

CABINET

MINUTES AND DECISION RECORD

21 DECEMBER 2013

The meeting commenced at 2.00 p.m. in the Civic Centre, Hartlepool

Present:

The Mayor, Stuart Drummond - In the Chair

Councillors: Cath Hill (Children's and Community Services Portfolio Holder)
John Lauderdale (Adults and Public Health Services Portfolio Holder)
Paul Thompson (Finance and Corporate Services Portfolio Holder)

Officers: Dave Stubbs, Chief Executive
Andrew Atkin, Assistant Chief Executive,
Chris Little, Chief Finance Officer
Denise Ogden, Director of Regeneration and Neighbourhoods
Sally Robinson, Assistant Director, Prevention, Safeguarding and
Specialist Services
Alistair Rae, Public Relations Manager
David Cosgrove, Democratic Services Team

136. Apologies for Absence

None.

137. Declarations of interest by Members

None.

138. Minutes of the meeting held on 17 December 2012

Confirmed.

139. Medium Term Financial Strategy (MTFS) 2013/14 to 2016/17 – Supplementary Report *(Author)*

Type of decision

Budget and Policy Framework.

Purpose of report

The purpose of the report was to:

- (i) update Cabinet on the impact of the Local Government Finance Settlement announcement on 19th December 2012; and
- (ii) to enable Cabinet to revise the MTFS and the formal budget proposals approved on 17th December 2012 if this is necessary as a result of the actual grant cuts announced in the Local Government Finance Settlement and to refer any revised proposals for Scrutiny.

Issue(s) for consideration by Cabinet

The Chief Finance Officer updated Cabinet on the impact of the Local Government Finance Settlement presented to Parliament on 19th December 2012. The Chief Finance Officer stated that it had been extremely difficult to assess the impact of the settlement on Hartlepool as detailed information was issued on a phased basis and key information was not released until Thursday afternoon. At the time of preparing this report some detailed information had still not been issued, which was needed to fully understand the reasons for the grant changes, although this would not change the amounts allocated to individual Councils. Further details would be reported as soon as they were available.

The Chief Finance Officer highlighted the following key issues for Cabinet's information: -

- DCLG figures show that Hartlepool's spending power for 2013/14 is reduced by 2.2%, which is higher than the national average of 1.7%, but lower than the 3% maximum for upper tier authorities (i.e. Unitary, Metropolitan and County Councils).
- The actual formula grant cut is £0.766m more than forecast in the MTFS, which equates to a grant cut of 6.5% (MTFS forecast cut was 4.8%).
- Indicative figures provided by CLG on 19th December 2012 suggest that Hartlepool's Council Tax Support Grant allocation may be £0.14m less than forecast. If this reduction is confirmed the Council will need to fund this additional cost to maintain the reduction in Council Tax support to 8.5%.
- The Provisional New Home Bonus Allocation 2013/14 is £0.14m more than anticipated in the MTFS (i.e. £1.188m compared to £1.048m). The increase reflected the Council's share of the national funding allocated through the New Homes Bonus (NHB) scheme for 2013/14.
- In 2013/14 the Council's core Formula Grant will be nearly £16m lower than it was in 2010/11 base.

- There would be a collection Fund Surplus for 2012/13. Hartlepool's share of the surplus was £0.737m and this amount could be used to offset the majority of the additional grant cut and resulting increase in the budget deficit of £0.766. This proposal would avoid the need to make additional saving for 2013/14. However, the proposal would increase the level of one-off resources being used to balance next years' budget from £1.6m to £2.3m.
- The value of the safety net thresholds had now been defined and for Hartlepool the baseline was 7.5% of the total value of the Business Rates baseline plus the top-up grant - i.e. £24.9m. On this basis safety net grant would only be paid when this income falls by more than £1.867m and would only paid for the shortfall above this amount.
- A significant issue for 2014/15 was the Government's decision not to show the Council Tax Support Grant as a separate funding allocation, but to roll this funding into the overall 2014/15 baseline. Other funding regimes (EIG, Learning Disability and Health Reform funding, Homelessness Prevention Funding and Lead Local Flood Authority Funding) continued to be identified separately for 2014/15, which enabled individual Councils to clearly identify funding levels for these areas in 2014/15. The rolling up of the Council Tax Support Grant suggests that in 2014/15 and future years this grant will be subject to the same cut as the main Revenue Support Grant.
- Hartlepool's initial Early Intervention Grant (EIG) allocation for 2011/12 was nearly 22% lower than the previous separate grant allocations. The previous MTFS report anticipated the EIG reducing from £6.440m in 2012/13 to between £4.79m and £4.92m in 2014/15, with the grant cuts being fronted loaded in 2013/14. The provisional settlement indicated that by 2014/15 the EIG would reduce to £4.789m, a £1.611m cut on the current year – a cut of 25%. The cut would be fronted loaded and in 2013/14 the reduction would be £1.324m, compared to a forecast of £1.150m.
- The amount of Local Authority Central Spend Equivalent Grant (LACSEG) grant removed from the main formula grant was broadly in line with expectations. However, details of the 'replacement' specific funding would not be announced until January 2013. Therefore, at this stage it was not possible to provide an update on the impact of this change on the Council. As reported previously it was anticipated that for 2013/14 the available LACSEG reserve should avoid this issue impacting on the General Fund budget and provide time to develop a strategy for managing this change in future years.

Cabinet members expressed their concern at the further cuts that were required and particularly highlighted Early Intervention Grant cut and the inclusion of the Council Tax Support Grant in the Revenue Support Grant which mean that it would be subject to real term cuts in future years. The Mayor commented that authorities were left with little option but to build

houses in order to protect front line services as the New Homes Bonus appeared to be the only area for increased funding. The Mayor also referred to the floor dampening calculation that always removed funding from Hartlepool. The Chief Finance Officer confirmed that this was still the case.

The Chief Finance Officer questioned if Cabinet wished to make representations to the Minister in person or in writing. Cabinet Members saw little advantage in meeting the Minister and agreed that a written statement from the authority should be made.

Decision

1. that the report be noted and that further information, and the impact on Hartlepool, will be provided when it is available;
2. that the impact of the additional Formula grant cut for 2013/14 of £0.766m be noted and that the shortfall is funded from Hartlepool's share of the Collection Fund surplus of £0.737m and £0.029m from the current years underspend;
3. that Cabinet notes that the above proposal does not address the ongoing impact of the higher grant cuts and defers additional budget cuts of £0.766m until 2014/15;
4. that the impact of the phased EIG cuts which would increase the amount of the EIG Reserve which needs to be used in 2013/14 from £1.150m to £1.324m be noted;
5. That the report and the above recommendations be referred to Scrutiny Co-ordinating Committee.
6. That written representations be made to Ministers to outline the Council's concerns about the provisional settlement.

The meeting concluded at 2.25 p.m.

P J DEVLIN

CHIEF SOLICITOR

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