for 2013/14 for Hartlepool is forecast to be 14%. There is a risk that the actual grant cut for 2013/14 is greater than the forecast.
- 8.5 In designing new Local Council Tax Support schemes Councils will be required to protect low income pensioners. This means the whole of the grant cut will fall on working age households. It is estimated that this will mean Council Tax support for this group will need to be reduced by 20%. This is after reflecting changes to existing Council Tax exemptions and the budget pressure included in the MTFs forecasts for 2013/14 and 2014/15 to partly mitigate the impact of the Government grant cut.
- 8.6 This change transfer significant financial risk from Central Government to Local Authorities (including the Fire and Police Authorities) as they will be required to fund demand lead expenditure from a cash limited budget. This would be a significant issue in normal economic circumstances, but will be particularly challenging in the current economic climate. In addition Councils will need to collect Council Tax from low income households which have previously had all of their Council Tax liability (or part of it) paid from Council Tax Benefit. These households are also likely to be adversely affected by other Welfare Reform changes, therefore collecting this income will be extremely challenging.
- 8.7 There is still no certainty over when the primary and secondary legislation will be approved by Parliament. This uncertainty is unhelpful and reduces the effective time councils will have to address this complex issue. Any delays in the legislative timetable significantly increase the risk that local authorities will not be able to make these changes in time for the start of 2013/14. In addition, a number of major IT providers which provide Council Tax Benefit systems have indicated that even without any delays in the legislative timetable it will be extremely challenging to make the necessary changes to existing software within the existing timescale. The Government have not really recognised these risks and they are intent on implementing the 10% funding cut, which will mean councils will need to make some very difficult decisions.
- 8.8 Whilst managing changes to Council Tax Benefit will impact on all authorities, it will have a disproportionate impact on local authorities serving more deprived communities with a higher percentage of residents eligible for means tested support with their Council Tax. These authorities will face a greater financial impact and therefore a more difficult situation to manage at a time of continued public sector spending restraint and potentially increasing demand in households requiring support with their Council Tax.

Business Rate Re-localisation

- 8.9 Previous reports have provided details of the Government's proposals to set 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.
- 8.10 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.
- 8.11 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.
- 8.12 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. 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. The proposals detailed in section 8.27 include provision to manage this risk to avoid the need for in-year budget cuts in 2013/14 if there is a shortfall in business rate income from the power station.
- 8.13 The impact of Business Rate re-localisation will not be known until detailed regulations are issued and the Government have defined the baseline for setting funding levels for 2013/14 and future years. Until this information is available this is a significant risk area for 2013/14 and 2014/15 as the actual grant cuts for Hartlepool may exceed the current MTFS forecast, which are based on the national grant cuts applying at a local level.

- 8.14 The baseline used for setting future funding levels is being reviewed as part of the process for re-localising Business Rates as it is recognised by the Government that this is the only opportunity to make changes before the baselines are locked into the new system until 2020 (the Government proposed reset date). The Council is supporting the Association of North East Council (ANEC) stance that the Government should use the opportunity to address the disproportionate impact on councils serving the most deprived communities, particularly in the North East, of the grant cuts made in the last two years. However, it is unlikely that this approach will be successful. Similarly, ANEC are asking the Government to recognise the funding pressures on Children's Services.
- 8.15 School Funding Reform**
- 8.16 In April 2012 the Department for Education issued a comprehensive document on School Funding reform. These arrangements are the first steps towards a National Funding Formula for Schools which the Government has delayed for a further two years until 2015/16 and the next Spending Review.
- 8.17 The changes which will be implemented for 2013/14 are extremely challenging, both in terms of the timescale and the potential impact on individual schools and the support services (both education support and non education support services) provided by councils. Officers have commenced work to assess the impact on Hartlepool, including working with the Schools Forum.
- 8.18 At this stage it is too early to assess the financial impact of these changes, although there is a risk there could be an unbudgeted pressure on the Council's budget from these changes. Details will be reported to Members as soon as they are available.
- 8.19 The Government are also consulting on reforms to the system for funding Academies and the arrangements for top slicing funding from Councils for functions which transfer to Academies. The Governments initial proposals were challenged and Councils will receive repayment of grant top sliced in 2011/12 and 2012/13 before the end of the financial year. New arrangements will then be implemented in 2013/14 and it is anticipated this will increase the amount of funding which is top sliced from Councils as the Government are committed to funding Academies. Despite Hartlepool currently not having any Academies the Council has been affected by the grant top slicing in the last two years and this is expected to continue next year. Until the position becomes clearer it is recommended that any amount of grant repaid before the end of the current financial year is earmarked to offset the expected grant cut for 2013/14. This proposal will hopefully avoid an additional budget pressure in 2013/14 and provide a longer lead time to manage the impact of ongoing grant reductions. Full details will be reported as soon as the Government provide more information.

8.20 Police Reform and Social Responsibility Act Implications

8.21 The Police Reform and Social Responsibility Reform Act brings in new structural arrangements for national policing, strategic police decision-making, neighbourhood policing and policing accountability. Elections for a Police and Crime Commissioner (PCC) for the Cleveland Force area will take place in November 2012, which has funding implications for the authority. The Community Safety fund of £79,000 will transfer to the PCC, which has over the last three years been used by the Safer Hartlepool Partnership to progress a number of initiatives in support of its strategic objectives. The initiatives have been broad ranging, and innovative to respond to local need and identified gaps in service provision. In 2012 the fund has been allocated to Safer Communities and the Joint Action Groups, Alcohol Support Services linked to Alcohol Treatment Orders and young peoples substance misuse. Additional grants which will transfer to the PCC include the Home Office element of the Youth Offending Grant, £170,000, which is allocated against the Prevention Team who deliver a suite of prevention programmes aimed at reducing reoffending and 1st time entrants into the Youth Justice System, as well as the Home Office Drug Intervention Programme grant of £164,000 which currently is allocated against the arrest referral contract.

8.22 Transfer of Social Fund

8.23 From April 2013 responsibility for the Social Fund will transfer from the Department for Work and Pensions to Councils. Individual Councils will be allocated a cash limited grant and will need to design local schemes to replace the existing Social Fund. This change transfers another demand lead financial risk to Councils. A detailed report will be submitted to a future meeting detailing proposals for managing this change.

8.24 Changes to specific grants and proposals to transfer specific grant into the main Formula Grant

8.25 The Government have indicated that they are considering potential changes to specific grants, including transferring some grants into the main Formula Grant. Detailed proposals have not been provided, therefore it is not possible to assess the potential impact on Hartlepool. However, there is a risk that these changes will have a disproportionately adverse impact on Hartlepool, particularly any proposals to transfer specific grants into the main Formula Grant as these changes historically result in lower grant allocations when removed from specific grants. Further details will be reported as soon as they are available.

8.26 Financial Risks – Local Issues

8.27 A comprehensive report was submitted to Cabinet on 3rd September 2012 to provide an update on additional financial risks facing the Council. In total these additional risks are estimated to be £5.35m as summarised below:

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

8.28 To avoid these financial risks 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 effectively means reviewing the level of existing reserves and managing the current year's revenue budget to provide an under spend. The following targets have been set:

- Reserves Review Target £2m to £2.5m;
- Departmental 2012/13 underspend target of 2%, which equates to £1.4m;
- Corporate budget underspend target of £2m.

8.29 Assuming the overall forecast funding can be achieved from reviewing reserves and achieving the in-year underspends for corporate and department budgets the Council may have funding of up to £5.9m to cover these financial risks. This would potentially provide around £0.6m to fund the un-quantified financial risks detailed in the previous paragraphs. This position cannot be guaranteed and the achievement of these targets will be challenging and need careful management.

8.30 The full report consider by Cabinet on 3rd September 2012 will be referred to Scrutiny Co-ordinating Committee alongside this report to provide Members with full details of the additional local financial risks summarised in paragraph 8.26.

9. Residual PCT Funding

9.1 In previous years the PCT has allocated additional funding near the end of the financial year to fund expenditure commitments in the following financial year and on occasions to fund initiatives running over more than one financial year. This money has been reflected in the overall outturn strategy of the Council and carried forward as ring fenced reserves.

- 9.2 As part of the NHS reforms the PCT will be wound up at the end of the current financial year. It is therefore anticipated that the Council will receive funding before the end of the year to fund expenditure commitments and initiatives in 2013/14 and beyond. These resources will again need to be held as ring fenced reserves to manage the transition and financial risks of moving from current PCT funding system to the new GP lead funding arrangement. Further details will be reported when they become available.

10. CONCLUSION

- 10.1 Whilst the report expresses the financial position and financial risks facing the Council over the next four years in monetary terms, these issues are fundamentally about the future nature and shape of the Council and services – sustainability, levels and methods of delivery.
- 10.2 The Council has already faced a 20% (£10.2 million) cut in the main revenue grant over the last two years (2011/12 and 2012/13) and has had to make significant budget cuts to balance the budgets for these years. Whilst these cuts have been very difficult, they were not unexpected and the Council has been able to implement budget reductions on a managed basis. This approach minimised the adverse impact on services and management of vacancies and redeployment has mitigated the impact on the workforce.
- 10.3 Many of the measures implemented over the last two years to balance the budget cannot be repeated as savings have either been achieved by stopping a service, or services scaled back to a minimum level. This means that balancing the budget for 2013/14 and future years will become significantly more challenging and require more difficult decisions to be made. Savings from 2013/14 onwards will increasingly impact adversely on the overall levels of services provided and the Council will need to prioritise services which are protected and services which are either stopped completely, or scaled back to a very minimum level in order to balance the budget. The Council will also need to clearly communicate the impact of future cuts to the public as these cuts will increasingly have an adverse and much more visible impact on the services people receive.
- 10.4 The report details the financial risks facing the Council over the four years 2013/14 to 2016/17 and the forecast budget deficits for this period, as summarised in the following table. Addressing these deficits will require a fundamental change in how the Council operates and the services provided as these cuts will need to come from the existing net General Fund budget of £91m. Clearly, making cuts in the order of £18.8m to £20.8m from a budget of £91m will be extremely challenging, fundamentally change the Council and need careful management.

	Low £'000	High £'000
2013/14 - note 1	5,356	5,356
2014/15 - note 1	5,490	5,490
	10,846	10,846
2015/16 - note 2	4,649	5,649
2016/17	3,300	4,300
	7,949	9,949
Total Forecast Deficit -note 3	18,795	20,795

Note 1 - 2013/14 and 2014/15 forecast include impact of revised planning assumptions detailed in paragraph 6.18.

Note 2 - the 2015/16 deficits are higher than reported in June by £0.379m, which is the amount of the 2014/15 deficit it is proposed to fund from the Council Tax Freeze grant reserve and therefore needs to be replaced with permanent savings in 2015/16.

Note 3 - 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. Where temporary funding is used to balance a specific years budget the implications on the following years deficit are reflect in the deficit for the later year.

10.5 The actual budget deficits for 2013/14 and 2014/15 may be higher than the forecasts detailed in the above table as there is a risk that the actual cuts in Government grant may be higher than anticipated. There are a number of risks which could result in higher grant cuts for the next two years:

- The Government may increase the overall cuts in funding for local authorities previously announced;
- Planned changes in the formula used to allocate grant to councils for 2013/14 and future years may adversely impact on the Council;
- The planning assumptions are based on the national grant cuts applying at a local level. There is a risk that this is not the case and actual local grant cuts are higher than the national cuts, which was the case in 2011/12 and 2012/13.

10.6 Owing to the scale and complexity of changes the Government are proposing to the Local Government funding regime from 2013/14 it is not currently possible to assess the impact of these changes, although it is not expected that they will have a positive impact on councils which have the greatest dependency on Government grants. It should be noted that even small percentage changes in the level of grant would have a significant impact on the Council's financial position as a 1% additional grant cut equates to £0.46m. There is also a risk that initial grant allocations will not be known until December 2012 and possibly as late as January 2013, which makes financial planning more challenging.

- 10.7 As a result of the continuing cuts in Government funding it will become increasingly important that planned savings are robust and sustainable as the Council will have less financial flexibility to manage the overall budget. To manage this process a clear strategy for managing the budget position over more than one year will need to be developed. Therefore, this report concentrates on the budget deficits facing the Council in 2013/14 and 2014/15 as these represent the most immediate challenge facing the Council.
- 10.8 For 2013/14 it is anticipated that the budget can be balanced through a combination of achieving the savings plan and the use of total one off resources of £1.198m (£0.348m from releasing part of the one-off resources previously allocated to offset the loss of the 2012/13 Council Tax freeze grant and £0.85m additional one-off resources to be identified from the 2012/13 outturn strategy). The use of these one-off resources will mitigate the impact of higher 2013/14 grant cuts than previously anticipated, which provides some protection for services in 2013/14 and provides a longer lead time to identify permanent reductions.
- 10.9 For 2014/15 the initial savings plans do not fully balance the budget and further savings of around £1.3m will need to be identified.
- 10.10 The proposals to collaborate with Darlington Borough Council and Redcar and Cleveland Council provide the opportunity to achieve savings towards the overall budget deficits, whilst minimising the impact on front line services. The achievement of these savings will require commitment from all authorities to business cases which demonstrate how savings can be achieved.
- 10.11 Collaboration will not solve the budget deficits facing the Council over the next two years, although it should provide a contribution and therefore partly mitigate the impact on front line services.
- 10.12 However, it needs to be recognised that despite the forecast benefits of collaboration and the cuts made over the last few years more difficult decisions and cuts still need to be made. Inevitably, the Council will increasingly need to make difficult decisions and see these through to ensure the Council remains financially viable. The Council cannot avoid making these decisions and needs to develop a robust plan to address the 2013/14 and 2014/15 deficits, to avoid having to make unplanned and therefore deeper cuts.
- 10.13 The report details the significant uncertainty and resulting financial risk of a range of proposed fundamental funding and legislative changes which the Government will implement from April 2013, some of which cannot yet be quantified. In addition, there are a range of significant local financial risks which are estimated to be £5.35m as detailed in a paragraph 8.28. These risks are in addition to the budget deficits detailed in paragraph 9.4.
- 10.14 To avoid these financial risks 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 effectively means reviewing the level of existing reserves and managing the current year's revenue budget to provide an under spend.

10.15 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.

10.16 It is recommended that Cabinet refers this report to Scrutiny Co-ordinating Committee, together with the report considered on 3rd September 2012 – 'Strategy for Managing Financial Risks' to inform Members of the significant financial challenges facing the Council and to seek views on the following specific consultation proposals:

- Proposed indicative Council Tax increases for 2013/14 and 2014/15 of 2.5%;
- The proposal to phase the use of the £0.727m set aside within the 2011/12 outturn strategy to offset the loss of the 2012/13 Council Tax Freeze grant in 2013/14 over two years, £0.348m in 2013/14 and £0.379m in 2014/15 to support the budget strategy summarised in paragraph 6.19;
- The proposed pressures to be funded in 2013/14 detailed in Appendix A;
- The proposed strategy for managing changes in Education funding arising from the Government's Academy programme as detailed in paragraph 8.20;
- The proposed strategy for managing Financial Risks summarised in paragraphs 8.28 to 8.30 and detailed in the report considered by Cabinet on 3rd September 2012 – 'Strategy for Managing Financial Risks';
- The proposed strategy for managing residual PCT funding detailed in paragraph 9.

10.17 It should be noted that Scrutiny Co-ordinating Committee (SCC) has previously agreed a detailed work schedule for considering the 2013/14 savings proposals summarised in Appendix B. Referral of this report to SCC will enable Members to familiarise themselves with the overall financial position facing the Council and to determine if they wish to comment on the specific consultation proposals detailed in the previous paragraph.

10.18 Arrangements will also be made to consult with the Business Sector and Trade Unions on the above issues.

11. RECOMMENDATIONS

11.1 It is recommended that the Cabinet

- i) note the report;
- ii) refer the report to Scrutiny Co-ordinating Committee to commence the 2013/14 budget process and seek views on the issues detailed in the report and the specific consultation proposal detailed in paragraph 10.16.

12. REASONS FOR RECOMMENDATIONS

12.1 To enable Cabinet to determine initial proposals to be referred to Scrutiny Co-ordinating Committee to commence the 2013/14 Budget Process.

13. APPENDICES

13.1 As previously agreed, Appendices A and B will be circulated with the report rather than available on request.

14. BACKGROUND PAPERS

- Cabinet report 11th June 2012 – MTFS 2013/14 to 2016/17
- Cabinet report 3rd September 2012 – MTFS – Strategy for Managing Financial Risks
- Cabinet report 3rd September - 2013/14 Localisation of Council Tax Support

15. CONTACT OFFICER

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APPENDIX A

SCHEDULE OF 2013/14 PRESSURES

Description of pressure	Value of pressure £'000
<u>Corporate issues</u>	
<u>Brierton Community Sports</u> Actual pressure exceeds provision included in base budget from 2012/13.	65
<u>Income pressures</u> - these issues relate the 2.5% inflation increase included in the MTFs forecast which is not expected to be achieved for areas previously identified as shortfalls in the 2012/13 budget and addressed as budget pressures covering	
<u>a) Shopping Centre income inflation</u> Income depends on occupancy of shop units and it is not expected that the Council's share of rental income will increase in the current economic climate	24
<u>b) Car Parking income inflation</u> Car Parking - owing to the current economic climate it is not recommend that an increase in car parking charges is implemented in 2013/14. Furthermore, owing to the practicalities of setting an increase which generates increases in multiples of 5p a higher increase than 2.5% would be required. It is therefore recommended that no increase is applied for 2012/13. The position can be reviewed for 2014/5/15.	37
<u>Council Capital Fund</u> A one-off Council Capital Fund of £1m was established as part of the 2012/13 budget proposals and included in the 'one-off strategic costs', to cover capital priorities in 2012/13 and 2013/14. Council approved commitments against this fund of £0.632m, leaving an uncommitted balance of £0.368m (potential to increase to £0.418m if West View Cemetery Lodge and Carnegie schemes do not progress) for additional schemes which need Cabinet and Council approval. The pressure shown would support Prudential borrowing of approximately £0.6m in 2013/14 (actual value of capital spending depends on specific schemes approved which will have different operational lives). Assuming no commitments against the remaining 2012/13 uncommitted budget the Council will have around £1m to manage one-off capital risks in 2013/14 and 2014/15.	50
<u>Regeneration and Neighbourhood Services</u>	
<u>NFFO (Non Fossil Fuel Obligation)</u> The Government have removed the 27% 'credit' SITA and the Council received since the start of the contract. This was part of the contract and always planned.	279
<u>Landfill Tax</u> There is an annual increase in Land Fill Tax of £8 per tonne, which includes the bottom ash from the incinerator.	29
<u>Loss of LPSA funding</u> The Independent Domestic Violence Advisor (£20k) and Men's Perpetrator Programme (£15k) are services included in the Domestic Violence specification, which has recently been commissioned. The Victims Services Officer (£20k) is linked to Neighbourhood teams and covers all crime categories.	55
Total Potential Pressure Identified	539

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 known'. 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 arise, 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 addition 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

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<h1>CABINET</h1> <h2>3rd September 2012</h2>
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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
	2 nd 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

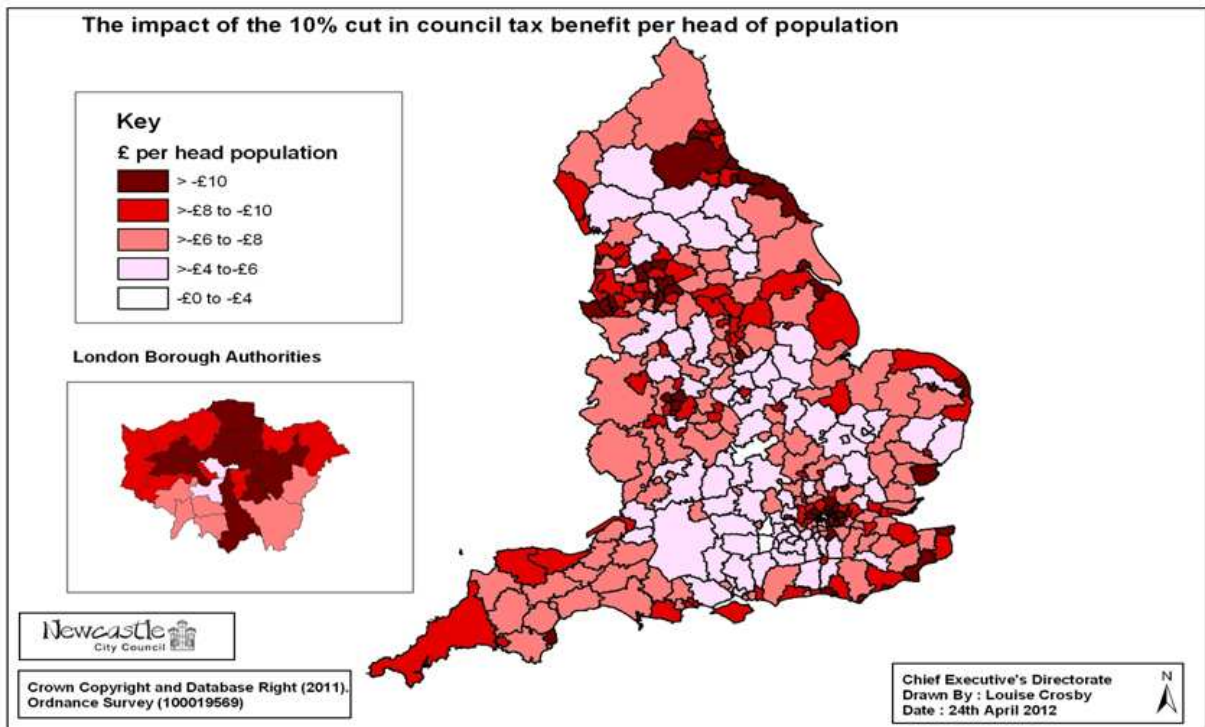
- 5.1 As detailed earlier in the report the Government has stated that the national grant cut will be 10%, however when account is taken of the value of awards under the current CTB scheme and a forecast council tax rise for 2013/14 the actual grant cut for Hartlepool for 2013/14 is 14%.
- 5.2 Regional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

Estimated Grant Cut per Head of Population

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 2nd 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	13/14	14/15	15/16	16/17
	£m	£m	£m	£m	£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	13/14	14/15	15/16	16/17
	£m	£m	£m	£m	£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 Heartbeat, 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. Furthermore 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

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SCRUTINY CO-ORDINATING COMMITTEE

19 October 2012



Report of: Director of Public Health

Subject: DRAFT HARTLEPOOL HEALTH AND WELLBEING STRATEGY

1. PURPOSE OF REPORT

- 1.1 The purpose of this report is to present to Scrutiny Co-ordinating Committee the first draft of the Joint Health and Wellbeing Strategy (JHWS) and the results of the recent consultation exercise that are integral to the development of the strategy.

2. BACKGROUND

- 2.1 The NHS reform requires the Local Authority with partners agencies, including the PCT and Clinical Commissioning Group, to develop a joint Health and Wellbeing Strategy based on the Joint Strategic Needs Assessment (JSNA). The final draft of the strategy must be completed by April 2013. The strategy should focus on not only protecting the health of the population but improving it through a range of evidence based interventions.

3. CONSULTATION FEEDBACK

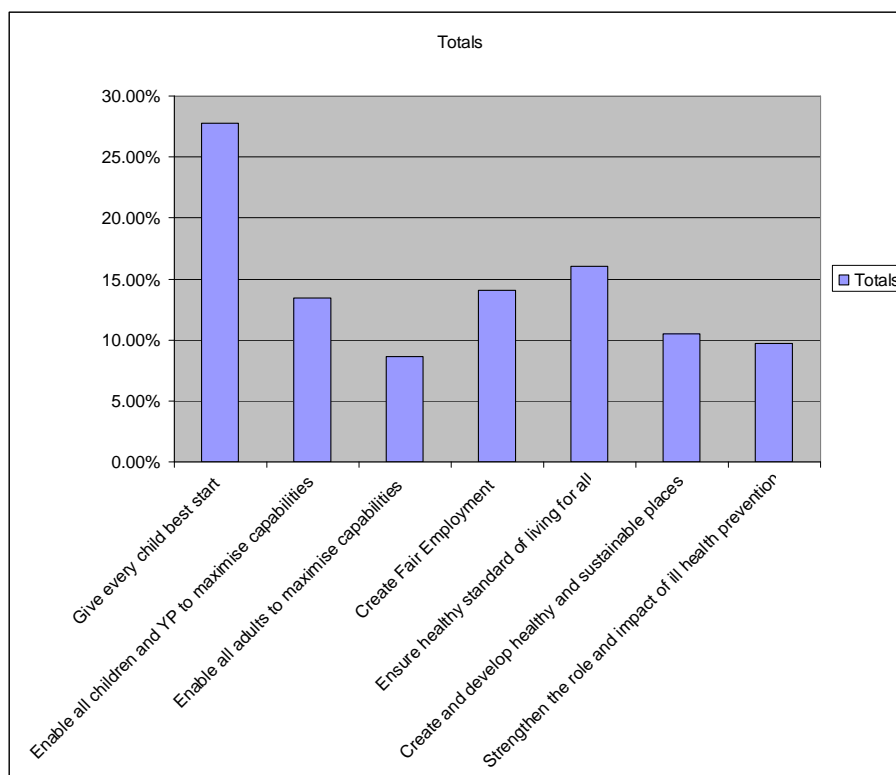
- 3.1 This initial phase of consultation commenced on the 20th of August and closed on the 17th September. The consultation comprised of a prioritisation exercise undertaken across a range of venues and an online survey which aimed to establish priorities across each of the proposed strategic objectives.
- 3.2 The prioritisation exercise was undertaken across a range of venues which included libraries, children's centre, GP surgery waiting rooms and Youth Centres. Participants were given a notional £25 to spend across seven strategic themes, these being:
- Give every child best start in life;
 - Enable all children and Young People to maximise capabilities;
 - Enable all adults to maximise capabilities;
 - Create Fair Employment and good work for all;

- Ensure a healthy standard of living for all;
- Create and develop healthy and sustainable places;
- Strengthen the role and impact of ill health prevention.

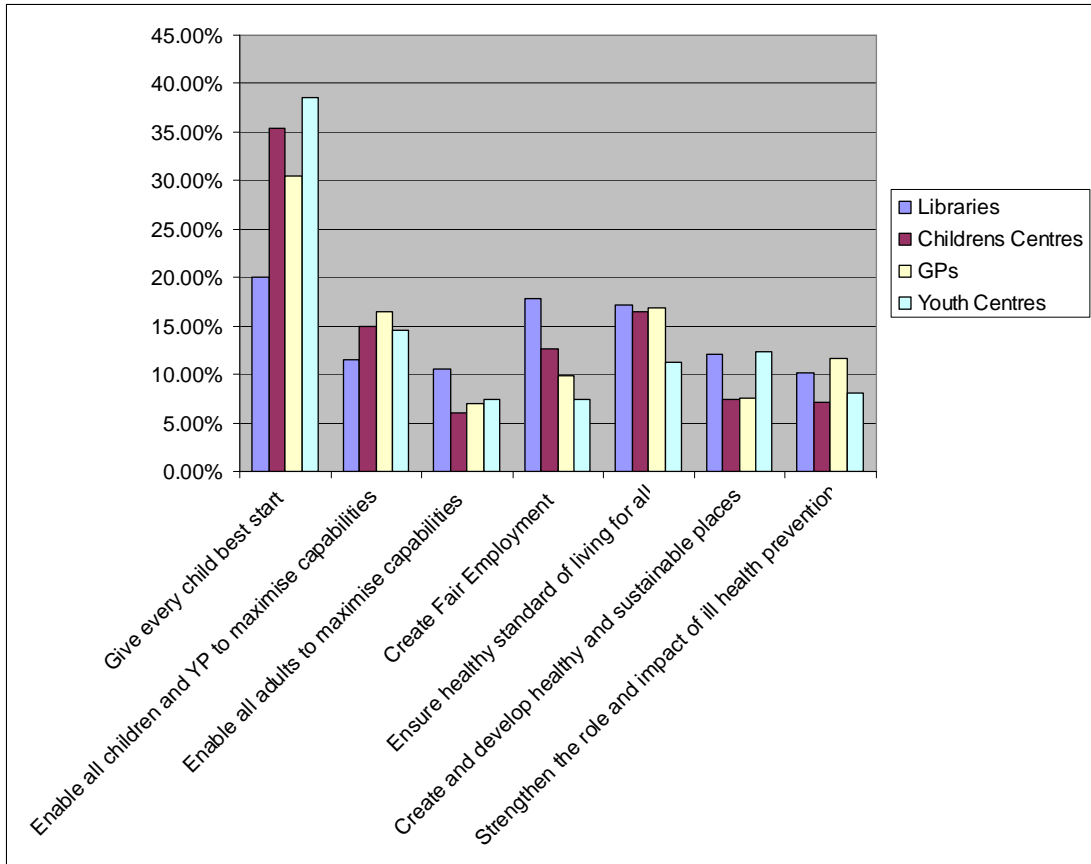
A total of 465 participants took part in the exercise, a breakdown is provided in the table below.

Venue type	No. of participants
Libraries	178
Children’s Centres	89
GP’s surgeries	42
Youth Centres	56

Overall Totals



‘Giving every child the best start in life’ is clearly the most popular priority amongst participants with almost 30% of the total budget allocated to this area.
Broken down by type of Venue



When broken down by the type of venue it is clear that ‘giving every child the best start in life’ is the most popular priority across all venues, however this percentage is significantly less in the results obtained within libraries where there was a slightly more even spread across each priority area.

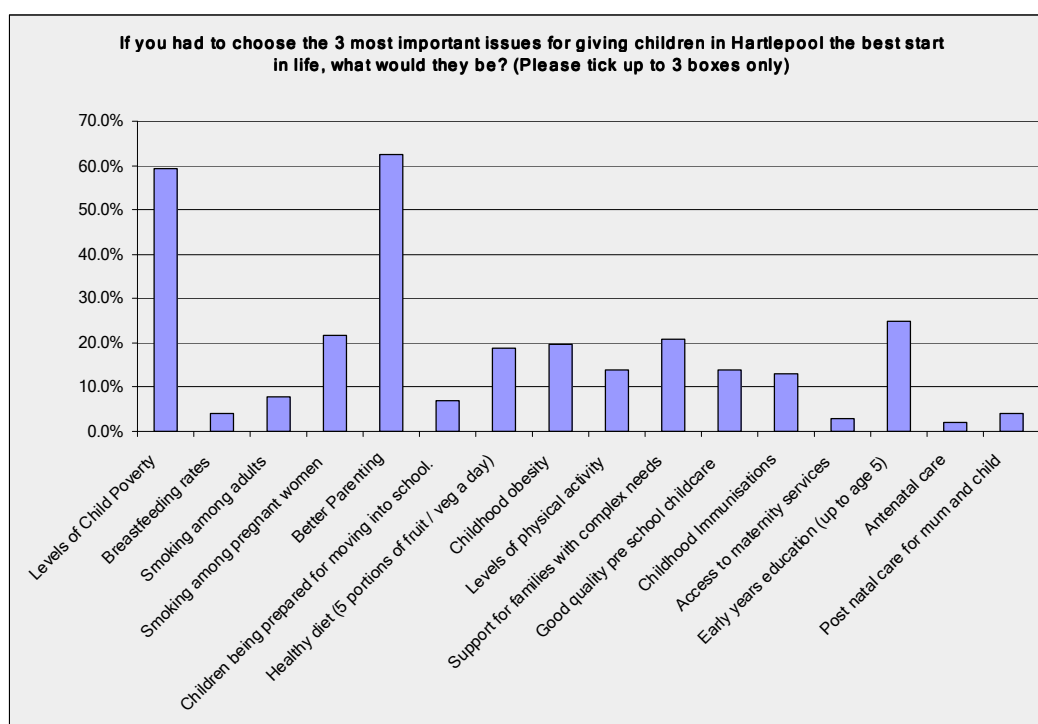
3.3 The online survey was open from the 20th August until the 17th September; a total of 105 people took part in the survey.

The tables below summaries the responses for each priority area and indicates what participants considered the most important issue within each priority area.

GIVE EVERY CHILD THE BEST START IN LIFE Giving every child the best start in life is crucial to reducing the chances of poor health into adult life. What happens during the early years (including the womb) has life long effects on health issues including obesity, heart disease and mental health as well as educational attainment and future job

prospects. Thinking about ensuring that children are given the best possible start in life, please consider each of the issues below and identify whether you think it is a major issue, minor issue or no issue in Hartlepool:

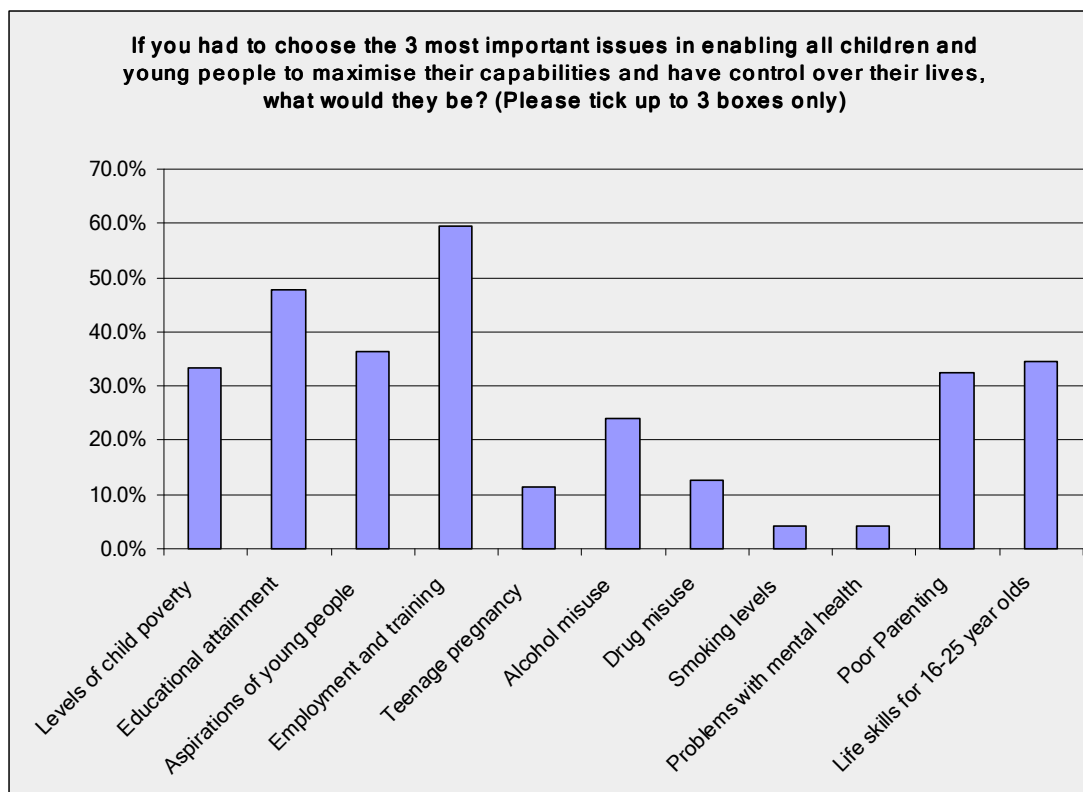
Answer Options	Major Issue	Minor Issue	No Issue	Response Count
Levels of Child Poverty	78	24	2	104
Breastfeeding rates	31	49	23	103
Smoking among adults	81	22	1	104
Smoking among pregnant women	88	17	0	105
Better Parenting	85	17	0	102
Children being prepared for moving into school.	33	58	8	99
Healthy diet (5 portions of fruit / veg a day)	74	29	1	104
Childhood obesity	72	26	2	100
Levels of physical activity	69	33	0	102
Support for families with complex needs	58	42	1	101
Good quality pre school childcare	41	51	7	99
Childhood Immunisations	45	44	11	100
Access to maternity services	46	36	19	101
Early years education (up to age 5)	40	54	6	100
Antenatal care	39	45	17	101
Post natal care for mother and child	43	41	15	99
<i>answered question</i>				105
<i>skipped question</i>				0



ENABLE ALL CHILDREN AND YOUNG PEOPLE TO MAXIMISE THEIR CAPABILITIES AND HAVE CONTROL OVER THEIR LIVES The health choices we make impact on our education, quality of life and life expectancy. What we achieve in our education can affect our physical and mental health, as well as future income, employment and

quality of life. Where we live can also have a big impact on our education which in turn impacts future employment, income, living standards, behaviours, and mental and physical health. Thinking about ensuring how children and young people maximise their capabilities and have control over their lives, please consider each of the issues below and identify whether you think it is a major issue, minor issue or no issue in Hartlepool:

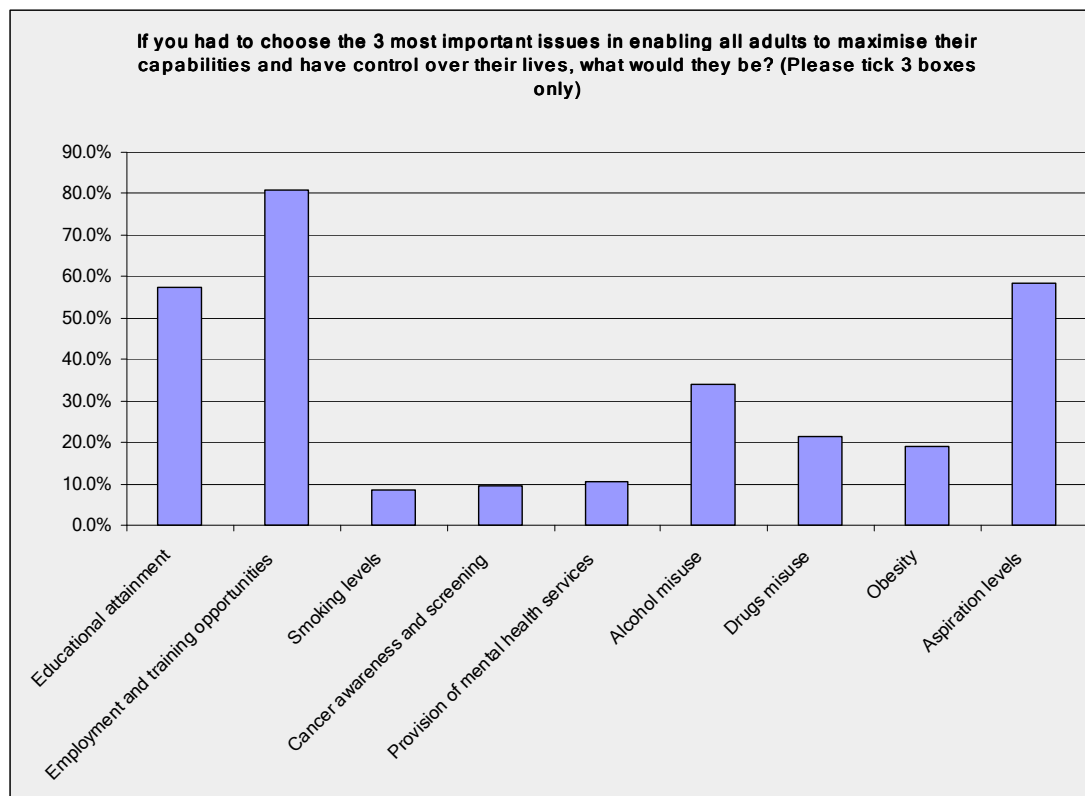
Answer Options	Major Issue	Minor Issue	No Issue	Response Count
Levels of child poverty	73	21	3	97
Educational attainment	57	34	3	94
Aspirations of young people	69	25	2	96
Access to Employment and training	83	12	0	95
Teenage pregnancy	61	35	0	96
Alcohol misuse	77	20	0	97
Drug misuse	71	24	0	95
Smoking levels	63	32	0	95
Problems with mental health	40	50	2	92
Poor Parenting	79	14	0	93
Life skills for 16-25 year olds	70	24	2	96
<i>answered question</i>				97
<i>skipped question</i>				8



ENABLE ALL ADULTS TO MAXIMISE THEIR CAPABILITIES AND HAVE CONTROL OVER THEIR LIVES Having a good education can affect our employment opportunities and our level of income. Our physical and mental health affects our ability to work and lead a fulfilling life where we can contribute to society. The health choices we make

impact on our quality of life and life expectancy. Where we live can also have a big impact on our education and employment opportunities, again impacting on our income, living standards, behaviours, and mental and physical health. Thinking about ensuring how all adults maximise their capabilities and have control over their lives, please consider each of the issues below and identify whether you think it is a major issue, minor issue or no issue in Hartlepool:

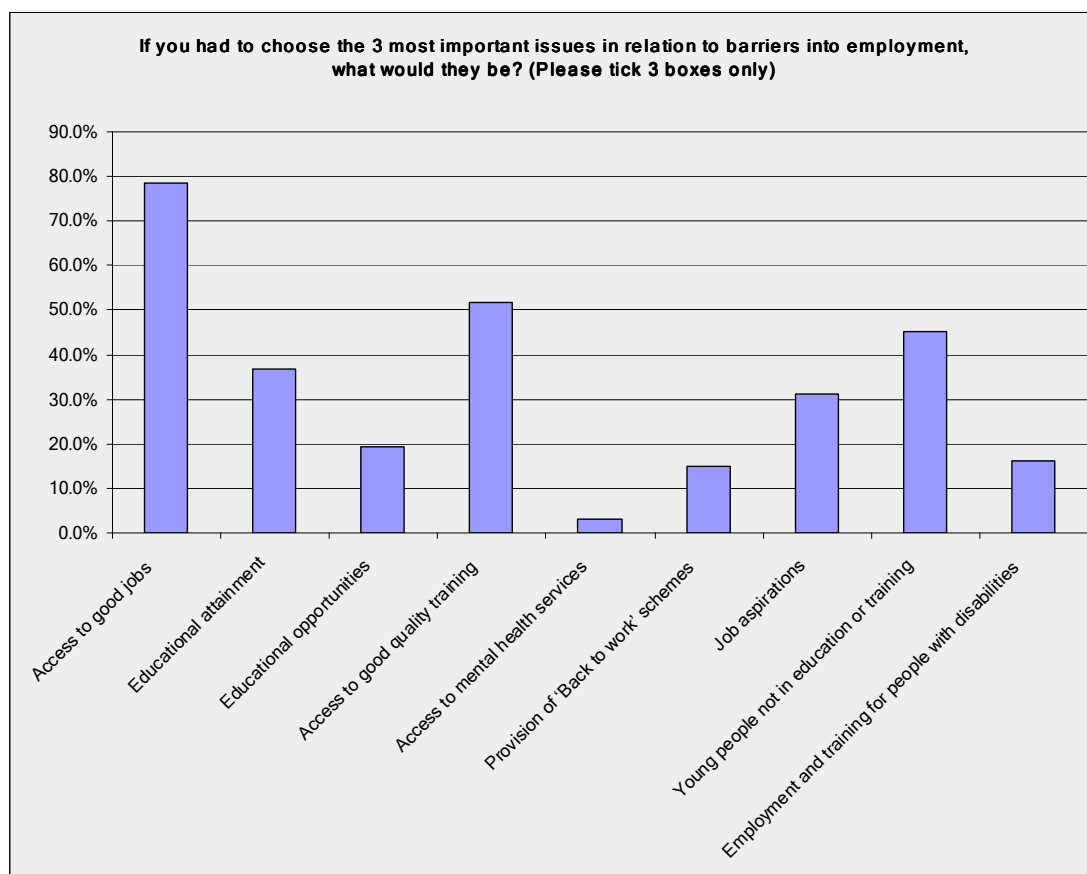
Answer Options	Major Issue	Minor Issue	No Issue	Response Count
Educational attainment	58	36	1	94
Access to employment and training opportunities	83	12	0	95
Smoking levels	52	41	1	94
Cancer awareness and screening	33	57	4	93
Provision of mental health services	41	49	2	92
Alcohol misuse	68	26	0	94
Drugs misuse	69	24	1	94
Obesity	60	31	2	93
Aspiration levels	73	22	1	96
			<i>answered question</i>	96
			<i>skipped question</i>	9



CREATE FAIR EMPLOYMENT AND GOOD WORK FOR ALL Being in good employment is good for our health. Likewise, unemployment contributes to poor health. Getting people into work is therefore very important for improving the health of people in Hartlepool. A job that offers security and opportunity is better for our health than one that does not. Thinking about the importance of employment to good health please consider each of the issues below and

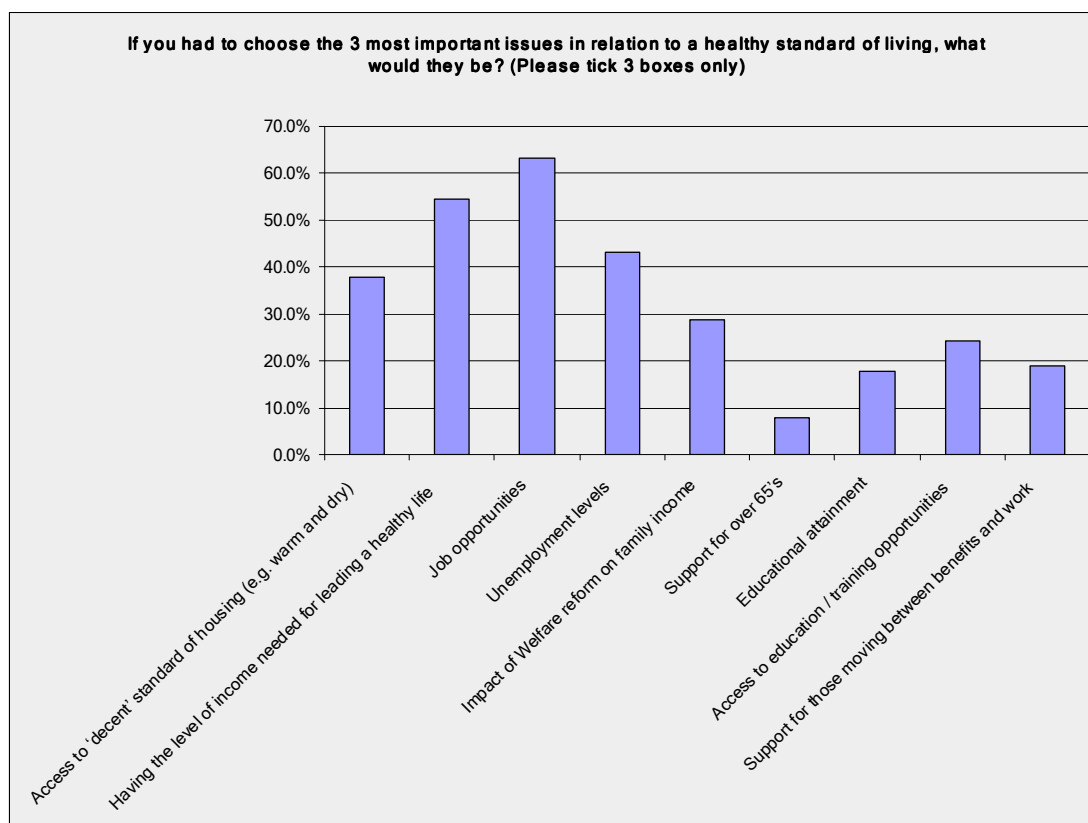
identify whether you think it is a major issue, minor issue or no issue in Hartlepool:

Answer Options	Major issue	Minor Issue	No Issue	Response Count
Access to good jobs	86	8	0	94
Educational attainment	57	35	1	93
Educational opportunities	42	50	2	94
Access to good quality training	65	28	2	94
Access to mental health services	33	53	4	90
Provision of 'Back to work' schemes	48	41	4	93
Aspiration levels	69	23	0	92
Young people not in education or training	80	14	0	94
Employment and training for people with disabilities	49	40	3	92
<i>answered question</i>				94
<i>skipped question</i>				11



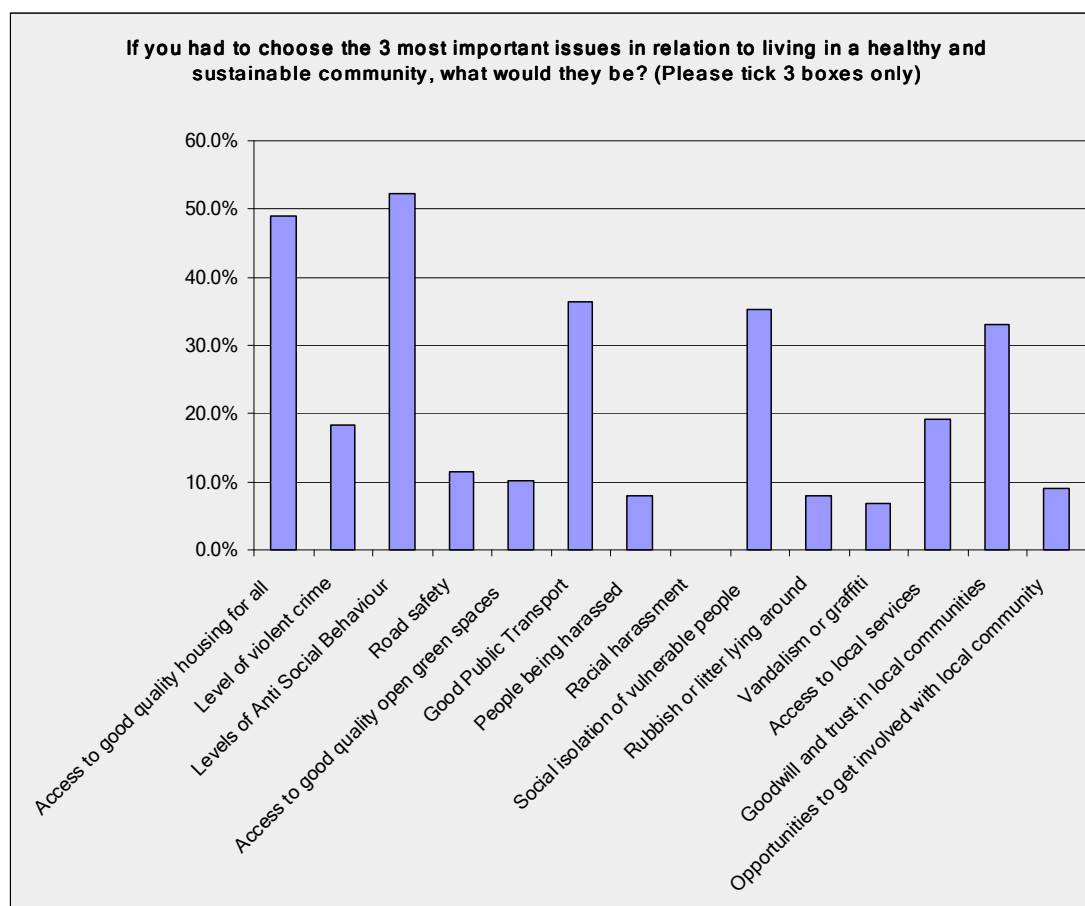
ENSURE A HEALTHY STANDARD OF LIVING FOR ALL Not having enough money to lead a healthy life plays a big part in the differences in health between different parts of the town. It can become more difficult for many groups to decide to spend money on healthy living as the income they need to spend on other important things increases e.g to be able to live in good housing, have a healthy diet, take part in physical activity, move around the Borough, and simply be able to spend time with our family and friends. Thinking about how to ensure a healthy standard of living for all please consider each of the issues below and identify whether you think it is a major issue, minor issue or no issue in Hartlepool:

Answer Options	Major Issue	Minor Issue	No Issue	Response Count
Access to 'decent' standard of housing (e.g. warm and dry)	46	34	10	90
Having the level of income needed for leading a healthy life	63	23	4	90
Job opportunities	85	5	0	90
Unemployment levels	83	8	0	91
Impact of Welfare reform on family income	64	20	6	90
Support for over 65's	31	49	7	87
Educational attainment	53	33	1	87
Access to education / training opportunities	61	29	0	90
Support for those moving between benefits and work	55	32	2	89
<i>answered question</i>				91
<i>skipped question</i>				14



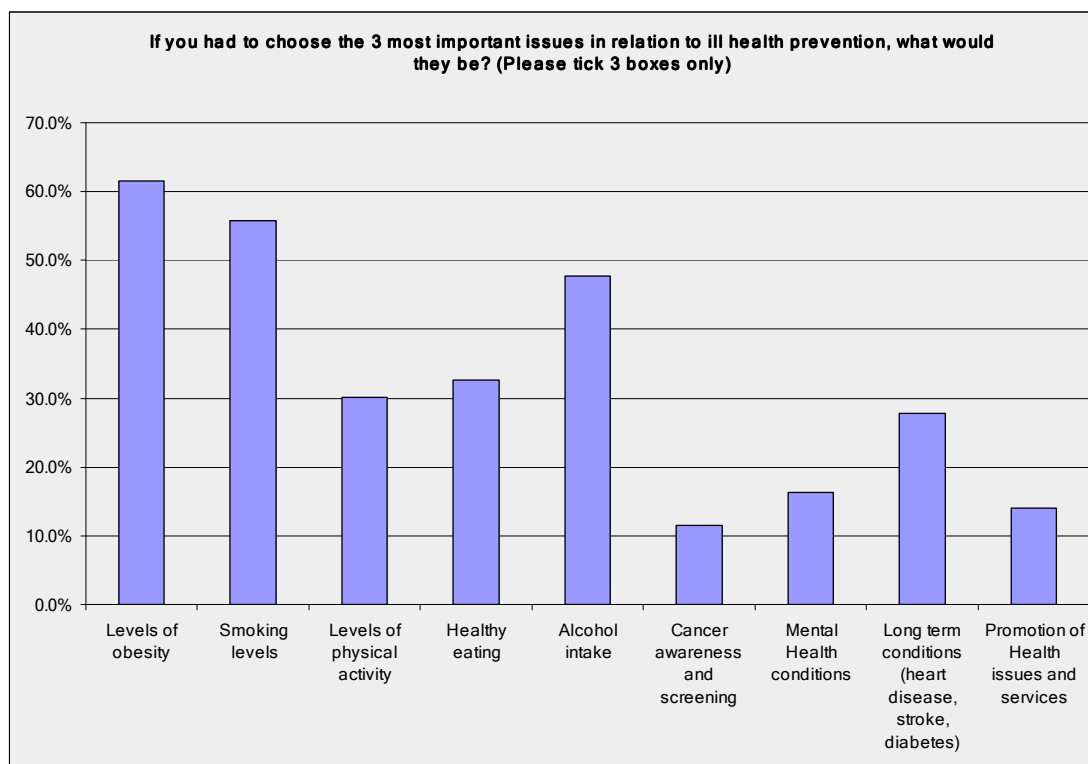
CREATE AND DEVELOP HEALTHY AND SUSTAINABLE PLACES AND COMMUNITIES The communities where we live are important for physical and mental health and wellbeing. Our physical environment, the type of community we live in and the general way of life of people where we live all contribute to the differences in the health of people living in different areas. Thinking about how to create healthy and sustainable places please consider each of the issues below and identify whether you think it is a major issue, minor issue or no issue in Hartlepool:

Answer Options	Major Issue	Minor Issue	No Issue	Response Count
Access to good quality housing for all	45	38	6	89
Level of violent crime	31	52	4	87
Levels of Anti Social Behaviour	60	27	1	88
Road safety	15	64	9	88
Access to good quality open green spaces	29	42	18	89
Good Public Transport	55	31	3	89
People being harassed	31	49	8	88
Racial harassment	21	52	13	86
Social isolation of vulnerable people	54	30	4	88
Rubbish or litter lying around	36	48	5	89
Vandalism or graffiti	24	56	7	87
Access to local services	33	48	8	89
Goodwill and trust in local communities	42	42	5	89
Opportunities to get involved with local community	27	46	15	88
			<i>answered question</i>	89
			<i>skipped question</i>	16



STRENGTHEN THE ROLE AND IMPACT OF ILL HEALTH PREVENTION Many of the behaviours that cause poor health, such as smoking, lack of physical activity and unhealthy food and drink are found more in some parts of the Borough than others. Educating people about what causes poor health, supporting them to make healthy choices and ensuring services are accessible to people are very important to preventing ill health later in life. Thinking about ill health prevention please consider each of the issues below and identify whether you think it is a major issue, minor issue or no issue in Hartlepool:

Answer Options	Major Issue	Minor Issue	No Issue	Response Count
Levels of obesity	67	20	0	87
Smoking levels	69	18	0	87
Levels of physical activity	62	25	0	87
Healthy eating	67	20	0	87
Alcohol intake	69	18	0	87
Cancer awareness and screening	33	52	2	87
Mental Health conditions	42	40	2	84
Long term conditions (heart disease, stroke, diabetes)	60	26	1	87
Promotion of Health issues and services	43	37	5	85
<i>answered question</i>				87
<i>skipped question</i>				18



- 3.4 Space was also provided within the survey for participants to include any further additional comments. These are shown below:

Give every child the best start in life

- “Ensure work for their parents to go to.”
- “Families don’t care where children are.”
- “Promoting respect in children for adults and other’s belongings.”
- “Reducing crime and anti social behaviour.”
- “Access to local A&E services.”
- “Adult education as this would have a direct impact on every child given the best start.”
- “Parent education/training.”
- “Lack of school spaces, particularly at Seaton Carew.”
- “Support for young parents and better contraception services.”
- “Transition from Child to Adult (specialist health) including equipment.”
- Helping single working parents with troubled teenage children who have no family network support. Drug use in children and alcohol abuse.”
- “Decent homes of an acceptable standard for children to live in.”
- “Some working parents are on the limit with finances and cannot get the level of free school meals and yet due to lack of finance cannot afford to give their children money for their school meals.”
- “Keeping youth facilities open for children because this may be the only place they feel wanted or safe.”
- “Drug-taking amongst parents; unemployment and lack of work ethic within families; teenage pregnancies/multiple partners.”
- “Lung and bowel cancer, heart disease, health support for people in and out of work.”
- “Emergency care in the form of a local A&E department.”
- “Contraception.”
- “Poverty is a major issue, as are parenting skills, activity opportunities and support for families generally”

Ensure all children and young people maximise their capabilities and have control over their lives

- “If so many are leaving schools with wonderful GCSE and A-level results then why can’t so many young people actually fill in a form eg to open a bank account. Example; “what do I put?” Answer “read the question and put the answer on the line/in the box”. Believe me it happens every day. There is not enough common sense among young people to be able to complete a form.”
- “Broadening the horizons of young people.”
- “In work support.”
- “No role models in local government.”
- “Nothing for young people to do, lack of youth provision/clubs etc.”
- “Young people benefit from opportunity; things are improving but still much to do.”

- “Alcohol is a major issue due to cultural influence and remains a problem.”
- “Parenting remains an issue in deprived areas.”

Ensure all adults maximise their capabilities and have control over their lives

- “In work support.”
- “Lack of local health services now Hartlepool hospital is being wound down.”
- “Poor employment opportunities is a major problem.”
- “Alcohol abuse impacts on aspirations and motivation.”
- “Need more support around emerging mental health issues.”

Create fair employment and good work for all

- “Back to work schemes are very good if the jobs are there!”
- “I think Hartlepool has good educational and training opportunities - the issue is more about people actually wanting to access them.”
- “In work support and workplace health and screening opportunities.”
- “Support for people who fall outside of the employment and back to work schemes would be helpful.”
- “Opportunity is poor - need to consider accessing employment support out of area.”
- “The current back to work schemes don’t work.”
- “Making sure you have a job you want to do so you can put 110% in to it. The worst thing is making someone do a job they don’t like bad judgement bad out come.”
- “Young people need to realise that the average wage isn't the norm, especially in Hartlepool, set their aspirations accordingly and accept that they need to start at the bottom and work their way up.”
- “Help those being released from prison.”

Ensure a healthy standard of living for all

- “Private housing in Hartlepool is somewhat to be desired.”
- “Helping Adult and Young offenders.”
- “Workplace screening and health support.”
- “Need to change 'benefit culture' which reflects the high levels of deprivation.”
- “Leisure activities play a major part in improving healthy lifestyles - need to improve opportunities in this area.”
- “Quality care and provision for elderly people.”
- “The common sense to realise that a healthy standard of living does not come from having even 'average' earnings. My £16.5k annual salary allows me to live well in a housing association property. Home ownership is not necessary - all housing association properties are more than comfortable enough so there should be more of these built.”
- “Aspiration for something better.”

Create and develop health sustainable places and communities

- "Importance of cultural opportunities and leisure facilities."
- "I am partially sighted and unable to see on coming traffic. I would appreciate noise signals at ALL traffic lights as lights are usually on main roads."
- "Public transport is an increasing issue for people living outside the central area. This impacts on access to opportunities for all."
- "Care of older people living independently and encouraging activity outside the family home needs higher attention, with too much reliance on family transport when this is increasingly not available."

Strengthen the role and impact of ill health prevention

- "Services not local to our blackspot town."

4. PROCESS OF COMPLETING THE STRATEGY

- 4.1 The process for developing the strategy is in three stages as outlined in the Cabinet report on the development of the Joint Health and Wellbeing Strategy in July 2012. Stage one is complete.

Step 2 – Formal Consultation Period. October 2012 – February 2013 (minimum 8 week requirement)		
Where	Description	Date of Meeting
Cabinet	Present draft for consultation	15 October 2012
Health Scrutiny Forum	Present draft for consultation	18 October 2012
Scrutiny Coordinating Committee	Present draft for consultation	19 October 2012 (6 weeks required)
Shadow Health & Wellbeing Board	Present draft for consultation	22 October 2012

Step 3 – Final consultation and endorsement. January – February 2012		
Where	Description	Date of Meeting
Forward Plan	Entry for Forward Plan due by 13 November 2012	N/A
Scrutiny Coordinating Committee	Second Draft for comment / endorsement	25 January 2013
Shadow Health & Wellbeing Board	Second Draft for comment/ endorsement	28 January 2013
Cabinet	Second Draft for comment / endorsement	4 February 2013
Health Scrutiny Forum	Second Draft for comment / endorsement	7 February 2013

Step 4 - Political Approval for Strategy. March – April 2013.		
Where	Description	Date of Meeting
Health Scrutiny Forum	Final Strategy for approval	7 March 2013
Scrutiny Coordinating Committee	Final Strategy for approval	8 March 2013
Shadow Health & Wellbeing Board	Final Strategy for approval	11 March 2013
Cabinet	Final Strategy for approval	2 April 2013
Council	Final Strategy for approval	11 April 2013

An equality impact assessment is also being undertaken for this draft strategy.

The Shadow Health and Wellbeing Board meeting at the end of October will be considering methods to prioritise issues within the strategy. This will take into account the feedback received through consultation.

5. RECOMMENDATIONS

- 5.1 Scrutiny Co-ordinating Committee is asked to comment on the first draft of the Joint Hartlepool Health and Wellbeing Strategy.

6. REASON FOR RECOMMENDATION

- 6.1 This draft strategy is a key requirement as part of the changes to NHS in the light of the Health and Social Care Act 2012.

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

- 7.1 Appendix 1 – Draft Hartlepool Health and Wellbeing Strategy

8. BACKGROUND PAPERS

- 8.1 Cabinet report 'Consultation on Process for Developing Health and Well Being Strategy' 23rd July 2012.

9. CONTACT OFFICER

Louise Wallace, Director of Public Health, Hartlepool Borough Council, Level 4, Civic Centre.

DRAFT HARTLEPOOL JOINT HEALTH AND WELLBEING STRATEGY, 2013-18

Partnership organisations

To be added: Sign-up page with organisations' logos.

Foreword

To be added: To be written by the Health & Wellbeing Board Chair.

Executive Summary

To be added: Summary of Commissioning Intentions / Priorities.

1. Vision

Improve health and wellbeing and reduce health inequalities among the population of Hartlepool.

This will be achieved through integrated working, focusing on outcomes and improving efficiency.

2. Purpose

The Joint Health and Wellbeing Strategy (JHWS) is a high-level summary outlining how Hartlepool Borough Council, Hartlepool Clinical Commissioning Group and other key organisations will address the health and wellbeing needs of Hartlepool and help reduce health inequalities.

The Health and Social Care Act (2011) establishes Health and Wellbeing Boards ('Boards') as statutory bodies responsible for encouraging integrated working and developing a Joint Strategic Needs Assessment and Health and Wellbeing Strategy for their area¹. The JHWS is underpinned by the Joint Strategic Needs Assessment (JSNA) and together they will provide a foundation for strategic, evidence-based, outcomes-focused commissioning and planning for Hartlepool².

3. The case for improving health and wellbeing in Hartlepool

Health in Hartlepool is generally improving. There has been a fall in early deaths from heart disease and stroke; and the rate of road injuries and deaths is better than the England average³.

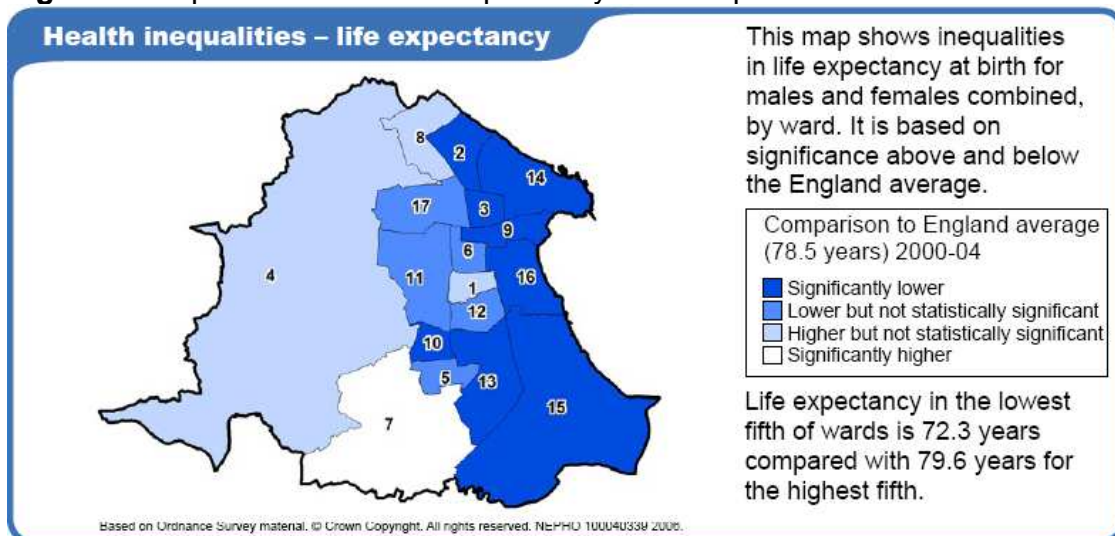
However, there is still much to do (**Box 1**). Health in Hartlepool is still worse than the national average. Levels of deprivation are higher and life expectancy is lower than the national average. **Figure 1** shows the variation in life expectancy

between wards in Hartlepool. This variation reflects the deprivation at ward-level: areas with the highest deprivation have the lowest life expectancy.

Box 1: At a glance: Health initiatives and challenges in Hartlepool³

- Levels of deprivation are higher and life expectancy is lower than the England average.
- Inequalities exist: life expectancy is 9 years lower for men living in the most deprived areas, compared to least deprived areas. The difference is 7 years for women.
- Over the last 10 years, the death rate from all causes has fallen for men but has fluctuated for women.
- The early death rate from cancer has changed little over the last 10 years.
- Both the death rate from smoking; and the percentage of mothers smoking in pregnancy are worse than the England average.
- The percentage of physically active children is better than the England average
- Alcohol-related hospital admissions are higher than the national average.
- Childhood immunisations rates are significantly lower than the national average.

Figure 1: Map of ward-level life expectancy in Hartlepool³



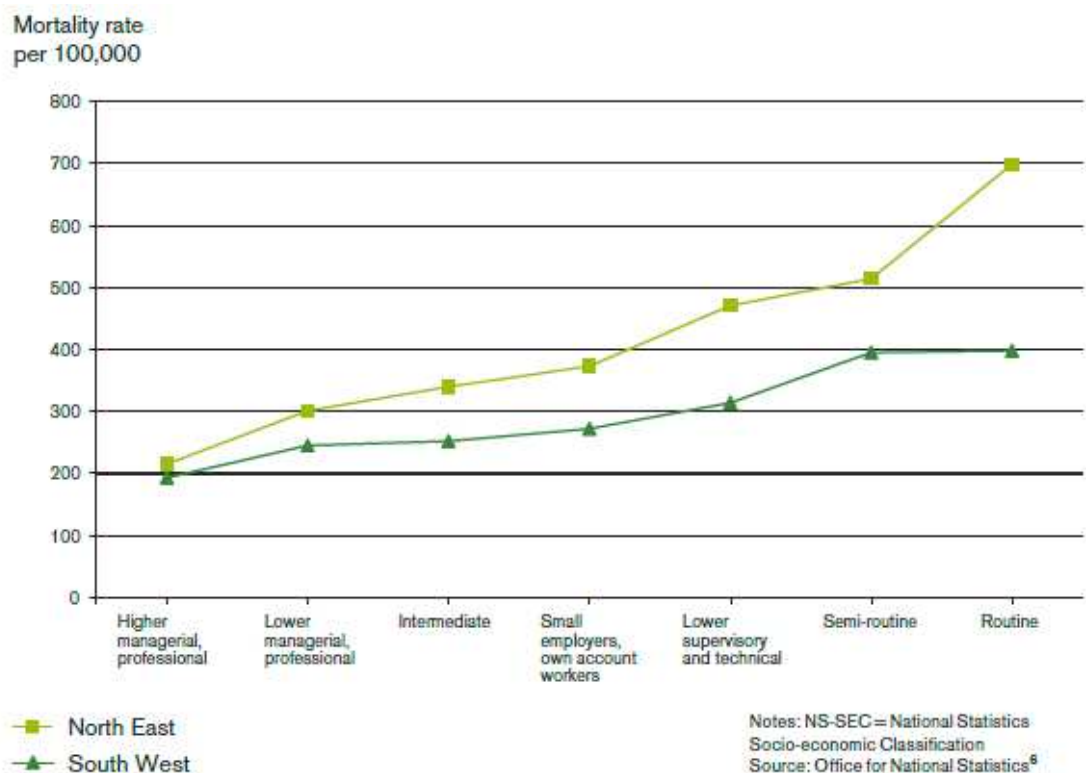
(Based on 2001 census data. Updated data for new ward boundaries should be available in 2013).

Ward legend

1	Brinkburn	7	Greatham	13	Rossmere
2	Brus	8	Hart	14	St. Hilda
3	Dyke House	9	Jackson	15	Seaton
4	Elwick	10	Owton	16	Stranton
5	Fens	11	Park	17	Throston
6	Grange	12	Rift House		

There is a 9 year difference in male life expectancy between the most advantaged and the most disadvantaged wards in Hartlepool^{3,14}. We know that socio-economic inequalities lead to inequalities in life expectancy and disability-free life expectancy. Furthermore, the relationship between these is a finely graded – for every decrease in socio-economic conditions, both life expectancy and disability-free life expectancy drop. Social and economic inequalities are important causes of this relationship⁴. In his *Strategic Review of Health Inequalities in England (2010)*⁴, Prof. Sir Michael Marmot argues that fair distribution of health, well-being and sustainability will impact positively on the country’s economic growth. To improve health and wellbeing, action is needed across all social determinants of health to reduce health inequalities; and to make a difference, action to improve health and wellbeing should be across all socio-economic groups but tailored to a greater scale and intensity as the level of disadvantage increases⁴. As demonstrated in **Figure 2**, the effect of socioeconomic disadvantage on life expectancy is greater in more disadvantaged areas. However, the effect is also more pronounced in the North East compared to the South West, for all socioeconomic groups.

Figure 2: Age-standardised mortality rates by socioeconomic classification (NS-SEC) in the North East and South West regions, men aged 25-64, 2001-2003⁴



We also know that focusing on early years interventions – giving children the best start in life – helps deliver the greatest benefits in health inequalities and

economic terms. Health and wellbeing improvements delivered during childhood can reap benefits both in early life and throughout the individual's life-course⁴.

4. What does this Strategy cover?

This Strategy outlines the strategic health and wellbeing priorities for Hartlepool. It builds on the good work already underway, whilst maximising the opportunity for better integration of services and closer partnership working presented by moving much of current NHS Public Health services, into Local Authorities. Working together with other areas in the North East will help achieve better outcomes and value, for the 'big issues' in health and wellbeing⁵. The Strategy supports the ten themes of *Better Health, Fairer Health* (2008)^{5,6} – the North East's vision and 25 year plan for improving Health and Wellbeing which is supported by other Local Authorities across the North East (**Box 2**).

Box 2: *Better Health, Fairer Health* (2008)⁶

- Economy, culture and environment
- Mental health, happiness and wellbeing
- Tobacco
- Obesity, diet and physical activity
- Alcohol
- Prevention, fair and early treatment
- Early life
- Mature and working life
- Later life
- A good death

'Health and Wellbeing' has a broad remit and it will be important for a range of partner organisations to work together, to deliver improvement. This Strategy focuses on areas of work impacting directly on health and wellbeing, or acting as clear 'wider determinants' of health and wellbeing. In his review⁴, Prof. Sir Michael Marmot proposes the areas organisations should address to improve health and wellbeing and reduce health inequalities. These factors are used as the framework for the Hartlepool Joint Health and Wellbeing Strategy and are:

- Give every child the best start in life
- Enable all children, young people and adults to maximise their capabilities and have control over their lives
- Create fair employment and good work for all
- Ensure healthy standard of living for all
- Create and develop healthy and sustainable places and communities
- Strengthen the role and impact of ill health prevention

To focus activity in these areas, key outcomes have been selected to drive the Strategy (Section 7).

Other elements of health and wellbeing (initially summarised by Dahlgren and Whitehead in their social model of health⁷) (**Appendix 2**) will be outside the direct remit and influence of the Health and Wellbeing Board and its partner organisations. They will be delivered through associated strategies and work programmes within Hartlepool Borough Council, the NHS and associated partners. Communication and governance processes will ensure links between departments and strategies to limit duplication, further build joint working and integration and enable economies of scale. The work programme underpinning the Strategy will define the activities needed to deliver the outcomes in the Strategy, and the partners responsible. The work will take place in the context of local service provision, including the Momentum project, which focusses on redesigning services and providing care closer to home.

5. Our Values

To work together successfully and achieve the vision set out in this Strategy, it is important that all organisations involved sign up to and work within, a set of shared values^{8,9}. For Hartlepool, these values fit with the proposed operating principles for Boards⁸ and the Board Terms of Reference. The values are:

- Partnership working and increased integration^{2,8} across the NHS, social care and Public Health
- Focus on health and wellbeing outcomes
- Focus on prevention
- Focus on robust evidence of need and evidence of ‘what works’
- Ensure the work encompasses and is embedded in the three ‘domains’ of Public Health practice: Health Protection, Health Services and Health Improvement¹⁰
- Shared decision-making and priority-setting, in consultation with CCGs and other key groups
- Maintain an oversight of and work within the budgets for health and wellbeing
- Support joint commissioning and pooled budget arrangements, where all parties agree this makes sense
- Maximise the process of democratic accountability and develop the Strategy and related plans in consultation with the public and service users

The new Health and Wellbeing Board and Joint Health and Wellbeing Strategy provide the opportunity to maximise partnerships and evidence base, generating new ways of tackling health and wellbeing challenges. This includes recognising and mobilising the talents, skills and assets of local communities to maximise health and wellbeing¹¹.

6. Identifying our key outcomes

The Strategy's key outcomes and objectives have been developed in consultation with stakeholders and with the following in mind:

- Services Hartlepool Borough Council will be mandated to provide from April 2013¹²

The services are listed in **Appendix 2**.

- Clinical Commissioning Group draft plans

The Strategy has been developed in close liaison with the Clinical Commissioning Group for Hartlepool and Stockton-on-Tees, whose draft Clear and Credible plan¹³ has highlighted key challenges: cardiovascular disease; cancer; smoking –related illness e.g. COPD; alcohol-related disease. These areas reflect the results of a 2010 public engagement campaign, which recorded the views of 1883 people regarding priorities for them and their families. See **Appendix 3** for an overview of the draft CCG commissioning plan.

- Current JSNA commissioning intentions

The 2010 Hartlepool JSNA¹⁴ (currently being refreshed through engaging key partners) outlines commissioning intentions for health and social care.

- Hartlepool Public Health Transition Plan

The transition plan outlines the proposed activity to be funded through the Public Health budget (**Appendix 4**).

Stakeholder engagement and consultation

It is very important that this Strategy reflects both the evidence available about population health and wellbeing need; and the views and priorities of stakeholders. Stakeholders have been involved throughout the development of the Strategy, including the public, service users and partner organisations. The Shadow Health and Wellbeing Board membership which owns the Strategy includes LINKS representation, democratically elected members, NHS organisations and Local Authority representation. A full consultation process provided the opportunity to identify the public's priorities for health and wellbeing in Hartlepool; and the outcomes of the consultation have been reflected in the priorities for the Strategy. The consultation process and a summary of its outcomes is outlined in **Appendix 5**. The consultation generated a list of potential priorities, from which a list of strategy priorities was agreed by the Health and Wellbeing Board, according to a set of robust criteria. The criteria included issues such as evidence base, public opinion, effectiveness and cost effectiveness (**Appendix 6**) and ensure the decisions were based on a clear and auditable process which balanced all key considerations.

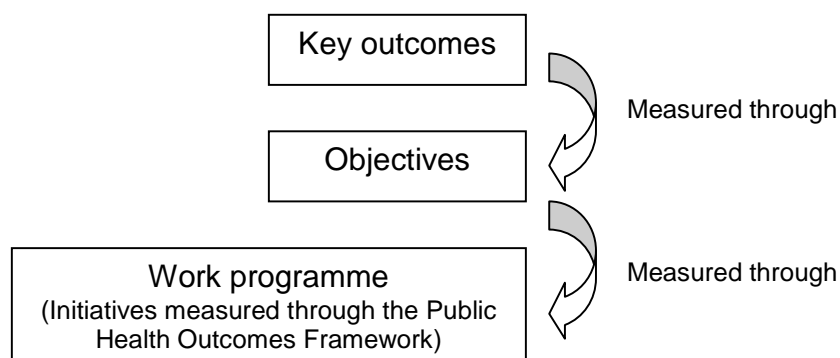
7. Key strategic priorities and objectives

To reflect the consultation outcomes, evidence and subsequent prioritisation process, the key strategic priorities are:

- Strategic priorities
- Give every child the best start in life
 - Ensure a healthy standard of living for all
 - Create fair employment

The evidence base and level of need for each are summarised in **Appendix 7**. To describe how the key priorities will be addressed, a range of objectives have been identified through the consultation process. Delivery on the objectives will be ensured through the work programme which supports this Strategy. The work programme specifies the detailed initiatives to deliver on the objectives and will also ensure coverage of the outcomes expected in the new Public Health Outcomes Framework¹⁵. **Figure 2** summarises the mechanism for ensuring delivery on the key outcomes.

Figure 2: Delivering on the key outcomes



Due to the broad nature of health and wellbeing, improvements will only be seen if the health and wellbeing agenda is also embedded in wider relevant Local Authority strategies and services. The work programme (**Appendix 8**) outlines how this is being done and **Appendix 9** shows how the Strategy and work programme are linked to theme groups under the Health and Wellbeing Board.

The objectives show how the Health and Wellbeing Board for Hartlepool will deliver on its key strategic priorities, and meet the challenge set out by Marmot’s suggested priority area. The objectives are:

Objectives

Give every child the best start in life

- Address levels of child poverty
- Encourage better parenting
- Early years education (up to age 5)

Enable all children and young people to maximise their capabilities and have control over their lives

- Employment and training
- Educational attainment
- Aspirations of young people

Enable all adults to maximise their capabilities and have control over their lives

- Employment and training opportunities
- Aspiration levels
- Educational attainment

Create fair employment and good work for all

- Access to good jobs
- Access to good quality training
- Young people not in education or training

Ensure a healthy standard of living for all

- Job opportunities
- Having the level of income needed for leading a healthy life
- Unemployment levels

Create and develop healthy and sustainable places

- Levels of anti-social behaviour
- Access to good quality housing for all
- Good quality transport

Strengthen the role and impact of ill health prevention

- Levels of obesity
- Smoking levels
- Alcohol intake

8. Strategy ownership and review

This Strategy is owned by the Shadow Health and Wellbeing Board. It will be reviewed by the Board on a 3-yearly basis.

Next review date: April 2013.

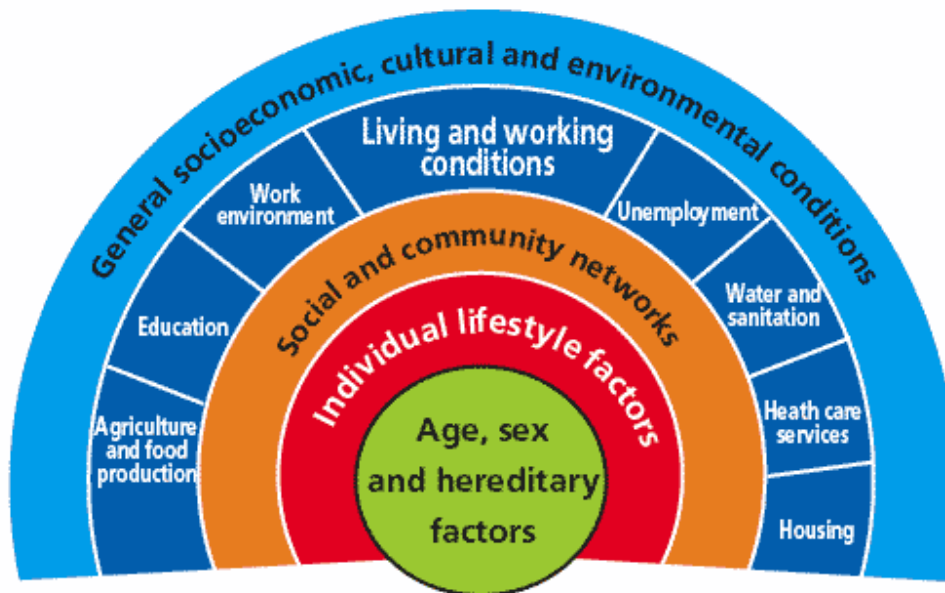
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Appendices

Appendix 1: Social model of health (Dahlgren and Whitehead, 1998)⁷



Appendix 2:

Local Authority mandated services¹²

Under the coalition government's proposals for the new Public Health system, Local Authorities will be mandated to provide the following from April 2013:

- Appropriate access to sexual health services
- Steps to be taken to protect the health of the population, in particular, giving the Director of Public Health a duty to ensure there are plans in place to protect the health of the population
- Ensuring NHS commissioners receive the public health advice they need
- The National Child Measurement Programme
- NHS Health Check assessment

Consideration is also being given locally to the various additional services not covered by this list, which would be important to continue to provide e.g. stop smoking services.

7.2 Appendix 1

Appendix 3: Hartlepool and Stockton-on-Tees draft CCG commissioning plan overview¹³

Appendix B – Commissioning Plan Overview						
	Domain	Rationale	Themes	Projects/Initiatives	Outcome measures	Cross Cutting Initiatives
To build 21st century health services for and with the Stockton and Hartlepool communities so that health inequalities reduce and wellbeing continuously improves	Preventing people from dying prematurely	Significant lifestyle issues of smoking, excessive alcohol use and maintaining a healthy weight are significant contributing factors to the big killers of Cancer, CVD and respiratory disease	<ul style="list-style-type: none"> Staying Healthy Planned Care Unplanned Care Social Care & Integrated Working 	<ul style="list-style-type: none"> Healthy Heart programme Smoking Cessation Alcohol Pathway redesign Weight management Bowel Cancer Screening Programme 	<ul style="list-style-type: none"> Rate of hospital admissions Mortality rates Smoking quit rates Smoking in pregnancy rates Weight management activity National Childhood Measurement Programme 	Ensure commissioned services focus on optimum delivery e.g. Tri professional not transactional Co-ordination of commissioning support to CCG Demand management through effective use of services like sign or tools e.g. urgent care, stable and, CAAS Engagement and relationships with key stakeholders e.g. Providers, public, primary care
	Enhancing quality of life for people with long-term conditions	<ul style="list-style-type: none"> High levels of urgent admissions and re-admissions Unsustainable levels of hospital activity - year on year increase in admissions and attendance at A&E Patients can be treated closer to home Autistic Spectrum conditions do not have access to diagnosis and appropriate support Access to high quality, early diagnosis and appropriate support improves outcomes for people with dementia	<ul style="list-style-type: none"> Staying Healthy Planned Care Unplanned Care Mental Health & LD Social Care & Integrated Working 	<ul style="list-style-type: none"> Healthy Heart programme Development of community services Telehealth/Telecare ISO Pathway Self Management projects Personal Health Budgets Care Home Management Medicines Management IAPT LD annual health check and action plan Diabetes Pathway Primary Care Training Project 	<ul style="list-style-type: none"> Reduction in unplanned admissions/readmissions Reduced number of delayed discharges Number of people with self-care health installations 100% of those with LD to be offered an annual health check and health action plan No. of people with MH problems in settled accommodation No. of people with common MH problems claiming 	
	Helping people to recover from episodes of ill health or following injury	<ul style="list-style-type: none"> High levels of urgent admissions and re-admissions Better co-ordination of NHS and social care needed to keep people independent and reduce avoidable admissions 	<ul style="list-style-type: none"> Staying Healthy Planned Care Unplanned Care Social Care & Integrated Working 	<ul style="list-style-type: none"> Re-ablement Development of community services Enhanced discharge support Ambulatory Care pathways 	<ul style="list-style-type: none"> Number of patients with a re-ablement plan in place Reduction in unplanned admissions/readmissions 	
	Ensuring that people have a positive experience of care	<ul style="list-style-type: none"> Quality of care is generally high but there is variation in utilisation and outcomes of care across the health economy Patients can be treated closer to home 	<ul style="list-style-type: none"> Social Care & Integrated Working Staying Healthy 	<ul style="list-style-type: none"> End of Life Pathway Single point of Access (111) Dementia Pathways Autism Pathways Consultant to consultant New to review pathways Carers project Military & Veterans Health 	<ul style="list-style-type: none"> CCG referral rates Outpatient procedure rates Reduce variation across General Practice Quality, cost and volume prescribing Patient satisfaction on surveys 	
	Treating and caring for people in a safe environment and protecting them from avoidable harm	<ul style="list-style-type: none"> Patients can be treated closer to home High levels of urgent admissions and re-admissions 	<ul style="list-style-type: none"> Staying Healthy Planned Care Unplanned Care Social Care & Integrated Working 	<ul style="list-style-type: none"> Pediatric Pathways Alcohol Pathways Dementia Pathways Ambulatory care project Health Visitor & Family Nurse Project 	<ul style="list-style-type: none"> MH – numbers retained in employment No. of people with MH problems in settled accommodation No. of people with common MH problems claiming sickness-related benefits 	

7.2 Appendix 1

Appendix 4: Hartlepool Public Health Transition Plan: Proposed activity to be funded from the Public Health budget

NB: Subject to confirmation of the budgets available.

Public health topic	Proposed activity to be funded from Public Health budget
Sexual health	Testing and treatment of sexually transmitted infections, fully integrated termination of pregnancy services, all outreach and preventative work
Immunisation against infectious disease	School immunisation programmes, such as HPV.
Seasonal mortality	Local initiatives to reduce hospital admissions and seasonal excess deaths
Accidental injury prevention	Local initiatives such as falls prevention and reducing childhood injuries
Public mental health	Mental health promotion, mental illness prevention and suicide prevention
Nutrition	Locally led initiatives
Physical activity	Local programmes to reduce inactivity; influencing town planning such as the design of built environment and physical activities role in the management / prevention of long term conditions
Obesity programmes	Local programmes to prevent and treat obesity, e.g. delivering the National Child Measurement programme; commissioning of weight management services
Drug misuse	Drug misuse services, prevention and treatment
Alcohol misuse	Alcohol misuse services, prevention and treatment
Tobacco control	Tobacco control local activity, including stop smoking services, prevention activity, enforcement and awareness campaigns
NHS Health check	Assessment and lifestyle interventions
Health at work	Local initiatives on workplace health and responsibility deal
Prevention and early presentation	Behavioural/ lifestyle campaigns/ services to prevent cancer, long term conditions, campaigns to prompt early diagnosis
Children's public	The Healthy Child Programme for school age children, school nurses, health promotion and

7.2
Appendix 1

health 5-19		prevention interventions by the multi professional team
Community and prevention response	safety violence and	Specialist domestic violence services that provide counselling and support services for victims of violence including sexual violence
Social exclusion		Support for families with multiple problems, such as intensive family based interventions
Dental Health	Public	Targeting oral health promotion strategies to those in greatest need.

Appendix 5: Consultation process for identifying objectives

The Strategy consultation ran from June – October 2012, in line with Local Authority consultation processes and statutory responsibilities. It consisted of:

A 'Face the Public' event

Approximately 70 people attended, representing a range of organisations from the community, voluntary and statutory sector and elected members.

A resource-allocation exercise

Set up in a range of venues including the shopping centre, the library, children's centres, GP surgeries and youth centres. The exercise asked members of the public to allocate £25 'virtual pounds' across the Marmot policy areas. 465 members of the public took part. 'Giving every child the best start in life' was the most popular priority amongst participants with almost 30% of the total budget allocated to this area.

When broken down by the type of venue, 'giving every child the best start in life' is the most popular priority across all venues, however this percentage is significantly less in the results obtained within libraries, where there was a more even spread across each priority area.

The next most popular was 'ensure a healthy standard of living for all' (16%).

An online survey

Open to the general public, the survey asked respondents to prioritise a range of suggested interventions listed under each Marmot policy area. Respondents were asked to choose the 3 most important issues under each Marmot area. They were:

- Give every child the best start in life – levels of child poverty (60%) and better parenting (62%). Next most popular: early years education (up to age 5) 25%
- Enable all children and young people to maximise their capabilities and have control over their lives – employment and training (60%), educational attainment (48%), aspirations of young people
- Enable all adults to maximise their capabilities and have control over their lives – employment and training opportunities (81%), aspiration levels (58%), educational attainment (57%)
- Create fair employment and good work for all – access to good jobs (78%), access to good quality training (52%), young people not in education or training (46%)
- Ensure a healthy standard of living for all – job opportunities (63%), having the level of income needed for leading a healthy life (55%), unemployment levels (43%)
- Create and develop healthy and sustainable places – levels of anti-social behaviour (53%), access to good quality housing for all (48%), good quality transport (37%)

- Strengthen the role and impact of ill health prevention – levels of obesity (62%), smoking levels (56%), alcohol intake (48%)

Free-text comments generally fitted with the areas of work that were presented as options for responders in the rest of the survey.

Consultation was also carried out with existing members of the LINKS. The draft Strategy was also shared with the CCG, through discussion at the CCG locality meeting, and through CCG membership on the Health and Wellbeing Board.

Appendix 6: Prioritisation criteria
To be added once agreed.

Appendix 7: Strategic priorities - Summary of evidence and need

Priority: Giving every child the best start in life

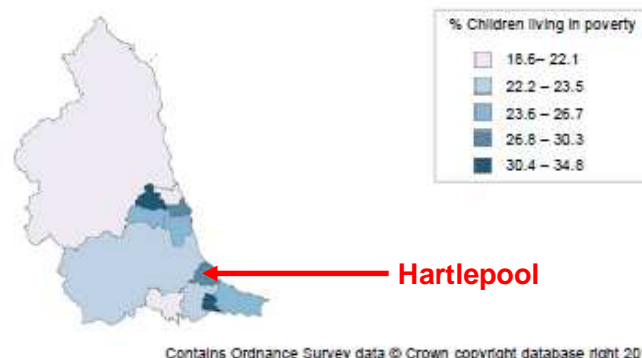
In Hartlepool:

(Sources: JSNA 2010¹⁴, Health profile 2012¹⁶)

- Immunisation: uptake of boosters e.g. 2nd MMR is 79%, compared to 91% uptake of first jab.
- 19% of women smoke in pregnancy compared to an England average of 14%.
- Breastfeeding initiation rate is approximately 42.2% in Hartlepool, compared to the England average of approximately 71.8%
- 13.8% of young people in Hartlepool have recorded substance misuse, compared to 9.8% for England
- Under-18 conception rates continue to fluctuate (59.7 per 1000 females aged 15-17, compared to the England average of 38.1 per 1000)
- The childhood obesity rate for Hartlepool is 22.8% compared to the England average of 18.3%
- 27.3% of Hartlepool children live in poverty
- Parenting and literacy skills: 30% of adults have low numeracy and 28% have literacy problems

Children living in poverty

Map of the North East area showing the relative levels of children living in poverty.



(Source: Child Health Profile 2012¹⁶)

Research shows

- Unimmunised children are at a far greater risk of contracting childhood illnesses such as measles, which can have serious health consequences.
- Smoking or exposure to smoke in pregnancy increases the risk of premature birth and low birth weight. Teenage mothers are much more likely to smoke during pregnancy.
- Babies who are breastfed have a reduced risk of illness in the short- and long-term.
- Educational attainment is directly linked to employment prospects. Better employment prospects are linked to better health and wellbeing outcomes.
- Alcohol misuse among parents can impact on children's health and wellbeing. Misuse among children is linked to other risk-taking behaviour e.g. teenage pregnancy. Alcohol admissions to hospital are increasing,
- Teenage pregnancy rates are higher than the national average. Babies born to teenage parents tend to have worse health and wellbeing outcomes. Some STI rates are also increasing.
- Increased confidence in parenting and family literacy skills impact positively on children's health, wellbeing and educational attainment.

What we plan to do

- Increase childhood immunisation rates
- Reduce smoking in pregnancy
- Increase breastfeeding
- Increase the number of young people who are 'work-ready' and increase appropriate employment opportunities
- Reduce the prevalence of alcohol misuse
- Provide sexual health services which are accessible to young people
- Promote parenting and family literacy skills

Priority: Ensure a healthy standard of living for all

In Hartlepool:
INSERT KEY FACTS

ENTER PICTURE / GRAPH

Research shows

What we plan to do

Priority: Create fair employment

In Hartlepool:
INSERT KEY FACTS

ENTER PICTURE / GRAPH

Research shows

What we plan to do

Appendix 8: Work programme

To be added.

A work programme will be defined to agree timescales and organisational accountability for contributing towards outcomes. This should include a risk log for the implementing the Strategy.

Appendix 9: Paper to show how the Strategy and work programme are linked to theme groups under the Health and Wellbeing Board

To be added.

SCRUTINY CO-ORDINATING COMMITTEE

19 October 2012



Report of: Assistant Chief Executive

Subject: Departmental Plans – Outcome Framework and Timetable

1. PURPOSE OF REPORT

- 1.1 To provide the opportunity for the Scrutiny Coordinating Committee to consider the proposed 2013/14 service planning arrangements. The proposals include a change to the Service Planning Framework, an extended Outcome Framework and the service planning timetable.

2. BACKGROUND INFORMATION

- 2.1 The Council's Service Planning Framework has been developed over the last few years. The suite of Service Planning documents has included the Corporate Plan and three Departmental Plans. All have been based on the main building blocks of **Outcomes, Actions, Performance Indicators, Targets** and **Risks**. It is proposed that these building blocks remain in place for 2013/14 service planning.
- 2.2 In previous years the **Corporate Plan** has identified the key priorities for the Council, with the three **Departmental Plans** expanding on how the key priorities would be delivered. In more recent years the focus has moved from the Corporate Plan to the Departmental Plans as the main driver for improvement across the Council. Actions and indicators for the Corporate Plan have been drawn from the Departmental Plans and this has led to repetition between the Corporate and Departmental Plans.
- 2.3 In order to avoid this duplication it is proposed that from 2013/14 onwards the three Departmental Plans are brought together to form the **Council Plan** which will set out collectively how the key priorities/outcomes that the Council have identified will be delivered. There will therefore be no separate Corporate Plan. This will eliminate the unnecessary duplication and reporting of actions that was an unintended consequence of drawing the old Corporate Plan actions and indicators from the three Departmental Plans, without losing the focus that having separate Departmental Plans brings to the overall process.

3. OUTCOME FRAMEWORK 2013/14

- 3.1 The Outcome Framework was last reviewed and updated as part of the service planning process in 2012/13. Discussions have taken place with Council Officers from across all Departments on the revision of the outcome framework, and as a result of these discussions, it is not proposed to radically change the framework for 2013/14.
- 3.2 The proposed outcome framework for 2013/14 is shown below. The proposed framework contains the same 25 outcomes that address the eight Community Strategy themes that were included in 2012/13. An extra outcome (Outcome 33) has been proposed for inclusion in the Organisational Development theme.

Jobs & the Economy

Outcome
1. Hartlepool has improved business growth and business infrastructure and an enhanced culture of entrepreneurship
2. Hartlepool has attracted new investment and developed major programmes to regenerate the area and improve connectivity
3. Hartlepool has increased employment and skills levels with a competitive workforce that meets the demands of employers and the economy
4. Hartlepool has increased economic inclusion of adults and is tackling financial exclusion
5. Hartlepool has a boosted visitor economy
6. Fewer Hartlepool children experience the effects of poverty

Lifelong Learning & Skills

Outcome
7. To promote opportunities for all children and young people to reach their full potential by accessing good quality teaching and curriculum provision which fully meets their needs and enables them to participate in and enjoy their learning
8. Provision of high quality community learning and skills opportunities that widen participation and build social justice

Health & Wellbeing

Outcome
9. Improve health by reducing inequalities and improving access to services
10. Be healthy – children enjoy good physical and emotional health and live a healthy lifestyle
11. Children & young people are safe
12. Vulnerable adults are supported and safeguarded and people are able to maintain maximum independence while exercising choice and control about how their outcomes are achieved

Community Safety

Outcome
13. Hartlepool has reduced crime and repeat victimisation
14. There is reduced harm caused by drugs and alcohol misuse
15. Communities have improved confidence and feel more cohesive and safe
16. Offending and re-offending has reduced

Environment

Outcome
17. Hartlepool has an improved natural and built environment
18. Quality local environments where public and community open spaces are clean, green and safe
19. Provide a sustainable, safe, efficient, effective and accessible transport system
20. Hartlepool is prepared for the impacts of climate change and takes action to mitigate the effects

Housing

Outcome
21. Hartlepool has an improved and more balanced housing offer that meets the needs of residents and is of high quality design
22. Hartlepool has improved housing stock where all homes across tenures offer a decent living environment
23. Housing Services and housing options respond to the specific needs of all communities within Hartlepool

Culture and Leisure

Outcome
24. People enjoy equal access to leisure, culture, sport, libraries which enrich their lives, improve the places where they live, and strengthen communities.

Strengthening Communities

Outcome
25. Local people have a greater voice and influence over local decision making and the delivery of services
26. Make a positive contribution – people are involved with the community and society

Organisational Development

Outcome
27. Improve the efficiency and effectiveness of the organisation
28. Deliver effective customer focussed services, meeting the needs of diverse groups and maintaining customer satisfaction
29. Maintain effective governance arrangements for core business and key partnerships
30. Maintain effective Performance, Finance and Risk Management Arrangements
31. Maintain the profile and reputation of the Council
32. Deliver effective Member and Workforce arrangements, maximising the efficiency of the Council's Democratic function
33. Ensure the effective implementation of significant government policy changes

4 SERVICE PLANNING TIMETABLE & NEXT STEPS

- 4.1 Further work is currently being undertaken to develop the actions and identify the Performance Indicators and risks that will underpin the outcomes, and will ultimately appear in the Service Planning Documents. The timetable for agreeing the Council Plan, which will incorporate the three Departmental Plans, is as follows: -

Who	What	When
Scrutiny Co-ordinating Committee	Agreement of the outcome framework and timetable	19 Oct 2012
Cabinet	Agreement of the outcome framework and	29 Oct 2012

Who	What	When
	timetable	
i) Adult & Community Services Scrutiny Forum ii) Children's Services Scrutiny Forum iii) Neighbourhood Services Scrutiny Forum iv) Regeneration & Planning Services Scrutiny Forum v) Health Scrutiny Forum vi) Scrutiny Co-ordinating Committee	Consideration of the Departmental Plans including actions, performance indicators and risks that underpin each outcome	i) 14 Jan 2013 ii) 15 Jan 2013 iii) 16 Jan 2013 iv) 17 Jan 2013 v) 10 Jan 2013 vi) 4 Jan 2013
Scrutiny Co-ordinating Committee	Feedback from Forums and consideration of the proposed Council Plan (incorporating the three Departmental Plans)	25 Jan 2013
Scrutiny Co-ordinating Committee	Agreement of the Council Plan (incorporating the three Departmental Plans)	8 March 2013
Cabinet	Agreement of the Council Plan (incorporating the three Departmental Plans)	18 March 2013
Council	Agreement of the Council Plan (incorporating the three Departmental Plans)	11 April 2013

5. RECOMMENDATIONS

5.1 Scrutiny Coordinating Committee are asked to consider and comment on: -

- the proposed introduction of a **Council Plan** as a replacement for the old system of a Corporate Plan and Departmental Plans
- the proposed Outcome Framework as set out above
- the overall timetable as set out above

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

6.1 There are no appendices to this report.

7. BACKGROUND PAPERS

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

8. CONTACT OFFICER

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