

FINANCE AND POLICY COMMITTEE

DECISION RECORD

2 August 2013

The meeting commenced at 10.30am in the Civic Centre, Hartlepool

Present:

Councillor: Christopher Akers-Belcher (In the Chair)

Councillors: Peter Jackson, Alison Lilley, Robbie Payne, Carl Richardson and Chris Simmons.

In accordance with Council Procedure Rule 5.2 (ii), Councillor Rob Cook was in attendance as substitute for Councillor Marjorie James and Geoff Lilley was in attendance as substitute for Councillor Keith Dawkins.

Also in attendance:

Edwin Jeffries, UNISON

Officers: Andrew Atkin, Assistant Chief Executive
Chris Little, Chief Finance Officer
Peter Devlin, Chief Solicitor
Denise Ogden, Director of Regeneration and Neighbourhoods
Joan Stevens, Scrutiny Manager
Julian Heward, Public Relations Officer
Angela Armstrong, Principal Democratic Services Officer

63. Apologies for Absence

Apologies for absence were received from Councillors Keith Dawkins Marjorie James and Paul Thompson.

64. Declarations of Interest

None.

65. Minutes

None.

66. Medium Term Financial Strategy (MTFS) 2014/15 to 2016/17 *(Corporate Management Team)*

Type of decision

Budget and Policy Framework

Purpose of report

The purpose of this report was to:-

- (i) Update Members on the Council's financial position and the budget deficits forecast for 2014/15 to 2016/17; and
- (ii) To enable Members to approve the recommended approach to be adopted for managing the 2014/15 budget deficit, including the detailed savings proposals to be referred to individual Policy Committees for consideration.

Issue(s) for consideration

The Chief Finance Officer presented a detailed and comprehensive report which included an update on the Governments Spending Review for 2013. It was noted that the Council had previously identified £2.64m of one off resources which it was recommended were allocated to manage the following risks and one-off costs:

- £0.9m Business Rate Risk
- £0.86 LCTS
- £0.68 Support 2014/15 Budget
- £0.2m Highways Programme

It was highlighted that the strategy for bridging the 2014/15 budget deficit included a reduction through a combination of permanent measures and one-off resources but there remained a gap of around £4.6m which needed to be funded from savings. Assuming all the proposed savings identified in the report were approved, this would leave a gap of £0.2m.

Members were asked to consider whether to freeze the Council Tax for 2014/15 and 2015/16 and the report provided information on the impacts of freezing the council tax compared to indicative increases.

In relation to the strategy for managing capital risks, a number of proposals were detailed in the report to manage these risks. It was noted that initial indications suggest that there may be a delay in achieving the identified capital receipts, therefore a range of funding proposals were earmarked to manage these risks. This would be reviewed regularly as and when capital

receipts were achieved.

In conclusion, the Chief Finance Officer commented that whilst the Council had managed significant grant cuts over the last three years, by 2014/15 the core grant will be cut by 34% which was £20m less than in 2010/11. Furthermore, by 2016/17 it was forecast to be cut by 43% which would be £26m less than in 2010/11, although this cut may be higher given recent the Government consultation on this issue. It was estimated that the Council would face a deficit of £16.2m over the next three years whilst having to manage significant financial risks such as the receipt of business rates from the Power Station.

A discussion ensued during which Members agreed to an indicative council tax freeze for 2014/15 and 2015/16, but that the 2015/16 indicative increase would be reviewed in 12 months' time. A Member sought clarification on the costs associated with schools converting to academies as outlined in paragraph 4.15 of the report. The Chief Finance Officer provided a brief history to the Government's funding for academy conversions and confirmed that an element of core Council funding was clawed back from all local authorities to provide funding for the national academies programme. It was emphasised that these arrangements have not impacted on available funding for schools, but had reduced Councils' core revenue grants. Following a legal challenge these resources have been returned to local authorities. However, from April 2013 alternative arrangements to claw back money from councils have been implemented by the Government, which depended on the number of schools converting to academies within that local authority area. Again these new arrangements do not impact on school funding. The figures in the report were based on 50% to 100% of schools converting to academies. Concern was expressed that for every school that converted to an academy, the Council would not only lose an element of core funding but may also lose any service provision arrangements that were currently in place.

Members considered the recommendations in detail and made the following comments and observations:

Allocation of one-off funding

A Member sought clarification on whether business rates could be charged on businesses that were not currently in operation. The Chief Finance Officer confirmed that there were certain exemptions which enabled the local authority to charge business rates on empty properties.

In relation to the additional one-off funding identified in the report of £2.7m Members supported the allocation of £2.4m to support the core revenue budget over the period 2014/15 to 2016/17. In relation to the proposed allocation of £0.4m for the core revenue budget in 2017/18, it was suggested that this should not be allocated at the current time but that it be reviewed at a later date when more detailed information on the Government's Spending Review was known, with a view to investing in the

growth and regeneration of Hartlepool wherever possible.

General Fund Revenue Budget 2014/15 to 2016/17

In response to a question from a Member, the Chief Finance Officer confirmed that the New Homes Bonus was achieved when a property had been completed and was available. However, Members were asked to note that the Government was proposing to top slice the national budget for the New Homes Bonus to provide funding to Local Enterprise Partnerships, and whilst details of how this may affect future allocations were not known as yet, it was suggested that it will be less than currently estimated.

A Member questioned whether any national lobbying was taking place in relation to freezing council tax. The Chief Finance Officer indicated that this was a difficult issue for the Local Government Association to pick up on as local authorities were not lobbying on a collective national basis. However, Members were informed that the Chair of the Finance and Policy Committee had written to the Government Minister requesting that the funding set aside for local authorities who had not taken up the council tax freeze grant, should be redistributed to local authorities who had implemented the freeze. However, the Minister did not agree with this proposal.

Decision

Members approved the following principles for developing the MTFS and noted that the final decision on these issues will need to be made later in the year when more information is available:

1. Allocation of one-off funding

- 1.1 The allocation of the available one-off funding of £2.640m detailed in paragraph 4.1 to support the following issues was approved:

| | £'000 |
|---|-------|
| Business Rates risks | 900 |
| Support of Local Council Tax Support scheme | 860 |
| Support of 2014/15 Revenue budget | 680 |
| Support for Highways Maintenance Programme | 200 |
| | 2,640 |

- 1.2 It was noted that the available one-off funding of £2.640m included £1.1m to be achieved in 2013/14 and assumed that there were no unbudgeted expenditure commitments in 2013/14.

- 1.3 The allocation of the one-off funding of £2.320m detailed below to support the core revenue budget as follows was approved:

- 2014/15 - £0.32m
- 2015/16 - £1.0m
- 2016/17 - £1.0m

1.4 That the £0.4m proposed to support the 2017/18 budget remain unallocated at the current time, pending further detailed information from the Government's Spending Review, with a view to investing in the growth and regeneration of Hartlepool wherever possible.

2. General Fund Revenue Budget 2014/15 to 2016/17

2.1 That an indicative Council Tax freeze for 2014/15 and 2015/16 be approved but that the 2015/16 indicative increase be reviewed in 12 months' time and it was noted this will increase the budget deficit in 2016/17, assuming the Council Tax grant was only paid for a fixed period of two years.

2.2 That the following package of measures to fund the 2014/15 budget gap was approved:

| | £'000 | £'000 |
|---|-------|--------------|
| Budget Deficit reported February 2013 | | 8,524 |
| Public Health Funding | | (500) |
| Full Year ICT saving (includes potential rental income) | | (500) |
| Initial Changes in Planning assumption (paragraph 5.18) | | (1,870) |
| Additional Changes in Planning assumptions (paragraph 5.19) | | 73 |
| Net Budget Gap 2014/15 | | 5,727 |
| Initial One-off funding (paragraph 4.2) | (680) | |
| Additional One-off funding (paragraph 4.15) | (320) | |
| Use of residual balance of 'Savings implementation reserve' | (133) | |
| Total use of one-off funding | | (1,133) |
| Sub Total | | 4,594 |
| Departmental Savings proposals | | (4,376) |
| 2014/15 New Home Bonus | | (218) |
| Net budget deficit 2014/15 | | 0 |

2.3 It was noted that the use of Public Health funding of £0.5m in 2014/15 and future years was only sustainable whilst the existing grant continued and that there was a potential risk that this grant would be reduced in future years.

2.4 The allocation of the forecast 2013/14 Public Health saving of £0.5m was approved as an earmarked reserve to manage in-year Public Health risks in the first year of operating these services. In the event these monies were not needed in 2013/14 it was recommended that

they be set aside to manage ongoing financial risk in this area.

2.5 The departmental savings proposals detailed in Appendices E, F and G were referred to the relevant Policy Committee for consideration and comments back to this Committee on 19 September 2013.

2.6 It was noted that detailed reports will be presented to the Finance and Policy Committee on 19 September 2013 on:

- the review of reserves, including consideration of funding to continue the Ward Member budgets in 2014/15 and the identification of funding in relation to a national legal challenge against 374 authorities in England and Wales in respect of search fees paid to local authorities for property searches;
- the review of overtime budgets; and
- the development of an apprenticeship scheme utilising the available £49,000 one-off training reserve.

2.7 It was noted that based on the proposed strategy for 2014/15 the Council will still need to make additional cuts before the start of 2016/17 of £11.6m.

3. Strategy for managing capital risks

3.1 The strategy for managing capital risk detailed in section 12 and the earmarking of the following resources to manage this risk was approved:

- Right to Buy income of £191,000;
- One-off Government Grant refund in relation to the New Homes Bonus adjustment £211,000;
- Uncommitted 'Major Regeneration Reserve' of £100,000; and
- Unused Prudential borrowing approval (repayment costs covered within the existing revenue budget) for 'Major Regeneration Projects' of £393,000.

3.2 That the earmarking of the above resources be reviewed on a regular basis to determine if/when these resources can be un-earmarked and made available for other priorities to be determined by Members. It was approved that the trigger points for this review will be progress in achieving the capital receipts target and progress on the Jacksons Landing project.

3.3 It was noted that initial indications suggest there may be a delay in achieving the existing capital receipts targets of £4.5m (£6.5m including the Brierton Development) owing to current market conditions. A further report will be submitted to a future meeting to provide an update on the position, the anticipation that higher receipts should be achieved by delaying land sales and a proposed strategy for managing this situation using temporary Prudential Borrowing pending the achievement of

capital receipts.

67. Banking Arrangements (*Chief Finance Officer*)

Type of decision

Non key.

Purpose of report

To seek approval for an extension to the current banking arrangements to 31 March 2015.

Issue(s) for consideration

The report provided the background to the current banking arrangements. It was proposed that the current banking arrangements be extended due to the required services being maintained and effective working arrangements being developed during the contract period. Furthermore, owing to the volatility in the banking sector and the relatively low value of the contract, there continued to be very limited market interest in local authority banking. Members were informed that the Co-operative Bank was currently implementing a plan to respond to regulators requirements for banks including improving their capital ratios by the end of 2014. Other banks are also implementing plans in response to regulators requirements.

A discussion ensued on the proposal during which Members requested that a full tendering exercise be undertaken after 12 months as this contract had already been extended on one occasion. In response to a question on the costs involved in changing the banking arrangements, the Chief Finance Officer confirmed that any changes required would be undertaken by a change in activities for current staff at no additional staffing cost to the local authority. A Member questioned whether there were any risks to the local authority if the current arrangements continued. The Chief Finance Officer indicated that the greatest risk was managing the day to day bank balance. However, he added that he was comfortable extending the current arrangements for a further 12 months as appropriate arrangements are in place for managing the day to day bank balance. Members requested that a briefing note be provided to update Members on how the Co-operative bank were addressing the regulatory requirements.

Decision

- (1) That the Chief Finance Officer be authorised to enter into negotiations with the Co-operative Bank to continue to provide banking services for a further year from 1 April 2014 to 31 March 2015 and to conclude

these negotiations if the cost was within the budget provision for this service. If the contract cost was to exceed the budget provision, a further report would be submitted before the negotiations were concluded.

- (2) That the above banking arrangements should not be extended beyond 31 March 2015.
- (3) That a tender exercise to commence early in 2014 to enable a new contract to be in place for 1 April 2015.
- (4) That a briefing note be provided for Members with an update on how the Co-operative bank were addressing the regulatory requirements.

68. Any Other Items which the Chairman Considers are Urgent

None.

The meeting concluded at 11.20am

P J DEVLIN

CHIEF SOLICITOR

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