

# CABINET

## MINUTES AND DECISION RECORD

19 December 2005

### Present:

The Mayor (Stuart Drummond) - In the Chair

Councillors: Stanley Fortune (Finance Portfolio Holder),  
Peter Jackson (Performance Management Portfolio Holder),  
Robbie Payne (Culture, Housing and Transportation Portfolio Holder),  
Ray Waller (Adult and Public Health Services Portfolio Holder).

Officers: Paul Walker (Chief Executive),  
Peter Scott (Director of Regeneration and Planning)  
Adrienne Simcock (Director of Children's Services)  
Nicola Bailey (Director of Adult and Community Services)  
Ian Parker (Director of Neighbourhood Services)  
Ian McMillan (Assistant Director of Adult and Community Services)  
Joanne Machers (Chief Personnel Services Officer)  
Mike Ward (Chief Financial Officer)  
Chris Little (Assistant Chief Financial Officer)  
Alistair Rae (Public Relations Officer)  
Charlotte Burnham (Scrutiny Manager)  
David Cosgrove (Principal Democratic Services Officer)

### **158. Apologies for Absence**

Cath Hill (Children's Services Portfolio Holder)

### **159. Declarations of interest by members**

None.

### **160. Confirmation of the minutes of the meeting held on 9 December 2005**

Confirmed.

## 161. Draft Budget and Policy Framework Proposals 2006/07 to 2007/08 (Corporate Management Team)

### Type of decision

Budget and Policy Framework item.

### Purpose of report

To advise Cabinet Members of the arrangements to be followed in relation to finalising the Budget and Policy Framework proposals to be put forward for formal scrutiny. The report covered: -

- Outturn Strategy 2005/06
- Capital Budget 2006/07 to 2007/08
- General Fund Budget Requirement and Council Tax 2006/07 to 2007/08

### Issue(s) for consideration by Cabinet

The Chief Financial Officer, Mr Mike Ward, gave a presentation to Cabinet outlining the key elements of the Budget and Policy Framework for 2006/07 to 2007/08 the key points reported to Cabinet were: -

- Scrutiny Co-ordinating Committee's report on the review of the Authority's Financial Reserves. Cabinet approved the recommendations detailed in the report including the proposal to return £2.197m of specific reserves to the Authority's General Fund Reserve. Whilst Scrutiny did not consider the usage for such funds, proposals for using this amount to partly fund unbudgeted Equal Pay costs were detailed in the report. Scrutiny Coordinating Committee did, however, comment that they would wish Cabinet to protect the Community Pool budget.  
Outturn strategy for 2005/06; there would be an underspend on Corporate budgets of £714k and the Council would receive population adjustment grant for 2003/04 of £334k.
- The Council also faced a number of additional unbudgeted costs in 2005/06, the main item relates to Phase 2 Equal Pay costs. It is therefore suggested that these amounts be funded from the one-off resources available in 2005/06, as follows:

	<u>Available Resources/ (Commitment)</u> £'000
<u>Available Resources</u>	
Underspend on Corporate Budget	714
2003/2004 Backdated Population Grant	<u>334</u>
	1,048

### Commitments

#### 2005/2006 Unavoidable Commitments

- Contribution towards cost of greater integration between HBC and PCT (e.g. Director of Public Health) (40)
- Bulky Waste Service (20)
- Contribution towards Phase 2 Equal Pay Costs (787) \*

Invest to Save Proposals

Young People's Service	(30)
Access to Learning (A2L)	(81)
Broadband Implementation	<u>(90)</u>
	<u>0</u>

\* This contribution will partly meet the unfunded costs of the Phase 2 Equal Pay agreement.

- Capital position for 2006/07 to 2007/08 - In accordance with the Government's Single Capital Pot initiative individual authorities can determine how they use the total resources allocated to them through the Single Capital Pot. In previous years the Council has determined to ring fence these allocations to individual services in line with the allocations included in the Single Capital Pot. Cabinet was requested to reaffirm their commitment to this strategy. The report also sought Cabinet views on continuing to fund number of minor local initiatives from Prudential Borrowing. Three options for funding the replacement of the Cremators were also outlined.
- Provisional 2006/2007 Local Government Finance Settlement
- Details of the above began to be released by the Government on 5<sup>th</sup> December, 2005 and were not fully available in detail at the time of preparing this report. The key factors of the national settlement and local position were set out in the report and covered:-

New Funding System

Extract from Statement to Parliament – Grant Distribution System

Relative Needs Block

Relative Resource Amount

Central Allocation

Floor Damping Block

Total Support for Council Services

Impact of New Funding System on HBC and Actual 2006/2007 Grant Allocation

The Government has calculated the grant increase for 2006/2007 against the restated base for 2005/2006. On this basis the Council will receive a grant increase of 2.6%, which is within the 2% to 3% range previously forecast. In addition, the 2006/2007 grant allocation also includes the impact of the other changes to the system detailed earlier. After reflecting all of these issues the Council's 2006/2007 grant allocation is £41.816m.

As the actual cash allocation is better than forecast the Council will

face a less difficult financial position – although very difficult decisions will still need to be made. It should also be noted that the actual grant allocation also includes £0.527m in respect of specific grants, which have now been mainstreamed. These resources and the corresponding expenditure commitment were not previously reflected in the budget forecasts as the amounts were unknown, but are a budget neutral. These amounts are now reflected in the budget forecasts. Details of the following issues were set out in detail within the report.

Dedicated Schools Grants (DSG)  
Backdated Population Grant Adjustment 2004/2005 and 2005/2006  
Concessionary Fares  
LABGI Scheme (Local Authority Business Growth Incentives)  
Introduction of Three-Year Grant Settlement  
Grant Floor Damping  
Council Tax Capping

The report advised Members that the Council has the opportunity to respond to the Government on the provisional grant settlement, either in writing or by seeking a meeting with Ministers. The report suggested that the following issues need to be brought to the Ministers attention.

#### Grant Floor Damping Arrangements

The Council acknowledges that it is necessary to have grant floors to protect individual authorities having to address detrimental grant changes in a single year. However, the Authority believes that additional national funding should be provided to meet the cost of the grant floor. The Council also believes that the funding should be provided for a fixed period and should be withdrawn on a phased basis. The Council is extremely concerned that the reduction in its grant to help pay for the floors increases from £1.587m in 2006/2007 to £1.891m in 2007/2008. In both of these years the Council is having to make additional cuts in services to pay for the grant floors. This position contradicts the Government's own assessment of the Council's relative needs as determined by the new grant system.

#### Council Tax Capping

The proposed "capping criteria" are crude as they simply take account of the increase on the previous year's Council Tax level. These arrangements penalise authorities, such as Hartlepool, which have a long track record of low increases. It would also be appropriate to suggest that the Government should consider using their capping powers over the period covered by the multi-year settlement. This would provide authorities with greater financial flexibility to assist authorities manage services and Council Tax levels.

Local action to manage budget pressures on Older people services:-  
The Minister should be made aware of the action taken by the Council to manage the budget pressures in this area from demographic changes and rising service standards/aspirations. These changes achieve savings, which have been reinvested to partly fund demographic cost pressures.

Population figures used in grant distribution formula: -  
Initial analysis of the population figures indicates that the figures supplied by the ONS forecast a small fall in Hartlepool and the Tees Valleys population over the next two years. Other local information and the 2001 census indicate that these trends are not robust. Therefore, further work is needed and these concerns may need to be brought to the Ministers attention.

Equal Pay – Capitalisation Approvals: -  
This issue is not covered by the settlement announcement. It is suggested that this issue be brought to the Minister to seek his assistance with two specific areas; capitalising the costs, including the use of Prudential Borrowing to fund this expenditure, and to ask the Treasury to return any “windfall” tax and National Insurance payments arising from the settlement of equal pay costs to local authorities.

Local Budget Issues 2006/2007: -  
The report to Cabinet on 10<sup>th</sup> October, 2006, provided an initial assessment of the new budget issues facing the Council for 2006/2007.

#### Summary Budget Pressures and Priorities

Details of the initial budget pressure and priorities previously reported to Cabinet are as follows:

	<b>Optimistic £'000</b>	<b>Pessimistic £'000</b>
Budget Pressures	3,127	3,727
Budget Priorities	<u>1,361</u>	<u>1,466</u>
	<u>4,488</u>	<u>5,193</u>

These issues have been reviewed over the last few months and details of the pressures and priorities, which it is now suggested need to be funded, are summarised below:

	<b><u>£'000</u></b>
Pressures	4,634
Priorities	606
Terminated Grants	240

Further details of these items together with the pressures and priorities

which it is suggested are not funded, are summarised at Appendix A to the report.

Members were advised of the impact on the grant settlement on the previous forecasts. Whilst, the grant allocation was greater than previously forecast, the Council still faced a gross budget deficit of £6.804M. This could be reduced to by implementing a series of permanent and temporary corporate measures.

Permanent Corporate Savings	
Designated Authority Costs	200
Use of Stock Transfer Reserves	200
Supporting People	320
Procurement Savings Target	300
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	1,020
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Temporary Corporate Measures	
Backdated Population Grant	645
Centralised Estimates	250
Insurance Credit	150
Prudential Borrowing Mill House	300
Employees Pension Contributions	150
Administration Subsidy Income	150
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	1,645
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After reflecting the above issues the revised budget gap is £4.139m, as summarised below:

	<b><u>£'000</u></b>
Gross Budget Gap	6,804
<u>Less</u> - Permanent Corporate Budget Savings	(1,020)
- Temporary Corporate Budget Savings	(1,645)
Net Budget Gap	<u>4,139</u>

The net budget gap will need to be bridged from either:

- an increase in Council Tax of 13%;
- cuts in services of 6.6%; or
- a combination of an increase in Council Tax and cuts in services.

In practice the first two options are impractical and the budget gap will need

to be bridged from a combination of an increase in Council Tax and cuts in services. Therefore, three options have been identified for Cabinet consideration as detailed in the table below. These options also consider the impact of the proposals in 2007/2008, based on the 2007/2008 forecast budget position detailed later in the report.



The Mayor indicated that he wished to withdraw three items of proposed savings:-

Closure of Community Centre - £42,000

Reduction in Community Pool - £123,000

Economic Development Grants - £40,000

The Mayor also indicated that he wished to withdraw Equality Standards budget priority of £20,000.

The Mayor requested that the Scrutiny Coordinating Committee be advised that the above items would not be made and were therefore withdrawn from the Committees consideration.

The Mayor opened the meeting to comments on the proposed budget from the Cabinet Members. During the debate the following points were raised and debated. The conclusions and recommendations of cabinet are set out under 'Decisions'.

- Any savings in 2006/07 and 2007/08 that would require redundancies should be considered by Scrutiny Coordinating Committee.
- Cabinet Members were concerned at the general stance being taken by the Treasury in relation to the windfall tax and National Insurance payments resulting from the Equal Pay settlements.
- The Floor Dampening implemented as part of the new funding regime was described as 'scandalous' by Cabinet. The Council would essentially lose £1.6m in 2006/07, rising to £1.9m in 2007/08 in order to relieve the pressure of budget reductions in the "wealthier" areas of the country. Cabinet was concerned that despite being consistently rated as an 'excellent' authority, success appeared to result in Hartlepool being

penalised.

- The population predictions being quoted by the Government seemed to pay no heed to the substantial development going on in the town which would only accelerate with the Victoria Harbour proposal.
- Services that protect the most vulnerable children and adults should be protected first and foremost.
- The impact of potentially reducing the Economic Development budget from £300k should be examined by Scrutiny Coordinating Committee.
- A detailed risk analysis of using a proportion of 'The Way Forward' fund be reported to Cabinet to potentially release an additional one-off sum.
- The potential of the LABGI scheme should be brought to Scrutiny Coordinating Committee's attention.
- A detailed proposal for a 'Jobs (Recruitment) Management Panel' should be submitted to Cabinet by the Culture, Housing and Transportation Portfolio Holder, based on the principals of a small group of cross-party members, chaired by the Finance and Performance Management Portfolio Holder, reporting to the relevant Portfolio Holders. It was highlighted to Cabinet that Directors already had to operate on a budgeted saving of 2% on staffing costs.
- The £80,000 additional expenditure on promoting business in the town as part of the Economic Development budget priorities be referred to Scrutiny Coordinating Committee for consideration with a request that their advice on whether this should or should not go forward for inclusion in the budget be reported to Cabinet.
- That all three of the Council Tax proposals be forwarded to the Scrutiny Coordinating Committee with an indication that Cabinet's preference is for Option 1.
- There was a suggestion that Option 3 should be the preferred recommendation as savings achieved under Gershon could significantly reduce the budget shortfall in 2007/08. This view was not supported by all Cabinet members.

## **Decision**

1. Cabinet agreed the proposed outturn strategy as set out at paragraph 4.3 in the report.
2. Cabinet noted at this stage the Capital position.
3. Cabinet proposes to increase all resource allocations by 3%, with specific top-up for specific pressures and/or priorities;
4. Cabinet confirms that it wishes to fund the pressures and priorities identified in Appendix A, schedules 1 and 2; however, –
5. Scrutiny Coordinating Committee to give consideration to the reduction of the proposed Economic Development budget by up to £100,000 taking into account the associated risks. In addition to similarly review the proposed £80,000 Economic Development promotion of

Tourism/Business budget.

6. Equality Standards £20,000 – this proposal being removed from the list of budget priorities.
7. Cabinet confirms its wish to fund the continuation of services funded from grants which have been terminated as identified in Appendix B note 3;
8. Cabinet confirms that it does not wish to fund the pressures and priorities identified in Appendix A, schedules 3 and 4 to the report;
9. Cabinet approves the use of corporate savings of £1.02m to reduce the budget gap, detailed in paragraph 12.2 of the report;
10. Cabinet approves the use of additional temporary corporate savings of £1.645m to reduce the 2006/2007 budget gap, detailed in paragraph 12.3 of the report;
11. Cabinet proposes that the three options for the level of Council Tax increases for 2006/2007 be forwarded to Scrutiny Coordinating Committee for their consideration with Cabinet's preference being as set out in Option 1;
12. Cabinet approves the proposal to examine eligibility criteria to enable changes to be implemented from 1<sup>st</sup> April, 2007;
13. Cabinet approves the proposal to earmark LABGI income to support the 2007/08 budget;
14. Cabinet proposes that a cross-party delegation seek a meeting with Ministers to put forward the Council's views on the provisional settlement.

**162. Comprehensive Performance Assessment And Annual Performance Assessment (APA) Of The Council's Education And Children's Social Care Services** *(Assistant Chief Executive and Director of Children's Services)*

**Type of decision**

None – the report was for Cabinet's information only.

**Purpose of report**

To provide Cabinet with the results of the Comprehensive Performance Assessment (CPA) reassessment for 2005 and Annual Performance Assessment (APA) of the Council's Education and Children's Social Care

Service.

**Issue(s) for consideration by Cabinet**

The Mayor reported that the results of the CPA reassessment were that the Council had been rated a four star (excellent) authority which was “improving well”. The overall assessment had not been published until 15<sup>th</sup> December, and was reported to Council on that day. A supplementary report was circulated to Cabinet as soon as the information was available.

Since the Council was awarded Excellent status in 2002 the CPA score has been refreshed each year (with the Council maintaining Excellent status each time). In 2005 the Audit Commission consulted on, and introduced, “The Harder Test”, this was reported to Cabinet on 6<sup>th</sup> July 2005. The revised CPA framework and scoring is far more challenging and has within it a number of significant tests. The Mayor commented that these were positive results for the Council. Significant progress continues to be made both in terms of service performance and achievement of outcomes which have a positive affect on the community and in the manner in which the authority is currently run and being developed.

**Decision**

That the report be noted.

**163. Retirement of Ian McMillan**

The Mayor commented that this would be the last Cabinet meeting that Ian McMillan would be attending before his retirement at the end of the month. The Mayor stated that Mr McMillan had been an excellent officer for the Council and all Cabinet members joined the Mayor in wishing him a long and happy retirement.

**J A BROWN**

**CHIEF SOLICITOR**

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