

FINANCE AND POLICY COMMITTEE MINUTES AND DECISION RECORD

3 January 2014

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

Present:

Councillor: Christopher Akers-Belcher (In the Chair)

Councillors: Rob Cook, Peter Jackson, Robbie Payne, Carl Richardson and
Chris Simmons.

In accordance with Council Procedure Rule 5.2 (ii), Councillor Geoff Lilley was
in attendance as substitute for Councillor Alison Lilley.

Also in attendance:

Edwin Jeffries and Steve Williams, HJTUC

Officers: Dave Stubbs, Chief Executive
Chris Little, Chief Finance Officer
Peter Devlin, Chief Solicitor
Louise Wallace, Director of Public Health
Joan Stevens, Scrutiny Manager
Angela Armstrong, Principal Democratic Services Officer

176. Apologies for Absence

Apologies for absence were received from Councillors Keith Dawkins,
Alison Lilley and Ray Martin-Wells.

177. Declarations of Interest

None.

178. Minutes of the meeting held on 19 December 2013

Received.

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

Type of decision

Budget and Policy Framework.

Purpose of report

To provide an update on the impact of the 2014/15 Local Government Finance Settlement on the MTFS.

Issue(s) for consideration

The report provided details of the Local Government Finance Settlement announcement made by the Government on 18 December 2013 and the impact on the MTFS. Details were also provided of changes in local planning assumptions. The settlement covered two financial years 2014/15 and 2015/16 and it was highlighted that Councils had until 15 January 2014 to submit responses on the provisional Local Government Finance Settlement. Set out in the report were the Core Revenue Grant cuts for 2014/15 and 2015/16 which are broadly in line with the planning forecasts and result in a cumulative grant cut since 2010/11 of £22.365m (28%) by 2014/15 and £30.578m (39%) by 2015/16. However, it was noted that in relation to 'Spending Power', due to the inclusion of other funding streams, the Council showed a reduction of 4.4% for 2014/15. The key issue for the Council was the level of the Core Revenue Grant cut included in the 'Spending Power' calculations as this was what had driven the budget cuts required over the next 3 years which were 9.6% for 2014/15 and 14.6% for 2015/16. Included in the report was a table which provided comparative Spending Power and Core Revenue percentage cuts for 2014/15 for England and the 12 North East Councils. It was noted that for 2015/16 Hartlepool's Spending Power cut was 4.7% compared to the average for England which was 1.8%. The Chief Finance Officer highlighted that the Core Revenue Grant cuts continue to have a disproportionate impact on Councils which were more dependent on grant funding as these cuts result in higher cash reductions and therefore greater cuts in services.

In relation to the Local Council Tax Support Scheme (LCTS), it was reported that from 2014/15 a separate funding allocation would no longer be provided for LCTS schemes which would result in difficult policy decisions that individual Councils must now make on the use of the Core Revenue Grant. Members were reminded that at the meeting of the Finance and Policy Committee on 29 November 2014, Members determined to consult on a 2014/15 LCTS cut of 12%. With regard to the 2015/16 LCTS scheme, the Committee agreed to share the grant cut

across the General Fund and the LCTS which would reduce the 2015/16 General Fund budget cuts by approximately £1.4m. The report outlined the Local Government Minister statement made in relation to the Council Tax freeze grant and referendum threshold.

The Chief Finance Officer indicated that due to the uncertainty over the 2014/15 New Homes Bonus (NHB) allocation, a prudent estimate was included in the MTFS forecasts with the actual allocation being £1.332m, which was £0.144m higher than the forecast.

Members were informed that the Statement announced that the small business rates multiplier would be capped at 2% with the Government providing a specific grant to compensate Councils as this was lower than the Retail Price Index of 3.2%.

There were a number of additional internal and external factors in relation to changes in Local Planning assumptions and these were outlined in the report. It was highlighted that the total permanent and one-off benefits would result in £1.281 being available to support the 2014/15 budget. It was recommended that this additional resource be used to continue the multi-year strategy to manage the Government grant cuts. Included at paragraph 6.8, was a table that showed the how this strategy would reduce the budget cuts required in 2015/16, which will be the most difficult financial year the Council has faced. The table showed the 2016/17 budget deficit based on a 10% grant cut as a worst case planning forecast. The December MTFS report had provided a forecast based on 7.5% grant cut which would reduce the 2016/17 deficit to £7.6m.

In conclusion, it was noted that the continuing Core Revenue grant cuts meant that the budget cuts identified for 2014/15 needed to be implemented to avoid deferring an unmanageable budget deficit until 2015/16 as this would be the most difficult year so far.

The Chief Finance Officer and Corporate Management Team's advice was to use the identified resources to continue the multi-year approach to managing the financial challenges facing the Council over the next 3 years. It was noted that it must be recognised that the proposed strategy for 2014/15 and 2015/16 would defer an additional budget deficit of £0.197m until 2016/17 and require savings in this year of up to £8.797m. However, the strategy would reduce the total forecast budget cuts in 2015/16 and 2016/17 from £16.4m to £14.8m, a reduction of £1.6m.

Members thanked the Chief Finance Officer for such a detailed and comprehensive report which had been produced in a very short timescale. A Member questioned the cost of a local Council Tax referendum and the Chief Solicitor indicated this would cost at least £70,000. The Chief Finance Officer highlighted a number of potential issues that may arise should a referendum be called.

Clarification was sought on the reduction in pension contributions to be

made by the Council. The Chief Finance Officer confirmed that some employees will pay an increased pension contribution depending on their salary banding. However there would be protections in place for some lower paid staff reflecting the outcome of negotiations with Trades Unions on a national basis. In response to a question from a member of the public, the Chief Finance Officer confirmed that the Teesside Pension Fund was currently one of the most robust in the country.

At this point in the meeting, Councillors Rob Cook, Geoff Lilley and Chris Simmons declared personal interests.

A Member sought clarification on the support available to low income pensions as part of the LCTS. The Chief Finance Officer confirmed that people who were currently in receipt of council tax benefit would continue to be eligible for support in line with the identified income thresholds.

Decision

- (i) The provisional Core Revenue Grant cuts for 2014/15 and 2015/16 as detailed in paragraph 4.4 of the report were noted.
- (ii) 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 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 was considered and approved.
- (iii) It was noted that this strategy would 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) It was noted that owing to the timescale for responding to the Provisional 2014/15 Local Government Finance Settlement consultation, a response be agreed with the Leader.

180. Any Other Items which the Chairman Considers are Urgent

None.

The meeting concluded at 2.35 pm

P J DEVLIN

CHIEF SOLICITOR

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