FINANCE AND POLICY COMMITTEE AGENDA

HARTLEPOOL BOROUGH COUNCIL

Friday 3 January 2014

at 2.00 pm

in the Council Chamber,
Civic Centre, Hartlepool.

MEMBERS: FINANCE AND POLICY COMMITTEE

Councillors C Akers-Belcher, Cook, Dawkins, Jackson, James, A Lilley, Martin-Wells, Payne, Richardson, Simmons and Thompson

1. APOLOGIES FOR ABSENCE

2. TO RECEIVE ANY DECLARATIONS OF INTEREST BY MEMBERS

3. MINUTES

3.1 To receive the minutes of the meeting of the Finance and Policy Committee held on 19 December 2013

4. BUDGET AND POLICY FRAMEWORK ITEMS

4.1 Medium Term Financial Strategy (MTFS) 2014/15 to 2016/17 – Update – *Corporate Management Team*

5. KEY DECISIONS

No items.

6. OTHER ITEMS REQUIRING DECISION

No items.

7. ITEMS FOR INFORMATION

No items.

8. ANY OTHER BUSINESS WHICH THE CHAIR CONSIDERS URGENT

ITEMS FOR INFORMATION

Date of next meeting – 24 January at 9.30 am in the Civic Centre, Hartlepool.

FINANCE AND POLICY COMMITTEE
MINUTES AND DECISION RECORD
19 December 2013

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

Present:

Councillor: Christopher Akers-Belcher (In the Chair)

Councillors: Rob Cook, Keith Dawkins, Peter Jackson, Carl Richardson, Chris Simmons and Paul Thompson.

Also Present: Councillor Ainslie.

Officers: Dave Stubbs, Chief Executive
Andrew Atkin, Assistant Chief Executive
Peter Devlin, Chief Solicitor
Chris Little, Chief Finance Officer
Denise Ogden, Director of Regeneration and Neighbourhoods
Damien Wilson, Assistant Director, Regeneration
Louise Wallace, Director of Public Health
Debbie Gibbin, Health Improvement Practitioner
Nigel Johnson, Housing Services Manager
Alastair Rae, Public Relations Manager
Joan Stevens, Scrutiny Manager
David Cosgrove, Democratic Services Team

163. Apologies for Absence

Apologies for absence were received from Councillor Alison Lilley.

164. Declarations of Interest

Councillor Cook and Simmons declared personal interests in Minute No. 169 “Ward Member Budgets”.
Councillor Thompson declared personal interests in Minute Nos. 169 “Ward Member Budgets”; 171 “Irrecoverable Debts – Business Rates”; and 172 “Irrecoverable Debts – Council Tax”.
Councillor Christopher Akers-Belcher declared a prejudicial interest in part of Minute No. 169 “Ward Member Budgets” and left the meeting during its consideration as recorded.

165. Minutes of the meeting held on 29 November 2013

Received.

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

Type of decision

Budget and Policy Framework.

Purpose of report

(i) Update the MTFS to reflect the impact of the 2014/15 Local Government Finance Settlement and local decisions reached by Members over the past few months; and
(ii) To enable Members to consider and develop the detailed 2014/15 budget proposals and recommendations prior to finalising these issues at the Finance and Policy Committee meeting on 31 January 2014 for referral to Council on 6 February 2014.

Issue(s) for consideration

The Chief Finance Officer reported that the details of the Government's settlement for local government had only been received the day before the meeting and therefore, an update on the budget would be reported to the meeting on 3 January 2014. The Chief Finance Officer indicated the settlement covered two financial and for 2014/15 results in a grant cut of £5.984m, a cut of 9.6%, which is £8,000 less than forecast. For 2015/16 the grant cut is £8.213m, a cut of 14.6%, which is £86,000 more than forecast. A detailed report on the impact of the settlement will be submitted on 3rd January 2014

In relation to the report submitted, the Chief Finance Officer indicated that the settlement figures were very close to the assumptions made within the report. The Chief Finance Officer highlighted the following for the Committee's information.

- One-off resources, including 2013/14 Outturn and Review of Reserves – in relation to one-off resources the Chief Finance Officer indicated that the 2012/13 Uncommitted Outturn was anticipated to be between £700,000 and £1.1m. At this stage officers were confident that the £700,000 underspend could be achieved.
- Autumn Statement – as outlined in the Autumn Statement the government had capped the rise in business rates at 2%. This was

the first time that business rates had been capped.

- Net Budget Deficit 2014/15 – the report confirmed the proposal that the remaining £800,000 budget gap would be met from the 2013/14 budget outturn.
- Risk Assessment of Proposed Savings – the individual budget saving proposals when reported to the various service committees had an appropriate risk assessment. Section 9 of the report drew together those risks to provide a corporate overview and provides assurance that the savings proposals are robust.
- Council Tax 2014/15 – as had previously been agreed, council tax in 2014/15 would be frozen.
- Core Revenue Grant 2010/11 to 2015/16 – based on the information included in the settlement from Government, the overall reduction in revenue grant between 2010/11 and 2015/16 would be 39%. It was difficult to envisage how such a reduction could not now be met without significant cuts to public services. There was uncertainty around any potential budget reductions for 2016/17 as any announcement would be post the 2015 election.
- Capital Programme 2014/15 – the Chief Finance Officer highlighted the schemes to be funded from forecast capital receipts; street lamp replacement scheme, Brierton development, Social Housing development.
- Robustness of Budget forecasts - Chief Finance Officer's professional advice. The Chief Finance Officer highlighted the specific advice in relation to the budget forecasts that he was required by statute to provide to members.

In concluding his remarks the Chief Finance Officer indicated that the government's perception was that local government had managed the cuts well and that we could continue to do so. 2015/16 was expected to be a watershed year for local government and for the Council the majority of the budget cuts (i.e. 75% to 80%) required over the next three years will need to be made in 2015/16 and 2016/17. The timetable for decisions and meetings was set out in the report and the Chief Finance Officer advised the Committee that it was at this stage anticipated that this could be met but there were still some specific grant announcements to come from government and the final settlement figure was not expected until very late in January.

In the recommendations set out in the report the Chief Finance Officer highlighted the 2014/15 Temporary Pensions Savings for the Chief Executive Post where the committee was recommended to "Approve the proposal to earmark the temporary employers' pension contribution saving in 2014/15 in relation to the Chief Executive's post of £30,000 to increase the number of apprenticeships by 2 and to allocate these places to young people who have chosen to stay in care or care leavers".

Members commented that the percentage figures highlighted by the government and other North east authorities did not reflect the level of cut here in Hartlepool. The Chief Finance Officer indicated that the

Government used a 'spending power' figure which incorporated all grant allocations including ring-fenced grants such as the Public Health funding grant. The figures used were correct but failed to reflect the 9.6% reduction in core grant funding and the fact that the Council could not use other grants to mitigate that reduction. If Hartlepool had received the 'average' national spending power reduction the council would have received £1.6m more for 2014/15.

Members welcomed the proposal to utilise the saving on the Chief Executive's pension contributions to fund two apprenticeships specifically for young people in the care system. This would reinforce the Council's role as a Corporate Parent and should be supported by all Members.

Decision

That the following principles be approved (a number of which had previously been reported and approved by the Committee) and that the Committee notes that the final decision on these issues would need to be made in January 2014 for submission to Council on 6th February 2014.

As detailed in the report recommendations in relation to the 2014/15 to 2016/17 General Fund budget are based on information available at the time the report was prepared. At that time the Local Government Finance Settlement for 2014/15 had not been issued by the Government. Therefore the initial recommendations relating to the General Fund budget may need to change.

The recommendations are detailed below to show:

- Recommendations which it is not anticipated will change when the Local Government Finance settlement is issued; and
- Recommendations which may change when the Local Government Finance settlement is issued.

RECOMMENDATIONS NOT ANTICIPATED TO CHANGE WHEN THE LOCAL GOVERNMENT FINANCE SETTLEMENT IS ISSUED

2013/14 Outturn Strategy and Review if Reserves

1. That the allocation of the available one-off funding of £2.640m detailed in paragraph 4.3 of the report to support the following issues be 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

2. That the Committee notes that the forecast one-off funding of £2.640m includes £1.1m to be achieved in 2013/14 and assumes there are no additional unbudgeted expenditure commitments in 2013/14;

3. That the allocation of the uncommitted General Fund Outturn of between £0.729m and £1.160m be approved to support the 2014/15 and 2015/16 revenue budgets, with the first call being the allocation of £0.819m to support the 2014/15 budget as detailed in recommendation 18.

4. That the allocation of the one-off funding of £2.720m detailed in paragraph 5.6 of the report be approved to support Regeneration Priorities £0.4m and the core revenue budget £2.320m as follows:

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

5. That the Committee notes that the forecast one-off funding of £2.720m includes £0.49m to be achieved in 2014/15.

2014/15 Temporary Pensions Saving Chief Executive post

6. That the proposal to earmark the temporary employers' pension contribution saving in 2014/15 in relation to the Chief Executive's post of £30,000 be approved to increase the number of apprenticeships by 2 and to allocate these places to young people who have chosen to stay in care or are care leavers.

Early Intervention Grant (EIG)

7. That the proposed savings detailed in Appendix J of the report which were required to address the Government EIG grant cut of £1.512m (a 25% cut) be approved;

8. That the Committee notes that a response to Members previous request for additional information on a number of the proposed savings will be reported back to the next Finance and Policy Committee.

Capital Programme 2014/15

9. That the Committee notes that details of Government Capital allocations for 2014/15 will be reported when they are available.

10. That the proposals for using the 2014/15 Council Capital Fund of £0.6m and Regeneration Resources of £0.4m detailed in Appendix K of the report be approved.

11. That the Committee notes that £0.185m of 2013/14 Council Capital Fund allocated for potential works to the Indoor Bowls Club would be carried forward as uncommitted at the year end. Any decision on the use of these resources would be subject to a separate report to the Finance and Policy Committee and subsequent referral to full Council for approval. These resources would be held as uncommitted until the detailed master planning for the Mill House site had been completed.

12. That the Street Lamp Replacement scheme be approved at a capital cost of £4.98m which would be funded from Prudential Borrowing and from 2015/16 achieve a minimum General Fund budget saving of £40,000 (net of annual loan repayment costs). The Committee notes that that the major financial risk relates to the equipment costs which make up 75% (£3.6m) of the overall scheme cost. This risk would be managed through the procurement process and should this cost exceed £3.6m plus 5% a further report would be submitted before the scheme progressed.

13. That the provision of car parking facilities at Macaulay Road at a capital cost of £0.145m to be funded from forecast capital receipts be approved.

14. That the proposal to develop a detailed business case to extend the Social Housing development project be approved, which it was envisaged would provide an additional 35 to 40 properties. The business case would now be completed to enable this proposal to be included in the final 2014/15 budget proposals to be referred to Council. The business case would outline a strategy to achieve value for money from the available Prudential Borrowing through the appropriate mix of buying and refurbishing run down properties, or the purchase of 'ready to let' properties not requiring renovation. The business case would also be linked into wider regeneration objectives, including the Housing Market Renewal project where this was appropriate.

Robustness of Budget forecasts

15. That the Committee notes the detailed advice provided by the Chief Finance Officer in section 16 of the report and the following specific recommendations underpinning this advice.

16. That the use of temporary Prudential Borrowing of £2.095m in 2013/14 be approved to address the forecast capital receipts shortfall in the current financial year and the Committee notes that it is anticipated this would be repaid in 2014/15 when capital receipts were achieved.

17. That the strategy for managing capital receipts risks, including the

Jacksons Landing project, detailed in paragraph 16.3 (iii) of the report be approved and that the following resources be earmarked to manage this risk:

- 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.

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

RECOMMENDATIONS WHICH MAY NEED TO CHANGE WHEN THE LOCAL GOVERNMENT FINANCE SETTLEMENT IS ISSUED

General Fund Revenue Budget 2014/15 to 2016/17

2014/15 Issues

19. That an indicative Council Tax freeze for 2014/15 and 2015/16 be approved, and that the Committee notes this would increase the budget deficit in 2016/17, assuming the Council Tax grant was only paid for a fixed period of two years.

20 That the Committee notes the actual grant cut for 2014/15 was forecast to be higher than previously forecast, which increased the gross 2014/15 budget deficit from £8.524m to £9.125m.

21. That the following package of measures to fund the 2014/15 gross budget deficit of £9.125m be approved, which includes the use of one-off resources of £1.552m:

	£'000	£'000
Budget Deficit reported February 2013		**9,125**
Changes in Planning assumptions		(1,797)
Public Health Funding		(500)
Full Year ICT saving (includes rental income)		(500)
Net Budget Gap 2014/15		**6,328**
Initial One-off funding (para 4.3 of the report)	(680)	
Additional One-off funding (para 5.6 of the report)	(320)	
Use of residual balance of 'Savings implementation reserve'	(133)	
Use 2013/14 Managed Underspend	(919)	
Total use of one-off funding		(1,952)
Sub Total		**4,376**
Departmental Savings proposals (detailed in Appendices F to I of the report)		(4,376)
Net budget deficit 2014/15		0

22. To note that the use of Public Health funding of £0.5m in 2014/15 and future years is only sustainable whilst the existing grant continues and there is a potential risk that this grant is reduced in future years.

23. Approve the allocation of the forecast 2013/14 Public Health saving of £0.5m as an earmarked reserve to manage in-year Public Health risks in the first year of operating these services. In the event these monies are not needed in 2013/14 it is recommended that they are set aside to manage ongoing financial risk in this area.

24. Note the Government's decision that from 2014/15 the specific grant to support Local Council Tax Support schemes will be included in the Core Revenue Grant. As a result of this change individual Council's will need to determine how the Core Revenue Grant is allocated between support for the LCTS scheme and General Fund Services. For 2014/15 it is not recommended that the previous planning assumptions are changed, although the position for 2015/16 will need to be reviewed as detailed in recommendation 19.34.

2015/16 and 2016/17 Issues

25 That the Committee notes that the actual Core Revenue grant cuts for 2015/16 were significantly higher than previously forecast or indicated by the Government and that further grant cuts were forecast for 2016/17.

26. That the adoption of option 2 (detailed in paragraph 11.12 of the report) which would reduce the share of the Core Revenue Grant allocated to the Local Council Tax Support Scheme for 2015/16 by the percentage cut in the Core Revenue Grant i.e. 14.4% be

approved.

27. That the Committee notes the adoption of the above option would mean that:

    - The General Fund budget was not bearing the whole of the Core Revenue grant cut in 2015/16, which would reduce the budgets cuts in 2015/16 by £1.386m. However, cuts of between £4.975m and £7.818m would still be required in 2015/16;
    - The reduction in LCTS for working age households would need to increase to 20% in 2015/16, which was two years earlier than previously indicated before the Government announced additional grant cuts for 2014/15 and 2015/16;
    - A further review of the LCTS scheme for 2016/17 would need to be undertaken to address the impact of continuing cuts in the Core Revenue Grant and the impact this had on the LCTS scheme and General Fund Services; and
    - Low income pensioners would continue to be protected from the above changes, assuming there were no changes in the existing national regulations.

28. That the Committee notes that for 2016/17 it was currently forecast that the Council would need to make additional cuts of between £7.4m and £8.6m.

167. Supported Living – Land at Burbank Street and Centre for Independent Living (*Director of Regeneration and Neighbourhoods and Director of Child and Adult Services*)

Type of decision

Key Decision – Test (i) and (ii) apply – Forward Plan Reference RN 5/13.

Purpose of report

To provide an update on the proposed development of supported accommodation and an Independent Living Centre in the Burbank area and to seek agreement on a preferred option.

Issue(s) for consideration

As previously reported, the Director of Regeneration and Neighbourhoods indicated that the scheme included two distinct elements for consideration being:

(a) The disposal of land to develop 24 residential units for adults with complex needs and disabilities.

(b) Review whether to retain the existing Havelock Centre for Independent Living (CIL) and associated facilities at Warren Road, Cromwell Street and Surtees Street or provide a single integrated replacement facility.

The delivery options for both elements, if agreed, presented a number of challenges in relation to compliance with procurement, land disposal and planning which have been considered as part of the options appraisal and delivery methods.

In brief, the sale of land to enable the development of the bungalows could be facilitated as this constituted a land sale, however, the construction of a replacement CIL which would be operated by the Council for direct service provision would need to be tendered in order to comply with the Council's Procurement Regulations.

In summary there were two potential location options to site the bungalows and these were detailed in full in the report and appendices showing the location of the sites: -

Option 1: - If the current Havelock CIL is retained, Sites A and B can be sold for development

Option 2: - If a new Independent Living Centre is built on Site B, sites A & C can be sold for development. A consequence of this option will be a delay in the second phase of development as site C will not become available until the Havelock CIL has been vacated and demolished.

The Estates and Regeneration Manager had considered the valuation implications and details of provisionally agreed terms to facilitate disposal of the land to enable the development are set out in Confidential Appendix 2. This item contains exempt information under Schedule 12A Local Government Act 1972 (as amended by the Local Government (Access to Information) (Variation) Order 2006) namely, (para 3) information relating to the financial or business affairs of any particular person (including the authority holding that information.

The report went on to consider in detail the two options for the future retention of the Havelock CIL and the associated facilities at Warren Road, Cromwell Street and Surtees Street or to provide a single integrated replacement facility. The report concluded that Option 2 – Development of a new single site integrated Independent Living Centre on Burbank Street would be the preferred option.

Members questioned whether the residential bungalows were 'sheltered accommodation' and staffed at all times. A representative of the developer was present at the meeting and indicated that the bungalows would accommodate a mixture of adults with the aim of preparing them for independent living. There would be staff available at all times within the complex.

A Member expressed concern at the time it had taken for this development to reach this stage. The proposal was welcomed by the local community and the developer had already committed substantially to the project yet the Council seemed to have created delay in the process. The Chief Executive stated that the developer had been encouraged by the authority to link the redevelopment of the CIL with the bungalows development. It was only at the later stages that it became clear that a formal procurement process for the CIL had to be undertaken. This was unfortunate and many lessons had been learnt throughout this process. Officers were committed to making the scheme a success.

It was indicated that subject to Members approval the developer would start on site in January. The Chair recognised that the timeline for the development had not been as smooth as Members would have wished but with the Committees' support the project could now move forward.

Members indicated that there were questions in relation to the exempt sections of the report they wished to have answered at the meeting. In order to facilitate this, the appropriate exemption was agreed by the Committee and the press and public were excluded from the meeting. The copy of this minute set out in the exempt section of the minutes reflects those discussions.

Under Section 100(A)(4) of the Local Government Act 1972, the press and public were excluded from the meeting on the grounds that the discussions involved the likely disclosure of exempt information as defined in the paragraphs referred to below of Part 1 of Schedule 12A of the Local Government Act 1972 as amended by the Local Government (Access to Information) (Variation) Order 2006.

The meeting then returned to open session to approve the following recommendations. Members welcomed the proposals and congratulated the developer on the work undertaken with the community in developing the scheme.

Decision

1. That approval be given to the authority to enter into an option agreement for Sites B and C on Burbank Street on terms as set out in Confidential Appendix 2 to the report. This item contains exempt information under Schedule 12A Local Government Act 1972 (as amended by the Local Government (Access to Information) (Variation) Order 2006) namely, (para 3) information relating to the financial or business affairs of any particular person (including the authority holding that information.

2. That the Committee supports in principle the development of a new

Independent Living Centre on Site B at Burbank Street, and approves the preparation of a detailed business case to determine the financial viability and preferred option for financing the development through the Council's budget setting process.

168. Housing Services New Opportunities and Structure

(*Assistant Director, Regeneration*)

Type of decision

Key Decision – Test (i) and (ii) apply – Forward Plan Reference RN 31/13.

Purpose of report

To provide an overview of the current structure of the Housing Services team and details of the services being delivered. The report also provided an overview of new opportunities for the development of housing services in the context of reducing Council resources, the aim of generating income to protect core services and the ending of a number of existing contracts currently being delivered by Housing Hartlepool.

The report also provided an overview of the proposed new Housing Services Structure in light of these new opportunities including the costs and social benefits of delivering these services in-house. The overall aim was to develop a more robust Housing Service which provided the statutory services, additional core services and enhanced housing services meeting the aims and objectives of the adopted Housing Strategy.

Issue(s) for consideration

The Housing Services team in its current form had been established under the Assistant Director of Regeneration and Planning in 2011. The retained Housing Service was placed together under one Housing Services Manager rather than being split across departments. The team was currently based within the Civic Centre and The Housing Options Centre. In 2014 all Council staff from the Housing Options Centre will relocate to the Civic Centre.

In the context of Council's budget pressures there is a need to safeguard the core and statutory services whilst making budget savings and generating income to expand the services and enhance the offer to meet the needs of local people and improve the quality and standard of housing. The proposals set out how additional services can generate income and be delivered by the Housing Services team. The proposals for the in-house delivery of services and new services were as follows:

1. Bringing back the in house management of the Housing Register

2. In-house management of the Council's housing stock
3. Setting up a Social Lettings Agency
4. Ward based Selective Licensing.

Each of these options were set out in detail in the report and outlined to the committee by the Assistant Director, Regeneration.

In order to deliver these additional services and bring services back in house it was important that the component units which made up Housing Services remained as one. The desire from Members to provide a one stop shop for advice and guidance and improve the customer experience was also recognised. As such it was proposed that the Housing Services Team be located next to the new Advice and Guidance Hub to improve communication between service areas and ensure closer working arrangements are set in place.

Members expressed some concern at the ward based selective licensing as some resident believed it may dilute some of the measures that had been making an impact for the benefit of local residents. The Assistant Director indicated that there would be full consultation and ongoing dialogue with local communities. Members suggested that the comments of local residents were fed into the Working Group and that ward councillors were also involved in the dialogue.

The Chair of the Regeneration Services Committee suggested that the report recently considered by his Committee in relation to selective licensing be circulated to the ward councillors. The Member welcomed the proposals within the report as a development of the service and indicated that in other areas, Members should question the value for money the authority was getting from some of the services it was paying for. The Warden Call system was cited as an example. The Member questioned when Housing Hartlepool had been initially informed of the proposals within the report. The Assistant Director indicated that discussions had commenced in the summer and had been ongoing.

The Chair indicated that the suggestion of other areas of service development or cost savings could be explored but would need to be subject to an appropriate business case before being considered for implementation. The Chair of the Regeneration Services Committee questioned the development of the business case in this proposal and sought assurance that it would be on the basis of the authority's costings. The Assistant Director indicated that his recommendation to Council would be based on the results of the discussions held between the providers.

Decision

1. That the contents of the report be noted.
2. That upon receipt of the final business case the following proposals be considered for approval;

(i). That Proposal 1 to bring back the management of the Housing Register into the remit of the Housing Services Team be approved;
(ii). That Proposal 2 to bring back the management of the Council owned stock into the remit of the Housing Services Team be approved;
(iii). That Proposal 3 to establish a Social Lettings Agency in Hartlepool be approved;
(iv). That the option for further Ward based Selective Licensing be explored as per the Selective Licensing Regeneration Services Committee approval;
(v). That the creation of a permanent Housing Trainee Role within the Housing Services team be approved;
(vi). That that the component units which make up Housing Services, as detailed in section 3 of the report remain as one. However, the Housing Services team was to be collocated alongside the Advice and Guidance Hub to allow closer working relationships.

169. Ward Member Budgets (*Director of Regeneration and Neighbourhoods*)

Type of decision

Non key.

Purpose of report

To inform Members of the current position in relation to Ward Member Budgets and outline proposals for future use of unspent Ward Member Budget allocations from 2012/13 and 2013/14.

Issue(s) for consideration

The Director of Regeneration and Neighbourhoods reported on the background to the establishment of the Ward Member budgets and gave an overview of the spending to date. On 18 October 2013, Finance and Policy Committee agreed the revisions to the Community Pool Funding Programme for 2014/15 to reflect a 50% cut to the budget, with a priority focus on addressing family poverty, and furthermore, linking Category 4 grants (Town Wide Specialist and Support Services) to the Child Poverty Strategy Action Plan. As part of this decision, the Community Pool contract for the provision of Capacity and Resource Building in the VCS (Voluntary Community Sector) from 2014/15 was withdrawn, of which Hartlepool Voluntary Development Agency is the current provider. At a subsequent extraordinary meeting of Council on 19 November 2013 to discuss the revisions to the Community Pool Funding Programme 2014/15, a proposal was agreed which is as follows:

> 'It was proposed, therefore, that in considering the 2014/15 budget proposals, the Finance and Policy Committee reconsider the Community Pool Programme Allocation 2014/15 and look to finding at least 50% of the current year's contribution to support Category 3 of the Community Pool funding "Capacity and resource building in the Voluntary and Community" to support the work undertaken by HVDA with voluntary and community groups in Hartlepool with the suggestion that any under spend in the Member Ward budgets in 2013/14 contribute to the funding'.

Subsequent dialogue between the Director of Regeneration and Neighbourhoods and Elected Members resulted in a total of £13,500 being ring-fenced by eleven Ward Councillors from this year's Ward Member Budget allocation, in order to assist HVDA with the ongoing delivery of their service in the next financial year (2014/15).

As evidenced in Appendix A to the report, expenditure of Ward Member Budgets had been incurred to varying degrees, with one Ward Councillor not anticipated to spend any of the £10,500 funding allocated to them over the two financial years. An updated copy of Appendix A was tabled at the meeting by the Director detailing the most up-to-date situation in relation to the Ward Member Budgets.

In adherence with the Full Council decision, a total of £60,263 of Ward Member Budget funding was carried over from 2012/13, with any unspent funding reallocated to the individual Ward Member in 2013/14 for their use. Twenty three Ward Members carried over unspent funds of between £113 and £5,500, averaging a £2,620 underspend per Ward Member.

The total potential carry forward for 2012/13 and 2013/14 at this stage was approximately £150,817; although this would be subject to variation due to a number of schemes that were currently under development. However, based on experience in previous years a total carry forward of well in excess of £100,000 could be expected and for planning purposes a figure of £120,000 would not be unreasonable. It was therefore proposed that a number of options are explored for the use of Ward Member Budget unspent funds: -

Option 1: Full carryover for sole use by individual Ward Members,
Option 2: Implement a maximum level of carryover,
Option 3: Carry forward funds to continue Ward Member Budgets in future years,
Option 4: To address Council priorities.

Given the current position of the Ward Member Budget programme, consideration of use of remaining funds would have to be undertaken as part of the Council's Medium Term Financial Strategy. On 19 September 2013, as part of the 2014/15 budget proposals, Finance and Policy Committee recommended allocating £165,000 from the reserves review to continue Ward Member Budgets in 2014/15 (i.e. £5,000 per Member). Any further allocations in future years would have to be considered as a budget pressure.

The Director also highlighted the potential utilisation of part of the Ward Member Budget funding allocation for the Environmental Apprenticeship Scheme in 2014/15, as recommended by Regeneration Services Committee on 26 September 2013.

Members considered the options put forward in relation to the unspent ward Member ward budget allocations. A Member commented that the top-slicing of Member ward budgets was not supported at the Extraordinary Council meeting. While supporting the Regeneration Services Committee proposal in relation to apprenticeships, top slicing was being proposed again when it had already been dismissed by Council for another worthy suggestion.

A Member questioned if the past Civic Lottery funding to support resident groups Christmas parties had been incorporated with the Ward Budgets. The Director confirmed that Civic Lottery funds were dealt with separately to ward budgets.

It was proposed that Option 3 "Carry forward funds to continue Ward Member Budgets in future years" be agreed by the Committee. The Director of Regeneration and Neighbourhoods suggested that this should refer only to 2014/15 at this time. The Chair suggested that the funds be retained within the General Fund Reserve until such time as the budget position for 2014/15 was fully clear and all the implications for the authority known.

At this point recommendations 1 and 2 were agreed by the Committee; "That the progress in relation to Ward Member Budgets to date be noted" and "That Option 3 be approved and that any unallocated Member Ward Budget funds be carried forward funds and put in a reserve to continue Ward Member Budgets for future years".

The Chair then referred to the prejudicial declaration he had declared at the commencement of the meeting and left the meeting for the remainder of the consideration of the item.

Councillor Carl Richardson in the Chair.

Members expressed their concern in relation to the funding situation for Hartlepool Voluntary Development Agency (HVDA). A Member referred to a letter from the organisation in which they confirmed that they had £159,000 in unrestricted reserves. It was commented that if this was indeed rainy day money, then that day had arrived. Significant cuts were being made within the Council and, as had been reported, some Members had already given an indication that they were prepared to allocate funds to the total of £13,500 to HVDA. The organisation should therefore be requested to meet the shortfall in the funds it had requested from its own reserves.

Members discussed the allocation of reserves within the HVDA accounts. It was highlighted that HVDA provided key support to a lot of small voluntary organisations in the town. HVDAs support would be invaluable to these groups in seeking funding from the European Union funds that were being allocated to the Tees Valley region in 2014/15. There was the distinct possibility that there would be no Community Pool funds beyond 2014/15 and the role HVDA played would be key to ensuring support was available to assist voluntary groups access other funding. The figures for balances at HVDA were some 6 months out of date.

Members considered that the only confirmed information on HVDA reserves that they had access to was the letter circulated to them by HVDA. It was proposed that HVDA be asked to make up the amount it had applied for from the Community Pool through the use of the £13500 already dedicated by individual Councillors and with its own reserves.

The situation at HVDA was balanced by a Member of the Committee with that of the Shopmobility service provided by Hartlepool Access Group who were facing closure due to the withdrawal of Council funds. Councillor Cook stated that he would be allocating £1000 of his ward budget to the Shopmobility service. It was suggested that the funding withdrawn from Hartlepool Access Group be reinstated for 2014/15 from the unallocated Ward Budget Funds that were to be carried forward.

The Committee discussed the proposal at some length before seeking the Chief Solicitor's advice. The Chief Solicitor indicated that while the proposal was legal, the question was whether it was good governance in relation to policy making. The proposal was subsequently withdrawn with Members agreeing that individual Councillors may wish to support Hartlepool Access Group independently.

The proposal that HVDA be asked to meet the shortfall in its funding request from its own reserves was then put to the vote and agreed by majority. The Committee then agreed to the proposal to fund the Environmental Apprenticeship Scheme in 2014/15, as recommended by Regeneration Services Committee on 26 September 2013 by top-slicing 20% of the Ward Member Budget funding allocation for 2014/15.

Council at their extraordinary meeting on 19 November 2013 recommended that Finance and Policy Committee reconsider the Community Pool Funding Programme allocation for 2014/15 as previously determined by Finance and Policy Committee on 18 October 2013. The Committee considered that the decision on 18 October to focus the remaining Community Pool funding on addressing family poverty was still the correct decision in light of the 50% cut to the funds made available.

Decision

1. That the progress in relation to Ward Member Budgets to date be noted.

2. That the following recommendations be included in the Budget and Policy Framework proposals submitted to Council on 6 February 2014:

   (i). That Option 3 be approved and that any unallocated Member Ward Budget funds be carried forward and put in a reserve to continue Ward Member Budgets for future years.
   (ii). That in response to the recommendation of Council at their Extraordinary meeting on 19 November 2013, a proportion of unspent Ward Member Budget 2013/14 funds should not be allocated to support Hartlepool Voluntary Development Agency (HVDA) for the provision of Capacity and Resource Building in the VCS from 2014/15. Individual Ward Councillors had already made a commitment to allocate £13,500 to HVDA and should other Councillors wish to do the same that was for them to decide individually as agreed at the Extraordinary meeting of Council.
   (iii). That Ward Member Budget funding be reduced in 2014/15 to fund the Environmental Apprenticeship Scheme, as recommended by Regeneration Services Committee on 26 September 2013.
   (iv). That Finance and Policy Committee having reconsidered the Community Pool Funding Programme allocation for 2014/15, as previously determined by Finance and Policy Committee on 18 October 2013, in line with the proposal agreed by Council at their extraordinary meeting on 19 November 2013, indicates that no variation to that decision be made.

Councillor Christopher Akers-Belcher returned to the meeting.

Councillor Christopher Akers-Belcher in the Chair.

170. Registration Service Accommodation (*Chief Executive*)

Type of decision

Non key.

Purpose of report

To provide further information on alternative premises for the relocation of the Registration Service following recommendations made at the Finance and Policy Committee held on 19 September 2013 and further issues that were raised at the meeting held on 8 November 2013.

Issue(s) for consideration

At the Finance and Policy Committee held on 8 November 2013, Members considered 2 alternative premises as proposed locations for the Registration Service. The premises considered were

Level 1, Civic Centre – Option A
The Willows, Raby Road – Option B

At that meeting, Members deferred a decision pending further debate and consideration of comments raised at the meeting. All costings have been reviewed in the light of discussions with the most up to date included in this report.

The Chief Executive outlined the costs associated with the two options which were summarised as follows: -

Costs				
Venue	Approx Building	Roofing and external works costs	Approx Building Running Costs & Additional Staffing	Total
	£		£	£
Option A – Civic Centre Level 1	90,575		Nil	90,575
Option B – The Willows, Raby Rd	94,100	58,700	43,000	185,800

The Chief Executive reported that a further report on the Advice and Guidance Hub would be submitted to Members in January. The Chief Executive commented that in light of the financial situation and the fact that the vast majority of weddings were held away from the Civic Centre, the proposal to move the service to Level 1 of the Civic Centre made the most sense.

Members noted that since the previous report the costs associated with Level 1 had increased. The Assistant Chief Executive stated that following comments received by members during the site visits and further discussions with officers in Property Services it was agreed that a doorway direct into the waiting area would be implemented as part of the scheme. This did require some other additional works leading to the costs increase. Members also questioned the provision of toilets for visitors. The Chief Executive indicated that it was proposed to utilise the existing toilets on Level 1.

Members questioned the reported running costs for The Willows and the difference between those quoted for the Registration Service when they occupied the building. The Chief Executive indicated that the costs were not clear but the £10,000 quoted currently equated to the grant costs associated with the Community Justice Integrated Team's occupation of the building.

After discussing the future of the Willows building, Members stated that once the Community Justice Integrated Team had moved into a new location, the building should be declared surplus and marketed for disposal.

Decision

1. Option A, Level 1 of the Civic Centre be approved as the location for the Registration Service;
2. That the one-off capital costs are funded from the forecast 2013/14 Outturn and Council approval be sought to vire these funds.
3. That once the Community Justice Integrated Team has moved from The Willows, the building be declared surplus and marketed for disposal

171. Irrecoverable Debts – Business Rates (*Chief Finance Officer*)

Type of decision

Non key.

Purpose of report

To seek approval to write-out a number of business rates debts which were now considered to be irrecoverable.

Issue(s) for consideration

The Chief Finance Officer reported on Council's overall collection performance for business rates debt, which compare well with similar authorities and provided the detail of the individual business rates debts over £1000, and the reasons why each debt remains unrecovered:

Appendix A – Companies in Liquidation / Dissolved / Ceased Trading £18,324.98
Appendix B – Sole Traders / Miscellaneous £9,403.97
Appendix C – Sole Traders – Bankruptcy £3,975.22

Appendices B and C contained exempt information under Schedule 12A Local Government Act 1972 (as amended by the Local Government (Access to Information) (Variation) Order 2006) namely (para3), information relating to the financial or business affairs of any particular person (including the authority holding that information)

All debts submitted for write-out from the accounting records had been comprehensively scrutinised by officers.

Decision

That approval be given to write-out irrecoverable business rates debts to the value of £31,704.17 against the historical national pool bad debts provision.

172. Irrecoverable Debts – Council Tax (*Chief Finance Officer*

Type of decision

Non-key.

Purpose of report

To seek approval to write-out a number of Council Tax debts which were now considered to be irrecoverable.

Issue(s) for consideration

The Chief Finance Officer reported on the Council's overall collection performance for Council Tax which compares well with similar authorities and provided detail of the individual Council Tax debts over £1000, and the reasons why each debt remained unrecovered. The amounts recommended for write out were the net debt outstanding and the amounts involved often spanned a number of financial years:

Appendix A – Deceased Individuals £2,844.44
Appendix B – Absconders £20,735.71
Appendix C – Bankruptcy £3,899.97
Appendix D – Miscellaneous £ 18,130.02

Appendices A, B, C and D contained exempt information under Schedule 12A Local Government Act 1972 (as amended by the Local Government (Access to Information) (Variation) Order 2006) namely (para3), information relating to the financial or business affairs of any particular person (including the authority holding that information)

All debts submitted for write-out from the accounting records had been comprehensively scrutinised by officers.

Members ought assurance that all avenues had been pursued to recover these monies. The Chief Financial Officer indicated that as could be seen from the dates some of the debts originated, extensive efforts had been made to recover the funds. If individuals returned the debts would be still be pursued.

Decision

That approval be given to write-out irrecoverable Council Tax debts to the value of £45,610.14 and to note this will be charged against the existing bad debts provision.

173. Approval for Compulsory Redundancies (*Assistant Chief Executive*

Type of decision

Non key.

Purpose of report

To seek a decision regarding the future employment of employees who are affected by the closure of the Central Library Café and Art Gallery Café on 21 December 2013. Employees affected were identified in Appendix A to the report which contained exempt information under Schedule 12A Local Government Act 1972 (as amended by the Local Government (Access to Information) (Variation) Order 2006) namely information which was likely to reveal the identity of an individual) para 2.

Issue(s) for consideration

The Assistant Chief Executive reported that at the meeting in September the Committee was informed that employees would be affected by the savings proposals. Formal consultations had been undertaken with the recognised Trade Unions. The procedure followed the Council's Reorganisation, Redundancy and Redeployment Policy.

Employees identified as potentially affected by the proposals had been formally consulted in accordance with the agreed procedure. There was no feedback from the consultation exercise for consideration by the Departmental Management Team. At the meetings staff were identified as follows; those:

- Who wish to volunteer for redundancy, with release of pension benefits where appropriate;
- Who are in a compulsory redundancy situation;

- Who are part of a pool where ring-fenced recruitment arrangements will apply leading to the identification of staff in a compulsory redundancy situation;

The Assistant Chief Executive indicated that the report now submitted considered those employees who had been identified as being in a compulsory redundancy situation.

Notice of redundancy was scheduled to be given to employees following Finance and Policy Committee approval. During the notice period, all individuals would continue to be registered under the Compulsory Redundancy Redeployment Procedure and the Council would seek alternative employment. If this was successful then the redundancy notice will be retracted. A Redundancy Support Programme would be implemented to provide specialist advice to support those employees at risk. There was flexibility to extend notice periods up to 31 March 2014 for employees if redeployment opportunities had not been fully exhausted. Any outstanding appeals, where possible, will be heard prior to an employee leaving.

A Member expressed concern that while some senior officers were aware early on in the process of their redundancy dates, other officers had been waiting for some time to hear if their applications for voluntary redundancy were being approved. The Assistant Chief Executive outlined the process that had commenced in the summer. The Corporate Management Team had considered the matching of posts for voluntary redundancy in November prior to the drafting of this report. All staff involved had received their letters in the past week. The Chief Executive commented that management was always scrupulously fair with all staff that applied for voluntary redundancy. Some had received their figures and decided to stay; others had no received their letter confirming they could go. There were officers departing on different dates and as had been reported there were varying reasons behind those decisions but mostly were due to the effective management of their departure and/or the changes to the service.

The Chair highlighted that where other authorities still remained unclear on the numbers of redundancies forced upon them due to the cuts in government grant, Hartlepool was clear and less than 60 posts were being deleted with less than half being made compulsorily redundant.

Decision

That the staff identified in exempt Appendix A to the report be formally declared redundant in accordance with the Council's Reorganisation, Redundancy and Redeployment Policy.

174. Sexual Health Update (*Director of Public Health*

Type of decision

For information.

Purpose of report

To update Members in respect of the incidence and prevalence of sexually transmitted infections in Hartlepool. The report also provided the Committee with assurance that the statutory duty as laid down in the Health and Social Care Act 2012 to commission integrated sexual health services was being undertaken in Hartlepool.

Issue(s) for consideration

The Director of Public Health updated the Committee on the position in relation to sexual health services and specifically in relation to the incidents of sexually transmitted infections in Hartlepool and the commissioning of Tees-wide sexual health services.

Decision

That the report be noted.

175. Strategic Financial Management Report as at 31 October 2013 (*Corporate Management Team*)

Type of decision

For information.

Purpose of report

To inform Members of:

(i) 2013/14 Forecast General Fund Outturn.
(ii) Corporate Income Collection Performance.
(iii) Progress in achieving the capital receipts target; and
(iv) 2013/14 Capital Programme Monitoring.

Issue(s) for consideration

The Chief Finance Officer updated the committee with the latest position of the financial forecast outturn as at 31 October 2013. This showed a forecast underspend range of between £0.729m and £1.160m. The range had reduced after reflecting the creation of a reserve to support the Local Plan over the period 2014/15 and 2015/16.

The Chief Finance Officer highlighted the collection rates for Council Tax which showed collection to be slightly behind the same point last year. However, significantly more households were now being required to pay Council Tax due to the changes in Council Tax Benefit and the collection was now also based on 12 payment months rather than 10.

A Member questioned when financial reports would be completely centralised for reporting to Members. The Chief Finance Officer reported that this report provided the full picture of the financial situation of the council with the reports to the various service committees being broken down to departmental responsibilities. The Member referred to two capital schemes reported in the appendices which had not been reported to his committee previously. It was indicated that as various teams/sections transferred to their new management areas, budgetary reporting would transfer also.

Decision

That the report be noted.

. Any Other Items which the Chairman Considers are Urgent

The Chairman ruled that the following items of business should be considered by the Committee as a matter of urgency in accordance with the provisions of Section 100(B) (4)(b) of the Local Government Act 1972 in order that the matter could be dealt with without delay.

The meeting concluded at 12.00 noon.

P J DEVLIN

CHIEF SOLICITOR

PUBLICATION DATE: 24 DECEMBER 2013

FINANCE AND POLICY COMMITTEE

3rd January 2014

HARTLEPOOL BOROUGH COUNCIL

Report of: Corporate Management Team

Subject: MEDIUM TERM FINANCIAL STRATEGY (MTFS) 2014/15 to 2016/17 - UPDATE

1. TYPE OF DECISION/APPLICABLE CATEGORY

Budget and Policy Framework decision.

2. PURPOSE OF REPORT

2.1 The purpose of the report is to provide an update on the impact of the 2014/15 Local Government Finance Settlement on the MTFS.

3. BACKGROUND AND CONSIDERATION OF ISSUES

3.1 A comprehensive MTFS report was considered at the Finance and Policy Committee on 19th December 2013, which reflected the information available at the time. This included the forecast grant cuts for 2014/15 to 2016/17 and the report advised the Committee that the MTFS forecasts would be updated after the 2014/15 Local Government Finance Settlement is issued and the impact on the Council has been assessed.

3.2 At the time this report was prepared the Department for Local Government and Communities (DCLG) had not provided a date for the announcement of the 2014/15 Local Government Finance Settlement. Informal information indicates the announcement may be on 18th December 2013.

3.3 Based on experience in previous years the initial DCLG announcement may not provide all the information on the same day to assess the impact on the Council. Furthermore, even when all of the information is available it will take time to fully assess the impact on the MTFS. As soon as this detailed work has been completed a supplementary report will be issued for the meeting on 3rd January 2014 detailing the impact on the MTFS forecasts and the recommendations considered by the Finance and Policy Committee on the 19th December 2013.

4. RECOMMENDATIONS

4.1 It is recommended that Members note the position in the report and the intention to issue a supplementary report for the meeting on 3rd January 2014 once details of the 2014/15 Local Government Finance Settlement are known and the impact has been assessed.

5. REASONS FOR RECOMMENDATIONS

5.1 To update the Finance and Policy Committee on the impact of the 2014/15 Local Government Finance Settlement on the 2014/15 Budget and Policy Framework proposals consider on 19th December 2013.

6. BACKGROUND PAPERS

6.1 Medium Term Financial Strategy 2014/15 to 2016/17 reports – Finance and Policy Committee 31st May 2013, 2nd August 2013 and 19th December 2013.

7. CONTACT OFFICER

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

FINANCE AND POLICY COMMITTEE

3rd January 2014

HARTLEPOOL BOROUGH COUNCIL

Report of: Corporate Management Team

Subject: MEDIUM TERM FINANCIAL STRATEGY (MTFS) 2014/15 to 2016/17 – SUPPLEMENTARY REPORT

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1. TYPE OF DECISION/APPLICABLE CATEGORY

Budget and Policy Framework decision.

2. Purpose of Report

2.1 The purpose of the report is to provide an update on the impact of the 2014/15 Local Government Finance Settlement on the MTFS.

3. Background

3.1 As detailed in the report issued with the agenda for this meeting this supplementary report has been prepared to provide details of the 2014/15 Local Government Finance Settlement announcement made by the Government on 18th December 2013 and the impact on the MTFS.

3.2 This report also provides details of changes in local planning assumptions which have arisen since the detailed MTFS report was considered by the Finance and Policy Committee on 19th December 2013. These issues could not have been identified earlier and cover:

- external factors outside of the Councils control in relation to the completion of the Pension Fund triennial valuation; and

- internal factors where the detailed calculations are only completed in late December in accordance with statutory requirements for estimating the 2014/15 Council Tax base and estimating the forecast Collection Fund surplus/deficit at the 31st March 2014.

3.3 Further details of these issues are provided in the following sections, which includes the impact on the budget forecasts for 2014/15 to 2016/17 and recommendations for managing the budget position over this period in line with the multi-year budget strategy previously developed.

4. 2014/15 Provisional Local Government Finance Settlement announcement

4.1 The Secretary of State for Communities and Local Government presented details of the 2014/15 provisional Local Government Finance Settlement to Parliament on 18th December 2013, at 12.30pm. Councils have until 15th January 2014 to submit responses on the provisional Local Government Finance Settlement. It is anticipated that the final Local Government Finance Settlement will be issued at the end of January 2014. Owing to the timescale for responding to the Provisional 2014/15 Local Government Finance Settlement consultation it is recommended that a response is prepared and agreed with the Leader.

4.2 The Settlement Announcement covers two financial years, 2014/15 and 2015/16. However, the figures for 2015/16 will be subject to formal consultation next year. There is a potential risk that these figures may change, which is what happened with the 2014/15 grant allocations announced in December 2012 as the actual cuts for next year are higher than previously indicated. The key issues covered by the Settlement Announcement are covered in the following paragraphs. Owing to the short turnaround for preparing this report other issues may emerge as officers work through the detail and any additional changes will be reported as soon as practical.

4.3 **Core Revenue Grant cuts 2014/15 and 2015/16**

4.4 The actual grant cuts are slightly different to the forecasts in the December MTFS report as summarised below. The table also shows the cumulative grant cuts from the 2010/11 baseline:

	2014/15 £'000	2014/15 Percentage cut	**2015/16 £'000**	2015/16 Percentage cut
Actual Grant cut	**5,984**	9.6%	**8,213**	14.6%
Forecast Grant cut	**5,992**	9.6%	**8,127**	14.4%
Increase/(decrease)in grant cut	**(8)**		**86**	
Cumulative Grant cut since 2010/11	**£22.365m**	28%	**£30.578m**	39%

4.5 The Government use 'Spending Power' as the basis for showing funding reductions. 'Spending Power' includes the Core Revenue Grant and other significant funding streams, including the ring fenced Public Health Grant. The inclusion of these other funding streams in 'Spending Power' reduces the headline funding cut and for the Council shows a reduction of **4.4%** for 2014/15. **However, the key issue for the Council is the level of the Core Revenue Grant cut included in the 'Spending Power' calculation as this is what is driving the budget cuts required over the next 3 years, which is 9.6% for 2014/15.** The following table highlights the key issues in relation to make up of the Spending Power cut.

Description of Funding	2013/14 £'000	2014/15 £'000	Increase/ (decrease) £'000	Increase/ (decrease) Percent
Core Revenue Grant	62,571	56,587	(5,984)	(9.6%)
Council Tax income	30,788	31,102	314	1.0%
Public Health Grant	8,255	8,486	231	2.8%
NHS Funding to support social care *	1,794	2,297	503	28.0%
Housing Benefit Admin Grant	1,065	983	(82)	(7.7%)
New Homes Bonus	1,188	1,332	144	12.1%
Other Grants#	1,217	955	(262)	(21.5%)
Indicative 2014/15 Council Tax Freeze Grant	0	412	412	n/a
Total Spending Power	106,878	102,154	(4,724)	(4.4%)

* The 2014/15 allocation includes the new 'Better Care Fund' (BCF) (initially called the Integration Transformation Fund). At this stage it is unclear what commitments need to be funded from this additional grant and details will be reported as soon as possible. For planning purposes it is not anticipated that this will benefit the General Fund budget in 2014/15. However, there may be some limited scope to enable existing Adult Care services that contribute to BSF priorities to be funded from this grant subject to the detailed grant conditions.

\# This includes Local Welfare Support funding of £0.645m for 2013/14 and £0.635m for 2014/15.

4.6 Using Department for Communities and Local Government (DCLG) information the following table provides details of the Spending Power and Core Revenue percentage cuts for 2014/15 for England and the 12 North East Councils. It should be noted that using the DCLG figures there is a slightly higher cut in Core Revenue Grant for Hartlepool than indicated in the previous table i.e. 10.2% compared to 9.6%. This is owing to the different treatment of the 2013/14 Council Tax freeze grant within the DCLG figures. The 9.6% figure is the correct figure. Notwithstanding, this minor technical difference the table below highlights that Core Revenue Grant cuts are significantly higher than Spending Power cuts.

It is also worth noting that Core Revenue Grant cuts continue to have a disproportionate impact on Councils which are more dependent on grant funding as these cuts result in higher cash reductions and therefore greater cuts in services.

Summary of 2014/15 Spending Power and Core Revenue Grant cuts

Local Authority	Spending Power Cut 2014/15	Core Revenue Grant cut 2014/15
England	2.9%	9.8%
Middlesbrough	5.3%	10.5%
Stockton-on-Tees	3.3%	10.4%
Redcar and Cleveland	4.0%	10.3%
Hartlepool	4.4%	10.2%
Durham	3.7%	10.1%
Newcastle upon Tyne	4.6%	10.0%
Darlington	3.5%	9.9%
South Tyneside	4.7%	9.8%
Gateshead	4.3%	9.8%
North Tyneside	3.6%	9.7%
Sunderland	4.7%	9.7%
Northumberland	2.9%	9.6%

For 2015/16 Hartlepool's Spending Power cut is 4.7%, compared to the average for England 1.8%. Similarly, in 2015/16 the Councils Core Revenue Grant cut is 14.4%m compared to the average for England of 14%.

4.7 Funding for Local Council Tax Support (LCTS) Schemes

4.8 Previous reports have highlighted the additional financial risk to Councils arising from the abolition of the national Council Tax Benefit scheme in April 2013 and its replacement with LCTS schemes, with a national 10% funding cut and a requirement to protect low income pensioners. The additional financial risks for Councils from managing LCTS schemes were highlighted in a recent National Audit Office report published on 13th December 2013 which stated:

- Local authorities now bear the financial risk of providing support, potentially contributing further to the overall pressures on their financial sustainability. The impact of this will vary widely depending on local authorities' financial situation and local factors, and the impact of other funding and welfare changes. The Department must satisfy itself that local authorities can manage the cumulative impact of funding changes, so that it can make informed decisions about future funding.

4.9 The Government has confirmed that from 2014/15 a separate funding allocation will no longer be provided for LCTS schemes and this funding has been included in the Core Revenue Grant for 2014/15. The previous MTFS highlighted the implications of this change and the difficult policy decision individual Councils' must now make on the use of the Core Revenue Grant. This is choice between supporting services and providing LCTS support to low income households.

4.10 Following consideration of the 2014/15 LCTS scheme report by the Finance and Policy Committee on 29th November 2014 Members determined to consult on a 2014/15 LCTS cut of 12%. This will still provide more support than the other 4 Tees Valley Councils which implemented cuts of 20% in 2013/14. The Council has only been able to limit the LCTS cuts in 2013/14 and 2014/15 as a result of forward planning and the allocation of one-off monies to phase in the reduction in LCTS. A final report on the 2014/15 LCTS scheme, incorporating the results of the consultation, will be submitted on 24th January 2014 to enable Members to approve the final proposals to be referred to full Council on 31st January 2014.

4.11 With regard to the 2015/16 LCTS scheme the Finance and Policy Committee agreed to share the grant cut across the General Fund and the LCTS scheme, which will reduce the 2015/16 General Fund budget cuts by approximately **£1.4m.** This decision will require a LCTS cut of 20% in 2015/16. This is two years earlier than previously anticipated and reflects the higher grant cuts implemented in 2014/15 and 2015/16 than previously announced by the Government.

4.12 Members were advised that significantly higher cuts in LCTS support are also likely to be required in 2016/17 and future years as Councils will find it increasingly difficult to balance supporting LCTS schemes and General Fund services if grant cuts continue.

4.13 Council Tax referendum threshold and Council Tax freeze grant

4.14 The Local Government Minister has made the following written statement in relation to the Council Tax freeze grant and referendum threshold.

<u>Local Government Minister Statement</u>

From April 2014, funding for 2011 to 2012 and 2013 to 2014 freezes is now in the main local government settlement total for future years. I can also announce that the Secretary of State has agreed with the Chancellor that the funding for the next 2 freeze years will also be built into the spending review baseline. We hope this will give maximum possible certainty for councils that the extra funding for freezing Council Tax will remain available, and there will not be a 'cliff edge' effect from the freeze grant disappearing in due course. We have done our part – we now expect councils to do theirs in helping hard-working people with the cost of living.

We will announce the Council Tax referendum threshold principles separately in the New Year. We are particularly open to representations suggesting that some lower threshold be applied to all or some categories of authorities, given the strong need to protect taxpayers wherever possible from unreasonable increases in bills, and given next year's elections on 22 May across the country allow for referendums to be held at minimal cost. We should trust the people.

The final referendum principles will then be subject to the approval of the House of Commons. In addition, subject to approval by Parliament of the Local Audit and Accountability Bill, which is currently before Parliament, the principles will include levies and will therefore be based on the level of Band D Council Tax. This will mean the principle will relate to the actual increase which appears on people's bills – again reducing costs for taxpayers.

4.15 As Members have previously indicated they wish to freeze the 2014/15 Council Tax the above statement will not have an impact on the 2014/15 budget.

4.16 In relation to the Local Government Ministers comments that the previous Council Tax freeze grants have been built into the spending review baseline this is reflected in the grant cuts detailed earlier in the report. Clearly, if this had not been done the Council would have received a higher grant cut. Whilst, the position avoids an even higher grant cut it would be preferable if the previous freeze grants had continued as separate grant allocations outside the Core Revenue Grant, as this would provide greater transparency in future years grant allocations.

4.17 New Homes Bonus (NHB)

4.18 In response to concerns expressed by the Local Government Association and individual Local Authorities, including Hartlepool, the Government has determined not to top slice NHB allocated to Councils outside London to fund Local Enterprise Partnerships. However, other decentralised funding will be cut to provide this funding and it is not yet known if this will impact on Councils. Within London £70 million of NHB resources will be given to the capital's local enterprise panel.

4.19 Owing to the uncertainty over the 2014/15 NHB allocation a prudent estimate was included in the MTFS forecasts. The actual allocation is £1.332m, which is £0.144m higher than forecast.

4.20 As indicated in the previous MTFS reports the NHB is not new funding and is top sliced from the overall Local Government funding pot. Therefore, the 2014/15 allocation of £1.332m needs to be seen in the context of a permanent Core Revenue grant cut since this NHB was introduced in 2011/12 of £22.365m.

4.21 Funding to compensate Councils for the 2% Business Rates cap

4.22 The Autumn Statement (5th December 2013) announced that the small business rates multiplier would be capped at 2%, rather than increased by the September 2013 Retail Price Index of 3.2%. As this change will impact on the business rates retained by Councils the Government has determined to provide a specific grant to compensate Councils. The Settlement announcement states this grant will be paid in 2014/15 and 2015/16 and the Council will receive £0.269m in each year. This additional grant is reflected in the updated forecasts detailed in section 6. For planning purposes it is assumed the grant will continue in 2016/17 to provide permanent compensation for the ongoing income reduction.

5. Changes in Local Planning assumptions

5.1 There are a number of additional factors which can now be reflected in the MTFS forecasts following the recent completion of detailed external and internal tasks, which could not have been reflected in the December MTFS report.

5.2 **External Factor** – notification has been received that the Pension Fund triennial valuation has been completed. This sets the employers pension contributions for 2014/15 to 2016/17. The Councils contribution will reduce by 2%, compared to 1% for the other Tees Valley Councils. Individual Councils' Pension rates reflect a variety of factors, with one of the main items being the age profile of the workforce.

This change will provide a permanent budget saving. On the downside Pension contributions become payable on overtime payments from April 2014. In overall terms the estimated net benefit is **£0.56m** (this is also net of the pension savings already built into the MTFS from the departmental pay budget savings).

There is a potential future risk of increased Pension costs when the Council completes the implementation of 'auto enrolment' in October 2017. This risk will only materialise if those employees who have currently opted out of the pension scheme remain in after 'auto enrolment' is implemented and this could have an annual cost of £0.3m. This is probably a low risk as individual employees will have had their own reasons for opting out of the pension scheme. A period of 3 successive pay freezes, followed by a 1% pay increase in April 2013 and an expectation of further pay restraint over the next few years will not change this position.

5.3 **Internal Factors – permanent issue.** Work to set the 2014/15 Council Tax base is nearing completion and final details will be reported to Finance and Policy Committee in January 2014 for approval once the 2014/15 Local Council Tax Support scheme is set. This is a complex calculation involving the assessment of Council Tax discounts (the main one being the number of single person discounts), the assessment of Council Tax exemptions (e.g. disabled exemptions) and an assessment of in-year Council Tax collection rates. Assuming Members approve a 12% cut in the Local Council Tax Support scheme this will increase Council Tax income by **£0.15m,** which can be reflected in the budget. It will be challenging to collect this additional income within the financial year. If a 12% Local Council Tax Support scheme is not approved this income will not be achieved.

5.4 **Internal Factor – one off issue.** An assessment of the forecast Collection Fund outturn for 2013/14 needs to be completed before the 2014/15 budget is set. The Collection Fund accounts for all Council Tax income (for the

Council, Cleveland Fire Authority and Cleveland Police) and Business Rate income which in total amounts to approximately £60 million in 2013/14. An initial outturn estimate was prepared earlier in the year and a surplus of £0.11m built into the MTFS for 2014/15. A further review has recently been completed and the year end surplus is forecast to be £0.26m. This provides an additional one off resource to support the 2014/15 budget of **£0.15m.**

5.5 In summary the above factors, plus the changes detailed in section 4 provide the following benefits to support the 2014/15 budget:

	£'000
Permanent benefits	
- Pension saving	560
- Increased income from Council Tax base	150
- New Homes Bonus	144
- Business Rate cap compensation grant	269
Total Permanent benefits	**1,123**
One off benefits – Collection Fund	150
Benefit of lower 2014/15 grant cut (para 4.4)	8
Total Permanent and one-off benefits	**1,281**

6. **Impact of 2014/15 Settlement announcement and changes in local planning assumption on MTFS**

6.1 As reported in the 19th December 2013 MTFS report the Council faces significant budget deficits in 2015/16 and 2016/17 as summarised in the table below. The table highlights the value of the previously reported planning assumption changes and the use of one-off resources in reducing the budget gap. These measures **significantly reduce the cuts** which need to be made to balance the 2014/15 budget:

Table 1 - Forecast Deficits 2014/15 to 2016/17 as reported 19th December 2013
(table shows worst case deficits, which for 2015/16 reflects a prudent view of Integration Transformation Fund and for 2016/17 is based on a 10% grant cuts)

	2014/15 £'000	2015/16 £'000	2016/17 £'000
Gross Budget deficit	9,125	8,818	9,600
Planning assumption changes, Public Health Funding and ICT Procurement saving	(2,797)	0	0
Use of one off resources (2014/15 includes £0.819m from 2013/14 outturn)	(1,952)	(1,000)	(1,000)
Planned savings	(4,376)		
Net Budget deficit	0	7,818	8,600

6.2 The 2014/15 Settlement announcement confirms a provisional Core Revenue grant cut for 2014/15 of **£5.984m**, which is a cut of **9.6%** and broadly in line with the planning assumption. Based on experience in previous years it is extremely unlikely that there will be any significant change when the final allocation is issued in January 2014. Therefore, as detailed in the above table the Council is able to balance the 2014/15 budget, assuming the planned 2014/15 savings are all implemented.

6.3 The 2014/15 strategy assumed the use of £1.952m of one-off resources. The strategy did not include the additional resources summarised in paragraph 5.5 of **£1.281m** and strategy needs to be developed to use these resources. In line with the multi-year approach to managing the impact of continuing Government grant cuts it is recommended that these resources are used to continue this strategy. In 2014/15 this enables the use of planned one-off resources needed to balance the budget to be reduced by this amount. The unused one-off resources can then be carried forward to support the 2015/16 and 2016/17 budgets, **which will be the most difficult financial years so far faced by the Council.** It is recommended that the one-off resources of £1.281m are used on a phased basis over the next two years to avoid deferring an unmanageable deficit until 2016/17, with £0.743m allocated to support the 2015/16 budget and £0.538m to support the 2016/17 budget.

6.4 In 2015/16 the budget position will also benefit from the permanent changes continuing from 2014/15 which total £1.123m (as detailed in paragraph 5.5). Therefore, in 2015/16 these measures, plus the one-off resources carried from the 2013/14 outturn reduce the 2015/16 budget gap from £7.818m to £6.030m, a reduction of **£1.788m** (net of the additional 2015/16 grant cut).

6.5 In 2016/17 there is a marginal increase in the budget gap of **£0.197m**, owing to the impact of using a higher level of one-off resources in the previous year. Over the period of the MTFS there is a reduction in the budget gap of **£1.591m**, which reflects the permanent Pension saving, increased Council Tax Base, 2014/15 NHB allocation and slightly 2015/16 grant cut.

6.6 In summary the benefits of this strategy are:

- A reduction in the budget deficit over the period of the MTFS of **£1.591m**;
- A reduction in the 2015/16 budget deficit of **£1.788m.**

6.7 On the downside the strategy defers an additional deficit of **£0.197m** until 2016/17, which increases the total forecast deficit in this year to **£8.797m.**

6.8 The table overleaf summarises the impact of the above strategy:

Table 2 - Revised Forecast Deficits 2014/15 to 2016/17
(table shows worst case deficits, which for 2015/16 reflects a prudent view of Integration Transformation Fund and for 2016/17 is based on a 10% grant cut)

	2014/15 £'000	2015/16 £'000	2016/17 £'000	2015/16 and 2016/17 Total £'000
Net budget deficit (as detailed in table 1)	0	7,818	8,600	16,418
Impact 2014/15 Settlement announcement – Increase/(decrease) in forecast Core grant cut	(8)	78	70	
Initial 2015/16 permanent savings continuing in 2016/17 and future years	0	0	7,818	
Revised 2015/16 permanent savings continuing in 2016/17 and future years	0	0	(6,030)	
Permanent Pension Saving	(560)	(560)	(560)	
Permanent increase in Council Taxbase	(150)	(150)	(150)	
Additional 2014/15 New Homes Bonus	(144)	(144)	(144)	
Business Rate Cap - compensation grant	(269)	(269)	(269)	
Collection Fund Surplus (one –off)	(150)	0	0	
Re-phased use of one-off resources	1,281	(743)	(538)	
Savings to identified	0	6,030	8,797	14,827

Increase/(decrease) in 2015/16 and 2016/17 deficit	(1,788)	197	(1,591)

6.9 The above table shows the 2016/17 budget deficit based on a 10% grant cut, which is the current worst case planning forecast. The December MTFS report also indicated a best case planning forecast based on a 7.5% grant cut, which would reduce the 2016/17 deficit to **£7.6m.**

7. Conclusion

7.1 The Provisional Local Government Settlement was issued on 18th December 2013 and provides details of the Core Revenue grant cuts for 2014/15 and 2015/16. The provisional Core Revenue grant allocations are broadly in line with the planning forecasts included in the previous MTFS report. For

2014/15 the provisional grant cut is £8,000 less than forecast and for 2015/16 is £86,000 higher than forecast, as summarised below:

	2014/15 **£'000**	2014/15 Percentage cut	**2015/16** **£'000**	2015/16 Percentage cut
Actual Grant cut	**5,984**	9.6%	**8,213**	14.6%
Forecast Grant cut	**5,992**	9.6%	**8,127**	14.4%
Increase/(decrease)in grant cut	**(8)**		**86**	
Cumulative Grant cut since 2010/11	**£22.365m**	28%	**£30.578m**	39%

7.2 The Core Revenue Grant cuts continue to have disproportionate impact on Councils which are more dependent on grant funding as these cuts result higher cash reductions and therefore greater cuts in services.

7.3 The continuing Core Revenue grant cuts mean that the budget cuts indentified for 2014/15 need to be implemented to avoid deferring an unmanageable budget deficit until 2015/16. In 2015/16 the Council faces the most difficult year so far.

7.4 The report provides an update on a range of planning assumption changes identified since the December MTFS report was prepared, which include the results of the recently announced triennial pension fund valuation and local calculations recently completed in relation to the Council Tax base and the Collection Fund. Whilst, the Council Tax base and Collection Fund provide additional resources to support the 2014/15 budget, these calculations could have produced a budget pressure, particularly the Collection Fund.

7.5 The Chief Finance Officer and the Corporate Management Team have considered the impact of the changes in planning assumptions and officer's professional advice is to use these resources to continue the multi-year approach to managing the financial challenges facing the Council over the next 3 years. This approach is designed to provide a sound financial strategy for managing continuing cuts in Government funding, which by 2015/16 will result in grant funding being **£30.5m (39%)** lower than it was in 2010/11. Further grant cuts are anticipated in 2016/17.

7.6 The strategy recommended by the Chief Finance Officer and Corporate Management Team is designed to:

- Provide a longer lead time to implement the more difficult budget cuts which will be required in 2015/16 and 2016/17;
- Balance the level of cuts (as far as is practical) between 2015/16 and 2016/17 to ensure there continues to be sufficient management capacity to ensure planned savings, many requiring complex service redesign, are implemented on time. Any delays in achieving planned savings will have an adverse impact on the Council's financial position and require

replacement in-year cuts to be implemented, which would be more to difficult to achieve and have an adverse impact on services.

7.7 The recommended strategy provides additional support for the 2015/16 and 2016/17 budgets from a combination of the permanent planning assumption changes and the additional one-off resources which can be carried forward. These measures reduce the budget cuts which will need to be implemented in 2015/16 to **£6.030m**, a reduction of £1.788m. Achieving this level of budget cuts will be extremely challenging. Detailed proposals will be identified early in the new financial year to enable Members to develop a savings programme and ensure there is an adequate lead time to implement these cuts.

7.8 It needs to be recognised that the proposed strategy for 2014/15 and 2015/16 will defer an additional budget deficit of £0.197m until 2016/17 and require saving in this year of up to **£8.797m.** However, the strategy does reduce the total forecast budget cuts in 2015/16 and 2016/17 from **£16.4m to £14.8m**, a reduction of **£1.6m**.

7.9 The Government has confirmed that from 2014/15 a separate funding allocation will no longer be provided for LCTS schemes and this funding has been included in the Core Revenue Grant for 2014/15. The previous MTFS highlighted the implications of this change and the difficult policy decision individual Councils' must now make on the use of the overall Core Revenue Grant. This is choice between supporting services and providing LCTS support to low income households. A detailed report on the 2014/15 LCTS scheme will be reported to the Finance and Policy Committee on 24th January 2014.

8. Recommendations

8.1 It is recommended that Members:

i) Note the provisional Core Revenue Grant cuts for 2014/15 and 2015/16 as detailed in paragraph 4.4;

ii) Approve the strategy recommended by the Chief Finance Officer and the Corporate Management Team for using the changes in planning assumptions identified since the December 2013 MTFS report was considered to continue the multi-year strategy for managing the budget position over the period 2014/15 to 2016/17 as detailed in paragraph 6.8, table 2;

iii) To note that if recommendation (ii) is approved this proposal will be incorporated into the final budget report to be referred to the Finance and Policy Committee to finalise the Budget and Policy framework proposals to be referred to full Council.

iv) To note that owing to the timescale for responding to the Provisional 2014/15 Local Government Finance Settlement consultation a response will be agreed with the Leader.

9. REASONS FOR RECOMMENDATIONS

9.1 To enable the Finance and Policy Committee to considered the impact of the provisional 2014/15 Local Government Finance Settlement and changes in local planning assumptions on the 2014/15 to 2015/16 MTFS prior to approving final proposals later in January 2014 for referral to Council.

10. BACKGROUND PAPERS

10.1 Medium Term Financial Strategy 2014/15 to 2016/17 reports – Finance and Policy Committee 31st May 2013, 2nd August 2013 and 19th December 2013.

11. CONTACT OFFICER

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