

CABINET

MINUTES AND DECISION RECORD

19 November 2012

The meeting commenced at 9.30 am in the Civic Centre, Hartlepool

Present:

The Mayor, Stuart Drummond - In the Chair

Councillors: John Lauderdale (Adults and Public Health Services Portfolio Holder)
Paul Thompson (Finance and Corporate Services Portfolio Holder)

Also Present: Councillor Sheila Griffin.

Mr Mike Lee, Head of English Martyrs School and Sixth Form College
Mrs Mary Frain, Head of St Teresa's RC Primary

Officers: Dave Stubbs, Chief Executive
Andrew Atkin, Assistant Chief Executive,
Chris Little, Chief Finance Officer
Peter Devlin, Chief Solicitor
Sally Robinson, Assistant Director, Prevention, Safeguarding and Specialist Services
Louise Wallace, Director of Public Health
Peter McIntosh, Head of Planning and Development
Paul Robson, Integrated Transport Manager
Julian Heward, Public Relations Officer
David Cosgrove, Democratic Services Team

102. Apologies for Absence

Councillor Cath Hill (Children's and Community Services Portfolio Holder) and John Maddison (Mayor's Community Advisory Panel).

103. Declarations of interest by Members

Councillors Lauderdale and Thompson declared personal interest in Minute 105.

104. Minutes of the meeting held on 29 October 2012

Confirmed.

105. Denominational Transport: Savings Options (*Director of Child and Adult Services*)

Type of decision

Key Decision (test (ii) applies) Forward Plan Reference No. CAS132/12.

Purpose of report

To inform Cabinet of further options around savings proposals discussed at a previous Cabinet meeting on 2 April 2012 in relation to denominational transport.

Issue(s) for consideration by Cabinet

The Assistant Director, Prevention, Safeguarding and Specialist Services outlined the further information regarding the savings proposals discussed at the April Cabinet meeting in relation to denominational transport. Cabinet had requested further detail around the working of the Home to School Policy together with an understanding on where other Local Authorities in the region are on this matter.

Around 400 pupils presently benefitted in the primary and secondary sectors from free travel to and from school with over 40 of these being from low income families. If free denominational transport were to cease then the Council would save around £133,000 pa by stopping the existing discretionary arrangements. The original report in December 2011 recommended that this free travel should cease in September 2012. The Council in February 2012 agreed that one-off funding was to be made available in order to sustain the provision for 2012/13 until the matter could be considered further.

In April 2012, a further report outlined the outcomes of consultations together with three options to be considered, namely:

1. Continue to provide free transport to denominational schools
2. Remove free transport to denominational schools from the start of the academic year
3. Starting in the academic year 2013, phase out free denominational transport for all new starters except where there is a statutory requirement to provide free transport. This would mean that all those currently in receipt of free transport would see that continue until they had finished their current education up to Year 11 unless they moved address or changed school.

The Home to School Transport Policy was set out in the report together with the eligibility criteria applied once an application is received. The 'local arrangement' or 'discretionary rule' in the Home to School Transport Policy provided free transport on the grounds of religion or belief. In practice this applied only to English Martyrs Secondary School and St Teresa's Primary School.

Essentially, the report sought Cabinet consideration as to whether it wished to continue with this discretionary rule. If it were to be discontinued, it would have the effect of achieving a saving of around £133,000 per annum.

The Assistant Director outlined the consultations that were undertaken earlier in the year. Details of the responses were set out in the report. There was feedback from a wide range of interested parties with the majority stating their opposition to the possibility that the transport provision may cease. In the event that free provision was withdrawn, many responses received indicated that there was a preference to see the Council continue to provide some form of concessionary rate transport.

It was highlighted that the main focus of the consultations was in connection with English Martyrs' School and the main areas of response referenced that school. A small number of respondents did refer to the St Teresa's arrangements.

The Assistant Director indicated that a detailed Options Analysis was set out in section 6 of the report which aimed to show the financial impact of each of the three options.

Option 1 - maintaining the status quo. Over the 6 year period 13/14 to 18/19, none of the planned savings included in the Medium Term Financial Strategy would be achieved, with a savings deficit over the period totalling £798,000.

Option 2 - remove the free transport provision in September 2013, the start of the 13/14 academic year; almost all of the savings target would be achieved over the same period.

Option 3 - phase out transport gradually. There would be a gradual build up to achieving the full annual savings target by 2018/19 but a budget deficit position of £362,000 over the intervening years.

The latest information available from neighbouring local authorities showed that seven had no changes planned with four proposing to phase out; the Option 3 approach. Details of the current number of pupils receiving Transport Assistance compared to the number that would benefit if the Denominational Rule is removed were also set out.

In conclusion the Assistant Director stated that Cabinet was, therefore, asked to either approve the previous Cabinet decision to withdraw denominational home to school transport from September 2013 in line with the savings target included in the Medium Term Financial Strategy and refer this decision to full Council for approval as a departure from the Budget and Policy Framework enabling this decision to be implemented from September 2013; or, should Cabinet not wish to proceed with the withdrawal of Denominational home to school transport from September 2013, to note that alternative budget cuts would need to be identified to cover the resulting budget shortfall of £133,000 in 2013/14 and refer to this

position to full Council for information.

The Mayor indicated that he had been made aware that the Head Teachers of the two affected schools were in attendance and wished to address Members. The Head of St Teresa's RC Primary School commented that the primary school had not been formally included in the consultation process and this did seem undemocratic. The Head of English Martyrs School and Sixth Form College drew Cabinet's attention to the overwhelming response from parents against the withdrawal of the services. The majority of neighbouring northeast authorities were also maintaining transport services for faith schools.

The Head of English Martyrs School also indicated that he believed that the withdrawal of the transport services would have a catastrophic affect on admissions arrangements in the town. At this time, every year 6 child seeking to come to English Martyrs School got the school of their choice. If the free transport was withdrawn many families would not be able to afford to pay for their children to attend English Martyrs School. This would have a knock on effect with all the other secondary schools in the town.

The Head of English Martyrs School acknowledged that Members had difficult decisions to make but he considered that getting children to school safely was an important front line service that should be protected.

A Cabinet Member expressed their support for the retention of the services and their frustration at the consultation process which had not included the primary schools in a consistent manner. There was concern expressed by a Cabinet Member that in some communities around the borough families living next door to each other could find themselves in a very different position when it came to paying for their child to attend secondary school. One child attending a faith school would get free transport but another child that attended the secondary school for which their primary was a feeder school would have to pay bus fares or other transport costs in order to attend school. This did not seem fair.

The Mayor, in concluding the debate, considered that there had been too much confusion surrounding the consultation process from the very beginning. The authority had a clear understanding of the level of savings it had to make but needed to cognisance of the affects of those savings at the same time. The Mayor indicated that he had significant concerns in proceeding with this saving and therefore indicated that the service should be maintained and officers should be requested to bring forward alternative savings.

Decision

Cabinet concluded that it did not wish to proceed with the withdrawal of Denominational home to school transport from September 2013 and noted that alternative budget cuts would need to be identified to cover the resulting budget shortfall of £133,000 in 2013/14 and referred this position to full Council for information.

106. Medium Term Financial Strategy (MTFS) 2013/14 to 2016/17 Update *(Corporate Management Team)*

Type of decision

Non-key.

Purpose of report

The purpose of the report is to provide an update of changes since the MTFS was considered by Cabinet on 4th October 2012 to reflect additional information issued by the Government in relation to:

- The Early Intervention Grant;
- Local Authority Central Spend Equivalent Grant (LACSEG)
- Council Tax Freeze Grant and Referendum trigger points for 2013/14; and
- Local Government Finance Settlement Announcement.

Issue(s) for consideration by Cabinet

The Finance and Corporate Services Portfolio Holder highlighted the principle issues contained within the report for cabinet's information. These issues included –

Early Intervention Grant (EIG) - Hartlepool's initial EIG allocation for 2011/12 was nearly 22% lower than the previous separate grant allocations. The Government were now proposing further changes which would come in next year. Indicative figures provided by the Government indicate that Hartlepool's EIG will be reduced by £1.15 million next year, a cut of 15% compared to a national reduction of 11%. The national EIG allocation is forecast to reduce by a further 6% in 2014/15. This could increase Hartlepool's EIG cut to £1.6m in 2014/15.

In response to this risk a careful assessment of EIG commitments had been adopted since this funding regime was introduced and this strategy delivered an under-spend in 2011/12. It is also planned to achieve an under-spend in 2012/13. Based on current forecasts the under-spends in 2011/12 and 2012/13 should provide one-off funding of between £1.431m and £1.531m, depending on the actual outturn for 2012/13.

In view of the forecast EIG funding cuts over the next 2 years it was recommended that the under-spends from previous years were allocated to temporarily offset these grant cuts. This will not provide a permanent solution, although it would avoid an additional General Fund budget pressure in 2013/14, which would need to be funded by cutting other services by more than currently planned.

Local Authority Central Spend Equivalent Grant (LACSEG) - This was a similar position to the EIG and previous reports advised Members of the risk of funding cuts linked to the Government's academies programme. The report outlined a strategy for managing the grant cuts in this area; again this

was only a temporary strategy and did not address the permanent funding cuts when schools become academies.

Council Tax Freeze Grant and Referendum trigger points for 2013/14 - The June 2012 MTFS report recognised the risk of the Government reducing the Council Tax referendum thresholds. Cabinet therefore, agreed to reduce the forecast annual Council Tax increases included in the MTFS for 2013/14 to 2016/17 from 3.5% to 2.5%. This increased the budget deficits over the period of the MTFS. Following the Cabinet meeting on the 4th October 2012 the Government announced details of the proposed 2013/14 Council Tax Freeze Grant and referendum trigger points, as follows:

- Council Tax Freeze Grant – a 1% grant would be paid to local authorities which freeze the 2013/14 Council Tax at the current level. This grant will be paid for two years - 2013/14 and 2014/15.
- Council Tax referendum threshold – this would be reduced from 3.5% in 2012/13 to 2% in 2013/14.

If Council Tax was frozen next year additional budget cuts of £0.6m would need to be made in 2013/14, which was the difference between the planned 2.5% Council Tax increase and the 1% freeze grant which will be paid in 2013/14. As this grant would be removed after two years further savings of £0.4m would need to be made 2015/16. This meant that compared to the planned 2.5% Council Tax increase, accepting the freeze grant would mean the Council having to make additional budget cuts of £1m.

If the freeze grant was not accepted and Council Tax increased by 1.99% (just below the referendum trigger point) the Council would generate additional income of £800,000 in 2013/14 and future years. This was £0.2m less than the planned 2.5% Council Tax increase would have generated, so this shortfall will have to be funded by making additional budget cuts.

Members would also need to consider the impact on households of a 1.99% increase in Hartlepool's own Council Tax. For the majority of households - i.e. the 63% of households in a band A or B property the weekly increase will be around 42p. By paying this small increase additional budget cuts of £0.8m can be avoided.

Local Government Finance Settlement Announcement 2013/14 - The Government had not formally announced the date for the Local Government Finance Settlement, but initial indications suggest that the 2013/14 announcement may not be made until 19th December 2012. This was much later than in previous years and makes financial planning even more difficult as the end date for setting next years budget and Council Tax cannot move.

To manage this position a detailed budget report will still be considered on 17th December 2012 based on forecast grant cuts for 2013/14. The Mayor has suggested an additional meeting on 21st December 2012 to update Cabinet on the actual grant cuts for 2013/14.

The Portfolio Holder also indicated that an article was being prepared for the next edition of Hartbeat which was aimed at answering people's questions on the budget. The Mayor was concerned that the council tax rise forecasts were now being reduced to 2%, placing further pressure on services. The Chief Financial Officer indicated that there was a view developing that in the near future one of the pressures on council budgets would need to give. It was anticipated that modest council tax rises would be that release of pressure.

The Mayor indicated that he was concerned at the pressure on many households in the town due to the impending welfare reform changes and requested that details of the impact be included in the next report to cabinet. The Chief Financial Officer indicated that officers were very aware of the impacts and the preparation of this information was already in hand.

Decision

1. That the report be noted.
2. That approval be given to the proposed strategy to earmark the EIG accumulated underspend/reserves of £1.431m to £1.531m (final figure will depend on 2012/13 outturn) to manage the permanent reductions in EIG funding in 2013/14 of £1.1m (increasing in 2014/14 to £1.6m) and that Cabinet notes that a detailed report would be submitted to a future meeting (no later than June 2013) setting out a proposed strategy for reducing EIG services to the level of the ongoing EIG funding;
3. That approval be given to the proposed strategy to earmark the 2012/13 LACSEG underspend and the one-off refund of grant reductions totalling £0.760m to manage the reduction in LACSEG funding in 2013/14, currently estimated to be £0.2m and to allocate the remaining amount to manage future funding cuts which will be implemented as schools become academies. Cabinet notes that a detailed report would be submitted to a future meeting (no later than June 2013) setting out a proposed strategy for managing LACSEG services within a reduced funding level;
4. That Cabinet notes the impact of reducing the planned Council Tax increase, or accepting the 2013/14 Council Tax Freeze Grant on the level of savings required in 2013/14 and defers a decision on this until December 2012 when the 2013/14 Formula Grant will be known;
5. That Cabinet notes the impact on the budget timetable if the 2013/14 Local Government Finance Settlement is not made until 19th December 2012 and shall consult with Scrutiny Co-ordinating Committee on the revised timetable;
6. That the above proposal will need to be reported to full Council in February as part of the proposed 2013/14 Budget and Policy

Framework;

7. That the report be referred to Scrutiny Co-ordinating Committee as part of the 2013/14 budget process seeking views on the issues detailed in the report.

107. Strategic Financial Management Report Quarter 2 (Corporate Management Team)

Type of decision

Non-key.

Purpose of report

The purposes of the report were:

- (i) to provide details of the reserve review requested by Cabinet in September;
- (ii) to inform Cabinet of details of progress against the Council's overall revenue budget for 2012/13 and the in year savings targets set by Cabinet;
- (iii) to inform Cabinet of details of the Early Intervention Grant Outturn;
- (iv) To provide details of progress of achievement of capital receipts against the target; and
- (v) Quarter 2 Capital Programme Monitoring.

Issue(s) for consideration by Cabinet

The Finance and Corporate Services Portfolio Holder provided Cabinet with an update on the progress of the Council's financial position for the current year and progress in achieving the underspend targets we have previously set. The report included the following key sections for Cabinet's information –

- Review of Reserves
- 2012/13 Forecast Outturn – Corporate Budgets
- 2012/13 Forecast Outturn – Departmental
- Creation of Departmental Reserves
- Summary of Reserve Review and Outturn Position
- Projected Grant Income to be earmarked to fund 2013/14 Expenditure
- Early Intervention Grant
- Statement of Accounts
- Key Balance Sheet Information
- Progress Against Additional Capital Receipts Target
- Capital Monitoring 2012/13

The Mayor commented that the work being undertaken was all aimed towards putting the council in the best financial position it could for the future.

Decision

That the report be noted and forwarded to Scrutiny Coordinating Committee.

108. Audit Committee Report – Treasury Management Strategy Review *(Chief Finance Officer)*

Type of decision

Non-key.

Purpose of report

The purpose of the report is to provide Cabinet with details of the Treasury Management Strategy Review report submitted to the Audit Committee on 9th November 2012.

Issue(s) for consideration by Cabinet

The Finance and Corporate Services Portfolio Holder reported that accordance with existing Treasury Management legislation the Audit Committee was required to review the proposed 2013/14 Treasury Management Strategy before referral to full Council for approval.

Over the last few years the Council had adopted a prudent Treasury Management Strategy which had sought to manage risk by netting down investments and borrowings. This strategy had also provided the lowest cost option for the Council owing to prevailing interest rates. In previous years, Members had been advised that this strategy was not sustainable as reserves would be used up and interest rates would at some point increase. Therefore, Members were advised that the transition from the current strategy of netting down investments and borrowings would need careful management.

To manage this transition a comprehensive review of the existing strategy had recently been completed and a recommended strategy referred to the Audit Committee for consideration on 9th November 2012. This had been approved and would be referred to full Council in February 2013.

Decision

That the report be noted.

109. Local Government (Access to Information) (Variation) Order 2006

Under Section 100(A)(4) of the Local Government Act 1972, the press and public be excluded from the meeting for the following items of business on the grounds that it involves the likely disclosure of exempt information as defined in paragraph 4 of Part 1 of Schedule 12A of the Local Government Act 1972 as amended by the Local Government (Access to Information)

(Variation) Order 2006.

Minute 110 - Workforce Arrangements (*Corporate Management Team*) - This item contained exempt information under Schedule 12A Local Government Act 1972, namely, paragraph 4, Information relating to any consultations or negotiations, or contemplated consultations or negotiations, in connection with any labour relations matter arising between the authority or a Minister of the Crown and employees of, or office holders under, the authority.

- 110. Workforce Arrangements** (*Corporate Management Team*) This item contained exempt information under Schedule 12A Local Government Act 1972, namely paragraph 4.

Type of decision

Key Decision, test (i) applies. Forward Plan Reference No. CE 44/11

Purpose of report

To advise Cabinet of options considered and recommended for changing employees terms and conditions in order to achieve significant savings in future years.

Issue(s) for consideration by Cabinet

Details are set out in the exempt section of the Cabinet Decision Record.

Decision

Details are set out in the exempt section of the Cabinet Decision Record.

The meeting concluded at 10.30 a.m.

P J DEVLIN

CHIEF SOLICITOR

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