FINANCE AND POLICY COMMITTEE AGENDA

HARTLEPOOL BOROUGH COUNCIL

Friday 16 October, 2015

at 2.00 pm

in the Council Chamber,
Civic Centre, Hartlepool

MEMBERS: FINANCE AND POLICY COMMITTEE

Councillors C Akers-Belcher, Barclay, Cranney, James, Loynes, Richardson, Riddle, Simmons, Sirs, Springer 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 21 September, 2015.

4. BUDGET AND POLICY FRAMEWORK ITEMS

No items.

5. KEY DECISIONS

5.1 Carr Hopps Site Redevelopment - *Director of Regeneration and Neighbourhoods*

6. OTHER ITEMS REQUIRING DECISION

6.1 Medium Term Financial Strategy (MTFS) 2016/17 Savings Proposal - Budget Consultations – *Corporate Management Team*

6.2 Medium Term Financial Strategy (MTFS) - Review of Reserves as at 31st March 2015 - *Corporate Management Team*

6.3 Irrecoverable Debts – Council Tax and Business Rates – *Chief Finance Officer*

6.4 Office of Surveillance Commissioners Inspection – Hartlepool Borough Council – *Chief Solicitor*

7. ITEMS FOR INFORMATION

7.1 Corporate Procurement Quarterly Report on Contracts - *Director of Regeneration and Neighbourhoods*

7.2 Northgate Public Services Community Fund – *Assistant Chief Executive*

7.3 Welfare Reform Impacts – *Chief Finance Officer*

FOR INFORMATION

Date of next meeting – Members are advised that the next meeting has been changed and will be held on Monday 23 November, 2015 at 1.00 pm and not on 16 November as diaried.

FINANCE AND POLICY COMMITTEE

16th October 2015

HARTLEPOOL BOROUGH COUNCIL

Report of: Director of Regeneration and Neighbourhoods

Subject: CARR HOPPS SITE REDEVELOPMENT

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1. TYPE OF DECISION/APPLICABLE CATEGORY

1.1 Key Decision (test (i)) Forward Plan Reference No.13/09

2. PURPOSE OF REPORT

2.1 To seek approval to dispose of 1.8 hectares of land at Carr/Hopps St subject to an exclusivity period to enable a Housing Market Renewal regeneration scheme to proceed.

3. BACKGROUND

3.1 The Carr/Hopps St area is the final Housing Market Renewal area in Hartlepool requiring regeneration and redevelopment. The area is shown hatched on the plan at **Appendix 1.** In addition to Carr and Hopps Streets the area encompasses Jobson, Rodney, Richardson, Hawkridge and Blake Streets and lies off Hart Lane to the south side of North Cemetery. The area extends to approximately 1.8 hectares and includes almost 200 terraced houses.

3.2 A number of decisions have been made by Regeneration Services Committee in relation to this matter. The most recent of these was in July of this year. The report presented to the Committee outlined the history of the Housing Market Renewal at Carr/Hopps which is briefly as follows: Issues associated with obsolete terraced properties began in the central area of Hartlepool in the late 1990's. Problems led to a severe decline in some neighbourhoods and attracted large scale speculation in the property market with buy to let. In response to these issues the Council introduced a housing regeneration strategy and collaborated in the Tees Valley partnership to implement a 15 year programme of Housing Market Renewal (HMR). The Hartlepool Housing Regeneration strategy identified an oversupply of terraced properties, approximately 2000, due to housing market failure and changing aspirations. The schemes have delivered multi-million pound new build investment and successfully attracted owner occupiers back to the central area of town. To date approximately 1,200 properties have been demolished and over 500 new homes constructed on HMR sites in central Hartlepool. The Carr/Hopps street regeneration site was located within the New Deal for Communities (NDC) area and was identified as an area for intervention through the NDC Community Housing Programme. Following the end of the NDC programme in 2010, the Council became responsible for the delivery of this scheme and it became part of the HMR programme. The comprehensive spending review of 2011 effectively abolished the HMR programme by the removal of further funding; however transitional funding was subsequently obtained to enable the Council to complete a structured exit programme.

In March 2012 Members approved the HMR Transition Funding project plan and a programme of property acquisition proceeded. A review report was presented to Members on the 24th October 2013 setting out progress in relation to acquisition and options for future delivery of the scheme. It was determined that acquisition by agreement of privately owned properties would continue and a review be presented to Members in October 2014 with proposals for a selective demolition programme; this was subsequently approved and preparatory work for demolition has begun, although no actual demolition has taken place. To date, all but 14 of the properties on site have been acquired

In July of this year, the report referred to above was taken to Regeneration Services Committee. It was determined that demolition preparatory work would continue; that a tender/development brief be issued for demolition of the existing properties owned by the Council before the end of March 2016, with a view to redevelopment of the site with new build properties; and that a further report would be brought to consider the tenders received.

3.3 The site was therefore recently offered to developers by an open tender and a number of responses were received. The details of these are given 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).**

3.4 The site offers a number of challenges for regeneration, including the relatively low housing market values in the area, the 14 properties remaining in private ownership, the costs of demolition and site clearance, the potential for remediation costs and the need to re-configure some, or all, of the road layout. As part of the tender a requirement was incorporated for developers to prepare a scheme that defined it from the other Housing Market Renewal areas, in terms of design standards, layout and amenities.

3.5 Tenderers were therefore asked to address all the above issues as well as submitting a financial offer. Each of the proposals takes a slightly different approach; however tenders have been evaluated according to a matrix which weights the importance of key factors on the following basis;

Layout/tenure and quality of design proposals - 25%

Methodology to acquire the remaining properties and/or opportunities to retain and integrate remaining properties within the development - 15%

Delivery Capability - 30%

Price - 30%

The tenders received are outlined 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).**

3.6 The terms on which it is proposed to proceed with a sale of the site are outlined in **CONFIDENTIAL APPENDIX 3 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).**

3.7 The evaluation process has enabled the selection of the most appropriate developer as detailed 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)**. subject to approval by Committee. The scheme proposed is considered the most innovative, practical and economic however the viability is subject to further testing and as such it is proposed to grant a four month exclusivity period to the developer in which site investigation work will be undertaken to establish detailed development costs. In order to facilitate the work the developer has requested the Council contribute towards these costs.

4. PROPOSALS

4.1 It is proposed to complete a sale of the land to the selected developer identified 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) subject to the finalisation of a satisfactory viability assessment.

5. REASONS FOR RECOMMENDATIONS

5.1 The recommended sale terms are considered to reflect fully the market value of the site, and the offer is the most financially advantageous of those received.

5.2 Although the proposed purchaser's proposals represent the most appropriate scheme it is essential that detailed work is undertaken to finalise the viability. A period of exclusivity provides the certainty that the developer requires to carry out detailed site investigations, complete the appraisal and inform the Council of its findings and implications for the scheme.

5.3 Further reasons 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)**.

6. RISK IMPLICATIONS

6.1 The risks with a project of this nature include physical factors such as ground conditions and availability of utility services, legal factors including planning and contract structure and financial matters including the total cost of the scheme and the market value of the completed development. At this stage it is difficult to quantify all these risks as considerable further work will be required to produce the necessary data. However, it can be reported that initial discussions with the Council's Planning Services Manager has indicated that the outline schemes that have been presented are largely acceptable and incorporate a number of very positive aspects such as the provision of green open space, bungalows and high environmental standards in the design of the houses.

6.2 Furthermore, every effort will be made to identify, quantify, reduce and mitigate significant risks during the contract negotiation period.

6.3 Financial Risks are detailed 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)**.

7. FINANCIAL CONSIDERATIONS

7.1 The financial subsidy requirements varied significantly with the different tenderers but subject to a detailed financial appraisal the successful developer within the tender offers best value for money. Details of the individual submissions 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)**.

8. LEGAL CONSIDERATIONS

8.1 The project encompasses a number of legal considerations, including treatment of the 14 remaining privately owned properties, stopping up of roads and services, planning and Section 106 agreement and the contract for sale and exclusivity period. There is currently uncertainty regarding the Council's ability to acquire further residential properties either within or outside a Housing Revenue Account environment.

8.2 The advice of the Council's Chief Solicitor will be relied upon to resolve these issues as the matter progresses.

9. EQUALITY AND DIVERSITY CONSIDERATIONS

9.1 There are no equality or diversity considerations in this instance.

10. STAFF CONSIDERATIONS

10.1 There are no staff considerations in this instance.

11. ASSET MANAGEMENT CONSIDERATIONS

11.1 The properties have been acquired as part of the Housing Market Renewal programme in order to facilitate a comprehensive regeneration of the site and thus the current proposal forms the next stage of this process.

12. SECTION 17 OF THE CRIME AND DISORDER ACT 1998 CONSIDERATIONS

12.1 The successful regeneration of the site should result in considerable improvements in the potential for reduction in crime disorder and anti-social behaviour in the area, due to improved design layout and standard of housing and re-population with residents who have made a positive choice to live there.

13. CHILD AND FAMILY POVERTY

13.1 There are no direct child and family poverty implications in this instance.

14. RECOMMENDATIONS

14.1 Members are recommended to approve the proposed sale on the terms detailed in **CONFIDENTIAL APPENDIX 3 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)** and authorise the Director of Regeneration and Neighbourhoods, Chief Finance Officer and Chief Solicitor to complete the necessary legal agreements.

14.2 Members are further recommended to approve the grant of an exclusivity agreement to the developer. This is to enable the finalisation of a detailed viability assessment. If the results of the assessment mean that the sale can only proceed on revised terms, a further decision will be sought from Committee.

14.3 Members are also asked to approve the payment of a contribution towards the site investigation and viability study costs as detailed in **CONFIDENTIAL APPENDIX 3 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)**.

14.4 Further, Members will receive a paper at a future Committee to explore the way the Council can become more pro-actively involved in site and property development.

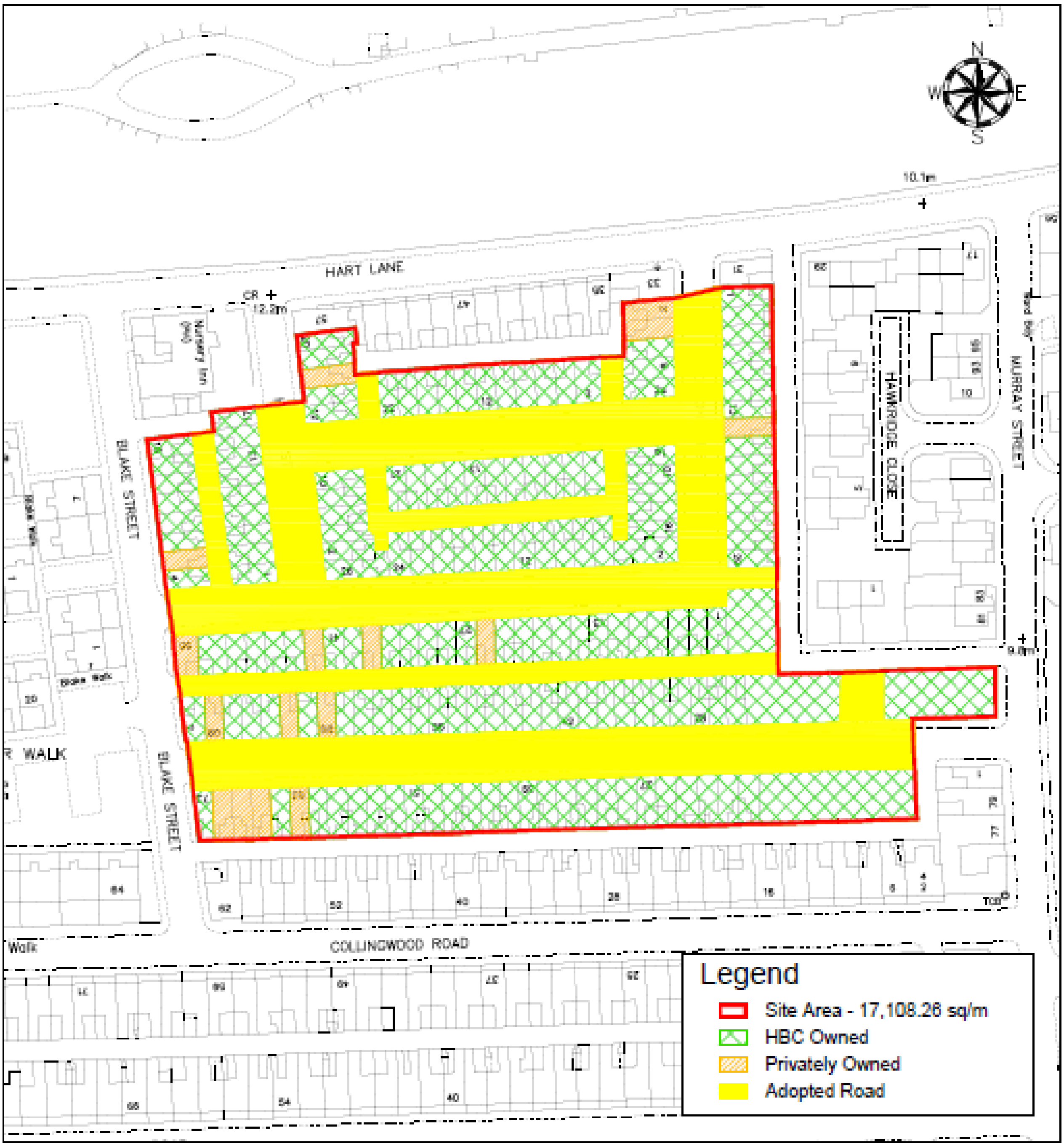
15. BACKGROUND PAPERS

15.1 Regeneration Services Committee 31st July 2015
Regeneration Services Committee 23rd October 2014
Regeneration Services Committee 24th October 2013
Cabinet meeting 17th December 2012
Cabinet meeting 19th March 2012
Cabinet meeting 24th January 2012
Cabinet meeting 1st August 2011

16. CONTACT OFFICER

Denise Ogden
Director of Regeneration and Neighbourhoods
Civic Centre
Victoria Road
Hartlepool
TS24 8AY
Email denise.ogden@hartlepool.gov.uk
Tel: 01429 523301

APPENDIX 1



LOCATION	Carr Street/ Hopps Street Regeneration Area	DRAWN BY CT	DATE 20/07/15
		SCALE 1:1250	
DEED PACKET Various	OS MAP NZ 5032/ 5033	DRWG NO E/G/704-B	

HARTLEPOOL BOROUGH COUNCIL
Regeneration & Neighbourhoods

Civic Centre
Victoria Road
Hartlepool
TS24 8AY

TEL: 01429 266522
FAX: 01429 523488

FINANCE AND POLICY COMMITTEE

16 October 2015

HARTLEPOOL BOROUGH COUNCIL

Report of: Corporate Management Team

Subject: MEDIUM TERM FINANCIAL STRATEGY (MTFS) 2016/17 SAVINGS PROPOSAL - BUDGET CONSULTATIONS

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1. TYPE OF DECISION/APPLICABLE CATEGORY

Non key decision.

2. PURPOSE OF REPORT

2.1 To feedback the views / comments received from each of the individual Policy Committees in relation to the 2016/17 savings proposals.

3. BACKGROUND AND OVERVIEW OF COUNCILS FINANCIAL POSITION

3.1 A number of financial reports considered by this Committee since the 2015/16 budget was approved, including the June 2015 Medium Term Financial Strategy (MTFS) report, have highlighted the increasingly challenging financial position facing the Council owing to the impact of:

- Proposals detailed by the Government in the July 2015 Budget and Spending Review to implement £37 billion of Public Spending cuts by 2019/20.

  The Chancellor has set out proposals to achieve £17 billion of this reduction from a combination of welfare reforms (£12 billion) and tackling tax avoidance and tax planning, evasion and non compliance and imbalances in the tax system (£5 billion).

  The Government has indicated that plans to achieve the remaining £20 billion will be detailed in the Spending Review to be published on 25th November 2015. The Treasury "is inviting government departments to set out plans for reductions to their Resources budgets. In line with the approach taken in 2010, the HM Treasury is asking departments to model two scenarios, of 25% and 40% savings in real terms, by 2019/20."

- Government proposals for a 1% Public Sector Pay cap for 4 years from 2016/17 and the phased implementation of a National Living Wage. Further information is needed to assess the financial impact on the MTFS forecasts, although an initial analysis suggests these changes will result in an additional budget pressure in 2017/18 and beyond;

- The impact of financial risks transferred to Local Authorities from April 2013 arising from the implementation of the Business Rates Retention system;

  This change was previously identified as a significant risk for Hartlepool owing to the outstanding appeal by the Power Station against the 2010 Rateable Value set by the Valuation Office Agency (VOA). Resolution of this issue by the VOA in May 2015 has resulted in a 48% reduction in the previous Rateable Value set by the VOA. As a result the Council's share of Business Rates income reduces by £3.9m per year.

- The impact of financial responsibility and risk transferred to Local Authorities from April 2013 in relation to the Local Council Tax Support (LCTS).

  The proposals announced by the Government in the July 2015 Budget to make further changes to Welfare Benefits will increase eligibility for LCTS, as household income will be reduced. Therefore, the cost of operating the local scheme in 2016/17 and future years will increase. Further information is needed to assessment the impact and details will be reported in the final 2016/17 LCTS scheme report, which will be reported to this Committee in November;

- The impact of demand pressures – particularly in relation to Older People demographic pressures and increases in children in need;

- Forecast continued restriction of Council Tax increases and uncertainty regarding continuation of funding if Authorities freeze Council Tax in 2016/17 and future years.

3.2 To provide a longer lead time to address continuing Government grant cuts the Council has established a Budget Support Fund of £4.731m to support the budget over the period 2015/16 to 2018/19, with £2.620m being allocated to support the 2016/17 budget.

3.3 At this stage the greatest financial uncertainty and risk relates to the scale and timing of the 2016/17 Government Grant cuts for individual Councils, as these details will not be announced by the Government until late December 2015. This makes financial planning extremely challenging and in the event that the actual grant cut is higher than forecast Councils will only have a very limited timescale to address this issue.

3.4 In order to provide a longer timescale to manage a higher actual grant cut, which will enable more robust plans to be developed and consultation to be completed, the quarter 1 budget monitoring report recommended that one-off resources achieved from the 2015/16 forecast managed under spend (which for planning purposes it is assumed will be achieved) be allocated to address this risk. In addition, a separate report on the agenda for this meeting recommends that part of the resources released from the reserves review should also be earmarked to help manage this risk.

3.5 The report considered by the Finance and Policy Committee on 29 June 2015 advised Members that for 2016/17 the Council faces a net forecast deficit of £4.135m. This is after reflecting forecast corporate savings and the planned use of reserves, which reduce the need for service cuts in 2016/17, as summarised below:

2016/17 Forecast Budget Deficit

	£'000
Gross forecast deficit	7,296
Less - Contribution from Budget Support Fund	(2,620)
Less - Forecast Corporate Savings (net of Budget pressures)	(541)
Forecast Budget Deficit	**4,135**

3.3 The following table summarises the forecast deficits for the next three years which were reported in June 2015. These forecasts exclude the impact of the 48% reduction in the Rateable Value of the Power Station, as a separate strategy will need to be developed to address this issue. The forecasts also exclude the impact of the Chancellor's announcement on 5th October to enable Local Authorities to retain 100% of Business Rate by 2020. This change will also see Revenue Support Grant phased out and a detailed assessment of these proposals will need to be completed when more information is provided by the Government. An initial assessment of these proposals indicates that they will have a negative impact on Hartlepool and increase financial risk as a greater proportion of the Council's overall income will come from Business Rates, including the Power Station.

Summary of Forecast budget deficits 2016/17 to 2018/19

	Worst case £'000
2016/17	4,135
2017/18	4,954
2018/19	4,908
	13,997

3.4 The June MTFS report also detailed the budget timetable for 2016/17 and the remaining key dates/activities are summarised below, including when reports on the 2016/17 Local Council Tax Support Scheme will be considered (shaded text), as this issue needs considering at broadly the same time as the budget.

Approved Budget Timetable

Budget Decisions	**Timetable**
Finalise 2015/16 budget proposals to be referred to Council and proposed 2015/16 Local Council Tax Support scheme	Finance and Policy Committee – 16.11.15
Consider Finance and Policy Committees' 2015/16 budget proposals and proposed 2015/16 Local Council Tax Support scheme.	Council – 10.12.15
Council Tax Decisions – Statutory Calculations	
Finalise Council Tax proposals to be referred to full Council	Finance and Policy Committee – 11.01.16
Consider and approve Council Tax statutory calculations for HBC	Council – 21.01.16
Approve Council Tax statutory calculations including precepts set by Police and Fire.	Council – 25.02.16

4. POLICY COMMITTEES INITIAL RESPONSE TO THE MEDIUM TERM FINANCIAL STRATEGY (MTFS) PROPOSALS FOR 2016/2017 SPECIFIC ISSUES TO BE CONSIDERED BY THIS COMMITTEE

4.1 In accordance with the agreed process, details of proposed savings for 2016/17 were presented to the Policy Committees in August / September 2015. In considering the proposals relevant to each respective service area, the views / comments made by the Policy Committees are outlined in **Appendix A**.

5. RISK IMPLICATIONS

Addressed within the reports to the individual Policy Committees.

6. FINANCIAL CONSIDERATIONS

Addressed within the reports to the individual Policy Committees.

7. LEGAL CONSIDERATIONS

Addressed within the reports to the individual Policy Committees.

8. CHILD AND FAMILY POVERTY CONSIDERATIONS

Addressed within the reports to the individual Policy Committees.

9. EQUALITY AND DIVERSITY CONSIDERATIONS

Addressed within the reports to the individual Policy Committees.

10. STAFF CONSIDERATIONS

Addressed within the reports to the individual Policy Committees.

11. ASSET MANAGEMENT CONSIDERATIONS

Addressed within the reports to the individual Policy Committees.

12. RECOMMENDATIONS

12.1 That the Finance and Policy Committee notes and approves the views / comments expressed by each of the individual Policy Committees, outlined in **Appendix A** of the report;

12.2 That the responses received from the Policy Committees be fed back to the Corporate Management Team to assist in the preparation of finalised savings proposals for 2016/17, which will go on to be considered by the Finance and Policy Committee on the 16 November 2015.

13. CONTACT OFFICER

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

POLICY COMMITTEES RESPONSE TO THE MEDIUM TERM FINANCIAL STRATEGY (MTFS) PROPOSALS FOR 2016/2017 - SPECIFIC ISSUES TO BE CONSIDERED BY THIS COMMITTEE

1.1 The Finance and Policy Committee, at its meeting on the 27 July 2015, considered details of initial departmental budget savings proposals and budget pressures for 2016/17. At this meeting, it was determined to refer these proposals to the relevant Policy Committees for consideration and their responses were fed back to the Finance and Policy Committee on the 16 October 2015.

1.2 Further detailed reports in relation to the 2016/17 savings proposals were considered by the Policy Committees at their August/September 2015 meetings. Responses from each of the Policy Committees are outlined below to assist the Finance and Policy Committee in its development of detailed savings proposals at today's meeting:-

FINANCE AND POLICY COMMITTEE (28 AUGUST 2015)

1.3 The Finance and Policy Committee acknowledged the difficult financial position facing the Council in 2016/17 and the increasing challenges to be faced in coming years. The Committee went on to look in detail at the following saving programme areas for 2016/17:

The Chief Executives Department; and
Public Health Department.

THE CHIEF EXECUTIVES DEPARTMENT

1.4 The Committee reluctantly supported the £235,000 of savings identified. It was noted that the savings figure exceeded the initial savings target of £211,000 (which was also the case in 2014/15 and 2015/16). This reflected the overall approach adopted by the Corporate Management Team for identifying achievable savings, as part of an approach to protecting front line services, recognising that some elements of the Chief Executives Department are front line services.

1.5 It was noted that:

A number of requests for voluntary redundancies within the Department as part of the rolling process for considering Voluntary Redundancy and Early retirement costs; and

Vacant or fixed term posts had been considered as part of the options for savings in this year.

1.6 It was, however, recognised that whilst this had been a key principle of the 2016/17 budget, it would not be possible to manage all of the savings in this way. The Committee accepted the proposals subject to the provision of a more detailed analysis of the level and impact of any proposed redundancies was requested.

1.7 During the course of discussions, the following comments were made.

Assistant Chief Executive's Division

1.8 <u>Changes to Operational and Management Arrangements</u> – The Committee noted that limited options now exist for the removal of vacant posts. However, where there are remaining vacant posts, or temporary or acting up arrangements, these will be reviewed with the potential throughout the year to make savings. This would be subject to an assessment of the service impact/sustainability and would align with the practice supported by Members in previous years to minimise the impact of compulsory redundancies.

1.9 <u>Income and Running Costs</u> – Members supported the proposal to achieve a saving £62,500 through a review of running costs, existing income and income generation. Members requested further details of the additional income generation achieved.

Chief Finance Officer's Division

1.10 The Committee noted that the Finance Division's £100,000 savings target was to be achieved through the removal of vacant post / changes in operations and management arrangements (£80k) and running costs (£20k). The Committee noted the proposals and welcomed current indications that the required savings can be achieved through a combination of voluntary redundancies and the removal of vacant posts.

Chief Solicitor's Division

1.11 The Committee noted that the Legal Division's £30,000 savings target was to be achieved through staffing savings which are under consideration by the Chief Solicitor through on-going communications and engagement with staff.

1.12 Following consideration of savings proposals in relation to each division of the Chief Executives Department, **Members requested that finalised savings proposals submitted to the Finance and Policy Committee on the 16 November 2015 include:**

- **An analysis of the level and impact of any proposed redundancies; and**
- **Details of additional income generate to contribute to the £65,000 savings target.**

THE PUBLIC HEALTH DEPARTMENT

1.13 The Committee noted recurring savings proposals for 2016/17 and beyond in each of the service areas in public health funded through the ring fenced public health grant including:

Drug and Alcohol Services (£100,000) - Proposal being to reduce the budget for tier 4 treatment services (including medically assisted detoxification and residential rehabilitation services) and increase efficiencies in non pay budgets drug and alcohol budget.

Health Improvement (£195,500) - Proposal being to:

- Review the contribution to the 50 plus forum seeking to mainstream key activities across health and social care.
- Review the contribution to oral health promotion programme.
- Reduce the contribution to Stay Safe Stay Warm Fire Service Programme.
- Review the commissioning of bereavement services.
- Cease recurring funding for Young People's Smoking Intervention Programme and seek to mainstream through partnership with schools.
- Remove the vacant nutritionist post from the established structure.
- Reduce expenditure on public health resources and health promotion activities.

Sport and Recreation (£125,000) - Proposal being to reduce the range of physical activities initiatives on offer.

Public Protection (£95,000) - Proposal being to:

- Reduce the range of physical activities initiatives on offer.
- Review capacity to deliver environmental Health improvement initiatives.
- Review contribution to the taxi marshalling scheme.
- Efficiencies in non pay budgets.
- Reconsider the feasibility of offering a student Environmental Health Officer post (currently vacant).

Commissioning and Clinical Quality (£125,000) - Proposal being to negotiate with providers of the following services a reduction of 7.4% on contract values:

Drug and Alcohol services
Smoking services
Sexual Health service
Children and Young People's Health and Wellbeing Service

1.14 In considering the proposals the following issues were raised:-

Reduction in the contribution to Stay Safe Stay Warm Fire Service Programme - Members were assured that whilst a reduction in the budget is being considered, Public Health will work closely with Adult Services (in terms of the provision of adult social care services) to mitigate the impact of any funding reduction.

Proposed reduction in contract services for the Smoking Services Prevention Programme – Concern was expressed regarding the potential loss of the 'stop smoking' message and it was suggested that work be undertaken with schools and alternative partnership models be explored.

Taxi Marshalling – The Committee agreed that the proposal should be considered by the Safer Hartlepool Partnership in order to determine if Partner organisations could contribute to the scheme.

1.15 Referring to the reduction in ring fenced public health budgets, the Chief Executive advised the Committee of the concerns which had been expressed by the Association of Chief Executives in terms of the protection the budget following the transfer of public health responsibilities to Local Authorities.

1.16 Following consideration of savings proposals, concern was expressed regarding the ongoing provision of statutory services in light of sustained local government funding cuts and the long term implications for the provision of preventative services. **Members reluctantly supported the proposals and requested that:-**

i) When finalised savings proposals are submitted to the Finance and Policy Committee on the 16 November 2015, details be provided of alternative models, and their impact, for the provision of:

- **Stay Safe Stay Warm Fire Service Programme**
- **Smoking Services Prevention Programme**

ii) **The proposal in relation to the Taxi Marshalling service be considered by the Safer Hartlepool Partnership in order to determine if Partner organisations could contribute to the scheme.**

<u>REGENERATION SERVICES COMMITTEE</u> (28 AUGUST 2015)

1.17 In meeting Regeneration and Neighbourhood savings targets, Members noted that in addition to the savings specific to the Neighbourhood Services Committee, the following departmental savings are generic and contribute towards the overall departmental target:-

i) Departmental Management of vacancies Target (£111k) - Re-introduction of a salary abatement target which will account for vacant posts and incremental drift across the department.

ii) Support Services (£50k) - Removal of vacant posts and potential redundancies, a reduction in departmental management support budgets such as postage, general office consumables and training.

1.18 The Committee considered the following specific Regeneration Services Division savings proposals:-

i) Housing Services Income Generation (£50,000) – Completion of the transfer of the Councils new build housing and Empty Property Stock to Housing Services and combination of savings/projected income from the Social Letting Agency;

ii) Library Services (£90,000) – Proposal to reduce opening hours across the branch network;

iii) Planning Services – Enforcement Reconfiguration (£15,000) – Proposal being to reconfigure the way in which planning enforcement is carried out as a consequence of a request for voluntary redundancy; and

iv) Economic Regeneration - Various (£113,000) – Proposal being to re-organise and re-align the service. Proposal being to:

- Make savings across Statutory Economic Assessment, Local Initiatives, Tourism and Marketing, exhibitions, etc;
- Revise the management structure; and
- Set a modest income target to offset part of the core budget.

1.19 In considering the proposals the following comments were raised:-

i) Library Service:

- Members welcomed the work undertaken with stakeholders in the development of options for the review of the Library services and supported the option to reduce opening hours across the branch network, enabling the council to maintain the full range of library services whilst making the required savings.

- Members supported the promotion of volunteering opportunities in principle; some concerns were raised regarding the potential impact on employed staff as a result and the implications of the proposal to introduce refreshment provision within libraries. It was confirmed that the intention was to avoid any compulsory redundancies, utilise volunteers as an additional resource and to fill in any gaps as a result of early retirement or reduction in hours requests. This was noted, however, Members were of the view that further discussions were needed in relation to the use of volunteers.

- In terms of the catering proposals, catering provision would not be suitable in all branch libraries and would be carefully considered.

ii) Planning Services (Enforcement) - Members requested further information in relation to planning services enforcement figures in terms of which wards/areas were affected and during what period.

iii) Economic Regeneration (Various) - The Committee was pleased to note a significant decrease in youth unemployment from 17% in September 2012 to 4.9% in May 2015 and requested that thanks and congratulations be conveyed on behalf of the Committee to the Economic Regeneration Team in relation to this excellent achievement.

1.20 **Members reluctantly supported the savings proposals and were delighted that they could be achieved without the need for the closure of branch libraries.**

THE PUBLIC HEALTH DEPARTMENT

1.21 The Regeneration Committee noted with concern the savings proposals relating to the:

- Sport and Recreation service (£60,000) – Proposal being to re-organise and re-align the service; and
- Public Protection service (£19,000) – Proposal to cease the out of hours noise service, make a number of non pay general budget savings and review the financial contribution to the Tees Valley Environmental Protection Group.

1.22 In considering the proposals, the following concerns were expressed regarding the proposal to cease the provision of the out of hour's noise service. It was acknowledged that the service is valued by residents and confirmation provided that take-up figures in terms of inquiries/complaints were consistent with previous years and primarily relate to domestic noise issues (parties in the summer and people leaving pubs/takeaways during the early hours). Concerns were raised by the Secretary of the Joint Trade Unions in relation to the impact of the proposals and it was noted that further discussions with the Trade Unions were necessary.

1.23 The Committee reluctantly supported the savings proposals. It was, however, highlighted that whilst the Council carried the burden of managing out of hour's noise problems, the majority were police matters. As such, there is a need to explore with the Police any alternatives to support the provision of the services in the future.

CHILDREN'S SERVICES COMMITTEE (15 SEPTEMBER 2015)

1.24 In meeting Child and Adult Services savings targets, the Committee noted proposals to utilise:

i) A combination of Children's Services reserves (£0.233m from Demand Management), Adult Services reserves (£0.233m from Demographic Pressures) and Public Health grant reserve (£0.468m). This reflecting the greater integration of services between Child and Adults and Public Health.

ii) Generic departmental savings:
- Further integrate early help and intervention services across social care, education and public health (£0.5m).
- Departmental Salary Abatement Target (£0.25m).

iii) £0.6m of potential savings to be reported to the Adults Services Committee with the remaining £0.4m of savings proposals to be achieved from the Children's Services.

1.25 The Committee considered the following specific Children's Services savings proposals: -

i) Early Intervention Services (£0.1m) – An efficiencies review of budget lines

ii) Income generation (£0.1m) – Proposal to maximise opportunities to work collaboratively with other partners to improve the quality of services provided, identifying more efficient ways to deliver services through pooling resources.

iii) Troubled Families (£0.1m) – With the mainstreaming of the programme across services, Phase 2 can now be implemented and income from grant funding / payment by results can be offset against existing budgets to realise savings.

iv) Education (£0.1m) - Rationalisation and restructure of some services would contribute the bulk of these savings and a freeze on inflationary costs on non-pay budget areas.

1.26 The Committee was concerned that there are inherit risks in the proposals, as the savings would be largely met from reserves and as such unsustainable in the longer term. It was also noted that the risks for 2015/16 were relatively low but substantial work would be needed to prepare a sustainable budget for the department for 2016/17.

1.27 Concern was expressed regarding the potential for any knock-on effects to vulnerable people in the town receiving services from the Authority and welcomed assurances that:-

i) There were no reductions in social worker capacity proposed in the savings proposals reported; and

ii) Considerable work had been undertaken within the department to seek to remove duplication and to support areas that would lead to a longer term reduction in demand for critical support services.

1.28 Members were concerned that the success of the Troubled Families approach must not be lost and were assured that the continued success of this service approach would lead to a reduction in future longer term service demand from the families supported through the programme.

1.29 The Children's Services Committee reluctantly supported the savings proposals.

ADULT SERVICES COMMITTEE (14 SEPTEMBER 2015)

1.30 In meeting Child and Adult Services savings targets, the Committee noted proposals to utilise:

i) A combination of Children's Services reserves (£0.233m from Demand Management), Adult Services reserves (£0.233m from Demographic Pressures) and Public Health grant reserve (£0.468m). This reflecting the greater integration of services between Child and Adults and Public Health.

ii) Generic departmental savings:

- Further integrate early help and intervention services across social care, education and public health (£0.5m).
- Departmental Salary Abatement Target (£0.25m).

iii) £0.6m of potential savings to be reported to the Adults Services Committee with the remaining £0.4m of savings proposals to be achieved from the Children's Services.

1.31 The Committee considered the following specific Adult Services savings proposals:-

i) Further Integration of Health and Social Care (£0.25m) - Implementation of Hartlepool's Better Care Fund (BCF) Plan.

ii) Review of Contracts and Non-Pay Budgets (£0.15m) – Savings against contracts commissioned by the Council support adults with social care needs. Including, low level support, housing related support, support for people with sensory loss, day services for older people and support for people with dementia.

iii) Reduction in Demand for Services (£0.20m) - Strategies in place that aim to reduce reliance on more intensive and costly services, such as residential care placements. In order to continue reducing spend on Adult Services, it is essential that plans are implemented that aim to reduce this demand.

1.32 In considering the proposals the following comments were raised:-

i) Concerns were raised regarding the implications of cuts on service delivery, the limited options available to achieve the required savings and potential risks to service users given the aims of the Better Care Fund to deliver more services in a community setting. The cost implications for the Council in providing additional services in the community were highlighted. It was also suggested that the Council undertook an Impact Assessment covering the next five years to explore how the ongoing cuts would impact upon quality of life and support to vulnerable people.

ii) The impact of continuing Central Government cuts on the most vulnerable, the continuing pressures on the Council to deliver more services in a community setting with a continued reduction in budgets and the potential increase in social isolation issues as a result of the introduction of new technology.

iii) The need to consider social isolation and quality of life issues in the future planning and need to re-evaluate how all services including domiciliary care could be delivered in future.

iv) Attention was drawn to the use of reserves to meet the savings target and concern expressed regarding the potential pressure this creates for future years. Concern was also expressed regarding the potential impact of any delays in receipt of savings from the Better Care Fund and Member requested regular updates of any financial announcements during the course of the year.

1.33 The Committee reluctantly supported the savings proposals in relation to Adult Services and acknowledged that the savings had been identified from areas which would result in the minimal level of impact on frontline services and accepted that there were no alternative options.

NEIGHBOURHOOD SERVICES COMMITTEE (7 SEPTEMBER 2015)

1.34 In meeting Regeneration and Neighbourhood savings targets, Members noted that in addition to the savings specific to the Regeneration Services Committee, the following departmental savings are generic and contribute towards the overall departmental target:-

iii) Departmental Management of vacancies Target (£111k) - Re-introduction of a salary abatement target which will account for vacant posts and incremental drift across the department.

iv) Support Services (£50k) - Removal of vacant posts and potential redundancies, a reduction in departmental management support budgets such as postage, general office consumables and training.

1.35 The Committee considered the following specific Neighbourhood Services Division savings proposals:-

i) Street Lighting (Maintenance Saving) (£180k) - Voluntary redundancy and redeployment into the Highways team. These, along with a reduction in the vehicles required, and spend on materials, will result in an annual saving of £180,000 per annum on the Street Lighting Budget.

ii) Home to School Transport (£70k) - The Budget for home to School Transport is needs driven and costs will vary depending on pupil demographics as well as route efficiencies. With any demand led budget there is always a risk that demand will increase and costs will rise. Trends will be closely monitored and in the event that demand does exceed the budget provision in future years, alternative savings will be identified within the Department.

iii) Concessionary Fares (£20k) - The amount paid for concessionary fares will depend on a number of factors. The costs incurred by bus operators, the price of an adult fare, and the number of passengers travelling. In recent years above average inflation increases have been applied to this budget and, based on the actual costs incurred; this budget can be reduced by £20k in 2016/17. This is a volatile budget and costs will continue to be closely monitored on a regular basis.

iv) Operations (£215k) – Proposal being:

- An increase in productivity achieved through route optimisation programmes.

- Reconfiguration of operational activities and changes to working arrangements (from an analysis of the scheduled work carried out in some areas).

- Early Retirement/Voluntary Redundancies.

v) Facilities Management (£60k) - Efficiency savings are becoming increasingly difficult as pressures on the Trading Accounts to remain competitive and reduce prices are growing. Savings have been identified through reduction of overheads in both Building Cleaning and Catering budgets.

vi) Community Safety and Engagement (£50K) - Staff reduction through natural wasteage has given rise to the opportunity to consider the restructuring of the service.

1.36 The Neighbourhood Services Committee noted the savings proposals and was advised that the risks associated with respect to car parking income was an ongoing issue that could be managed this financial year. However, it may be that in the future, depending upon a number of factors, this could become a future budget pressure. It was suggested that given that parking was a budget pressure for Neighbourhoods and a benefit for Economic Regeneration in terms of retail benefits, there was a need to consider those pressures collectively.

FINANCE AND POLICY COMMITTEE

16th October 2015

HARTLEPOOL BOROUGH COUNCIL

Report of: Corporate Management Team

Subject: MEDIUM TERM FINANCIAL STRATEGY - REVIEW OF RESERVES AS AT 31st March 2015

1. TYPE OF DECISION / APPLICABLE CATEGORY

1.1 Non Key.

2. PURPOSE OF REPORT

2.1 To enable Members to consider:

i) the detailed review undertaken by the Corporate Management Team of the existing financial reserves that are held to manage financial risks; and

ii) the Corporate Management Team recommendations in relation to the areas where risks have reduced, enabling reserves to be released and re-allocated to either support the 2016/17 budget if the actual grant cut is higher than forecast and/or to fund other one-off priorities.

3. BACKGROUND

3.1 A number of financial reports considered by this Committee since the 2015/16 budget was approved, including the June 2015 Medium Term Financial Strategy (MTFS) report, have highlighted the increasingly challenging financial position facing the Council owing to the impact of:

- Proposals detailed by the Government in the July 2015 Budget and Spending Review to implement £37 billion of Public Spending cuts by 2019/20.

  The Chancellor has set out proposals to achieve £17 billion of this reduction from a combination of welfare reforms (£12 billion) and tackling tax avoidance and tax planning, evasion and non compliance and imbalances in the tax system (£5 billion).

The Government has indicated that plans to achieve the remaining £20 billion will be detailed in the Spending Review to be published on 25th November 2015. The Treasury "is inviting government departments to set out plans for reductions to their Resources budgets. In line with the approach taken in 2010, the HM Treasury is asking departments to model two scenarios, of 25% and 40% savings in real terms, by 2019/20."

- Government proposals for a 1% Public Sector Pay cap for 4 years from 2016/17 and the phased implementation of a National Living Wage. Further information is needed to assess the financial impact on the MTFS forecasts, although an initial analysis suggests these changes will result in an additional budget pressure in 2017/18 and beyond;

- The impact of financial risks transferred to Local Authorities from April 2013 arising from the implementation of the Business Rates Retention system;

  This change was previously identified as a significant risk for Hartlepool owing to the outstanding appeal by the Power Station against the 2010 Rateable Value set by the Valuation Office Agency (VOA). Resolution of this issue by the VOA in May 2015 has resulted in a 48% reduction in the previous Rateable Value set by the VOA. As a result the Council's share of Business Rates income reduces by £3.9m per year.

- The impact of financial responsibility and risk transferred to Local Authorities from April 2013 in relation to the Local Council Tax Support (LCTS).

  The proposals announced by the Government in the July 2015 Budget to make further changes to Welfare Benefits will increase eligibility for LCTS, as household income will be reduced. Therefore, the cost of operating the local scheme in 2016/17 and future years will increase. Further information is needed to assessment the impact and details will be reported in the final 2016/17 LCTS scheme report, which will be reported to this Committee in November;

- The impact of demand pressures – particularly in relation to Older People demographic pressures and increases in children in need;

- Forecast continued restriction of Council Tax increases and uncertainty regarding continuation of funding if Authorities freeze Council Tax in 2016/17 and future years.

3.2 At this stage the greatest financial uncertainty and risk relates to the scale and timing of the 2016/17 Government Grant cuts for individual Councils, as these details will not be announced by the Government until late December 2015. This makes financial planning extremely challenging and in the event that the actual grant cut is higher than forecast Councils will only have a very limited timescale to address this issue.

3.3 In order to provide a longer timescale to manage a higher actual grant cut, which will enable more robust plans to be developed and consultation to be completed, the quarter 1 budget monitoring report recommended that one-off resources achieved from the 2015/16 forecast outturn (which for planning purposes it is assumed will be achieved) and the reserves review should be earmarked to manage this risk. This will enable a strategy for using these uncommitted one-off resources to be developed as part of the MTFS, which will ensure these resources are used to underpin the Council's financial position, whilst recognising this is not a permanent solution to higher actual grant cuts than forecast.

3.4 This proposal will build on the strategic multi-year approach to managing the Council's overall financial position which has been taken since the Government commenced cutting Local Authority funding in 2011/12. This approach has provided robust financial foundations for managing the complex ranges of services provided by the Council during a period of sustained annual cuts in Government funding and increased financial risks. Significant benefits of this approach include:

- Establishing a Budget Support Fund – which will be used to mitigate budget cuts over the next 3 years;

- Earmarking one-off funding to support the LCTS scheme – which enabled the Council to limit the cut in support to 8.5% in 2013/14, 12% in 2014/15 and 2015/16 and proposed 12% in 2016/17. Without this funding LCTS cuts of 20% would have been required since 2013/14, in line with the arrangements adopted by the other 4 Tees Valley Authorities;

- Earmarking one-off funding to mitigate the impact of the 48% reduction in the Power Station Rateable Value. Whilst, this is not a permanent solution to this significant income reduction the one-off funding provides a longer lead time to manage this position;

- Earmarking one-off funding for redundancy and early retirement costs – without this funding even greater budget cuts would be been required to meet these contractual commitments.

4. APPROACH TO RESERVES REVIEW

4.1 In previous years the Review of Reserves report highlighted the findings of an Audit Commission report published early in 2013 on a national study they had undertaken on the level of reserves that Councils hold and the decisions Councils make relating to them. The report made the following statements:

- Reserves are an essential part of good financial management. They help Councils cope with unpredictable financial pressures and plan for their future spending commitments. The level, purpose and planned use of reserves are important factors for elected Members and Council Officers to consider in developing medium-term financial plans and setting annual budgets;

- Having the right level of reserves is important. Where Councils hold very low reserves, there may be little resilience to financial shocks and sustained financial challenges. Where reserves are high, Councils may hold more than they need;

- There is no set formula for deciding what level of reserves is appropriate, too low or too high – Councils are free to determine the reserves they hold. Chief Finance Officers have a duty to provide Elected Members with the advice they need to make good decisions;

- Further changes in Council funding took effect from April 2013, with the introduction of local Business Rates retention and new arrangements for providing Council Tax support. The impact of these changes, and the level of further funding reductions in 2015/16 and 2016/17, is not yet known, but many Councils expect their funding will reduce.

4.2 Whilst, the Audit Commission report was published in 2013 the report identified a range of questions which remain relevant and help Members in their decision making on reserves, which includes a 'good-quality, annual review to ensure the purpose and level of reserves align with medium-term financial planning'. The report identified five key areas for Members to consider:

i) How much is held in reserves;
ii) What are reserves held for, including information provided to Members;
iii) Does the Authority hold any contingency fund other than reserves to protect against unplanned costs;
iv) The relationship between reserves and Council Tax;
v) Unplanned movements on reserves.

4.3 In relation to items (i) and (ii) the next section of the report and the detailed Appendices provide an explanation of these issues. In relation to items (iii) to (v) these are covered below:

- <u>Contingency funds other than reserves to protect against unplanned costs</u>

  The Council does not provide contingency funds within the overall revenue budget to protect against unplanned costs. The Council's approach is to base the revenue budget on the most accurate assessment available for demand led budgets and to then monitor progress against the budget throughout the year at a corporate level. This approach is designed to enable corrective action to be taken at a corporate level if this is necessary to fund unplanned costs.

  This approach is underpinned by the strategic approach adopted by the Council for managing risk through the establishment of risk based reserves and the annual review of these risks and reserves.

- <u>Relation between reserves and Council Tax</u>

  Council Tax has been frozen for the last five years (i.e. 2011/12 to 2015/16) and this has enabled the Council to benefit from Council Tax freeze grants provided by the Government to limit the financial burden on individual households. At the time Members determined to freeze Council Tax it was recognised there continues to be a risk around the sustainability of the freeze grant. The Government has stated this funding will be protected within future Spending Review allocations, but it still unclear how, or if, this will feed through at an individual Council level.

Decisions to freeze Council Tax have not been directly linked to the level of the Council's reserves. The budgets for the five years up to 2015/16 have included the use of reserves specifically earmarked to support the budget and partly mitigate the impact of Government grant cuts.

As detailed in the 2015/16 MTFS report the Budget Support Fund Reserve has been increased to support the revenue budget for a further 3 years commencing 2016/17.

The level of Council Tax for 2016/17 will be considered at a future meeting to determine a final recommendation to be referred to Council, which will reflect the decisions the Government make in relation to the 2016/17 Council Tax Referendum regime and whether Council Tax freeze grant is provided for in 2016/17.

- Unplanned movements on reserves

Detailed in-year financial management reports are submitted to Members to monitor progress in the planned use of Departmental reserves and to identify where these reserves may be carried forward to fund rephased expenditure commitments or financial risks.

These reports also provide details of forecast outturns for corporate and departmental budgets to enable Members to determine a strategy for using forecast managed budget under spends. For 2015/16 this process commenced on 28th August 2015 and regular updates will be provided during the year.

There is one area where forecast outturns are more difficult to predict and that relates to funding allocations received towards the year end from outside bodies, particularly NHS bodies, to fund expenditure commitments in the following year. These resources are allocated to fund specific commitments, but at the year-end show as contributions to reserves in the Council's annual accounts.

5. DETAILS OF RESERVES HELD AT 31st MARCH 2015

5.1 As reported in previous years the starting point for the reserves review is the Statement of Accounts which details the total reserves held by the Council at the end of the financial year. For this review the relevant Statement of Accounts shows the position at 31st March 2015 and at that date the Council held total reserves of £61.896m.

5.2 As detailed in previous reviews the Council's reserves include resources earmarked for specific commitments and these amounts cannot be used for alternative purposes. At 31st March 2015 these amounts accounted for 71% (i.e. £43.999m) of the overall reserves, as detailed in **Appendix A** and in summary consists of the following items:

- Reserve Held in Trust
  These reserves cannot be spent by the Council. The reserves held in trust by the Council consist of school balances, the Civic Lottery Reserve and the Museum Acquisition Fund.

- Reserves Allocated for Specific Commitments
  These reserves include funding allocated to fund forecast one off Redundancy and Early Retirement costs over the period 2015/16 to 2018/19. Further details are provided in section 5.3.

  These reserves also include earmarked capital grants where funding was received, or allocated in 2014/15, to fund specific capital expenditure commitments which will be incurred in 2015/16 and future years, where schemes take longer than one financial year to implement.

  Following a change in accounting regulations revenue grants received in advance were reclassified from 'income in advance' to reserves. The Council records these resources as 'Strategic Ring fenced grants' and these amounts relate to revenue funding for specific projects which has been received before expenditure is incurred in 2015/16, or in a limited number of circumstances expenditure beyond 2015/16.

- Reserves allocated for Council Priorities
  These reserves reflect previous decisions by Members to allocate one-off resources to smooth the impact of Government grant cuts on:
    - the Medium Term Financial Strategy to provide a longer lead time to make permanent budget reductions; and
    - the Local Council Tax Support scheme to limit the cut in support for low income working age households.

  These reserves also include one-off funding to manage the disproportionate reduction determined by the Valuation Office Agency for the Power Station, which resulted in a Rateable Value Reduction of £16.1m, a reduction of 48%. As a result of this decision the Council's recurring Business Rates income reduces by £3.9m. The available reserve simply provides a slightly longer lead time to address this issue. Detailed proposals have been submitted to the Department for Communities and Local Government seeking a permanent solution to this disproportionate income reduction and further details will be reported to a future meeting.

- General Fund Reserve
  This is the only reserve held to manage unforeseen events and any temporary usage would need to be repaid to ensure the Council maintains an emergency fund. The balance at 31st March 2015 includes Public Health

Funding (£0.62m) allocated within the February 2014 MTFS to manage potential risk of a reduction in Public Health funding in 2016/17.

When account is taken of this commitment the net uncommitted General Fund Reserve is £4.037m. This amount equates to approximately 4% of the net General Fund budget, which is within the previously recommended range of 3% to 5%. In view of the increased financial risks facing the Council it is recommended that the level of the uncommitted General Fund reserve is appropriate and should be retained.

5.3 **Redundancies and Early Retirement Costs Reserve - £6.151m**

5.3.1 In previous years the MTFS report has advised Members that the Council will face significant one-off redundancy and early retirement costs (for those employees aged 55 years and older) as a result of the need to make significant budget cuts. These costs are likely to increase year on year as other non staffing cuts become more difficult to achieve. To avoid having to make even higher budget cuts to fund these one-off costs the Council has earmarked one-off resources to fund these costs and thereby protect front line services as far as possible in the current financial climate.

5.3.2 In terms of estimating these costs two factors need to be assessed.

- Firstly, the proportion of the overall budget spent on pay budgets, which is around 56%. On this basis it is a reasonable planning assumption that 56% of the total savings required over the period 2016/17 to 2018/19 of £14m will come from pay budgets, which equates to approximately £7.8m.

- Secondly, an estimate is made of redundancy and early retirement cost arising from reducing staffing budgets and the number of employees. This assessment is more difficult as the costs are dependent on an individual employees pay, age and length of service with the Council. To assess these variables it is appropriate to use experience of redundancy and early retirement costs over the last 6 years and how this compares to the ongoing pay savings which have been achieved.

5.3.3 As detailed in the table below the average cost of redundancy and early retirement costs as a percentage of the ongoing savings in pay budgets is 80%. This equates to an average pay back period of approximately 9.5 months, which is well within the Council's maximum pay back for individual post decisions of 3.05 years.

	Pay Savings £'000	Redundancy and Early Retirement costs £'000	Redundancy and Early Retirement costs as percentage of pay savings
2010/11 to 2014/15	12,144	9,701	80%

5.3.4 On the basis of the above factors estimated redundancy and early retirement costs relating to the General Fund Budget for the three years 2016/17 to 2018/19 are £6.27m.

5.3.5 There is a risk the actual redundancy and early retirement costs over the next three years will be higher than this estimate owing to a combination of factors:

(i) a higher proportion than 56% of the overall savings over the period of the MTFS coming from pay budgets;

(ii) the average cost of redundancy and early retirement costs as a percentage of the ongoing savings in pay budgets increasing above 80% (i.e. payback period of 9.5 months) This risk reflects the ageing profile of the Council work force and early retirement costs which arise from making employees above 55 year old redundant;

(iii) higher actual Government grant cuts for the period 2016/17 to 2018/19 than forecast, which would increase the forecast budget gap of £14m and increase the number of redundancies.

5.3.6 An initial assessment of the proposed 2016/17 savings indicates that proposals to manage vacancies during the current year will reduce the need for compulsory redundancies as part of the 2016/17 budget proposals. This may reduce the call on this reserve. However, the Government has indicated that Public Spending cuts will continue for 4 years (2016/17 to 2019/20), which is a year longer than the current MTFS. Therefore, in the event that redundancy/early retirement costs are lower in 2016/17 than in previous years, it is recommended that these resources are retained to meet 2019/20 redundancy/early retirement costs, as there is currently no funding for this year.

5.3.7 This approach will build on the successful approach adopted over the last 6 years for managing reductions in the work force as a result of Government grant cuts, which

- enabled the Council to fund redundancy/early retirement cost from one-off resources and therefore avoided the need for even greater in year cuts; and

- minimised the number of compulsory redundancies by carefully managing vacancies and redeploying staff wherever possible.

5.3.8 Experience over the last 6 years demonstrates the permanent payroll savings which have been achieved by reducing the size of the workforce and the one-off costs incurred. In view of this experience, and the unavoidable need to make further payroll reductions as part of the strategy for managing continuing Government grant cuts, the Corporate Management Team recommend that the existing redundancies and early retirement cost reserve of £6.151m should be retained.

5.3.9 The commitments to be funded from this reserve will need to be reviewed on an annual basis as it may be necessary to set aside further funding for redundancy and early retirement costs over the period of the MTFS. This funding will either need to be identified from future one-off funding, for example managed budget under spends in 2016/17 and future years. If this is not possible it may require even higher budget cuts to be implemented than already forecast in the MTFS.

5.3.10 Consultation on proposed cap for exit costs

5.3.11 At the start of August 2015 the Government published proposals for 'capping exit' costs for public sector employees at £95,000, which was subject to a 4 week consultation period. These proposals seem to be targeted at areas of the public sector where the Government believes 'excessive' exit costs have been incurred by public sector organisations. This position reflects the practise in other parts of the public sector where redundancy payments of up to 2 years salary are paid. The maximum redundancy payment for the Council is 30 weeks pay, based on continuous local government service of 20 years plus, for an employee aged 61 plus.

5.3.12 The consultation suggests that 'exit costs' will include redundancy payments and pensions costs for employees age 55 and over who are made redundant and contractually entitled to release of their pension if made redundant.

5.3.13 As detailed earlier is this section the Council has incurred total 'exit costs' of £9.701m. This equate to an average cost per employee of approximately £24.4k (consisting of average redundancy payment of £13.1k and average one-off pension cost of £11.3k) which is significantly below the proposed £95k cap. These figures reflect the robust approach the Council takes to managing redundancies and the less generous redundancy terms for the Council's employees compared to other parts of the public sector.

5.3.14 An analysis of redundancies made over the last 5 years (i.e. 2011/12 to 2015/16) shows that only 5 out of 393 redundancies resulted in an 'exit cost' to the Council greater than £95k. The payback period for these 5 cases ranged from 1.8 to 2.6 years, which was less than the maximum payback period of 3.05 years.

5.4 **NET VALUE OF RESERVES AT 31ST MARCH 2015**

5.5 After reflecting the commitments detailed in paragraph 5.2 the net value of the Councils reserves which Members need to review is £17.902m, as detailed in table 1 overleaf:

Table 1 – Value of Council Reserves at 31st March 2015

Balance at 31 March 2014 £'000		**Balance at 31 March 2015 £'000**
54,750	Total Reserves (per 2014/15 Statement of Accounts)	61,896
	Less Reserves Held in Trust	
(7,042)	School Balances	(5,871)
(517)	Civic Lottery Reserve & Museum Acquisitions	(528)
	Less Reserves allocated for specific commitments	
(7,629)	Redundancy and Early Retirement Costs Reserve	(6,156)
(4,443)	Earmarked Capital Reserves	(6,892)
(4,677)	Strategic Ringfenced Grants	(6,736)
	Less Reserves allocated for Council Priorities	
(3,732)	Budget Support Fund - 2015/16 to 2018/19	(5,455)
(2,650)	Power Station Business Rates Reduction Reserve	(4,784)
(2,057)	Local Council Tax Support Scheme Reserve	(2,920)
(5,153)	Less - General Fund Reserve	(4,657)
16,849	**Value of Council's Revenue Reserves**	**17,897**

5.6 Details of the reserves of £17.902m are provided in Appendices B to G and in summary relate to the following areas:

	Appendix	Value of Reserves at 31.03.14 £'000
Corporate Reserves	B	10,497
Child and Adult Services	C	2,888
Education Services	D	928
Regeneration and Neighbourhoods	E	1,638
Public Health	F	1,678
Chief Executive's Department	G	268
Total		17,897

5.7 The appendices provide a detailed analysis of:

- Balance as at 31st March 2015;
- The planned use of reserves over the period 2015/16 to 2018/19. For some Corporate Reserves no planned usage is shown as these items relate to reserves held to manage demand led risks where the timing is uncertain, for example the Insurance Fund reflects an assessment of outstanding claims

where the Council will be required to make a payment, but the timing is uncertain;

- Estimated Balance at 31st March 2019. For some Corporate Reserves this includes reserves held to manage specific risks where the timing cannot be predicted, as detailed in the previous bullet point;
- Value of Reserve to be released;
- Reason for release of Reserve. This column identifies those areas where the risk the reserve was originally earmarked to manage has reduced and the reserve can be released.

5.8 The following paragraphs provide details of the key issues impacting on the level of reserves and the linkages to the MTFS and other strategies, such as the funding strategy for managing the Local Council Tax Support scheme.

5.9 Corporate Reserves

5.10 The total value of these reserves is £10.497m as detailed in **Appendix B** and includes 7 key reserves which account for £8.55m (81%) of this total as detailed in the following paragraphs.

- Insurance Fund - £4.102m

  This reserve is held to fund the cost of all insurance payments outside of policy excess levels. An annual assessment of forecast liabilities is undertaken with support from the Council's external Loss Adjustors. The Loss Adjustors are insurance experts who support the Council to manage and settle insurance claims and therefore have wide ranging experience of the insurance market. A large proportion of insurance claims against the Council relate to complex cases where there is a significant time delay between the receipt of a claim and the claim being settled (either an insurance payment made, or liability declined). Therefore, the annual assessment of forecast liabilities involves an assessment of outstanding claims to identify the probability the claim will be successful. An assessment of the forecast insurance settlement is then made based on the nature of claims and experience of insurance settlements for similar claims in the insurance market.

  The assessment of the fund also includes an assessment of potential claims not yet notified to ensure these issues do not result in an unbudgeted revenue cost. The assessment undertaken to determine the Insurance Funds value at 31st March 2015 and the previous valuation at the 31st March 2014 recommended a reserve of £4m, which is broadly the level of the existing fund.

  The reserve is also used to manage changes in insurance premium costs arising from changes/volatility in the insurance market and thereby avoid additional budget pressures. For example, the Combined Liability Policy, which provides insurance for public liability, employee liability, libel and slander, official's indemnity, professional indemnity and land charges, was renewed in 2014. This Policy provides insurance for claims of up to £35m.

The previous renewal had provided a significant premium saving. However, since that time the insurance market has changed and the 2014 tendering process resulted in significant premium increases. To partly mitigate this increase the policy excess has been increased from £0.1m to £0.25m and this increased risk will be borne by the Insurance Fund. Whilst, this action has reduced the insurance premium for the next two years there is still an increase against the previous arrangement. Therefore, the additional premium cost will be funded from the Insurance Fund to avoid an additional budget pressure of £80,000 in 2015/16 and 2016/17.

A number of insurance policies are due for renewal during 2016/17 and as part of this review options to reduce ongoing insurance costs for 2017/18 and future years will be explored. This will include reviewing policy excesses and the level of self insurance to determine if a 2017/18 budget saving can be achieved. This approach will increase the financial risk the Council is managing as ongoing savings will only be possible if the Council retains an adequate insurance fund to manage increased risk.

- <u>Strategic Risk Reserve - £1.027m</u>

As reported in previous years Equal Pay issues continue to evolve and some risks are resolved, whilst new risks emerge as Court cases are settled in relation to other Councils, or organisations, which set national precedents. Equal pay issues have two potential financial impacts. Firstly, a one-off impact from the back dating of the Equal Pay change. Secondly, an ongoing impact from applying the Equal Pay changes on a permanent basis. The reserve is primarily allocated to fund backed dated cost, although it may be necessary to use the reserve to fund ongoing costs where these arise part way through a financial year in order to provide a longer lead time to identify a permanent funding solution.

Equal Pay risks are reviewed on a six monthly basis by the Corporate Management Team and the most recent review has identified a number of risks which have reduced or no longer exist. However, this reserve is anticipated to be needed to help manage the financial impact of implementing the National Living Wage over the next 4 years. This issue is being assessed and a separate report will be submitted to Members in the near future to address this issue within the MTFS timetable.

- <u>Capital Risk Strategy Reserve - £0.901m</u>

This reserve is earmarked to manage potential phasing risks in relation to the Jackson's Landing Development.

- <u>Treasury Management Reserve - £0.870m</u>

This reserve was originally created to manage interest rate risk over the period of the MTFS and to ensure that if interest rates increase sooner and / or to a higher level than anticipated there will not be an overspend. In response to the continued low level of interest rates this reserve was reallocated to support the achievement of a permanent reduction in the loan repayment budget of £1.27m (£1m as part of the 2014/15 budget and £0.27m as part of the 2015/16 budget).

When the additional recurring reduction of £0.27m was included in the 2015/16 base budget it was recognised that the actual loan repayment savings will not be fully achieved until 2019/20, as these saving will be phased in over a number of years. In taking these saving fully into account in the 2015/16 budget it was also recognised that this reserve would be used on a phased basis over the period 2015/16 to 2018/19.

- Protection Costs Reserve - £0.75m

This reserve was originally allocated to fund one off protection costs which would have been payable if the proposal to achieve recurring Terms and Conditions had been approved. Part of these savings had been built into the 2015/16 budget, so alternative savings will need to be identified, and part had been allocated to fund the implementation of the Hartlepool Living Wage. The Hartlepool Living Wage proposals were being developed before the Chancellor made his announcement in July 2015 for a National Living Wage to be implemented from 1st April 2016.

The approved 2015/16 MTFS allocated part of this reserve (£0.180m) to partly fund Holiday Pay costs arsing from a European Court of Justice decision in 2015/16 and 2016/17, leaving £0.570m of this reserve for potential protection costs.

As protection costs will not now be incurred an alternative strategy for using the residual reserve of £0.57m is being developed which, on a temporary basis, will help address the impact on the MTFS of not achieving the Terms and Conditions and consider revised proposals for implementing the Hartlepool Living Wage. These proposals are currently being developed and will be included in the MTFS report to this Committee on 16th November 2015.

- Income Risk Reserve - £0.5m

This reserve is earmarked to offset shortfalls in income from the Shopping Centre and Local Land Charges arising from continued difficult economic conditions.

- Regeneration Projects Reserve £0.4m

This reserve was created from one-off funding to support Regeneration Priorities. Phasing of this reserve will be linked to the Hartlepool Vision and the approval of individual projects by Members.

5.11 Child and Adult Services Reserves

5.12 The total value of these reserves is £2.888m as detailed in **Appendix C**. Three reserves account for £2.415m (84%) of this total as follows. As part of the 2016/17 Child and Adult Services savings proposals departmental reserves and Public Health Reserves totalling £0.934m are allocated to support the 2016/17 budget to provide a longer lead time to identify permanent budget reductions of this amount by managing demand.

- Children's Social Care and Early Intervention reserve £0.999m – which is committed to support costs of remodelling existing service provision;
- Child and Families Reserve £0.995m - allocated to meet demand pressures of Looked after Children;
- Demographic Pressures in Adult Social Care reserve £0.421m – allocated to meet increased cost pressures.

5.13 Education Services Reserves

5.14 The total value of these reserves is £0.928m as detailed in **Appendix D**, which consists of the following two reserves:

- School Improvement Reserve £0.711m – allocated to enhance and develop school improvement over the period 2015/16 to 2016/17;
- Academy Risk Reserve £0.217m – allocated to ensure sustainability of the services over the period of the MTFS.

5.15 Regeneration and Neighbourhoods

5.16 The total value of these reserves is £1.638m as detailed in **Appendix E**. Five reserves account for £1.375m (84%) of this total as follows:

- Social Housing New Build Reserve £0.547m – ring fenced to fund future repair costs in accordance with the approved business cases for these projects. Further details in relation to this reserve are provided in paragraph 6.4;
- Royal Navy Museum Reserve £0.520m – this reserve is allocated to support the development of the National Museum of the Royal Navy's northern hub in Hartlepool over the period 2015/16 to 2019/20. This amount reflects the worst case forecast and it is hoped that as visitor numbers increase and the Council benefits from the 50/50 profit sharing agreement that the actual contributions be less than forecast. Commitments against this reserve will be reviewed on an annual basis.
- Seaton Community Centre Management Reserve £0.108m – this reserve was created from previous years surpluses generated by the Community Centre and is committed as part of the Seaton Master plan.
- Engineering consultancy reserve £0.1m – earmarked to manage trading account income volatility;

- Fleet Reserve £0.1m – ring fence to fund future repairs and maintenance cost.

5.17 Public Health

5.18 The value of this reserve is £1.678m as detailed in **Appendix F.** This is ring-fenced funding and can only be spent on Public Health initiatives. The reserve is held to manage the potential risk of a significant reduction in Public Health funding in future years if the Government introduce the Pace of Change reforms. As the timing is uncertain the phasing is an initial assessment and will be reviewed on an annual basis.

5.19 Chief Executives Department

5.20 The total value of these reserves is £0.268m and there are eleven reserves which range in value from £2,000 to £74,000. Full details are provided in **Appendix G**.

6. OUTCOME OF RESERVES REVIEW

6.1 As indicated earlier in the report and within the June MTFS report the multi-year approach to managing budgets and reserves has formed a key element of the Council's financial strategy. This approach has helped the Council manage the impact of a 39% (£30.4m) cut in Government grant since 2010/11 and provided resources to fund one-off expenditure commitments. This approach will become even more important over the next three years owing to the continuation of cuts in Government funding and continuing financial risks being managed by the Council.

6.2 Against this background a further review of reserves has been completed to:

- confirm those reserves which need to be retained to fund known expenditure commitments;

- confirm those reserves which need to be retained to fund financial risks and avoid the need for emergency in year budget cuts when these risks occur; and

- identify those reserves where the initial risk has reduced and the reserve (or part of the reserve) is longer needed and can therefore be released.

6.3 As a result of this detailed review it is recommended by the Corporate Management Team that reserves of £0.389m can be released as summarised overleaf. Appendices B to G provide details of the reserves which can be released and the reasons these amounts are no longer required.

Summary of Reserves which can be released

	Value of Reserves at 31.03.15 £'000	Value of reserves which can be released £'000
Corporate Reserves	10,497	205
Child and Adult Services	2,888	610
Education Services	928	0
Regeneration and Neighbourhoods	1,638	25
Public Health	1,678	0
Chief Executive's Department	268	49
Total	17,897	889

6.4 The value of reserves which can be released excludes funding which can be released following a review of the Social Housing Repairs and Maintenance Sinking Fund Reserve. In line with the approved Business Case this reserve was established to fund repairs over the lifetime of the housing stock to ensure the stock remains in good condition and the Council does not store up future unfunded liabilities. A separate report reviewing the Social Housing Business Case, including the Repairs and Maintenance Reserve, will be completed and details reported to a future meeting to align with the MTFS timetable for 2016/17.

7. CONCLUSION AND STRATEGY FOR USING UNCOMMITTED RESERVES AND 2015/16 FORECAST OUTTURN

7.1 Previous reports have highlighted the significant financial benefits of adopting a multi-year approach to managing the Council's overall resources, including the use of reserves. This approach has enabled the Council to deliver the following key objectives:

- Limit Local Council Tax Support Scheme cuts to 8.5% in 2013/14, 12% in 2014/15 and 2015/16 and 12% planned for 2016/17. The other Tees Valley Council's all implemented 20% reductions for 2013/14 to 2015/16;

- Partially mitigate the impact of Government Grant cuts on the General Fund budget by using the Budget Support Fund of approximately £4.8m over the period 2015/16 to 2018/19. This includes using £2.6m in 2016/17;

- To fund significant one-off redundancy and early retirement costs from one-off resources, therefore avoiding even higher budget cuts to fund these unavoidable costs; and

- To manage the short-term impact of the 48% reduction in the Power Station Rateable Value.

7.2 The June 2015 MTFS report detailed the significant financial challenges facing the Council which will require **forecast** budget cuts of **£14m** to be achieved over the next three years – i.e. before 31st March 2017. The actual deficit may be higher if actual Government grant cuts are higher than forecast and/or are front loaded in 2016/17.

7.3 The Government has commenced a Spending Review and the outcome of this review will be published on 25th November 2015. However, details of the cuts in Government Grant for individual Councils will not be known until December, probably the week leading up to Christmas based on recent experience. This makes financial planning extremely challenging and if the actual grant cut is higher than forecast means that officers and Members will only have a limited timeframe to identify and implement additional budget reductions. In reality any additional budget reductions would only have a part year impact, owing to the lead time for identifying and then implementing these additional measures.

7.4 Therefore, against this uncertain background the Council needs to adopt one of the following options to manage the impact of the actual 2016/17 grant cut being higher than forecast:

- **Option 1 -** Development a fall back schedule of additional budget reductions; or

- **Option 2 -** Earmark additional one-off resources to provide a longer lead time to identify additional budget reductions to offset the impact of a higher actual 2016/17 Government grant cut than forecast.

7.5 The Corporate Management Team has already recommended Option 2 as this provides an additional 12 month lead time to develop a strategy for addressing a higher 2016/17 Government grant cut than forecast. This recommendation is made on the basis of Members recognising that this does not provide a permanent solution and simply defers additional budget cuts until 2017/18. However, this is a more manageable position than Option 1 as it avoids developing and consulting on a range of additional savings proposals for 2016/17 which may not be required.

7.6 The recommendation to adopt Option 2 was made before the Reserves Review was completed and Members had indicated they wished to considering identifying funding to help address Child and Family Poverty, including Members concerns regarding holiday hunger during school holidays arising from the increasing impact of the Government's Welfare Reforms. Detailed proposals will be developed and costed to enable Members to consider these proposals as part of the MTFS report in November. As a significant proportion of the resources released from reviewing reserves has been identified from Child and Adult Services departmental reserves it is recommended that £0.5m of the amount released from the reserves review be allocated for Child and Family Poverty. This will leave a residual balance of £0.389m to support Option 2 from the reserves review.

7.7 In addition, the Council is in the fortunate position that the effective management of the 2015/16 budget will result in a managed budget underspend. Therefore, the forecast uncommitted one-off resources available to support option 2 is between £1.058m and £1.278m as set out below:

	Worst Case - Forecast one-off resources £'000	Best Case - Forecast one-off resources £'000
2015/16 net forecast outturn	669	889
Reserve Review (gross amount released of £889k less allocated for Child and Family Poverty initiatives)	389	389
Total Forecast Uncommitted Resources	1,058	1,278

7.8 It is therefore recommended that these resources are earmarked to manage the impact of a higher actual 2016/17 Government grant cut than forecast.

7.9 In the unlikely event that the actual 2016/17 Government grant cut is the same as the forecast grant cut an alternative strategy for using these resources can be considered. As reported on 28th August there are a number of potential commitments which Members may wish to consider funding from the additional uncommitted one off resources, as follows:

- 2016/17 Ward Member Budgets £132,000
  It has been anticipated that alternative funding to continue Ward Member budgets in 2016/17 and future years could be secured from a proposed Wind Turbine development. The 2016/17 savings report to the Regeneration Committee will advise Members that this initiative is taking longer to implement than anticipated and is affected by Government policy changes. Therefore, the forecast 2016/17 income stream will not be achieved. The Director of Regeneration and Neighbourhoods has identified alternative proposals to address the 2016/17 departmental savings proposal.

  If Members wish to continue Ward Member budgets in 2016/17 pending the receipt of Wind Turbine income in 2017/18, temporary funding will need to be identified for 2016/17.

- Jacksons Landing Interest Free loan
  As part of the approved 2014/15 Outturn Strategy Members noted that the interest free period has been extended to October 2017, which provides a longer lead time to develop this site. Members determined to allocate part of the uncommitted 2014/15 outturn to increase the value of resources allocated to cash back the interest free loan to 80%, which minimises the unfunded financial risk in 2017/18 from repaying the interest free loan. Members may wish to allocate part of the 2015/16

forecast outturn to increase cash backing of the interest free loan to 100% to completely remove this financial risk.

7.10 In addition, even if the uncommitted additional one off resources are not needed to offset a higher actual 2016/17 Government grant cut, the Council will still face an increasingly difficult financial situation over the next four years and determining plans for savings becomes more problematic each year. The scale of the challenge faced over the last Parliament and the compound nature of the cuts has resulted in consideration being given to a plan for reshaping the council, its working arrangements with partners and the nature of some of its services. This approach is being considered to ensure that the Council can continue to deliver important Council services and to ensure that a balanced budget can be set. As part of this work a longer term plan for the Council is being established and will be considered by a future meeting of this committee. This will require one off funding and consideration along policy priorities which Members may wish to fund, covering:

- The allocation of uncommitted one off resources to support the General Fund budget in 2017/18 and future years;
- The allocation of uncommitted one off resources to support the 2017/18 Local Council Tax Support scheme;
- The allocation of uncommitted one off resources to support the 3 year plan for reshaping the Council, which may require one-off resources to achieve ongoing savings.

7.11 At this stage it is recommended that a decision on the use of the one-off resources detailed in paragraph 7.6 is deferred until details of the actual 2016/17 Government grant cut is known. This will enable a strategy to be developed which provides the best medium term financial benefits for the Council and builds on the approach adopted successfully over the last 5 years.

8. RISK IMPLICATIONS

8.1 These are covered in detail in the appendices to this report.

9. FINANCIAL CONSIDERATION

9.1 These are covered in detail in sections 5-7.

10. LEGAL CONSIDERATION

10.1 None.

11. CHILD AND FAMILY POVERTY CONSIDERATIONS

11.2 No direct impact arising from recommendations within this report, although some reserves are specifically allocated to address these issues.

12. EQUALITY AND DIVERSITY CONSIDERATIONS

12.1 None.

13. STAFF CONSIDERATION

13.1 None.

14. ASSET MANAGEMENT CONSIDERATION

14.1 None.

15. RECOMMENDATIONS

15.1 It is recommended that Members:

i) Note the report;

ii) Approve the proposal to allocate £0.5m from the Reserves Review for Child and Family Poverty and to note that details proposals for addressing this issue will be developed and reported as part of the November MTFS report

iii) Approve the proposal to earmark the forecast uncommitted resources arising from the 2015/16 forecast managed under spend and review of reserves (net of £0.5m allocated for Child and Family Poverty) of between £1.058m and £1.278m, until details of the 2016/17 actual Government grant cut are known;

iv) Note that a further report will be submitted to the Finance and Policy Committee once the 2016/17 actual Government grant cut is known to enable Members to approve a strategy for the resources detailed in recommendation (ii) and this will consider the issues detailed in paragraphs 7.8 and 7.9;

v) Note that a separate report reviewing Social Housing Business Case, including the Social Housing Repairs and Maintenance Sinking Fund Reserve, will be submitted to a future meeting to align with the MTFS timetable;

vi) Note that revised proposals for using the Protection Costs Reserves of £750k and the Hartlepool Living Wage Reserve of £49k will be developed to help address, on a temporary basis, the impact on the MTFS of not achieving the Terms and Conditions savings and underpin alternative proposals for implementing the Hartlepool Living Wage and managing the impact of the National Living Wage increases proposed by the Government. These proposals will be included in the MTFS report to the Committee on 16th November 2015.

16. REASON FOR RECOMMENDATIONS

16.1 To enable a strategy for using the one-off benefits from the reserves review and 2015/16 forecast outturn to be developed as part of the MTFS, with the objective of continuing to protect the medium term financial position of the Council.

17. BACKGROUND PAPERS

Medium Term Financial Strategy 2016/17 to 2017/18 report to Finance and Policy Committee 29th June 2015.

Strategic Financial Management Report 2015/16 to Finance and Policy Committee 28th August 2015.

18. CONTACT OFFICER

Chris Little
Chief Finance Officer
Chris.Little@hartlepool.gov.uk
Tel: 01429 523002

EARMARKED FOR SPECIFIC COMMITMENTS RESERVES

			Planned Use of Reserve									
Balance as at 31st March 2014	**Reserve**	**Balance as at 31st March 2015**	**2015/16**	**2016/17**	**2017/18**	**2018/19**	**Total Planned Use of Reserves**	**Estimated Balance at 31/03/19**	**Reason for/purpose of the Reserve**	**Total Value of Reserve to be Released**	**Value of Reserve to be Retained to fund commitments 2015/16 to 2018/19**	**Reason for Release of Reserve**
£'000		**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**		**£'000**	**£'000**	
	Reserves Held in Trust											
7,042	School Balances	**5,871**	(1,467)	(1,467)	(1,467)	(1,470)	(5,871)	**0**	School reserves have reduced as schools have utilised their reserves to assist with lower increases in revenue funding, contributions to planned capital works and transfer of reserves to those Schools which converted to Academy Status during 2014/15. The reserves will be utilised over more than one financial year in accordance with the implementation of multi-year budgets.	0	5,871	
517	Civic Lottery Reserve & Museum Acquisitions	**528**	0	0	0	0	0	**528**	The Lotteries Reserve, which consists of the proceeds of the Civic Lottery and donations received, is an earmarked reserve and the investment income generated is used for grants and donations to local organisations. The Museums Acquisition Reserve was set up to put monies aside for the acquisition of items for the Museum.	0	528	
	Reserves allocated for specific commitments											
7,629	Redundancy and Early Retirement Costs Reserve	**6,156**	**(2,052)**	**(2,052)**	**(2,052)**	**0**	**(6,156)**	**0**	This reserve has been created to fund the estimated costs of redundancy/early retirement over the period of the MTFS and reflects experience of these costs over the last 5 financial years. Phasing is indicative based on the forecast budget deficits and will be reviewed annually.	0	6,156	
4,443	Earmarked Capital Reserves	**6,892**	**(6,892)**				**(6,892)**	**0**	This reserve is held to fund future capital schemes.	0	6,892	
4,677	Strategic Ring Fenced Grants	**6,736**	**(1,385)**	**(2,613)**	**(1,454)**	**(1,284)**	**(6,736)**	**0**	This reserve has been created from grants given to the Council. These grant monies will be spent over more than one financial year.	0	6,736	
	Reserves allocated for Council priorities											
3,732	Budget Support Fund Reserve 2015/16 to 2018/19	**5,455**	**(1,342)**	**(2,620)**	**(1,224)**	**(269)**	**(5,455)**	**0**	This reserve has been established to support the budget between 2015/16 to 2018/19.	0	5,455	
2,650	Power Station Business Rates Reduction Reserve	**4,784**	**(4,784)**	**0**	**0**	**0**	**(4,784)**	**0**	This reserve has been established to address the financial risk of the impact of the Business rates being relocalised in April 2013 and the implementation of the 'safety net' arrangements. This reserve is earmarked to manage the impact of the 48% reduction in the rateable value of the Power Station. For planning purposes it is assumed this amount will be fully committed in 2015/16, although the actual phasing may vary if the Government provide support to manage the financial impact.	0	4,784	
2,057	Local Council Tax Support Scheme Reserve	**2,920**	**(968)**	**(584)**	**(934)**	**(134)**	**(2,620)**	**300**	This reserve was created to partly mitigate the impact of the change to the Council Tax Benefit regime and the resulting cut in Government Grant. The balance of £0.3m is recommended to manage in year risk over the next three years.	0	2,920	
5,153	**General Fund Reserve**	**4,657**	**0**		**0**	**0**	**0**	**4,657**	This reserve is held to manage unforeseen events. The 31.3.15 balance includes Public Health Funding (£0.62m) to manage the potential risk of a reduction in Public Health funding in 2016/17 and future years. When account is taken of this £0.62m commitment, the net uncommitted GF Reserve is £4.037m which is approximately 4% of the net GF budget, which is within the previously recommended range of 3% to 5%. Due to the increased financial risks facing the Council, it is recommended that the level of the uncommitted GF reserve is appropriate and should be retained.	0	4,657	
37,900	**Reserves earmarked for specific commitments**	**43,999**	**(18,890)**	**(9,336)**	**(7,131)**	**(3,157)**	**(38,514)**	**5,485**		**0**	**43,999**	

CORPORATE RESERVES

Cost Centre	Reserve	Balance as at 31st March 2015	Planned Use of Reserve 2015/16	2016/17	2017/18	2018/19	Total Planned Use of Reserves	Estimated Balance at 31/03/19	Reason for/purpose of the Reserve	Total Value of Reserve to be Released	Value of Reserve to be Retained to fund commitments 2015/16 to 2018/19	Reason for Release of Reserve
		£'000	£'000	£'000	£'000	£'000	£'000	£'000		£'000	£'000	
25959	Strategic One Off Costs - Council Capital Fund	**300**	(300)	0	0	0	**(300)**	0	This reserve relates to the 2013/14 Council Capital Fund which was funded from one-off resources, rather than Prudential Borrowing. This reserve is earmarked to fund commitments arising over more than one year which have not yet been implemented.	**0**	**300**	
26000	General Fund - Neighbourhood Services One off Initiatives	**196**	(196)	0	0	0	**(196)**	0	Neighbourhood Services One off Initiatives agreed at F & P 1st July 2015 as part of final outturn strategy. The initiatives once agreed at Regeneration Committee will be referred to Council for final approval.	**0**	**196**	
25804	Insurance Fund	**4,102**	0	0	0	0	**0**	4,102	The Insurance Fund has been established to provide for all payments that fall within the policy excess claims. Most policies provided by the Council are subject to an excess. Phasing is not provided as the timing and settlement of individual claims is uncertain. Further details are set out in section 5.7 of the report.	**0**	**4,102**	
25972	Strategic Risk Reserve	**1,027**	(108)	(557)	(362)	0	**(1,027)**	0	The risk reserve was set up to cover one-off equal pay costs and reflected the risk assessment at the time. Phasing for the use of this reserve is not provided as the timing on the use of this reserve will be driven by external events. This reserve may also need to be used to help manage the impact of the Government's proposed National Living Wage on the cost of the existing pay and grading structure in the Council.	**0**	**1,027**	
25952	Treasury Management Risk Reserve	**870**	(205)	(395)	(197)	(73)	**(870)**	0	This reserve was originally created to manage interest rate risk over period of the MTFS and to ensure that if interest rates increase sooner and / or to a higher level than anticipated there will not be an overspend. In response to the continued low level of interest rates this reserve was reallocated to support the achievement of permanent reduction in the loan repayment budget of £1.27m (£1m as part of the 2014/15 budget and £0.27m as part of the 2015/16 budget). When the additional recurring reduction of £0.27m was included in the 2015/16 base budget it was recognised that the actual loan repayment savings will not be fully achieved until 2019/20, as these saving will be phased in over a number of years. In taking these saving fully into account in the 2015/16 budget it was also recognised that this reserve would be used on a phased basis over the period 2015/16 to 2018/19.	**0**	**870**	
25321	Capital Risk Strategy	**901**	0	0	(901)	0	**(901)**	0	This reserve is earmarked to manage potential phasing risks in relation to the Jackson's Landing Development, to provide a longer lead time if necessary after the repayment of the interest free loan. In addition, to these resources the Council has also earmarked the Major Regeneration Capital Projects budget, which is funded from Prudential Borrowing, to cash back the Jacksons Landing Interest free loan. In total these measures provide total cash backing of £1.294m, which equates to approximately 80% on the interest free loan.	**0**	**901**	
25298	Income Risk Reserve	**500**	(250)	(250)	0	0	**(500)**	0	In response to the economic downturn the income budget for the Shopping Centre was reduced by £0.2m as part of the 2012/13 budget, leaving an ongoing income budget of £0.335m. This level of income is not being achieved in the current year as the owners of the Shopping Centre are having to provide rent free periods and incur one-off costs to secure new tenants, which reduces the Council's share of the net income. Therefore, there will be a forecast income shortfall in 2015/16. There will also be a 2015/16 income shortfalls in relation Land Charges. The total value of these issues in 2015/16 is £0.25m. The remaining balances needs to be retained to manage these risks continuing in 2016/17 to avoid a potential unbudgeted income shortfall.	**0**	**500**	

Cost Centre	Reserve	Balance as at 31st March 2015	2015/16	2016/17	2017/18	2018/19	Total Planned Use of Reserves	Estimated Balance at 31/03/19	Reason for/purpose of the Reserve	Total Value of Reserve to be Released	Value of Reserve to be Retained to fund commitments 2015/16 to 2018/19	Reason for Release of Reserve
25328	Regeneration Projects	**400**	0	(200)	(200)	0	**(400)**	0	This reserve was created from one-off funding to support Regeneration Priorities. Phasing of this reserve will be linked to the Hartlepool Vision and the approval of individual projects by Members.	**0**	**400**	
25853	Local Plan Reserve	**211**	(125)	(86)	0	0	**(211)**	0	This reserve will cover estimated costs over the period 2014/15 to 2016/17.	**0**	**211**	
25992	Development Control /Building Control Income Shortfall	**123**	(100)	(23)	0	0	**(123)**	0	This reserve was created to cover income shortfalls owing to the weakness in the economy.	**0**	**123**	
25320	ICT Contract	**100**	0	0	0	0	**0**	100	This Reserve is to cover the estimated one costs of implementing the new ICT contract, which provides significant ongoing revenue savings, which have been built into the base budget from 2014/15.	**100**	**0**	New contract has been successfully implemented and these one off resources can now be released.
25291	Members Ward Issues	**155**	(155)	0	0	0	**(155)**	0	Used to fund ward issues for Members	**0**	**155**	
25286 &252	Salary Sacrifice	**35**	0	0	0	0	**0**	35	This reserve was created to capture NI and Pension Savings generated by the Salary Sacrifice for Cars scheme to fund potential future pensions liabilities, pending the outcome of the Pension Fund Valuation and the determination of Employers Pension contributions for the three years commencing 2014/15.	**35**	**0**	Pension rates have now been set for the 3 years commencing 2014/15 and this risk no longer exists.
25323	WW1 Commemoration Reserve	**60**	0	0	0	0	**0**	60	This reserve was created to fund costs in relation to this event and will be only be used if sponsorship for this event cannot be achieved.	**60**	**0**	Funding has been received to fund the War Memorial as per the Finance and Policy Committee Report 24 November 2014. Therefore this reserve is no longer required.
25984	Funding for Modern Apprentices	**150**	(50)	(50)	(50)	0	**(150)**	0	This reserve is earmarked to provide funding fo Modern Apprentices.	**0**	**150**	
25325	Living Wage Reserve	**49**	(49)	0	0	0	**(49)**	0	This reserve was created to partly fund the cost of introducing the Hartlepool Living Wage in 2014/15. This reserve will be taken into account within the overall MTFS and the strategy for funding the Hartlpool Living wage.	**0**	**49**	
25990	Concessionary Fare	**38**	0	(38)	0	0	**(38)**	0	This reserve covers the tri-annual cost of replacing concessionary fares passes.	**0**	**38**	
25295	Vodafone	**19**	(19)	0	0	0	**(19)**	0	This reserve was created from previous savings and held to pump prime further initiatives which will provide additional ongoing savings in relation to telephony costs.	**0**	**19**	
25322	Environmental Apprenticeships Scheme	**42**	(32)	0	0	0	**(32)**	10	This reserve was created at 2013/14 outturn to fund this initiative in 2014/15	**10**	**32**	£10k additional funding was received in relation to this scheme therefore £10k of this reserve is no longer required.
25289	Works in Default Empty Homes	**19**	(6)	(6)	(7)	0	**(19)**	0	This reserve was created to fund works in Default Empty Homes.	**0**	**19**	
25962	NDC Fund	**8**	0	(8)	0	0	**(8)**	0	Reserve established from NDC under spend and will be transferred to the NDC Trust.	**0**	**8**	
26013	Pay Costs Reserve	**100**	(100)	0	0	0	**(100)**	0	This reserve was created to fund the impact of a higher pay award than budgeted.	**0**	**100**	
26014	Secure Accommodation Reserve	**264**	(264)	0	0	0	**(264)**	0	This reserve was created to fund the cost of secure accommodation in 2015/16.	**0**	**264**	
26015	Protection Costs Reserve	**750**	(750)	0	0	0	**(750)**	0	Created to fund protection costs from the implementation of changes to Terms and Conditions. This reserve will be taken into account within the overall MTFS and the strategy for funding the Hartlepool Living Wage.	**0**	**750**	
25317	Property Reserve (Office Moves)	**23**	(23)	0	0	0	**(23)**	0	Created to fund one off costs of achieving ongoing accommodation savings as part of the MTFS.	**0**	**23**	
25850	Local Council Tax Support 14-15	**55**	(55)	0	0	0	**(55)**	0	Allocated to fund Advice & Guidance contract in 2015/16.	**0**	**55**	
	Total Departmental Reserves	**10,497**	**(2,787)**	**(1,613)**	**(1,717)**	**(73)**	**(6,190)**	**4,307**		**205**	**10,292**	

CHILD AND ADULT SERVICES RESERVES **6.2 Appendix C**

Cost Head	Reserve	Balance as at 31st March 2015	Planned Use of Reserve - £000 2015/16	2016/17	2017/18	2018/19	Total Planned Use of Reserves	Estimated Balance at 31/03/19	Reason for/purpose of the Reserve	Value of Reserve to be Released	Value of Reserve to be Retained to fund commitments 2015/16 to 2018/19	Reason for Release of Reserve
		£'000	£'000	£'000	£'000	£'000	£'000	£'000		£'000	£'000	
25986	Children's Social Care & Early Intervention (previously known as Early Intervention Grant Reserve)	**999**	(169)	(240)	(240)	(240)	**(889)**	110	To support remodelling of early help and social care. As the timing of these commitments is uncertain the phasing is an initial assessment and will be reviewed on an annual basis.	**110**	**889**	This reserve is a contingency reserve where future commitments are uncertain. A budget pressure has been included in the MTFS from 2018/19 therefore an element of this reserve can be released.
25960	Children & Families - Looked After Children (includes former Care Matters, Think Family, Child Poverty Local Duties and C&F Donations Reserves)	**995**	(130)	(130)	(120)	(115)	**(495)**	500	This reserve is held to fund pressures of increasing demand and costs within Looked After Children over the next 3 years. As the timing of any commitments are uncertain phasing is an initial asessment and reserve will be reviewed on an annual basis.	**500**	**995**	
25327	Demographic Pressures in Adult Social Care - SRR (previously Older People Reserve)	**421**	0	(233)	(188)	0	**(421)**	0	As part of the Budget Strategy the Department is to use £0.934m of reserves to help meet the 2016/17 savings target of which £0.233m will be funded from this reserve. The residual balance is held as a contingency towards increasing demographic pressures within Adult Social Care over the next 3 years. As the timing of these commitments is uncertain phasing is an initial asessment and reserve will be reviewed on an annual basis.	**0**	**421**	
25857	Youth Offending	**176**	(108)	(68)	0	0	**(176)**	0	Created from planned underspends in previous years to fund Youth Offending Service initiatives. Phasing shown is an initial assessment as discussions are currently on-going with the Partnership Board to determine how these reserves will be used over future years to support the service.	**0**	**176**	
25327	Social Inclusion & Lifestyles Contract Extension	**25**	(25)	0	0	0	**(25)**	0	Created to fund the additional six months of contract extensions within Low Level Support Services.	**0**	**25**	
25856	Children & Families - Local Safeguarding Board (Partnership Funding)	**52**	0	(26)	(26)	0	**(52)**	0	This is Partnership Funding with other bodies so not all HBC funding; relates to underspends carried forward to support the work of the Board and any serious case reviews over the next few years. As the timing of these commitments is uncertain, the phasing is an initial asessment and reserve will be reviewed on an annual basis.	**0**	**52**	
26018	Better Care Fund Reserve	**220**	0	(70)	(70)	(80)	**(220)**	0	This reserve is held as a contingency against Better Care Fund grant funding to manage demand within adult services, particularly linked to older people, as there are significant risks associated with delivering the BCF plan arising from the context of demographic pressures. As the timing of commitments over the next three years is uncertain the phasing is an initial asessment and reserve will be reviewed on an annual basis.	**0**	**220**	
	TOTAL CHILD & ADULT (EXC EDUCATION)	**2,888**	**(432)**	**(767)**	**(644)**	**(435)**	**(2,278)**	**610**		**610**	**2,778**	

EDUCATION SERVICES RESERVES

Cost Centre	Reserve	Balance as at 31st March 2015	Planned Use of Reserve - £000: 2015/16	2016/17	2017/18	2018/19	Total Planned Use of Reserves	Estimated Balance at 31/03/19	Reason for/purpose of the Reserve	Total Value of Reserve to be Released	Value of Reserve to be Retained to fund commitments 2015/16 to 2018/19	Reason for Release of Reserve
		£'000	£'000	£'000	£'000	£'000	£'000	£'000		£'000	£'000	
25318	School Improvement	711	(324)	(387)	0		(711)	0	Reserve created to enhance and develop school improvement within Hartlepool. The Education Improvement Strategy was approved at Children Services Committee 8th July. The timing of commitments is uncertain and the phasing is based on an initial assessment. Action Plans from the Education Commission will be reported in September.	0	711	
25059	Academy Risk Reserve	217	(137)	(80)	0		(217)	0	Reserve created to ensure sustainability of services in future years as schools convert to Academy status. Retained funding to manage the on going delivery of Education Services to Schools. The timing of the use of this reserve is uncertain and the phasing is based on the initial assessment of need.	0	217	
	TOTAL CHILD EDUCATION SERVICES	**928**	**(461)**	**(467)**	**0**	**0**	**(928)**	**0**		**0**	**928**	

REGENERATION AND NEIGHBOURHOODS RESERVES

Cost Centre	Reserve	Balance as at 31st March 2015	Planned Use of Reserve - £000: 2015/16	2016/17	2017/18	2018/19	Total Planned Use of Reserves	Estimated Balance at 31/03/19	Reason for/purpose of the Reserve	Total Value of Reserve to be Released	Value of Reserve to be Retained to fund commitments 2015/16 to 2018/19	Reason for Release of Reserve
		£'000	£'000	£'000	£'000	£'000	£'000	£'000		£'000	£'000	
25988	Social Housing Repairs and Maintenance Sinking Fund	547	0	0	0	0	0	547	Ringfenced reserve created from rental income which represents a contribution to the Major Repairs Fund. This funding is set aside to fund repairs over the lifetime of the housing stock in line with the approved Business Case. A review of the Social Housing project business case is being carried out and this will be reported separately to F & P Committee.	0	547	
25954	Selective Licensing/Housing	59	(30)	(29)	0	0	(59)	0	Includes income generated from selective licensing fees and specific grant funding which is required to fund staffing costs over more than one year.	0	59	
25942	Seaton CC 'Management'	108	0	(108)	0	0	(108)	0	Balance carried forward from previous years and represents surpluses generated by the Community Centre over years. This funding is managed by the overseeing board and has been earmarked to contribute towards the projects being considered as part of the Seaton Master Plan.	0	108	
25994	Engineering Consultancy Reserve	100	0	0	(100)	0	(100)	0	Reserve created to manage Trading Activities over more than one year. This is earmarked to manage potential income shortfalls to provide funding for staff costs and allow time to react to changes in this market. The reserve also covers potential bad debts in this area. Phasing for the use of the reserve is an initial assessment and reflects the limited risk in 15/16 & 16/17 owing to the level of approved schemes to date.	0	100	
25994	Fleet Reserve	100	(100)	0	0	0	(100)	0	Reserve needed to fund future repairs and maintenance costs over the whole life of the fleet so that annual charges to clients can remain static over the lifetime of the vehicle. Owing to the age profile of current vehicles it is envisaged that this will be fully committed in 15/16.	0	100	
25981	Winter Maintenance	50	(50)	0	0	0	(50)	0	Funding to cover additional costs incurred during a bad Winter. Ongoing revenue budget is sufficient to cover normal weather conditions and this reserve provides a contingency for additional works which may be required. Phasing for the use of the reserve is an initial assessment and will vary depending upon the weather experienced over the winter periods. In the event that this is not required in 15/16 it will be rolled forward to provide contingency funding for future years.	0	50	
25994	Passenger Transport Reserve	45	(45)	0	0	0	(45)	0	Reserve created to manage the financial risks associated with this trading account over years. It is anticipated that this reserve will be used in 2015/16 to support new contracts in year.	0	45	
25981	Bikeability	15	(15)	0	0	0	(15)	0	Contribution received to fund projects which are underway and is committed to match fund the LSTF funding awarded for 2015/16.	0	15	
25941	Archaeology Projects (incl Monograph Series)	23	0	(23)	0	0	(23)	0	Reserve to be used for specific archaeology projects over more than one year and ensure the completion of projects which are not covered by the annual revenue budget.	0	23	
25981	Speed Cameras	16	(16)	0	0	0	(16)	0	Relates to the funding ring-fenced for the Tees Valley Camera Partnership and future use is determined by the Partnership Board. Phasing is an inital assessment and will be reviewed on an annual basis.	0	16	
25057	Royal Navy Museum Reserve	520	0	(126)	(176)	(218)	(520)	0	Reserve is allocated to support the development of the National Museum of the Royal Navy's northern hub in Hartlepool over the period 2015/16 to 2019/20. This amount represents the worst case forecast and it is hoped that as visitor numbers increase and the Council benefits from the 50/50 profit sharing agreement that the actual contributions will be less than forecast. Phasing is an initial assessment and commitments against this reserve will be reviewed on an annual basis.	0	520	
26016	Community Centre Reserve	30	(30)	0	0	0	(30)	0	Reserve created to fund the 2015-16 running costs associated with Community Centres.	0	30	
25982	NEPO Rebate	25	0	0	0	0	0	25	Reserve created to account for the uncertainty of the NEPO rebate income each year.	25	0	Change in funding model for NEPO has reduced the risk around income. The residual risk will be managed as part of the annual budget management arrangements.
	TOTAL REGENERATION & NEIGHBOURHOODS	**1,638**	**(286)**	**(286)**	**(276)**	**(218)**	**(1,066)**	**572**		**25**	**1,613**	

PUBLIC HEALTH RESERVES **6.2 Appendix F**

Cost Head	Reserve	Balance as at 31st March 2015	Planned Use of Reserve - £000 2015/16	2016/17	2017/18	2018/19	Total Planned Use of Reserves	Estimated Balance at 31/03/19	Reason for/purpose of the Reserve	Value of Reserve to be Released	Value of Reserve to be Retained to fund commitments 2015/16 to 2018/19	Reason for Release of Reserve
		£'000	£'000	£'000	£'000	£'000	£'000	£'000		£'000	£'000	
25844	Public Health Grant Reserve	1,678	(100)	(650)	(528)	(400)	(1,678)	0	As part of the Budget Strategy the Child and Adult Department is to use £0.934m of reserves to help meet the 2016/17 savings target of which £0.468m will be funded from this reserve. The reserve represents ring-fenced grant funding which can only be spent on Public Health initiatives. The reserve is held to manage the potential risk of a significant reduction in Public Health funding in future years if the government introduce the Pace of Change reforms. As the timing is uncertain the phasing is an initial assessment and will be reviewed on an annual basis.	0	1,678	
	TOTAL PUBLIC HEALTH	1,678	(100)	(650)	(528)	(400)	(1,678)	0		0	1,678	

CHIEF EXECUTIVE DEPARTMENT RESERVES **6.2 Appendix G**

			Planned Use of Reserve - £000									
Cost Centre	Reserve	Balance as at 31st March 2015	2015/16	2016/17	2017/18	2018/19	Total Planned Use of Reserves	Estimated Balance at 31/03/19	Reason for/purpose of the Reserve	Total Value of Reserve to be Released	Value of Reserve to be Retained to fund commitments 2015/16 to 2018/19	Reason for Release of Reserve
		£'000	£'000	£'000	£'000	£'000	£'000	£'000		£'000	£'000	
25943	Corporate Strategy - ICT System Development	**74**	(25)	(49)	0	0	**(74)**	0	Created to fund development/enhancements of current ICT and Website/system upgrades. This reserve to be spent over 15/16 and 16/17 and will be utilised (based on there being no corporate budgets to support such changes) to fund transition costs in relation to technology and mobile working, support the development/delivery of the Digital First strategy and any costs attributable to keeping the authority compliant in respect of PSN compliance and further development of the council's ICT infrastructure and application suite	**0**	**74**	
25943	Corporate Strategy - Performance Management	**13**	(5)	(5)	(3)	0	**(13)**	0	To support related costs for performance management e.g. covalent charges over a 3 year period.	**0**	**13**	
25943	Public Relations Staffing	**10**		0	0	0	**0**	10	To support the Public Relations Staffing Budget in 2015-16.	**10**	**0**	Costs will be funded from 2015/16 managed budget underspends, which will enable this reserve to be released.
25949	Legal	**36**	0	(36)	0	0	**(36)**	0	Legal Reserve to fund temporary staffing arrangements in 2016-17.	**0**	**36**	
25949	Reserve for Civic Responsibilities	**2**	(2)	0	0	0	**(2)**	0	This reserve is committed in year for Civic items.	**0**	**2**	
25945	Registrars	**15**	(5)	(5)	(5)	0	**(15)**	0	To be used for Registrars software maintenance costs over 3 years.	**0**	**15**	
25945	Registrars Marriage Room	**6**	(6)	0	0	0	**(6)**	0	To be used for the Marriage Room maintenance.	**0**	**6**	
25946	People Framework Development	**18**	(9)	(9)	0	0	**(18)**	0	There is no budget set aside for any costs in relation to the implementation of the previously agreed Workforce Strategy. In order to not have to draw on departmental resources for any costs this will be utilised to fund any identified and agreed costs including further development and training provision to support the development of the council	**0**	**18**	
25946	Health and Safety Officer	**25**	(25)	0	0	0	**(25)**	0	To support the Health and Safety Staffing Budget in 2015-16.	**0**	**25**	
25948	Finance - IT Investment	**39**	0		0	0	**0**	39	Created to fund one off costs of the Resource link contract renewal.	**39**	**0**	Costs will be funded from 2015/16 managed budget underspends, which will enable this reserve to be released.
25948	IT Investment Shared Services	**30**	(20)	(10)	0	0	**(30)**	0	Shared Services Reserve for Project Development Work on E-Series and Webview.	**0**	**30**	
	TOTAL Chief Exec.	**268**	**(97)**	**(114)**	**(8)**	**0**	**(219)**	**49**		**49**	**219**	

FINANCE AND POLICY COMMITTEE

16th October 2015

HARTLEPOOL BOROUGH COUNCIL

Report of: Chief Finance Officer

Subject: IRRECOVERABLE DEBTS – COUNCIL TAX AND BUSINESS RATES

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1. TYPE OF DECISION/APPLICABLE CATEGORY

Non Key Decision

2. PURPOSE OF REPORT

2.1 To seek Members approval to write-out a number of Council Tax and Business Rates debts which are now considered to be irrecoverable.

3. BACKGROUND

3.1 The Council's financial procedure rules provide that any debt due to the Council of £1000 or more can only be written-out with the express permission of Members.

<u>Council Tax</u>

3.2. After the award of relevant discounts, exemptions and Local Council Tax Support awards, the Council collects annually about £39.5m of Council Tax covering over 42,000 properties. The Council's performance in collection of Council Tax continues to be positive, despite the difficult economic climate and the impacts of the abolition of Council Tax Benefit / introduction of Local Council Tax Support.

3.3. In 2014/15, given the ongoing cuts in Government funding for Local Council Tax Support Schemes, the Council increased the level of cut in Local Council Tax Support awards to 12% for working age households, thereby increasing the amount of Council Tax payable by these households. Comparative data shows that in 2014/15, the Council collected 95.4% of the Council Tax due, slightly below the average of North Eastern councils of 95.9%, (the range was 93.6% to 97.7%).

3.4. However, after 5 years, in Hartlepool in excess of 99.2% of Council Tax will have been collected and the Council continues to vigorously pursue recovery of the remaining amounts. However, the Council recognises that those facing hardship may require additional time to pay their Council Tax. During the recovery process efforts are made to distinguish between those that “can’t pay” from those that “can pay but won’t pay”.

Business Rates

3.5. The Council currently bills and collects about £34.1 million of business rates per annum and with the introduction of the retained business rates system on 1st April 2013, it is even more important that the Council has effective arrangements for recovery of these sums. In addition, the Council is responsible for continuing to pursue collection of outstanding business rates arrears relating to the former National Non Domestic Rates Pool that operated until 31st March 2013.

3.6. The Council’s performance in collection of NNDR is positive. In 2014/15, 98.0% of business rates were collected within the financial year it was billed, this was the same as the average of all North Eastern Councils of 98% (the range was 96.2% to 99.1%). In terms of long term collection of business rates, after 5 years in Hartlepool, in excess of 99.5% of business rates due will have been collected.

3.7. Most of the Business Rates recommended for write out relate to company insolvencies where the Council is limited to submitting a claim in insolvency proceedings. The Council is unlikely to receive any settlement from these proceedings, as the Council ranks below other creditors notably HM Revenue and Customs, therefore the debt is being prudently written out of the accounting system.

Recovery Actions Council Tax and Business Rates

3.8. A range of recovery actions are deployed to secure Council Tax and Business Rates recovery including court action, Enforcement Agents (Bailiffs), Attachment of Earnings Orders, Attachment of Benefits Orders, bankruptcy / liquidation proceedings and charging orders. For absconded debtors, extensive tracing is undertaken over a period of time and should any forwarding address become apparent, the relevant Council Tax / Business Rate debt would be reinstated onto the system, and enforcement action would recommence.

3.9. If any payment is subsequently received in respect of any of the individual debts referred to in this report, the relevant debt will also be reinstated onto the council’s computer systems. Whilst every effort is made to collect debts due to the Council, certain debts become irrecoverable, and this report seeks agreement for their write-out.

4. RISK IMPLICATIONS

4.1. When determining the Council Tax Base for a financial year and the forecast yield from Business Rates an assessment and adjustment is made for potential non collection. In addition, as part of the process for compiling the annual statement of accounts, a detailed review is made of all Council Tax and Business Rates accounts and accounting provisions are established against which any debts considered to be non collectable can subsequently be written off. These risk management arrangements are consistent with statutory requirements and good practice.

5. FINANCIAL CONSIDERATIONS

5.1. In terms of the annual Council Tax and Business Rates debit to be collected, the amount proposed for write out in this report continues to be very low. National 2014/15 statistics, put Hartlepool in the lowest quartile for amounts written off for Council Tax (Hartlepool is ranked 280 out of 326 Councils) and also in the lowest quartile for Business Rates write offs (Hartlepool is ranked 279 out of 326 Councils). This position reflects the Council's good long term collection rates and sustained robust recovery procedures. The proposed write out's in this report are well within the financial planning assumptions underpinning the Council's budget.

5.2. For Business Rates, historical accounting provisions have been established and have been charged against the former Central Government National Non Domestic Rates / Business Rates Pool for any business rates debts prior to 1st April 2013, considered to be at risk of non recovery. **Of the proposed business rates write outs contained in this report of £75,616.41, £57,953.91 will be charged against the Central Government National Non Domestic Rates Pool bad debt provision or will be borne by Central Government under the Business Rates Retention System and thereby will have no financial impact on the Council.**

5.3 The appendices attached to this report detail the individual Council Tax and Business Rates debts over £1000, and the reasons why each debt remains unrecovered. The amounts recommended for write out are the net debt outstanding and the net amounts involved often span more than one financial year. The total amount for write out is £92,192.05 comprising:

Council Tax £16,575.64 and Business Rates £75,616.41.

Appendix A – Deceased - £1,039,13
Appendix B – Absconders - £3,745.98
Appendix C – Bankrupt - £34,747.87
Appendix D – Miscellaneous - £4,173.92
Appendix E – Company Liquidated / Dissolved - £48,485.15

Appendices A, B, C and D contain 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 have been comprehensively scrutinised by officers.

6. LEGAL CONSIDERATIONS

6.1. There are no legal considerations.

7. CHILD/ FAMILY POVERTY CONSIDERATIONS

7.1. There are no child/ family poverty considerations.

8. EQUALITY AND DIVERSITY CONSIDERATIONS

8.1. There are no equality and diversity considerations.

9. STAFF CONSIDERATIONS

9.1. There are no staff considerations.

10. ASSET MANAGEMENT CONSIDERATIONS

10.1. There are no asset management considerations.

11. APPENDICES

Appendix A – Deceased Debts- £1,039,13
Appendix B – Absconder Debts - £3,745.98
Appendix C – Bankrupt Debts - £34,747.87
Appendix D – Miscellaneous Reason Debts- £4,173.92
Appendix E – Company Liquidated / Dissolved Debts - £48,485.15

12. RECOMMENDATION

12.1. That Members agree to write-out irrecoverable Council Tax and Business Rates debts to the value of £92,082.05 and to note that £57,953.91 of this write out will be the responsibility of Central Government which will have no financial impact on Hartlepool.

13. REASONS FOR RECOMMENDATION

13.1 To ensure the appropriate accounting treatment of debtors within the council's financial systems and financial accounts.

14. BACKGROUND PAPERS

14.1 No background papers.

15. CONTACT OFFICER

John Morton
Assistant Chief Finance Officer
Email: john.morton@hartlepool.gov.uk
Contact: 01429 523093

BUSINESS RATES - COMPANIES CEASED TRADING LIQUIDATION / DISSOLVED **6.3 APPENDIX E**

Pre 1 April 2013 - 100% charged to Central Government Pool

Account Ref	Name	Address	O/S BALANCE	From	To	Reason for write off
9050322050	Bon Lea Projects Ltd	Bon Lea Fabrications Tees Bay Park Brenda Road	£18,900.32	23.07.09	30.06.10	Liquidation
9050282229	Dean Group Ltd	Frederick House Dean, Brenda Road	£6,256.48	01.04.12	31.03.13	Liquidation
9050328741	SMC Environmental Ltd	Plot 6 old Cement works, Mainsforth Terrace	£5,480.41	11.07.12	31.03.13	Liquidation
		Totals	**£30,637.21**			

Post 1 April 2013 - 50% borne by Central Government

Account Ref	Name	Address	O/S BALANCE	From	To	Reason for write off
9050338127	Gateacre Developments Ltd	Unit A, Middleton Grange	£12,020.49	30.08.13	06.01.14	Company Dissolved
9050339581	North East Therapies Ltd	73 York Road	£5,049.13	01.11.13	13.05.15	Company Dissolved
9050328741	SMC Environmental Ltd	Plot 6 old Cement works, Mainsforth Terrace	£778.32	01.04.13	02.05.13	Liquidation
		Totals	**£17,847.94**			

Total **£48,485.15**

FINANCE AND POLICY COMMITTEE

16 October 2015

HARTLEPOOL BOROUGH COUNCIL

Report of: Chief Solicitor

Subject: OFFICE OF SURVEILLANCE COMMISIONERS INSPECTION – HARTLEPOOL BOROUGH COUNCIL

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1. TYPE OF DECISION/APPLICABLE CATEGORY

Non Key Decision.

2. PURPOSE OF REPORT

2.1 To advise the Committee on the inspection undertaken by His Honour Norman Jones, QC, Assistant Surveillance Commissioner on the 1st July, 2015 and his resulting report as to the Council's compliance with the Regulation of Investigatory Powers, Act 2000. This inspection report, which has been approved by the Right Honourable Lord Judge as the Chief Surveillance Commissioner considers this compliance in respect of the management of covert surveillance activities undertaken by (or on behalf) of the Council from the date of the inspection to that last undertaken by the same Commissioner on the 9th July, 2012. The report (**Appendix 1**) covers a series of detailed recommendations which are more fully covered in the confines of this report.

3. BACKGROUND

3.1 Since the creation of the Office of Surveillance Commissioners (OSC) through the provisions of the Regulation of Investigatory Powers Act, 2000 (RIPA) there have been a number of inspections in respect of the management of covert activities by the Borough Council. Indeed, inspections were held in 2003, 2005, 2007 and 2009. The previous recommendations contained within those reports were fully discharged by the Council and the inspection reports have always been brought before Members for their consideration. It was noted, within those previous reports that the Council was *'not a prolific'* user of the powers contained within RIPA. Following the inspection on the 9th July, 2012, it was made comment by the Assistant Commissioner that the Council *‘now makes minimal use of RIPA’*. Looking back from the inspection undertaken in 2009 to that undertaken in 2012, there had only been three authorisations for that period. Similarly, the inspection which was undertaken on the 1st July, 2015 also reflected on this minimal use and reliance on RIPA. Over the period in question there was only one authorisation for ‘directed surveillance’ and one which authorised the use of a ‘Covert Human Intelligence Source’ (CHIS). In correspondence received through the Chief Surveillance Commissioner comment was made;

‘*I well understand that your Authority makes very limited use of RIPA powers. The problem which usually follows is that on the rare occasions when they are used, lack of familiarity (or sufficient training) may lead the Authority exposed to public criticism, and / or undermine subsequent criminal proceedings by enabling the defence to advance arguments about ‘abuse of process’ or the exclusions of evidence.’*

3.2 It was therefore indicated that the accompanying inspection report and its recommendations were *‘intended to assist the Council to avoid any of these consequences’*. The 2012 inspection made seven specific recommendations. The attached report notes that four of these recommendations were fully addressed, two were partially addressed and that one to ‘*ensure that Elected Members are informed of RIPA usage’* had not been fully discharged. This particular matter is addressed in this report and is the subject of a specific recommendation. The report at paragraphs 6 and 33 and also through the comments made by the Chief Surveillance Commissioner notes ‘*the enthusiasm and knowledge* ‘of the officers most closely involved with the operation and management of RIPA activities and that the recommendations contained within the Assistant Surveillance Commissioner report, were expected to be fully addressed. The OSC have been notified that a report would proceed before the Council’s Finance and Policy Committee and that they would be updated thereafter as to the decision of the Committee in addressing the findings in the attached inspection report.

3.3 The Council have a policy and procedure document which is largely based upon the ‘Covert Surveillance Code of Practice’ issued through the OSC. The powers available to local authorities to rely and utilise RIPA have been severely restricted over the years wherein a local authority can now only apply upon one ground to proceed with an authorisation of covert surveillance namely were it would be for the purposes of ‘*preventing or detecting crime or preventing disorder*’. The Regulation of Investigatory Powers (Directed Surveillance and Covert Human Intelligent Sources (Amendment Order), 2012, further places restrictions upon local authorities in relation to this particular ground, in that directed surveillance must relate to the purpose of preventing or detecting conduct which constitutes one or more criminal offences or, which corresponds to such conduct that will constitute one or more criminal offences as prescribed. This entails, authorisation will only relate to those offences which would carry a maximum term of 6 months imprisonment or being certain specified offences, namely; the sale of alcohol to children, allowing the sale of alcohol to children or persistently selling to children under the provisions of the Licensing Act 2003 as well as the sale of tobacco to children as prohibited under the Children and Young Persons Act 1933. Furthermore, the Protection of Freedoms Act, 2012, also provides for '*judicial approval'* to sanction the authorisation of directed surveillance and/or the use of covert human intelligence sources. This requires, that an authorisation needs the approval of a Magistrate, if there are reasonable grounds for such an authorisation, the same being both necessary and proportionate. Members will note, that in the authorisations reviewed by the OSC such approval was sought and is recognised in the inspection report. Any authorisation for 'directed surveillance' lasts for no more than 3 months and should be formally cancelled once that authorisation is no longer needed. In addition, there should be continual reviews of an authorisation to ensure a regulated approach is taken in respect of such authorisations and that they can be safely controlled and monitored. An authorisation for a CHIS can last for a period of 12 months, again, unless cancelled before that time with similar review mechanisms being a feature of this procedure.

4. THE INSPECTION REPORT'S RECOMMENDATIONS

4.1 Although the Inspection report following the visit on the 1st July, 2015 examines the Councils 'Central Record of Authorisations' and those authorisations which took place in between inspections, it also has some concentration upon the previous recommendations, following the 9th July, 2012 inspection (see paragraph 13). Those recommendations and the Council's responses thereto are covered within the accompanying report but in outline are as follows;

1) Establish a 'Central Record of Authorisations' in a spreadsheet format – this recommendation has been fully discharged. In addition to a hard copy record there is also a formatted and computerised spreadsheet which is fully compliant with the Code of Practice for Covert Surveillance and Property Interference.

2) Reorganise RIPA management – again this recommendation has been fully discharged in that following the inspection from July 2012, the Council radically altered the structure of those officers responsible for the governance of RIPA. The Chief Solicitor being appointed as the 'Senior Responsible Officer' and the Solicitor (Constitutional & Administrative) acting as the 'RIPA Co-ordinator'. In addition, those officers able to authorise RIPA applications were narrowed down to a small cohort of officers, following the recommendations through the OSC..

3) Raise RIPA awareness within the Council – it is noted that this recommendation has been partially discharged. It is further recognised there has been some raising of awareness within the Council through the Intranet, the 'newsline' publication and by cascading information. However, it is suggested this should follow a more regular format.

4) Reduce the number of authorising officers and ensure all are suitably trained – the inspection report indicates *'this recommendation has*

been largely discharged'. The number of authorising officers has been reduced from nineteen to five. It is noted that three of the five authorising officers have been trained and although the Chief Executive was not the recipient of training within the Council, she has received training through her previous employer. However, see recommendation below, there is clearly a need for ongoing but proportionate training to take place.

5) Establish a corporate RIPA training programme and ensure the issues highlighted in this report are addressed – it was considered that this recommendation had been discharged as a corporate training programme had been established. However, given the minimal use of RIPA it was indicated to the Assistant Surveillance Commissioner that such a training programme needs to be focussed and proportionate.

6) Amend the corporate policy and procedure documents – again, it is noted that this recommendation has been discharged.

7) Ensure that Elected Members are kept informed of RIPA usage – it was recognised that reports had been presented to Members immediately following the receipt of an inspection report. However, there were no procedures in place '*for the regular reporting required by the Code of Practice for Covert Surveillance and Property Interference'.* Hence, this recommendation had not been discharged.

4.2 As indicated, the one recommendation which needs attention is to ensure that Elected Members are kept informed of RIPA use age. This needs to be balanced against the minimal reliance on RIPA by the Council. As indicated, there had only been two authorisations in between inspections. It is therefore suggested that this action, in accordance and to comply with the 'Code of Practice for Covert Surveillance and Property Interference', is added to the Council's overview of performance and risk (for the requisite year to which such items relate) which are reported quarterly to this Committee and which can also comprise an annual reference so that Members are kept fully informed of RIPA useage. It is also suggested that should there be any major changes to the Councils policy documentation or any major issues arising in relation to RIPA that the same is reported to Members, for information and any subsequent action which might be required. It should also be an expectation by Members that they will be made aware of such events as a matter of course. As expressed within the report, the majority of recommendations from the July, 2012, inspection have been fully addressed. Not least, the stark reduction in the number of authorising officers and it is expected the consequent need for all to be adequately trained in RIPA useage. In this regard, 'in house' training will continue for all those associated with the operation of RIPA and there is the potential for joint training initiatives with the other Tees Valley Authorities, who have similarly been inspected and have comparable recommendations within their own inspection reports. The Council is a participant in the North East Legal Framework and the six private practises involved in that framework have also been notified of the training needs of the various local authorities which has incorporated reference to

RIPA and it is hoped that training via an external source, at no or minimal cost to the Council could possibly be arranged. The emphasis within the inspection report is ensuring that Members are kept aware of RIPA useage but given the sporadic nature of authorisations a proportionate view needs to be taken and therefore it is thought that the reporting as suggested will be commensurate and in line with this particular recommendation from the OSC.

4.3 With specific reference to the recommendations contained in the report the following should be noted;

i) Ensure that the Central Record of Authorisations is fully compliant with the Code of Practise for Covert Surveillance and Property Interference 8.1 (paragraph 8) – the central record is so compliant as is the computerised spreadsheet.

ii) Ensure that the corporate RIPA training programme includes regular refresher training for authorising officers and likely applicants (at about 18 monthly intervals) and that all authorising officers are fully trained before undertaking authorisations. Training should address the weaknesses highlighted in this report (paragraphs 9 – 11, 18, 19 and 20).

iii) Ensure that CHIS managers are appointed in accordance with Section 29 (5) of RIPA whenever CHIS are authorised (paragraph 21) – again, given the number of potential authorising officers this can be closely controlled and monitored to satisfy this particular recommendation.

iv) Amend the policy and procedures document on directed surveillance and covert human intelligent sources (paragraph 25).

v) Ensure that Elected Members receive annual and other regular reports on the Council's RIPA activity or inactivity (paragraph 26) – as indicated this is a recommendation set out below and to be included within quarterly and annual reporting to the Committee, as outlined.

5. RISK IMPLICATIONS

5.1 Public criticism and the undermining of subsequent criminal proceedings undertaken by the Council is addressed within the report.

6. FINANCIAL CONSIDERATIONS

6.1 It is considered that in house training and the cost of training made available through the Framework Agreement or alternatively, through a Tees Valley initiative will be minimal.

7. LEGAL CONSIDERATIONS

7.1 There is a legal requirement to follow the Council's policy and procedures in compliance with the Regulation of Investigatory Powers Act, 2000 and accompanying legalisation. These considerations are fully set out within the confines of this report

8. CHILD AND FAMILY POVERTY

8.1 No implications.

9. EQUALITY AND DIVERSITY CONSIDERATIONS

9.1 No implications.

10. STAFF CONSIDERATIONS

10.1 No implications.

11. ASSET MANAGEMENT CONSIDERATIONS

11.1 No implications.

12. RECOMMENDATIONS

12.1 That the Finance and Policy Committee note the recommendations contained within the inspection report of the Assistant Surveillance Commissioner HH Norman Jones QC dated 1st July, 2015.

12.2 That in relation to recommendation (v) of that report that Elected Members receive regular reports through performance and risk information, as outlined.

12.3 That the Council's response is formally notified to the Office of Surveillance Commissioners and that further reports, are brought before Members as and when required.

13. REASONS FOR RECOMMENDATIONS

13.1 The primary recommendation which needs to be addressed within this report is ensuring that Elected Members are kept fully informed of RIPA usage. This needs to be balanced against the fact that over all of these inspection visits through the OSC there has been minimal use and reliance on RIPA. A proportionate reporting of this useage is therefore suggested and the mechanism of the quarterly and annual report as to performance and risk can best address this particular recommendation. Other recommendations, as regards training and the dissemination of information surrounding RIPA, are canvassed herein and will be taken forward by the Senior Reporting Officer and the RIPA coordinator.

14. BACKGROUND PAPERS

14.1 Finance and Corporate Services Portfolio – report 21 November, 2012.

15. CONTACT OFFICER

Peter Devlin
Chief Solicitor
Tel: 01429 523003
Email: peter.devlin@hartlepool.gov.uk

6.4 Appendix 1

Office of Surveillance Commissioners

OFFICE OF SURVEILLANCE COMMISSIONERS

INSPECTION REPORT

Hartlepool Borough Council

1st July 2015

Assistant Surveillance Commissioner:
HH Norman Jones, QC.

OFFICAL- SENSITIVE

DISCLAIMER

This report contains the observations and recommendations identified by an individual surveillance inspector, or team of surveillance inspectors, during an inspection of the specified public authority conducted on behalf of the Chief Surveillance Commissioner.

The inspection was limited by time and could only sample a small proportion of covert activity in order to make a subjective assessment of compliance. Failure to raise issues in this report should not automatically be construed as endorsement of the unreported practices.

The advice and guidance provided by the inspector(s) during the inspection could only reflect the inspectors' subjective opinion and does not constitute an endorsed judicial interpretation of the legislation. Fundamental changes to practices or procedures should not be implemented unless and until the recommendations in this report are endorsed by the Chief Surveillance Commissioner.

The report is sent only to the recipient of the Chief Surveillance Commissioner's letter (normally the Chief Officer of the authority inspected). Copies of the report, or extracts of it, may be distributed at the recipient's discretion but the version received under the covering letter should remain intact as the master version.

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OFFICAL – SENSITIVE

Office of Surveillance Commissioners

Chief Surveillance Commissioner,
Office of Surveillance Commissioners,
PO Box 29105,
London,
SW1V 1ZU.

9th July 2015

INSPECTION REPORT
HARTLEPOOL BOROUGH COUNCIL

Inspection	1st July 2015
Inspector	His Honour Norman Jones, QC. Assistant Commissioner

Hartlepool Borough Council.

1. Hartlepool Borough Council is a unitary authority serving a population of about 93,000 in the north-east of England. It administers an area of 36.13 square miles and has Hartlepool as its principal township.

2. The Chief Executive has changed twice in the past three years. Mr Dave Stubbs, a very long serving officer of the Council, was appointed in October 2012 and took retirement in May 2015. Ms Gill Alexander was appointed to replace him and has been in post for just over one month. From October 2013 she had been Director of Child and Adult Services for the Council. She now leads a Chief Executive's Management Team consisting of an Assistant Chief Executive, three Directors and two Chief Officers one of whom, Mr Peter Devlin the Chief Solicitor, is the *Senior Responsible Officer* (*SRO*) for *RIPA*. The *RIPA Co-ordinating Officer* is Ms Haley Martin, Constitutional and Administrative Solicitor..

3. I conducted the last inspection of Hartlepool BC in July 2012.

4. The Council continues to make minimal use of covert surveillance having granted only one *directed surveillance* and one *Covert Human Intelligence Source* (*CHIS*) authorisation since the last inspection, both of which related to the same operation. Neither concerned self authorisation nor the acquisition of *confidential information*.

5. The Council Offices are situated at The Civic Centre, Hartlepool, TS24 8AY.

The Inspection.

6. Mr Devlin and Ms Martin, extended a warm welcome to Hartlepool BC. Both remained throughout the inspection which was joined at a later stage by:
   - Ms Sylvia Pinkney, Head of Public Protection;
   - Mr Craig Thelwell , Waste and Environmental Services Manager;
   - Mr Ian Harrison, Trading Standards and Licensing Manager;
   - Ms Claire Clark, Community Safety and Engagement Manager (CCTV);
   - Mr Nicholas Stone, Neighbourhood Safety Team Leader (CCTV and Anti Social Behaviour);
   - Mr Phil Hepburn, Environmental Enforcement Team Leader.

   The enthusiastic participation of all officers was much appreciated.

7. The inspection was conducted by means of interview and discussion with the officers. The Central Record of Authorisations and the two authorisations were examined and discussed with the officers. Among the other *RIPA* issues discussed during the inspection were actions taken upon recommendations of the previous OSC report, *RIPA* management, authorising officers, training, policy and procedures, *CHIS,* social media, recent legislation, Councillors responsibilities and CCTV.

Examination of Central Record and Authorisations.

8. The **Central Record of Authorisations** is formatted as a computerised spreadsheet and is compliant with the *Code of Practice for Covert Surveillance and Property Interference, 8.1* save that it requires columns to record self authorisation and renewals. It is used by Ms Martin to chase up late documentary submissions to the Central Record by authorising officers. A file of submitted *RIPA* documents is retained by Ms Martin which also contains a form illustrating the occasions when she has had to follow-up late submissions. This demonstrates that the Central Record is used by the *RIPA Co-ordinating Officer* as an oversight tool.

   See recommendation

9. The two authorisations were granted in July 2013. They concerned a Trading Standards investigation into the sale of counterfeit DVDs on "Facebook". It was intended from the outset to conduct the operation by means of website research and it was appreciated that it would be necessary to breach the privacy controls to become a "friend" on the relevant website at an early stage. Consequently *directed surveillance* authorisation for that purpose was correctly sought. It was further anticipated that the trading standards operator would have to establish a personal connection with the site operator and that this was likely to be considered a relationship. Consequently *CHIS* authorisation was also sought. Ultimately it was considered that a test purchasing officer may have to attend at premises to collect counterfeit goods that had been purchased online.

10. It was encouraging to note that the forms in use were the current Home Office forms. The ***directed surveillance*** **application** indicated that the information being acted upon came from an anonymous source. Open source material had been checked and no information gathered hence the necessity to become a "friend" and the means by which that was to be achieved and its purpose were well outlined. It was initially proposed that no relationship would be established. However the equipment to be used was not well described and there was no statement that a covert account was to be used although the expression "a dirty Internet connection" was to be established had been inserted. There was no further explanation of this term though I was later informed by Mr Harrison that it was a reference to the use by Trading Standards of a modem which provided no traceable connection to the Council. *Necessity* was well articulated though the box should contain a statement of the offence being investigated together with its maximum penal provisions. These were in fact to be found outlined as part of the *proportionality* considerations. The seriousness of the offence was considered under *proportionality* together with the degree of intrusion likely upon the target. However there was no statement of other means that had been considered before resorting to covert surveillance. *Collateral intrusion* and *confidential information* were both well articulated. The **authorisation** followed best practice by being handwritten. The fact that this operation was one that involved the "Scambusters" regional team (who were presumably acting as agents of Hartlepool BC) is mentioned for the first time in the authorisation and the fact that a computer is to be used also appears for the first time in that section. The description of what is being authorised does not engage the "5W's" comprehensively. The fact that a computer is to be used is first mentioned when considering *necessity*. Although in the application there was no consideration of the degree of intrusion likely upon the subject. Neither review nor expiry dates were set and although authorised on 22 July 2013 and approved by the magistrate on the following day it took four months before it was cancelled, a month after it had expired. All authorisations should be cancelled as soon as they are no longer required.

11. The ***CHIS*** **application** was to permit direct communication with the owner of the site profile. The description of how the operation would be undertaken was scant. The management of the *CHIS* was to be by a single officer undertaking the roles both of controller and handler. Attention was drawn to Section 29(5) of *RIPA* and the *Code of Practice for CHIS, paragraphs 6.5 to 6.9* where the requirements for two separate officers are clearly set out. No mention is made of the fact that a "fake Facebook profile and name" are to be utilised until the consideration of *collateral intrusion. Necessity* is adequately articulated although again the offence under consideration and its maximum penal provisions should be stated in that box. The seriousness of the offending and the intrusion on the subject were appropriately discussed under *proportionality* but not whether other alternative overt means had been considered. There was a risk assessment. However at no stage did this application indicate that a test purchasing officer may be used to visit premises and collect goods, circumstances which, if a relationship had already been created online, would have commanded inclusion in the *CHIS* authorisation since it would be likely that such relationship would be expanded upon by the subject when the test purchasing officer visited the premises. Similarly the risk assessment did not bear any consideration relating to that issue. The **authorisation** was again handwritten. The authorising officer's comments, which required a consideration of the "5W's", failed adequately do so

and, whilst a number of observations were made relating to various considerations in the mind of the authorising officer, the essential issue of what was being authorised was barely broached. The fundamental elements of both *necessity* and *proportionality* were not considered. The dates of authorisation, approval and cancellation were as for the *directed surveillance* authorisation. An expiry date had been set correctly for one year after approval by the magistrate but this operation took place over two days and this authorisation should have been cancelled long before 25th November 2013. The cancellations were appropriate.

See recommendation

RIPA Usage

12. The officers were asked to indicate why they thought such little resort was made to covert surveillance. A number of reasons were advanced which included the fact that the Council had always placed emphasis on using covert surveillance as a measure of last resort; that resource issues tended to limit more expensive operations; mobile cameras equipment was no longer used; that benefit fraud investigations (which in any event are shortly to be transferred to the DWP) tended to be covered by DWP authorisations; trading standards complaints tended not to be in areas requiring covert surveillance and its test purchasing was undertaken without the use of cameras and with clear instructions to the test purchaser and observing officer not to engage in any way which may require authorisation; environmental health investigations did not require covert surveillance and the provisions of the *RIPA(Directed Surveillance and CHIS)(Amendment)Order 2012, SI 2012/1500* may have had some effect on the investigation of less serious offences.

Previous Recommendations

13. I made seven recommendations in my previous report:

    i. *Establish a Central Record of Authorisations in spreadsheet format.*

    See paragraph 8 above. <u>This recommendation has been discharged</u>.

    ii. *Reorganise RIPA management*

    The Council has adopted the structure outlined in the previous report, namely that a *Senior Responsible Officer* with the responsibilities set out in paragraphs 3.29 and 3.34 of the current edition of the *Code of Practice for Covert Surveillance and Property Interference* should be appointed together with a *RIPA Co-ordinating Officer* with day-to-day responsibilities for *RIPA* . Mr Devlin and Ms Martin have been appointed to fulfil these roles. <u>This recommendation has been discharged</u>.

    iii. *Raise* RIPA *awareness within the Council.*

    Since the last inspection one article has been placed in the Council's "Newsline" intranet newsletter relating to *RIPA*. Other actions have been undertaken to provide authorising officers with *RIPA* information but these do not achieve the aim of advertising widely the requirement to consider *RIPA* authorisation if officers of the Council, who might otherwise have little recourse to covert surveillance, decided to use it. (See paragraph 16 below). This recommendation has been partially discharged.

iv. *Reduce the number of authorising officers and ensure all are suitably trained.*

These have been reduced from 19 to 5. Training has been given to 3 of the authorising officers, a fourth is a recent appointees and awaiting training and the CEO has yet to be trained. This recommendation has been largely discharged.

v. *Establish a corporate* RIPA *training programme and ensure that the issues highlighted in this report are addressed.*

A corporate training programme has been established with training being undertaken in 2012 and 2013 and additionally by Ms Martin in March of this year. However further consideration needs to be given to the need for more regular refresher training (see **Training** below). Nevertheless this recommendation has been discharged.

vi. *Amend the "Corporate Policy and Procedure Documents".*

The proposed amendments were made. This recommendation has been discharged.

vii. Ensure that Elected Members are kept informed of RIPA usage.

Although a report was submitted to councillors in 2013 no further reports have been given and there are no procedures in place for the regular reporting required by the *Code of Practice for Covert Surveillance and Property Interference, 3.35.* This recommendation has not been discharged.

Management of *RIPA*

14. Mr Devlin, as *SRO*, adopts overall responsibility for *RIPA* within the Council. He is aware of the requirements of the *Code of Practice for Covert Surveillance and Property Interference, 3.29 and 3.34*. He exercises oversight on the original documentation submitted to the *RIPA Co-ordinating Officer* by authorising officers which they review together. He accepts responsibility for ensuring that authorising officers receive appropriate training and circulates to officers engaged with *RIPA* any new *RIPA* information.

15. Ms Martin, as *RIPA Co-ordinating Officer*, receives and collates *RIPA* applications/authorisations, reviews, renewals and cancellations. From these she crystallises the information needed to populate the Central Record. She diarises a monthly review of the Central Record and chases up outstanding documentation. When training is considered to be required she is responsible for its organisation.

16. She has responsibility for raising **awareness** throughout the Council. This was a recommendation in the last report but requires more attention. To keep officers alert to the risks of unauthorised surveillance it is necessary that they are regularly reminded of the requirement to consider whether they need to obtain authorisation whenever they consider any action which may involve surveillance, either overt or covert. This information should be supplemented by the details of the *RIPA* officers who they may contact for advice. As discussed in the previous report that may be done by regularly inserting such information into the Council's intranet newsletter and by cascading information down from management meetings.

    See recommendation

Authorising Officers.

17. The Council has concentrated its *RIPA* authorisation responsibilities into the hands of five authorising officers. The CEO and Assistant CEO are unlikely to be regular authorises but are required to be trained because the CEO and, in his absence, the officer who deputises for him are the only officers empowered to authorise the sensitive operations involving the employment of juvenile or vulnerable *CHIS* or the acquisition of *confidential information*. Because of his role as the principal oversight officer the *SRO* should only authorise in exceptional circumstances. This means that the principal responsibilities for authorisation will lie with the other two authorising officers. This arrangement is entirely satisfactory in the light of the minimal usage the Council has of covert surveillance.

18. All authorising officers are required to be trained. This issue requires revisiting since the last training afforded was in 2013 and the examination of the two authorisations, both following shortly after that training, illustrate that there are still considerable weaknesses in the application and authorisation process. The CEO and one of the active authorising officers, who is newly appointed, have not been trained and this may be an appropriate time to engage the services of an external trainer to ensure that all authorising officers are fully up to speed. (See **Training** below).

    See recommendation

Training

19. The Council now has a corporate training programme for *RIPA* with training being organised at 2 to 3 year intervals. Some training has been given by Mr Devlin but the Council has engaged external professional trainers on occasion since the last inspection. In particular Mr Devlin gave training to the authorising officers in June 2012; he and Ms Martin attended training conducted by barristers and organised with other local authorities in October 2012 and thereafter in April 2013 applicant and authorising officers attended refresher and overview training conducted by an external professional trainer. Two Training Standards Officers have attended social media research training courses in the last 18 months conducted by external trading standards trainers. As remarked above, the examination of documents at this inspection indicates that training may now be overdue. That should be conducted by a professional external

trainer and should involve all authorising officers and likely applicants. It should include material relevant to social media research (see ***CHIS*** and **Social Media** below) in particular the fundamental requirements of a controller and handler of *CHIS*.

20. Corporate training should be undertaken more frequently than every three years. Refresher training should be given at about 18 monthly intervals. This is particularly relevant when authorising officers are called upon to authorise infrequently and applicant officers are rarely making applications. In such circumstances knowledge becomes stale and needs periodic reinvigoration. The possibility of introducing electronic training as a means of refresher training was discussed.

    See recommendation

***CHIS* and Social Media.**

21. The Council does not employ *CHIS* though it recognises that there could be rare circumstances when it would be almost unavoidable to do so. Officers have not been trained either as *CHIS* controllers or handlers. It must be observed that officers undertaking the role of *CHIS*, even though this may be little more than operating a computer in relation to social media research and intelligence gathering, must fulfil the legal requirement that they should be managed as such and this should be by officers who have received some training in that regard. That training need not be to the standards required of the police and other LEAs but should cover the basic requirements.

    See recommendation

22. Whilst it is highly unlikely that Hartlepool BC will employ *CHIS* in the sense of using informants or undercover officers, the emerging investigation of social networking sites (SNS) is becoming commonplace especially by Trading Standards Departments. The Council is no exception as the operation conducted two years ago demonstrates. These activities are likely to increase and the Council should be fully equipped to undertake such investigations on SNS efficiently and lawfully. The value of sites such as "Facebook" as providers of useful intelligence and evidential material is considerable. It was encouraging to note that Trading Standards Officers from the Council's Trading Standards Department had received professional training recently in this subject although the single operation reviewed above had been carried out prior to receiving that training. The use of SNS research is likely to expand into other departments of the Council and this should be considered when further training is undertaken.

23. How far Departments can go before they should authorise covert surveillance is sometimes a debatable point. As a rule of thumb reviewing open source sites does not require authorisation unless the review is carried out with some regularity, often with the intention of building a profile, when *directed surveillance* authorisation is likely to be required. The problems start when the investigator is tempted to breach the privacy controls and become, for example, a "friend" on a "Facebook" site for the purposes of gleaning intelligence utilising a pseudo account concealing his/her identity as a Council official. This appeared to be the position in the investigation undertaken by Hartlepool TS in 2013. Such are

covert operations by their nature, intended to obtain private information and should be authorised, at the minimum, as *directed surveillance*. If the investigator engages in any form of relationship with the account operator/owner then s/he becomes a *CHIS* requiring authorisation as such and management by a controller and handler with a record being kept and a risk assessment created. (*RIPA* Section 29(5)). For further information see *OSC Procedures and Guidance, paragraph 288*. It was encouraging that the Council had generally followed these procedures in 2013 though it had failed to correctly manage the *CHIS* or to keep appropriate records in accordance with the *RIP(Source Records)Regulations 2000, (SI 2000/2725)*.

24. The Council should further be alert to the web site terms and conditions under which they are permitted to use the particular social media website and to the possible consequences of their breach by the use of covert surveillance procedures. It is unclear at the present time whether a breach of those conditions in the UK can be subject to litigation. However litigation has been undertaken in the United States by web site owners.

Policy and Procedures.

25. The Council's policy and procedures for *RIPA* have now been merged into one document, *The Policy and Procedures Document on Directed Surveillance and CHIS and Acquisition of Communications Data.* This is a concise and readable document supported by flow charts and provides all the necessary information for authorising and applicant officers. Some minor improvements were discussed with the *RIPA* officers and include the following amendments:

    - Clarify that authorisations are "granted" rather than "approved" by an authorising officer.
    - Include within the responsibilities of the *RIPA Co-ordinating Officer* those of oversight and quality control, organising training and raising *RIPA* awareness throughout the Council.
    - Remove references to *urgent* authorisations and provisions which are no longer available to local authorities.
    - Indicate that the duration period for authorisations commences with the approval of a magistrate.
    - Indicate that reviews should be undertaken at least at monthly intervals or more frequently when circumstances demand.
    - Indicate that *directed surveillance* authorisations have a duration period of three months.
    - Clarify that the penal threshold provision is a maximum term of six months or more imprisonment for *directed surveillance* authorisations.
    - Indicate that the only officers who may authorise the employment of juvenile or vulnerable *CHIS* or the acquisition of *confidential information* are the CEO or, in her absence, whoever may deputise for her.
    - Remove the requirement for the obtaining of private information as part of the criteria for the employment of *CHIS*.
    - Expand the arrangements for the management of a *CHIS* to outline the requirement for and responsibilities of a Controller, a Handler and Record Keeper (who may be either the Controller or Handler).

- Indicate that no records will be destroyed until subjected to at least one OSC inspection.

See recommendation

Councillors

26. At the present time neither annual reports nor regular reports are presented to councillors. It should be noted that "*Elected members of a local authority should review the authority's use of the 2000 Act and set the policy at least once a year. They should also consider internal reports on the use of the 2000 act on a regular basis to ensure that it is being used consistently with the local authority's policy and the policy remains fit for purpose*". (*Code of Practice for Covert Surveillance and Property Interference, 3.35)*. This provision was discussed with the officers and it was considered that an annual report would be prepared and submitted to the Council and that regular reports, statistical in nature, would be submitted to the Finance and Policy Committee at regular intervals which could be four monthly. Councillors should be aware that they may not become individually involved in specific authorisations. This is effectively a repeat of the recommendation made in the last inspection report.

See recommendation

CCTV

27. The Council CCTV system continues to be operated in the same manner as at previous inspections. It is operated from a control centre under a written CCTV policy which includes how the CCTV system may be accessed by police for covert surveillance. Although no written protocol exists between the police and the Council for this purpose the Council take a strong stance and, unless the police produce an appropriate authorisation a copy of which must be left with the Control Centre Manager, the police are denied access to the equipment. In the past officers have been refused access for this reason. It was noted that copies of police authorisations were present on the Central Record files. Although it is best practice to have in place a clear protocol between the Council and police the system adopted at Hartlepool BC appears to work successfully.

Protection of Freedoms Act 2012 and the *RIP(Directed Surveillance and CHIS)(Amendment)Order 2012, SI 2012/1500*

28. The provisions of this legislation, in so far as they relate to *RIPA,* were discussed. A procedure exists for the obtaining of magistrate's approval which follows the recommendations of the Home Office, namely that the investigating officer attends and presents at the application for a magistrate's approval. The advisability of that course was considered in the light of the OSC advice that the authorising officer is best placed to assist the magistrate since the issue in question is whether to approve his/her authorisation. In addition the advisability of sending a solicitor in the initial stages to help and assist the magistrates and court officers with this still unfamiliar legislation was discussed.

29. There is no direct evidence that the provisions of this Act have impacted on the Council's approach to authorisation which has always been to avoid the use of covert surveillance unless absolutely essential.

Conclusions.

30. Hartlepool BC has little resort to covert surveillance and is unlikely ever to be more than a minimal user of *RIPA*. The most likely field for expansion in the future is probably in the investigation of SNS. To do so efficiently it must be equipped for the purpose and, within the current legislation, that means be equipped to manage *CHIS*.

31. Training remains an issue which requires to be further addressed. The repercussions for any Council engaging in unauthorised or ill authorised covert surveillance can be dramatic. Media attention alone brings exposure and embarrassment. It opens the Council to challenge in court which can have expensive repercussions and lead to the loss of cases. Additionally the Council can find itself facing civil litigation for breach of human rights.

32. The system of management now in place should ensure that the Council engages its *RIPA* responsibilities efficiently though the *RIPA* officers would be well advised to adopt a robust approach to the question of oversight and quality control. Some of the issues raised in the examination of documents should perhaps have drawn the robust attention of the *SRO* and *RIPA Co-ordinating Officer* at an earlier stage.

33. The officers interviewed impressed with their overall knowledge of the subject and with their enthusiasm

Recommendations

34.

(i) Ensure that the Central Record of Authorisations is fully compliant wih the *Code of Practice for Covert Surveillance and Property Interference,8.1.* (Paragraph 8).

(ii) Ensure that the corporate *RIPA* training programme includes regular refresher training for authorising officers and likely applicants (at about 18 monthly intervals) and that all authorising officers are fully trained before undertaking authorisations. Training should address the weaknesses highlighted in this report. (Paragraphs 9 to 11, 18, 19 and 20).

(iii) Ensure that *CHIS* managers are appointed in accordance with Section 29(5) of *RIPA* whenever *CHIS* are authorised. (Paragraph 21).

(iv) Amend the *Policy and Procedures Document on Directed Surveillance and Covert Human Intelligence Sources.* (Paragraph 25).

(v) Ensure that Elected Members receive annual and other regular reports of the Council's *RIPA* activity or inactivity. (Paragraph 26).

6.4 Appendix 1

His Honour Norman Jones, QC,
Assistant Surveillance Commissioner.

FINANCE AND POLICY COMMITTEE

16 October 2015

HARTLEPOOL BOROUGH COUNCIL

Report of: Director of Regeneration and Neighbourhoods

Subject: **CORPORATE PROCUREMENT QUARTERLY REPORT ON CONTRACTS**

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1. TYPE OF DECISION/APPLICABLE CATEGORY

1.1 For information.

2. PURPOSE OF REPORT

2.1 To satisfy the requirements of the Council's Contract Procedure Rules with regard to the Finance & Policy Committee:

- Receiving and examining quarterly reports on the outcome of contract letting procedures including those where the lowest/highest price is not payable/receivable.
- Receiving and examining reports on any exemptions granted in respect of the Council's Contract Procedure Rules.

3. BACKGROUND

3.1 The Council's Contract Procedure Rules require that the following information be presented to the Finance & Policy Committee on a quarterly basis:

Section of Contract Procedure Rules		**Information to be reported**
Introduction	Para 8 iii & Para 8 vi	Outcome of contract letting procedures
Part G	Para 12 v	

Introduction Part B	Para 8 iii Para 3 v	Basis of award decision if not lowest/highest price payable/receivable
Introduction	Para 8 vi	Contract Name & Reference Number
Part G	Para 12 v	
Introduction	Para 8 vi	Description of Goods/Services being procured
Part G	Para 12 v	
Introduction	Para 8 vi	Department/Service area procuring the goods/services
Part G	Para 12 v	
Introduction	Para 8 vi	Prices (separate to Bidders details to preserve commercial confidentiality)
Part G	Para 12 v	
Part G	Para 12 v	Details of Bidders

3.2 In addition to tender related information, details of exemptions granted to the Contract Procedure Rules are also reportable quarterly.

4. INFORMATION FOR REVIEW

4.1 Tender information

The table at **Appendix A** details the required information for each procurement tender awarded since the last quarterly report.

4.2 The Committee may within the Contract Procedure Rules request further information or seek further monitoring reports on selected contracts.

4.3 In addition the Audit and Governance Committee may request a contract to be monitored under their specific responsibilities relating to the scrutiny of contracts.

4.4 Exemption information

Appendix B provides details of the required information in relation to Contract Procedure Rules exemptions granted since the last Corporate Procurement Quarterly Report on Contracts.

4.5 The table at confidential **Appendix C** includes the commercial information in respect of the tenders received.

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, Appendix C.

5. RISK IMPLICATIONS

5.1 This report is for information only. There are no risk implications attached to this report.

6. FINANCIAL CONSIDERATIONS

6.1 This report is for information only. There are no financial considerations attached to this report.

7. LEGAL CONSIDERATIONS

7.1 This report is for information only. There are no legal considerations attached to this report.

8. CHILD AND FAMILY POVERTY

8.1 This report is for information only. There are no child and family poverty implications attached to this report.

9. EQUALITY AND DIVERSITY CONSIDERATIONS

9.1 This report is for information only. There are no equality and diversity considerations attached to this report.

10. SECTION 17 OF THE CRIME AND DISORDER ACT 1998 CONSIDERATIONS

10.1 This report is for information only. There are no Section 17 considerations attached to this report.

11. STAFF CONSIDERATIONS

11.1 This report is for information only. There are no staff considerations attached to this report.

12. ASSET MANAGEMENT CONSIDERATIONS

12.1 This report is for information only. There are no asset management considerations attached to this report.

13. RECOMMENDATIONS

13.1 That the Committee note and comment on the contents of the report,

14. REASONS FOR RECOMMENDATIONS

14.1 The Committee is required to review the information supplied to ensure that monitoring in the award of contracts is carried out and evidenced.

15. BACKGROUND PAPERS

15.1 There are no background papers.

16. CONTACT OFFICER

16.1 Denise Ogden
Director of Regeneration and Neighbourhoods
Civic Centre
Victoria Road
Hartlepool
TS24 8AY
Email denise.ogden@hartlepool.gov.uk
Tel: 01429 523301

APPENDIX A

Tender Information

Date of Contract Award	Contract Name and Reference Number	Description of Goods / Services being procured	Department / Service area procuring the goods / services	Details of Bidders	Location of Bidder	Basis of award decision if not lowest/highest price payable / receivable	Outcome of contract letting procedures
13th May 2015	769 – 2015 Magnesia Link Road	The works involved the construction of a new link road in cutting down an embankment. Connecting onto a new roundabout on Cleveland Road and all associated footways and street lighting.	R&N	**Hall Contraction Services Ltd** **Lumsden and Carroll Civil Engineering** **Seymor Civil Engineering Contractors** **Tangent construction Ltd**	Rushyford, Councty Durham Bowburn, Durham Hartlepool Hartlepool	Lowest Price	Tangent construction Ltd
23rd June 2015	Dementia Advisory Service – 778	Dementia Advisory Service for people with, or affected by, dementia. The service will provide will demonstrate sound	C&A – Commissioning	Alzheimer's Society The Hospital of God	Newcastle Hartlepool	Most economically advantageous tender	The Hospital of God

		knowledge of social care, medical care and housing and how these impact on the lives of people with dementia					
20th July 2015	625 – 2015 Passenger Transport	The council opted to procure passenger transport services using a dynamic purchasing system.	R&N	23 Taxis Ltd Ace Executive Travel Andrew Steel Big Yellow Taxi Brian Anderson Compass Royston D Wass Taxi Services David Mackay F.J.Hugill JJs Taxi Navigation Taxis Ltd	Hartlepool Peterlee Hartlepool Hartlepool Hartlepool Stockton Hartlepool Hartlepool Hartlepool Hartlepool Hartlepool	Once the operators have successfully been appointed onto the DPS, then the further competition is based on lowest price and availability of vehicles and drivers	23 Taxis Ltd Ace Executive Travel Andrew Steel Big Yellow Taxi Brian Anderson Compass Royston D Wass Taxi Services David Mackay F.J.Hugill JJs Taxi Navigation Taxis Ltd

				P & E Coaches Paul's Travel Richardsons Coaches Walker/Fossway taxis	Hartlepool Hartlepool Hartlepool Newcastle		P & E Coaches Paul's Travel Richardsons Coaches Walker/Fossway taxis
21st July 2015	Social Inclusion for Older People	Social inclusion service for vulnerable people either in the local community or in a building based provision	C&A – Commissioning	Hartlepool Care Watch Services Limited	Hartlepool	Most economically advantageous tender	Hartlepool Care Watch Services Limited

APPENDIX B

Procurements Exempted from Council Contract Procedure Rules

Dept	Service Unit	Company Name	Company Based at	Estimated Expenditure	Description	Approval
R&N	Waste and Environmental Services	Foster Laws and Co Ltd	Hartlepool	£35,000.00	HSE Inspection Improvements	Approved 20.05.2015
R&N	Building Design and Construction	Premier Scaffolding /O'Connor Roofing	Hebburn and Hartlepool	£131,623.74	Roofing repairs at the Hartlepool Central Library	Approved 28.05.2015
PH	Commissioning & Clinical Quality	Hartlepool Shopmobility	Hartlepool	£10,000.00	This exemption request relates to a pilot study which PH will commission from the HAG, the outcome of which will support future PH planning assumptions and the targeting of scarce resources.	Approved 23.06.2015
PH	Sports and Recreation	Access Expeditions	Braintree, Essex	£2,445.05	Camping Equipment required at short notice	Approved 10.07.2015
R&N	Building Design and Construction	Dunham-Bush Ltd	Havant, Hampshire	£12,202.00	Quotations have been provided which demonstrate that the selected solution for air conditioning at Fens and Rossmere Primary School is £100 more expensive than an alternative, however the cheaper unit is completely different in appearance to the existing units and they want to keep the technology and the appearance the same.	Approved 10.07.2015

PH	Sports and Recreation	Technical Surfaces	Leicester	£7,000.00	Technical Surfaces have carried out the maintenance programme on the 3G Football Pitch at Brierton Sports Centre since its opening in June 2014. Technical Surfaces were recommended by the contractor of the pitch, Lano Sports, to ensure it was kept up to a high standard.	Approved 26.08.2015
R&N	Building Design and Construction	Gus Robinson Developments	Hartlepool	£1,696,997.70	Due to time constraints and complexity of this scheme it is necessary to appoint a single contractor. It has been necessary to review this method of procurement for the initial critical work packages to allow the scheme to be completed on time to meet the clients requirements for service delivery.	Approved 15.09.2015

Contracts Extended

Dept	Service Unit	Company Name	Description	Approval	Contract Extension Start	Contract Extension End	Estimated Expenditure
PH	C&Clinical Quality	South Tees Hospitals Foundation Trust	A Cardio Vascular health service is transferring from the NHS into the TV Public Health Shared Service but there have been some issues with TUPE that delayed the transfer. As a result, the existing arrangements need to be extended for an additional 6 months. All the TV PH leads are doing the same.	Approved 02.06.2015	01.06.2015	30.11.2015	£6,654.46
PH	C&Clinical Quality	Virgin Care	A 6 month extension is required in order that the procurement of the Sexual Health Services exercise can be concluded successfully and without risk or disruption to the provision of our statutory responsibilities. Once procurement has completed successfully the extension could be terminated as early as possible with the insertion of a 3 month notice of termination clause, meaning at best the extension could be concluded by 30th June 2016 if all mobilization issues had been resolved.	Approved 16.07.2015	Feb 16 – Mar 16 (to allow for alignment to financial year)		£340,000.00
PH	Commissioning and Clinical Quality	North Tees and Hartlepool Foundation Trust	Falls Service An additional 6 month extension was sought to issue a new contract to the existing provider from Oct 1st 2015 with an expiry date of 31st March 2016.	Approved 01.09.2015.	Oct 1st 2015 with an expiry date of 31st March 2016.		£71,000.00

FINANCE AND POLICY COMMITTEE

16 October 2015

HARTLEPOOL BOROUGH COUNCIL

Report of: Assistant Chief Executive

Subject: NORTHGATE PUBLIC SERVICES COMMUNITY FUND

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1. TYPE OF DECISION

For information only.

2. PURPOSE OF REPORT

2.1 To inform the Finance and Policy Committee of the allocations made by the Northgate Public Services (NPS) Community Forum on 17th September 2015..

3. BACKGROUND

3.1 A report was presented to the Finance and Policy Committee on 28th March 2014 which outlined the background to the establishment of the Northgate Public Services Community Fund.

3.2 The ICT contract, with NPS, provided for the provision of a contribution to the local economy beyond a number of other commitments made which included significant job creation and reinvestment in the infrastructure and ICT services for the Council. There are a number of aspects to this which give an overall value, on an annual basis, which NPS have committed to as part of the new contract. One of the commitments as part of the contract is the NPS Community Fund of £40,000 per annum, £10,000 of which is match funding the Gus Robinson Foundation for scholarships through the Hartlepool College of Further Education (as already agreed by Finance and Policy Committee.)

3.3 The remaining £30,000 has been made available to the voluntary and community sector (VCS), the Council, other public sector partners and Northgate. The agreed aims of the Fund were agreed at Finance and Policy Committee and are to reduce the proportion of individuals, small businesses and charities without basic IT skills and increase the number of people accessing digital services.

3.4 The priorities which were established for the use of the fund were to be targeted towards:

- The cost of training courses to enhance core IT skills offered in the community via community groups.
- Those changes coming through as a result of the implementation of Universal Credit which may be support by both the investment in skills and access to equipment but which may also require the provision of access on line to book appointments and progress applications etc
- Establishing a network for community based digital champions to help promote on line service take up. Some members of the public will remain digitally excluded because they are unwilling to use and will need others to help them use on-line services.
- Establishing facilities to support the training of local people, schools and teachers to enhance digital skills.

3.5 The deadline for 2015/16 applications was Friday 3 July with a total of 8 applications received.

3.6 The applications have been considered by the NPS Community Forum and the report considered is attached as **Appendix B** which includes details of the projects to be supported.

4. RISK IMPLICATIONS

4.1 No implications.

5. FINANCIAL CONSIDERATIONS

5.1 No implications.

6. LEGAL CONSIDERATIONS

6.1 No implications.

7. CHILD AND FAMILY POVERTY

7.1 No implications.

8. EQUALITY AND DIVERSITY CONSIDERATIONS

8.1 No implications.

9. STAFF CONSIDERATIONS

9.1 No implications.

10. ASSET MANAGEMENT CONSIDERATIONS

10.1 No implications.

11. RECOMMENDATIONS

11.1 To note:

i) the allocations made by the NPS Community Fund Forum, attached as **Appendix A**.

ii) that the balance of the fund will be rolled forward to next year's allocation.

12. BACKGROUND PAPERS

Item 6.2 from Finance and Policy Committee on 28th March 2014
Minutes from Finance and Policy Committee on 28th March 2014
Northgate Community Fund Forum Report on 11th September 2014
Northgate Public Services Community Fund Forum Report on 17th September 2015

13. CONTACT OFFICER

Andrew Atkin - Assistant Chief Executive
Civic Centre
Victoria Road
Hartlepool
TS24 8AY
Andrew.atkin@hartlepool.gov.uk
01429 523003

Appendix A

Organisation	**Cost of Project**	**Requested**	**Awarded**
Incontrol-Able	£7,053.60	£4,800	£4,800
Southbrooke Community Project	£11,202	£4,368	£4,368
The Federation of St Peter's Elwick and Hart Primary Schools	£5,500	£5,000	£5,000
Hartlepool NDC Trust	£10,000	£5,000	£5,000
Citizens Advice Bureau	£5,000	£5,000	£5,000
9th Hartlepool Scout Group	£2,200	£2,200	£2,200
Owton Fens Community Association	£13,220	£3,860	£3,860
Friends of Hartlepool Station	£720	£720	£0

NORTHGATE PUBLIC SERVICES COMMUNITY FUND FORUM

17 September 2015

HARTLEPOOL BOROUGH COUNCIL

Report of: Assistant Chief Executive

Subject: REVIEW OF 2014/15 ALLOCATIONS AND APPROVAL OF APPLICATIONS FOR 2015/16

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1. PURPOSE OF REPORT

1.1 To note the outcome of the 2014/15 allocations and seek approval from the Northgate Public Services (NPS) Community Fund Forum on the allocation of the Fund for 2015/16.

2. BACKGROUND

2.1 A report was presented to the Finance and Policy Committee on 28th March 2014 which outlined the background to the establishment of the Northgate Public Services Community Fund.

2.2 The ICT contract, with NPS, provided for the provision of a contribution to the local economy beyond a number of other commitments made which include significant job creation and reinvestment in the infrastructure and ICT services for the Council. There are a number of aspects to which give an overall value, on an annual basis, which NPS have committed to as part of the new contract. One of which is the NPS Community Fund of £40,000 per annum, £10,000 of which is match funding the Gus Robinson Foundation for scholarships through the Hartlepool College of Further Education.

2.3 The remaining £30,000 has been made available for voluntary and community sector (VCS), the Council, other public sector partners and NPS with a funding opportunity via the Fund to aim to reduce the proportion of individuals, small businesses and charities without basic skills and increase the number of people accessing digital services.

2.4 The priorities which are established for use of this fund may vary over time. However, at this stage the following form the key priorities with funding and activity to be targeted towards:

- The cost of training courses to enhance core IT skills offered in the community via community groups.
- Those changes coming through as a result of the implementation of Universal Credit which may be support by both the investment in skills

and access to equipment but which may also require the provision of access on line to book appointments and progress applications etc
- Establishing a network for community based digital champions to help promote on line service take up. Some members of the public will remain digitally excluded because they are unwilling to use and will need others to help them use on-line services.
- Establishing facilities to support the training of local people, schools and teachers to enhance digital skills.

2.5 The deadline for applications was Friday 3 July with a total of 8 applications received.

3. REVIEW OF 2014/15 ALLOCATIONS

3.1 HARTLEPOOL DEAF CENTRE – Allocated £1,400

3.1.1 The project was looking to provide core IT skills to a select group of participants from a hard to reach group. To do this they were able to provide skills to members of the Deaf community which included tuition in using a range of computer based applications and also communicating with Hartlepool Borough Council's Deaf Social Care Officer. Older members of the Deaf Community in particular struggled with using digital equipment and are unable to attend mainstream courses due to their hearing loss; this means they are excluded from engaging with online services.

3.1.2 Two 10 week training courses were held, initially anticipated to reach a total of 6 attendees, but managed to reach 8 attendees, mainly of the 50 plus age group. Ongoing support is still scheduled to be provided for computer access and support/assistance to help Deaf people to access online services, ultimately this will reduce social isolation.

3.1.3 The project beneficiaries were as follows:

- Total Number of attendances was 76.
- All 8 attendees registered with and accessed HBC online services.
- 7 attendees registered with their GP surgery's online appointment and/or prescription services. One attendee was unable to register due to the function not being available at their surgery.
- All attendees registered with, and began using Facebook and said it helped them feel 'less isolated'.
- All 8 attendees were able to send emails by the end of the course.
- All 8 attendees registered with Skype and Facetime and learned how to use them. 6 attendees have continued to use these services.

Due to the success of the initial course, a further 10 sessions are currently being delivered, funded by the Hartlepool Deaf Centre.

3.2 INCONTROLABLE – Allocated £5,000

3.2.1 With the above funding Incontrol-able ran the VIP (Visual Impaired Project) which was a six month pilot project from January 2015 to the end of June 2015. The main purpose of the project was to support visually impaired people on a one to one, or group basis using tablet technology to access information. The tablets were also loaned out for a period up to three days to people who were involved in the project. The eligibility criteria to receive support from the Project Facilitator were that the referred person must be an adult who held a Certificate of Visual Impairment and who lived in Hartlepool.

The funding enabled Incontrol-able to recruit a Project Facilitator and purchase a total of six Samsung Galaxy tablets, one more than anticipated, for use during the project. The funding was divided into £3500 for wages and £1500 for tablets and insurance.

3.2.2 During the term of the project Incontrol-able received 20 referrals which enabled the project worker to work on one to one sessions and workshops. Tablets were customised to enable the Visually Impaired project members to give instructions and ask questions and the responses were given back verbally by the digital media.
Of the 20 people referred to the project the majority of people stated that they felt competent in accessing the digital media independently after spending time with the project worker. As a result of the project 60% of those involved purchased their own mobile device.

3.2.3 The project worked closely with other agencies and organisations; namely Hartlepool Blind Welfare Association and the Social Worker for Visually Impaired People. Both of these representatives commented on the positive impact the project had had on individuals and how it had increased their independence in accessing information that was relevant to them.

Prior to each session as part of the induction process the Project Facilitator would identify with the individual what would benefit them in using the tablet so that the appropriate Apps and links could be added before the next session. People were able to use this process to identify when the Hartlepool GP practices were open, etc.

3.2.4 From the total referrals there were 8 men and 12 women who accessed the service, with the age range varying from 35 to 86 years of age. .

The project was so popular it was difficult to spend appropriate levels of time with individuals as everyone had different needs and abilities. The funding limited the time available for the project worker to 16 hours per week and although this was not a problem initially it did start to impact as the service became more popular. Unfortunately, the only way to share the project workers time effectively was to limit the one to one sessions to 1.5 hours per meeting and reduce the number of appointments.

From all of the people who engaged in the project, one student has accepted the opportunity to be the 'IT Champion' on behalf of Hartlepool Blind Welfare and to share his knowledge with other visually impaired people.

The fund gave Incontrol-able the opportunity to deliver a ground breaking scheme that changed the lives of visually impaired people in Hartlepool. They used the £5,000 effectively to bring in a project worker who had the skills and knowledge base to deliver this service and they were also able to purchase a number of devices that has enabled them to secure additional funding for new services going forward. The project supported a total of 20 beneficiaries, at the time if application it was hoped to reach up to 50 people over the term of the project but due to the limited resources this was not possible.

3.3 THE RIFTY YOUTH PROJECT - £4,937

3.3.1 Due to a delay in paperwork, it has been agreed that the project for the above organisation will run from July 2015 to June 2016 in order for the full potential of the project to be allowed. Quarterly monitoring will take place and be reported back to the Forum in 2016.

3.3.2 The project will still follow the initial application submitted to the forum.

3.4 RED DREAMS - £5,000

3.4.1 The proposed project involved improving and enhancing the facilities in order to support, train and mentor local groups surrounding IT and digital literacy. They proposed to deliver a number of workshops and training courses on basic IT skills to enhance day to day life, such as social media, shopping, banking and some more complex skills such as digital editing for photography, music and film and Microsoft Office packages.

3.4.2 The project was initially set up for teaching ICT and confidence (TICTAC) to local people. Following the Open Day held in November 2014, it became apparent that participants did not immediately sign up or commit to learning as they were worried how it could or would affect any benefits received. This was not what Red Dreams had expected nor prepared for therefore decided to change the direction slightly in how participants were recruited and merge elements of the TICTAC project with a separate project for economically inactive women. This allowed them to enrol and work with mothers on ICT based activities whilst their children attended other activities at Red Dreams. The remit was then widened to include parents as a whole. This led to weekly sessions where participants were learning to use Microsoft software for things such as creating CV's, typing letters and budgeting income and expenditure using Excel. Support was also provided to individuals who have then purchased their own tablets on how to use relevant applications etc. By the end of January 2015, a total of 8 individuals have been supported.

3.4.3 From November 2014, Red Dreams partnered with training provider Studio 47 to run functional skills training in Maths, English and ICT for apprentices. Training took place on a weekly basis from November 2014 to March 2015 which managed to train and have 7 apprentices working towards Level 2 Functional Skills qualifications.

3.4.4 From January 2015, Red Dreams also partnered up with local schools to develop young people's skills in more advanced software packages to enhance their interest in creative arts and media. Four workshops were developed, a Foley Workshop, a Photography Workshop, n After Effects Workshop and a Live Lounge Style Workshop, by the end of April 2015 a total of 54 students had taken part in these workshops.

3.4.5 Overall the project has worked with around 70 individuals, initially thought to reach around 100 learners, of all ages and abilities, within basic ICT and software packages, as well as introducing more specialised software and technical skill where relevant. With this in mind, they aim to become an official training and test centre and will be meeting Edexcel in May to submit this proposal.

3.4.6 Whilst this project has been beneficial the provider did not liaise with the authority in respect of the change of focus for the project.

3.5 HARTLEPOOL COLLEGE OF FURTHER EDUCATION – Allocated £5,000

3.5.1 The proposed project involved the College working with Northgate Public Services to develop a Northgate Academy within the College. This is a dedicated resource for apprentice and professional training using the latest technology. The funding was used as part of this wider partnership with Northgate Public Services in relation to the Northgate Academy. Specifically the funding was used to support the refurbishment of three designated training rooms with the latest SmartScreen wipe boards.

The rooms have now been used by over 30 staff in 2014/15, teaching to over 500 students and apprentices.

3.6 WHARTON TRUST – Allocated £2,600

3.6.1 The project was to build on the current successful model that the Wharton Trust already had in place for providing opportunities to residents to sign up to the UK Online 'Learn My Way' Programme, which covers health, Jobs and Skills, Maths and Safety. It was aiming to provide 20,400 extra hours of access to ICT for residents.

Monitoring information has been requested from the Wharton Trust on numerous occasions however sufficient information has not been received to date. The information will continue to be pursued as it was a contractual obligation to provide it. It is recommended that no funding is provided in the future from this fund should they submit a further application in later years

3.7 WEST VIEW ADVICE & RESOURCE CENTRE – Allocated £5,000

3.7.1 The project involved the WVARC working alongside the HAPEN Advice Network to establish a series of IT and Digital Skills Workshops across four different locations in Hartlepool. The project initially offered space for 128 participants. The attendance was very good although differed depending on the location of the course, times and days. Overall a total of 115 enrolled on the courses and 108 students attended the courses over the 4 sessions provided, 84% filled. Retention was excellent and 80% completed the course in full. Students were a mixture of ages from 16 – 80 years and range of both female and male students. All geographical areas of the town were covered and welcomed on the course. A number of students left the course due to securing employment due to the assistant in CV writing and job searches conducted during the course.

3.7.2 The WVARC worked closely with other organisations such as Job Centre Plus, Hartlepool Mind, Lifeline and Adult Education, who all sent client referrals to WVARC for them to enrol onto the course.

3.7.3 Overall the funding enabled WVARC to deliver the sessions, market and promote them. The delivery of the course has provided support and assistance to 108 Hartlepool residents which will enable them to connect with others by way of email, online banking, job searches and money management. They were able to support people in making applications for Universal Credit as well as the online systems such as applying for Job Seekers Allowance. A number of students who completed the whole course have been encouraged to act as support to new students.

4. 2015/2016 APPLICATION DETAILS

Below is a summary of applications which have been received for 2015/16 funding allocation.

4.1 Incontrol-able

Recommend Approve

4.1.1 Incontrol-able are an established Disabled People's User led organisation, who actively consult with their members and disabled people in the community about issues that are important to them. Their Management Board has a structure of 75% of Disabled People who drive the organisation. Their services focus on health and social barriers that impact on the lives of disabled people.

4.1.2 The organisation proposes to use the fund to provide a new service 'In Your Dreams' for people with a diagnosis of early onset Dementia. The project will focus on disabled people and their carers using mobile devices as a tool to engage. People will be encouraged to share experiences and stories from their past to prompt discussions of memories, enabling people to be at that time and place with the individual. The organisation propose to meet individuals with early onset Dementia to provide to one to one sessions and also meet with family/carers in community venues or homes that have WIFI capability.

The project will deliver a 'light touch' service engaging with the target group and the people in their circle of support to use mobile devices to assist in recollection of memories using images, videos, etc available on the internet. Users of the service will also be introduced to sites such as Hartlepool Now, and the Borough Council websites, etc, so they will have the ability to access local information independently, or with support from people in their circle and this would meet the statutory responsibilities of the local authority duties of Information, Advice, Guidance with regard to the Care Act 2014. The organisation will use mobile devices that were purchased via the Northgate Public Services Community Fund last year to deliver the project.

4.1.3 It is predicted that the number of people in Hartlepool who have dementia will increase significantly in the next 16 years from 1,171 in 2014 to 1,811 in 2030. This is an increase of approximately 40% and is a key pressure at a time of shrinking resources. The Joint Strategic Needs Assessment for Hartlepool identifies this increase as a key priority that requires action.

Dementia affects people at different stages of life, affects different parts of the brain and at different speeds. People living with dementia suffer from a variety of conditions ranging from social isolation and depression to behavioral changes and memory loss. For family and friends there are the additional emotional traumas of being with a person who may not recognise them or remember their shared life.

4.1.4 The project will enable people with early onset dementia, their family and circles of support to spend quality time together, recall good memories and also have the opportunity to access up to date and relevant information.

The project will promote choice, independence and control for individuals with these disorders. Social isolation is one of the key factors related to mental ill health and this is something this project is looking to address (Joint Strategic Needs Assessment 2012/13 (JSNA).

4.1.5 In the Dementia Working Group Final Report March 2015, it highlights the current provision for people with Dementia in Hartlepool and how the town is looking to become a 'Dementia Friendly Community'.

There is strong evidence that projects led by a DPULO (Disabled People's User-Led Organisation) represent the 'Voice' of Disabled people, have a peer to peer approach and have better outcomes for people. The organisation have strong local links increasing the success of the project as there will be reduced 'lag time' in starting up.

The role of staff and volunteers will be to maintain accurate records and record the impact of the service for people who have engaged in the project and capture personal stories and testimonies about their experiences. A final report will be produced which can be shared with funders and stakeholders.

4.1.6 The costs associated with this project are as follows:

Facilitation of the service at £100 per day x48 days	£4,800
Mobile Devices (purchased previously)	£1500
Volunteer Time (not included in total requested) (2 hours per week 1x2x48 at £7.85 per hour – living wage)	£753.60
Total	**£7,053.60**
TOTAL REQUESTED FROM FUND	**<u>£4,800</u>**

4.2 Southbrooke Community Project

Recommend Approve

4.2.1 The Southbrooke Community Project is a Charitable Incorporated Organisation registered with The Charity Commission last year. The organisation has two principle projects:

- An alternative education initiative for disaffected young people
- The Heart, a community resource centre established in the western part of Hartlepool's Manor House Ward.

4.2.2 The organisation propose to use the fund to establish a new digital initiative at the Heart Centre at Brierton Lane, 'Digital at Heart' which will up skill adults with little or no IT capability in on-line skills. This will enable them to improve their employability, improve their education and learning, be confident and competent when using every day digital media e.g. anything from a smart phone to contacting the council or paying bills and accessing health and fitness and social welfare opportunities, volunteer/mentor and generally improve their self-esteem and confidence. Specifically the grant would fund a part-sessional IT instructor, materials, stationery and refreshments with a contribution towards heating and lighting the building.

4.2.3 People, especially those whom may have left the education system early without qualifications, are often apprehensive about studying at a formal learning institution. Having a local facility (The Heart), where people can learn without pressure at their own pace, alongside friends and neighbours and free of charge, can go a long way in guiding skills and abilities.

The learning facility will be permanent at The Heart. This means people can regularly access it again free of charge to make Universal Credit claims and council enquiries, housing issues and so on, all on a digital basis. The project will encourage people to become volunteers or 'digital champions' as mentors assisting learners and as helpers at the facility. The digital champions in particular will be able to take their skills out into the community to the homes of new learners, at other centres or at the Heart Centre itself to encourage on-line use.

4.2.4 Whilst the project primarily seeks to up skill 18-60 year olds, others can also use the facility, in particular young people and the elderly who don't have access to computers or lack the knowledge in how to use them. Community groups and Schools are also able to use the facility.

A computer club is also to be formed at The Heart, which will then address anti-social behaviour by encouraging young people off the street and will be open to adults too, addressing the lack of community facilities. These two issues have been identified in local surveys of needs.

4.2.5 The project seeks to provide four sessions a week for 48 weeks with 4 people attending each session. The organisation expects that the training will result in 6 people becoming 'digital champions' and that 4 people will go onto further IT training. It is expected that participants will have increased confidence and knowledge in being able to understand IT systems and greater competence in using them.

4.2.6 The costs associated with this project are as follows:

Part-time sessional I.T Instructor (£10.00/hr x 16 hours/week hours p/week x 48 weeks)	£7680.00
6 computer workstations inc software @ £499.00 each	£2994.00
Rent, insurance (provided by SCP)	F.O.C
Materials, stationery, printing, refreshments, etc @£6 p/week	£88.00
Contribution to heating, lighting @£5.00/week	£40.00
Total	**£11,202**
Match funding secured from The Big League CIC	£3,846
Match funding secured from Thirteen Group	£2,994
TOTAL REQUESTED FROM FUND	**£4, 368**

4.3 The Federation of St. Peter's Elwick and Hart Primary Schools

Recommend Approve

4.3.1 The Federation of St. Peter's Elwick and Hart Primary Schools are two small primary schools. With fewer than 200 pupils aged 3-11 between both sites. The schools provide co-educational education following the National Curriculum and are based in the centre of the community to which we serve. The communities are rural, each on the outskirts of Hartlepool. Due to the size of the villages in which the schools are based it is important to encourage partnership between the school and the wider community.

4.3.2 The proposed project is to provide a number of IT workshops which would be delivered using the schools' premises and equipment inviting in grandparents or older members of the community (but not limited to older members) who would like to improve their ICT skills or learn from scratch. Some of the workshops would include pupils (although would be outside of school hours) e.g. 'Learning New Tricks' pupils will be encouraged to teach their grandparent(s) how to set up an email addresses, write a letter or use a simple spreadsheet. Workshops will develop in stages increasing in knowledge and difficulty. Trained professionals will be sourced to run each workshop and the titles of each workshop will be announced so that members may choose which course is right for them. A trainer will be sourced for each workshop which will match the needs of the course content. Some may be professionals working in ICT within commercial industry; some will be from the education sector. For the workshop involving pupils a member of school staff would deliver this course.

The courses will be spread over the two communities of Hart and Elwick and will take place in both schools and advertised on the village notice boards and in school newsletters. If funding is successful there would be no charge for attendance although a donation may be requested so that if successful, the workshops could be continued once funds have been depleted.

Research has shown that older members of communities can sometimes find themselves isolated from their community once they reach retirement age and especially in rural areas where local amenities and community based projects are fewer than in towns and cities. The workshops will look to encourage social interaction, both in person and in opening them up to a world in which they may not have entered before in introducing them to the world wide community of the internet and email as a medium of communication.

4.3.3 The project hopes to reach 100% of each community to inform them that the project was to start. Of those reached with information regarding the project It is expected to attract at least 1 in 10 (10%) of the community and 80% of that 10% being members who have a limited knowledge and experience of IT and how it can be used to make their life easier and/or more enjoyable. It is expected that more than half of those who attend a workshop will be from vulnerable groups. It is expected that 100% of participants will see an improvement to their IT skills and feel more confident in using IT in their daily lives.

4.3.4 Participant feedback would be requested after each workshop and from this feedback, possibly provide workshops on whatever the participants within each community felt they would like to learn more about. Each workshop will be monitored separately by means of an evaluation form and the results recorded in order to determine which trainers were most suitable and which learning speed and approach the participants felt most suited their needs and level. Each participant will be asked to self – evaluate at the beginning of the project where they felt their knowledge was and grade it on a scale of 1 to 10. The same will be done at the end of the project to determine how they feel they their knowledge has improved.

4.3.5 The costs associated with this project are as follows:

Trainers – Experts from commerce and the education sector	£4,000
Toner	£200
Paper	£500
Refreshments	£300
Caretaker –outside of school hours (per annum)	£500
Total	**£5,500**
Match funding secured from The Friends of School	£500
TOTAL REQUESTED FROM FUND	**£5,000**

4.4 Hartlepool NDC Trust

Recommend Approve

4.4.1 The NDC Trust was formed as the successor body to the New Deal for Communities Programme and became fully functional in 2010. Their main and most successful area of work is a project called, 'Opening Doors' which is a small construction project specialising in refurbishing empty properties. Whilst carrying out this work, they take on trainees (long term unemployed, NEET etc) and try to bring them closer to the labour market. They provide training, on-site experience and low level qualifications to (predominantly) young people and sign post them to further training, education or employment. The Trust are currently expanding their workforce which will allow them to take on more trainees and in addition to this employ two or three apprentices later this year.

4.4.2 The Trust is looking to expand the opportunities it provides to its trainees. Currently, they provide training, on-site experience and a low level (OCN Level 1) qualification. Each trainee spends eight weeks with the Trust working on the ‘Opening Doors’ project. Once they leave, it is extremely difficult to get information on what they do next which makes is impossible to ascertain the level of Social Value the Trust is providing and the impact it is having on the lives of the trainees.

4.4.3 The Trust aims to increase the chances of its trainees finding further education, employment or training by providing ‘signposting’ information to trainees and allowing them access to computers. They will support the trainees in seeking employment or further training by installing ICT equipment within their offices and tapping into software networks of the likes the College of Further Education, Job Centre Plus etc. The Trust are building strong relationships with local businesses in the construction sector and hope to act as a 'talent spotter' recommending good trainees to be considered for employment or apprenticeships. Access to ICT will become an integral part of their training offer and they will support the trainees in job/training searches and applications, building their CVs, interview preparation and general computer skills. Most of the trainees are referred through the job centre and are in receipt of benefits and therefore affected by Universal Credit. They will work closely with JCP to complement their services and provide an enriched training experience which will support the trainees in other aspects of their lives.

4.4.4 The Trust expects to reach a minimum of 50 trainees in a year, using their IT sign-posting project. The trainees will be made up of people who are long-term unemployed, NEET, college students, people with mental health problems and more. With this project, the Trust are aiming for 50% of trainees moving into further education, training or employment. All trainees will have increased self-confidence, will be more employable and improved their basic IT skills. They will gain a better understanding of how to gain employment and training in the construction sector and have had the experience of working for a reputable charitable organisation.

The number of trainees moving into further education, employment or training both as a direct result of our project and indirectly having attended the project will be monitored, measured and evaluated against the proposed numbers stated above.

4.4.5 The costs associated with this project are:

Salary costs, Project and Training Manager	£6,500
3 x 'All in one' computers	£2,100
Printer	£500
Ink Cartridges/Paper	£300
Software	£300
Set up costs	£150
Licenses	£150
Total	**£10,000**
Match funding secured from the NDC Trust	£5,000
TOTAL REQUESTED FROM FUND	**£5,000**

4.5 Citizens Advice Bureau

Recommend Approve

4.5.1 The organisation provides advice, information and advocacy service for the local community with offices in the town centre. They offer advice on a range of subjects and issues which include:

- Debt
- Welfare Benefits
- Employment Law
- Consumer Matters
- Housing and Homelessness
- Money Management
- Family Matters
- Fuel/Energy Problems

The service is provided five days a week either face to face or via the telephone. The organisation runs partnership activities with a number of other local agencies and organisations.

4.5.2 The organisation is seeing an increase in the number of residents seeking help and assistance with making online welfare applications and accessing other online services. These residents either have no access to facilities to make such claims or do not have the confidence to use computers to access such services.

4.5.3 The proposed project is to employ an advice/support worker for 10 hours and week over a 39 week period. The support worker would provide assistance to residents in making claims for certain benefits and services and support them in using online forms which can be printed and forwarded to the appropriate department.

4.5.4 The project aims to offer 5-6 face to face appointments a week for local residents each week over the 39 week period, reaching between 190-230 people. The project will be monitored by recording how many people access the service, the number of successful claims for benefits and services, how many people recommend the service to others and the increase in confidence obtained by local people. If the project is successful further funding will be sought to secure a more permanent service.

4.5.5 The proposed costs of the project are:

Staff Salary	£3642
Management & Supervision	£358
Computer Equipment	£700
Overheads(stationery, postage etc)	£300
Total	**£5,000**
TOTAL REQUESTED FROM THE FUND	**£5,000**

4.6 9th Hartlepool Scout Group

Recommend Approve

4.6.1 The 9th Hartlepool Scout Group is a group with 100 members ranging from 6-14 years of age ran by volunteers. Scouts help children develop skills including teamwork, time management, leadership, initiative, planning, communication, self-motivation, cultural awareness and commitment.

4.6.2 The proposed project is in two parts:

1. Provide computer equipment so the young people can complete their computer badges.
2. Provide the scout leaders with computer equipment and training so that they can operate the new online technology to assist in providing the scouting program.

4.6.3 The project will reach 100 children and 25 adult volunteers across Hartlepool. It is expected that the number of scouts achieving their computer badge will increase from 5 per annum to over 20.

4.6.4 Proposed costs for this project are:

5 x laptops	£1,000
6 x iPad Minis	£1,200
Total	**£2,200**
TOTAL REQUESTED FROM THE FUND	**£2,200**

4.7 Owton Fens Community Association

Recommend Approve

4.7.1 OFCA was established in 1985 with the aim of developing and building the capacity of local communities in need throughout Hartlepool and the surrounding areas. The vision is to make available local accessible provision for members of the community that acts as a stepping-stone into employment, education, training, and jobs, assisting and empowering members of the community to become stakeholders in their communities. The organisation also offers a range of services for children and young people to reduce anti-social behaviour, improve life chances and provide informal educational opportunities.

4.7.2 Since OFCA took ownership of the Jutland Road Community Hub in 2012 through asset transfer they have completed a number of community consultations to establish the local priorities. The key concerns highlighted were ITC skills for older people, opportunities to engage young people and accessible education and training opportunities for everyone. From the consultation they began youth sessions for children and young people which included basic computer skills provision.

Working with the local residents over 3 years they have found that many local residents have very little or no computer skills; a problem as more and more services are now accessed online. The proposed project is to provide a basic computer training course. OFCA plan to run 6 training courses throughout the year which last 5 weeks per course. The computer sessions will run every Monday and last for 2 hours per session, we plan to hold the courses from 4pm-6pm and 6pm-8pm with a maximum of 10 people per session. The computer suite will then be open to the public every Tuesday to Thursday for residents to practice the computer skills they have learnt supported by volunteers and staff.

4.7.3 The project is expected to reach 50 – 60 people over the age of 16. The HUB is based in the Seaton Ward of Hartlepool, however, the courses will be advertised town wide to increase the opportunities given to all residents. Both informal and formal evaluation of the project will take place as well as a keep in touch scheme to see how the clients progress.

4.7.4 The costs associated with this project are:

Room Hire (£10 per hour x 4hrs x 5wks x 6 courses)	£1200
Tutor (£15 per hour x 4hrs x 5wks x 6 courses)	£1800
Volunteers (4 volunteers x £3 per session x 5wks x 6 courses)	£360
Running costs (Stationery, Printing, Publicity, Refreshments)	£500
Staff (x3 x £6.50/hour x4hrs/day x 4days/week x 5wks x 6 courses)	£9360
Total	**£13,220**
Match funding secured from the Big Lottery Fund	£9,360
TOTAL REQUESTED FROM THE FUND	**£3,860**

4.8 Friends of Hartlepool Station

Recommend Not Approve

4.8.1 The Friends of Hartlepool Station (FOHS), established in 2008, is a voluntary group of people with an interest in railway matters. They advocate improvements in East Coast Rail Services and take an active role in improving the environmental appearance of the station.

4.8.2 The group is seeking to obtain funding to ensure they are in a position to maintain/develop their own website and bring FOHS to a wider audience. The funding would enable some of group to be trained in the necessary IT skills involved in maintaining, updating and running their website.

4.8.3 The costs associated with this project are:

Day course for 6 people (HCFE)	£550
Follow up training (4x6hoursx£10)	£60
Total	**£720**
TOTAL REQUESTED FROM THE FUND	**£720**

4.8.4 It is felt that this application doesn't have a wide enough scope to support the aims of the fund.

5. RECOMMENDATIONS

5.1 The Forum is requested to note the content of the report and approve the proposed allocations as detailed in Section 4 which equate to a total of £30,228. As the fund is only for £30,000 the remaining £228 will be used from the 2014/15 fund which was not used.

6. REASONS FOR RECOMMENDATIONS

6.1 To allocate the funding available from the Northgate Public Services Community Fund for 2015/16.

7. BACKGROUND PAPERS

7.1 Item 6.2 from Finance and Policy Committee on 28th March 2014
Minutes from Finance and Policy Committee on 28th March 2014

8. CONTACT OFFICER

8.1 Andrew Atkin
Assistant Chief Executive
Civic Centre
Victoria Road
Hartlepool
TS24 8AY

Andrew.atkin@hartlepool.gov.uk
01429 523003

Finance & Policy Committee

16th October 2015

HARTLEPOOL BOROUGH COUNCIL

Report of: **Chief Finance Officer**

Subject: WELFARE REFORM IMPACTS

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1. TYPE OF DECISION / APPLICABLE CATEGORY

1.1 For information.

2. PURPOSE OF REPORT

The purposes of the report are to update Members on:

i) The Government's Welfare Reforms programme, the current and future forecast impacts in Hartlepool.

ii) The actions being taken by the Council to help mitigate the impacts of the changes.

3. BACKGROUND

3.1. The previous coalition Government embarked on a wide ranging programme of Welfare Reforms with the core stated intentions of:

- Encouraging people back into work;
- Reducing Welfare Dependency by ensuring that "work pays" – that people are better off in work than on benefits;
- Delivering significant savings – a commitment to save over £18bn from the Welfare Budget by March 2015

3.2 The Chancellor announced in his July 2015 Budget his intention to continue with further Welfare Reforms during this parliament to deliver an additional £12bn of savings over the next 4 years. The new Government have re-affirmed a commitment to:

- Reform Welfare in order to "make work pay"
- Ensuring Benefits do not "support lifestyles and rents that those in work cannot afford";
- Putting working age benefits on a sustainable footing that is fair to the taxpayer whilst protecting the most vulnerable;

- Implementing changes to Tax Credits which have been "subsidising low wages in a way that was never intended"

4. Local Impact of Phase 1 - 2012 Welfare Reform Act

4.1 The following paragraphs provide more detailed information of the local impact of four Phase 1 Welfare Reforms :

- Local Council Tax Support Scheme (LCTS)
- Bedroom Tax / Social Rented Sector Under occupancy Charge
- Benefit Cap
- Local Welfare Support

In addition, details are provided of the effectiveness of the Council's arrangements covering Discretionary Housing Payments and Free School Meals and the operation of the Trussell Trust Foodbank.

4.2 Local Council Tax Support (LCTS) Scheme

The Coalition Government abolished the national Council Tax Benefit scheme on 31st March 2013 and replaced it with a requirement for Councils to determine and operate their own LCTS schemes. Funding transferred by the Government for 2013/14 LCTS schemes was cut by 10% nationally. However, when account was taken of the value of awards, the initial grant cut for Hartlepool for 2013/14 was 13.4%.

4.3 Since April 2013, there has been a modest gradual reduction in the numbers of households receiving LCTS from about 15,100 households to 14,150. Nevertheless, the LCTS scheme continues to deliver financially significant support in Hartlepool totalling about £11.46m per annum covering both Pensioner households (a protected group under LCTS) and working age households.

4.4 From 2014/15, Central Government funding for LCTS is no longer provided as a separate grant allocation but is included in the Core Revenue Grant (RSG) allocation for individual Councils. As further cuts in RSG were made in 2015/16 and are forecast to continue over the next 4 years this means Councils face either having to implement higher reductions in LCTS support for working age households, as pensioners remain fully protected, or limit the LCTS cut by implementing higher General Fund budget cuts.

4.5 These issues have a fundamental impact on the affordability and sustainability of LCTS schemes for Councils. It would have been much clearer for Councils and the public if funding for LCTS schemes continued to be paid as a specific grant. This arrangement would also have ensured that the impact of a significant shift in responsibility for supporting low income households from Central to Local Government was fully understood and properly resourced. The new arrangements have a significantly greater impact on Councils like Hartlepool which are more dependent on Government Grant and have higher levels of deprivation.

4.6 The Council had recognised the impact of the LCTS changes before they were implemented and allocated one off resources to help mitigate the impact on low income working age households. As a result of this action, the Council has been able avoid implementing LCTS cuts of 20% over the last three years and has limited the reduction in support to:

- 8.5% in 2013/14;
- 12% in 2014/15;
- 12% in 2015/16.

All other Tees Valley councils have operated LCTS schemes involving cuts of 20% since April 2013

4.7 In June the Committee endorsed the proposal to retain an LCTS scheme for 2016/17 with a 12% cut which is viable and affordable based on updated financial modelling. This proposal will continue to deliver important financial support compared to those Councils who have implemented cuts of 20%, as highlighted in the following table:

Impact of Hartlepool's actual 2013/14 to 2015/16 LCTS scheme and proposed 2016/17 LCTS cut compared to annual cuts of 20%.

	Band A	Band B
Council Tax Liability with a 20% LCTS cut in 2013/14, to 2016/17.	£906	£1057
Council Tax Liability with HBC phased LCTS cuts of 8.5 % in 13/14 and 12% in 14/15, 15/16 and 16/17.	£504	£589
Cumulative Support to Households 2013/14 to 2016/17	**£402**	**£468**
Number of Households Supported (i.e. who previously received 100% Council Tax Benefit)	5,118	367
Percentage of LCTS Households (i.e. who previously received 100% Council Tax Benefit)	91%	6%

4.8 **Bedroom Tax**

The previous Government introduced new rules governing housing benefit entitlements in the social rented sector from 1st April 2013. The new arrangements mean that working age housing benefit claimants of registered housing associations or other registered social landlords moved to a system whereby their housing benefit is calculated based on new government rules covering the number of bedrooms a household is deemed to need. Working age households with 1 or 2 surplus bedrooms had their housing benefit entitlements cut by 14% or 25% respectively.

4.9 In July 2013, in Hartlepool, 1,581 households had been impacted by the “Bedroom Tax” and the average lost housing benefit was £13.67 per week. Members in September 2013 agreed to help mitigate the impact by committing one-off funding of £346,000 from an under spend on DWP Local Welfare Support funding. This provided 16 weeks support on housing benefit loss to those households affected by the “Bedroom Tax”.

4.10 Recent analysis shows that whilst some households have responded to the “Bedroom Tax” by moving to smaller accommodation, to the private rented sector or have moved out of the borough, at September 2015 there are still more than 1,400 households having their weekly Housing Benefit reduced as shown in the table below:

<u>Bedroom Tax Impacts in Hartlepool @ September 2015</u>

Electoral Ward	No of Bedroom Tax Cases 14% HB reduction	No Of Bedroom Tax Cases 25% HB Reduction	Total Number of Bedroom Tax cases	Annual HB lost £
Burn Valley	29	3	32	24,000
De Bruce	190	41	231	170,000
Fens and Rossmere	51	8	59	42,000
Foggy Furze	117	17	134	99,000
Hart	22	4	26	22,000
Headland and Harbour	181	44	225	166,000
Jesmond	146	29	175	130,000
Manor House	239	52	291	214,000
Rural West	14	0	14	9,000
Seaton	73	15	88	63,000
Victoria	122	16	138	100,000
Total	1184	229	1,413	1,039,000

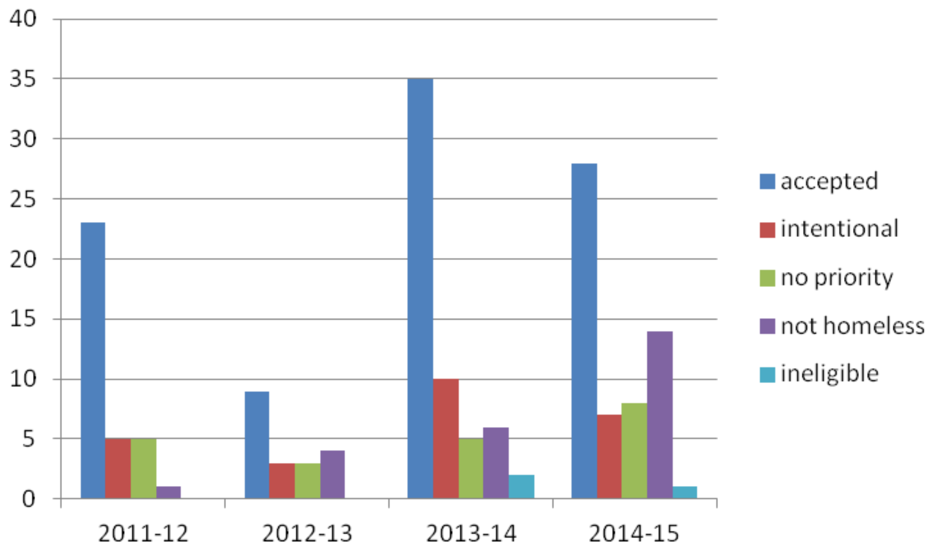
4.11 In Hartlepool, reductions in Housing Benefit entitlement linked to the “Bedroom Tax” total about £1.03m per year. The affected households are either paying their rental shortfall by reducing expenditure on other living costs, or are accumulating rent arrears with their landlords. In 2014/15, the Council made Discretionary Housing Payments totalling £186,000 covering Bedroom Tax cases.

4.12 At a national level the Bedroom Tax changes are putting financial pressure on Registered Social Landlords. This financial pressure will increase as the Government recently announced a 1% reduction in rents for the next 4 years.

4.13 Demand for Housing Advice has increased substantially since the introduction of welfare reform with the number of people seeking help increasing from 1,755 in 2010/11 to over 3,000 in subsequent years. There is also evidence of demand for family sized accommodation in some areas of the town decreasing and bidding activity on Compass has reduced with certain properties being advertised on multiple bidding cycles.

4.14 Levels of homelessness continue to be relatively low in Hartlepool, however it can be seen that since the Welfare Reform Act 2012 that homeless acceptances have increased with a peak during 2013-14.

<u>Homeless Acceptances in Hartlepool</u>



4.15 The housing sector has seen an increase in rent arrears as household incomes have reduced and their outgoings have increased. Housing providers and other partners are working effectively together to monitor the impact of Welfare Reform and ensure that people are being supported to cope with the effects.

When planning services for the future, consideration will need to be given to:

- Decreasing demand for family size accommodation in certain areas;
- Increased demand for one and two bedroom properties;
- Need for budgeting, computer skills and internet access for all households;
- Need to safeguard advice and support services in the face of funding pressures in the public and voluntary sectors;

- Need to understand and remove barriers to downsizing, whether through help to find a suitable property, practical help to move, or support with the cost of moving.

4.16 **Benefit Cap**

In 2013, new rules covering the amount of state benefits a working-age household could receive were introduced. The Cap level was set at £500 per week for couples and single parents, or £350 per week for single people. Any excess income above the Cap level is “clawed back”, by the DWP requiring local authorities to reduce weekly housing benefit entitlements

4.17 The Benefit Cap was predicted to have the greatest impact in London and the South East where rent levels and thereby housing benefit entitlements were highest. Whilst the numbers of households affected in Hartlepool has been relatively low, the impacts on some individual households has been financially significant.

4.18 As at September 2015, there are 41 households impacted by the Benefit Cap in Hartlepool. The average loss of housing benefit linked to the Benefit Cap for these households is currently £45.57 per week, but 3 households are currently losing all their housing benefit (except 50p, which allows the Council to then award a Discretionary Housing Payment).

4.19 The Council has been proactively engaging with those households at risk from the Benefit Cap since summer 2012 providing advice and guidance on personal actions that the individual can take to exclude themselves from the Cap eg. signposting to DWP Work Programme providers with a view to securing paid employment or encouraging the individual to secure additional working hours to access Tax Credits. Information has also been given by officers about how to apply for a discretionary housing payment or secure alternative cheaper rented accommodation.

4.20 The Council’s Benefits Team receives notification direct from the DWP of cases to be capped. The Council’s arrangements provide for engagement, advice and support to capped families to maximise benefit entitlements and secure employment (securing employment and accessing working tax credits exempts households from the Cap). There have been numerous successful outcomes including a sustaining a family unit comprising 9 individuals which has been subject to the Cap twice since July 2013 with the father of the household moving in and out of employment.

4.21 **Local Welfare Support**

In April 2013, the Government transferred responsibility for delivering discretionary help covering the former DWP Community Financial Support grants and Crisis Loans to local authorities. Funding allocations were provided by the DWP covering this new responsibility and the associated administration costs initially only for financial years 2013/14 and 2014/15. However, the Government in response to lobbying pressure made £74m available to Councils nationally for LWS in 2015/16.

4.22 The Medium Term Financial Strategy assumes that from 2016/17, LWS funding will be mainstreamed and included within the overall Revenue Support Grant and will be subject to future Government funding cuts. The level of LWS funding expenditure in future years will depend on decisions Members make as part of the overall budget.

4.23 Since 2014/15 the Council has maintained an annual LWS budget of £260,000. In 2014/15 the Council made 946 Crisis awards and 768 Non Crisis awards providing effective support for those in need. The Council's LWS award framework has been amended to allow the Council to support those in work and on a low income and not just those that are benefit reliant. LWS awards are administered by Adult and Children's Services together with the Children in Need Section 17 budget thereby ensuring an integrated and holistic approach to using available resources. Awards are "needs led" rather than "benefit loss" led and are considered on a case by case basis in accordance with the Council's LWS Policy Framework.

4.24 **Discretionary Housing Payments (DHP)**

Government national DHP funding allocations were increased from £60m in 2012/13 to £155m in 2013/14 and to £165m in 2014/15 to reflect the need for Councils to help those people affected by the national welfare reforms. However these increased allocations were financially marginal given the scale of national welfare cuts being implemented. Furthermore, the Government reduced the national DHP allocation by 24% to £125m for 2015/16.

4.25 To ensure that available DHP funding is applied consistently and equitably, Members have considered and agreed amended DHP policy frameworks for each of the financial years 2013/14, 2014/15 and 2015/16. Policy amendments agreed by Members are allowing the Council to support families to move to more suitable and affordable accommodation with help such as bonds, rent in advance and rent short falls. The First Contact and Support Hub and the Housing Advice Team have amended the Eviction Risk Protocol to ensure help is offered as soon as possible to those at risk of losing their home. Operating within these DHP frameworks officers have effectively managed the annual DWP Discretionary Housing Payment allocations. Responsibility for the administration of Discretionary Housing Payments was transferred from the Council's Benefits Team to the First Contact and Support Hub in April 2014 to facilitate a more holistic approach to providing support. This transfer has been seamless and the Council successfully made 989 DHP awards totalling £345,483 in 2014/15.

4.26 **Free School Meals (FSM)**

Free School Meals provide an important source of financial help to families and contribute to the health, well being and development of children that receive FSM support. In addition, Central Government provides pupil premium funding to schools linked to numbers of pupils who have been awarded Free School Meals.

4.27 Over a number of years the Council's Benefits Team have implemented a range of proactive initiatives to maximise take up of FSM's. At the end of the summer term 2015, there were about 3,300 children in receipt of FSM's in Hartlepool. Joined up working between the Benefits Team and Adult and Children's services involving the sharing of key information assists in ensuring children with an underlying FSM entitlement are awarded a FSM. The Council's integrated FSM administration arrangements are helping to address the issue of Child Hunger.

4.28 **Trussell Trust Foodbank**

Recognising the contribution that the Trussell Trust foodbank in Hartlepool is making to address household financial challenges, the Council has made awards of Council grant support to the Trust. In addition, the Council has also awarded on an ongoing basis local discretionary Business Rates relief (10%) to "top up" the 80% mandatory charitable Business Rates relief the Trust is entitled to.

4.29 Nationally, the Trussell Trust dealt with 1,084,000 requests for help in 2014/15, three times the 346,000 cases helped in 2012/13. In Hartlepool there are established protocols for referring cases to the Trust for support. In the current financial year to 25th September 2015, 1,626 people have been assisted in Hartlepool, with 65% of referrals being single people and the biggest referral reason (32%) being Benefit delays.

5. Phase 2 - 2015 Welfare Reforms

5.1 The Chancellor's 2015 Summer Budget set out a number of headline measures to deliver further cuts of £12bn from the national welfare budget principally:

- Freezing a number of working age benefits in cash terms for 4 years from April 2016, including Job Seekers Allowance, Income Support, Employment and Support Allowance (formerly Incapacity

Benefit), Child Benefit and Local Housing Alllowance, to save £3.5bn by 2019/20;
- Reducing the Benefit Cap to £23,000 for claims in London and £20,000 for claims elsewhere;
- From April 2017, removing entitlement to Housing Benefit / Support from 18 – 21 year olds;
- From April 2016, changes to Child Tax Credits and Working Tax Credits to save about £4.5bn.

The Welfare Reform and Work Bill 2015 covering the key changes is currently progressing through Parliament.

5.2 Recent analysis by the Institute for Fiscal Studies (IFS), prepared for the House of Commons Treasury Select Committee, shows that the new National Living Wage announced in the budget will only offset around 26% of the losses due to the proposed tax credit and benefit changes. Furthermore the IFS has forecast that of the 8.5 million of out of work claimants currently eligible for working age benefits or tax credits, the average loss from the cuts to benefits and tax credits announced in July 2015 will be about £750 per year.

5.3. Shelter (the Housing Charity) has recently published the results of research into the effect of the proposed 4 year housing benefit freeze announced in the summer budget. They forecast that 300,000 low income families will face a shortfall in their rent. This will potentially increase levels of eviction, homelessness and deprivation.

5.4 Freezing Working Age Benefits in Cash Terms - April 2016

By freezing working age benefits in cash terms compared to annual uprating of working age benefits by the Consumer Price Index (CPI), the DWP anticipate the average loss of welfare benefit will be about £6 per week. However, the biggest impact will be felt by those working age households that are most dependent on welfare benefits i.e. households receiving a number of individual types of benefit.

5.5. The DWP have not quantified the number of working age households that will be impacted by this change. Furthermore, it is not possible to forecast the numbers of households that will be affected in Hartlepool. However, given the relatively high proportion of benefit claimants within the Borough there will be a higher impact locally than in more affluent parts of the country.

5.6 Reducing the Benefit Cap - April 2016

Almost half of all households currently capped on the £26,000 threshold live in London. In contrast, only 3% of capped cases live in the North East. However, the introduction of the tiered cap of £23,000 in London and £20,000 elsewhere is expected to result in significantly more capped cases outside of London.

5.7 The DWP forecast is that nationally 90,000 new households will be impacted by the new Cap policy and that the average loss of benefits will be about £63 per week. Whilst it is difficult to accurately predict the numbers of households that will be affected in Hartlepool, estimates are that the number will fall within the range of 250 – 300 new households.

5.8 The Government have made a headline commitment to provide £800m over 5 years (equivalent to £160m pa) of Discretionary Housing Payment allocations to Councils. However, DHP allocations are not merely to deal with the Benefit Cap but with the full spectrum of welfare changes including Bedroom Tax, Local Housing Allowance changes etc. A national total DHP allocation of £160m for 2016/17 would represent only a £35m increase on 2015/16 allocations and will be insufficient to allow Councils to effectively address the levels of support required by the wide ranging welfare reforms.

5.10 Removing entitlement to Housing Benefit from under 21's – April 2017.

The Government are proposing that from April 2017, entitlement to Housing Benefit (or the housing element of Universal Credit) will cease for claimants aged under 21. The Government and DWP have not yet clarified whether this change will only apply to single individuals or whether it will also apply to couples under 21.

5.11 However, in line with Government comments prior to the July 2015 Budget, it is assumed that this change will be restricted to single individuals. Analysis in Hartlepool has been undertaken on this basis which indicates there are 193 claimants at risk from this change and these claimants would lose Housing Benefit totalling £905,000 a year.

5.12 In the absence of Housing Benefit these individuals will either:

- Build up rent arrears/ face eviction / become homeless
- Be forced to move in with family / friends
- Form relationships to access joint claims for Housing Benefit

This policy will create a range of social, health and financial pressure impacts for both local authorities and the health sector. Furthermore, there is a risk that landlords may find some properties increasing difficult to let, leading to potential property blight within the Borough.

5.13 Changes to Tax Credits – April 2016 and April 2017

The Government are planning to implement reductions in Working Tax Credit entitlements from April 2016 and Child Tax Credits from April 2017. The DWP have estimated that limiting support through Child Tax Credits to 2 children will save £1.365bn by 2020/21. Furthermore the DWP anticipate they will save £675 million a year from removing the Family Element in Child Tax Credit (CTC).

5.14 The new 2 child restriction arrangements will apply to the third or subsequent child born after April 2017. The Family Element of CTC will no longer be awarded on the birth of a first child after April 2017.

5.15 In its impact assessment, the Government sets out that the objective of these changes are to “reform tax credits and Universal Credit to make them fairer and more affordable “ and “ to ensure those on benefits face the same financial choices around the number of children they can afford as those supporting themselves through work”. The Government impact assessment sets out “Given that families are aware of the policy, they may make the choice not to have (further) children”.

5.16 The level of future savings to the Government will be dependent on the extent of behavioural changes by those receiving benefits. Modelling the impacts is difficult, however DWP broad forecasts of the numbers of households that may be impacted by the Child Tax Credit changes are:

	2017/18	2018/19	2019/20	2020/21
Number of Families where CTC limited to 2 children	160,000	350,000	510,000	640,000
Number of Families no longer entitled to Family element of CTC	270,000	680,000	970,000	1,180,000
Total	430,000	1,030,000	1,480,000	1,820,000

6. RISK IMPLICATIONS

6.1 The risk to the Council relates to increased demand pressure for advice and guidance services and welfare support with related cost implications.

6.2 Furthermore, there may be increases in the numbers of individuals presenting themselves as homeless and increased demand for housing advice.

7. FINANCIAL CONSIDERATIONS

7.1. The further Welfare Reforms will create additional demand pressures for services which may result in related Budget pressures. The local impacts of the national changes will need to be closely monitored and considered as part of the Budget and Policy Framework.

8. LEGAL CONSIDERATIONS

8.1 There are no legal considerations.

9. CHILD /FAMILYPOVERTY CONSIDERATIONS

9.1 Poverty continues to be a key issue for Hartlepool with current statistics showing 1 in 3 children at risk (33%). In addition it is estimated that 56% of children in poverty nationally are living in a family where a member of the household is working. Amendments to the Council's LWS Framework have ensured that families that work can now access the LWS fund allowing the Council to support a wider range of cases. It is anticipated that the welfare reform changes highlighted in this report (particularly the freeze on benefits, the restriction on Child Tax Credits and further reductions to the Benefit Cap) will contribute to a measurable increase in local poverty which will be considered as part of the Council's overarching Child Poverty Strategy.

10. EQUALITY AND DIVERSITY CONSIDERATIONS

10.1 For information Appendices 1 to 3 are the DWP's Impact Assessments associated with the 2015 Phase 2 Welfare Reforms.

11. STAFF CONSIDERATIONS

11.1 There are no staff considerations.

12. ASSET MANAGEMENT CONSIDERATIONS

12.1 There are no asset management considerations.

13 APPENDICES

13.1 Appendix 1 Impact Assessment for the Benefit Cap.

Appendix 2. Impact Assessment of the Benefit Rate Freeze.

Appendix 3. Impact Assessment of Tax Credits changes to child and family elements.

14. CONCLUSION

14.1 As part of the previous coalition Government's deficit reduction plan a range of Welfare Reforms cuts were implemented. Over the summer the current Government has announced a series of further cuts in Welfare Support.

14.2 In financial terms, the most significant change for Councils was the transfer of responsibility for Council Tax Support in 2013/14. This change was implemented with an initial 10% cut in Government funding and a requirement to fully protected low income pensioners. These issues effectively built a 20% reduction into the new system for Working age households.

14.3 The transfer of responsibility for Council Tax Support to Local Authority has a greater impact of more deprived areas where there are greater levels of financial deprivation and therefore households requiring support. This impact will increase over the next 4 years owing to the continued impact of ongoing Government grant cuts.

14.4 The Council has mitigated the impact on working age households by limiting cut in Council Tax Support over the last three years and proposals to limit the reduction to 12% in 2016/17. This is being achieved through a combination of one-off resources and an ongoing budget commitment within the Medium Term Financial Strategy. Using these resources for this policy commitment means these resources are not available for other purposes.

14.5 However, as reported previously to Members a cut of 12% in Council Tax Support is not sustainable and higher cuts will be unavoidable in future years.

14.6 Other Welfare changes have a direct impact on individual households, rather than the Council's budget. Quantifying the overall financial impacts of the welfare reforms within the borough is difficult. Broad based analysis of the ongoing impacts of the Bedroom Tax and the Phase 1 Benefit Cap, together with the planned Phase 2 Benefit Cap changes and future removal of Housing Benefit entitlement from the under 21's, will together reduce welfare entitlements in Hartlepool by about £2.86m pa. In addition, other welfare changes are / will impact on Hartlepool households but these cannot be effectively financially modelled. Households will increasingly turn to the Council for advice and guidance. The Council's services have been aligned to respond to these issues. As further Welfare cuts begin to impact on households demand on these services is anticipated to increase and this will need to be monitored and managed on an ongoing basis.

14.7 In response to Members previous comments Officer are examining proposals to address Family Poverty, to supplement support already provided under the Local Council Tax Support Scheme and arrangements to increase Free School meal take up. These proposals will, subject to the scale of the actual 2016/17 Government grant cut, include the allocation of one-off resources from reviewing existing risk reserves/the 2015/16 managed outturn and will be included in the Medium Term Financial Strategy proposals to be considered by the Committee later in the year.

15. RECOMMENDATIONS

15.1 It is recommended that Members note the report and the actions being taken by the Council to mitigate as far as possible the impacts of the Welfare Reforms.

16. REASONS FOR RECOMMENDATIONS

16.1 To update Members on the Government's welfare reforms and the actions being taken by the Council to minimise the impacts.

17. BACKGROUND PAPERS

17.1 There are no background papers.

18. CONTACT OFFICER

John Morton
Assistant Chief Finance Officer
01429 523093
John.morton@hartlepool.gov.uk

Title: Welfare Reform and Work Bill: Impact Assessment for the benefit cap	**Impact Assessment (IA)**
	Date: July 2015
	Stage: Final
Lead department or agency: Department for Work and Pensions	**Source of intervention:** Domestic
Other departments or agencies: Local Authorities	**Type of measure:** Primary legislation
	Contact for enquiries: workingage.benefitsstrategy@dwp.gsi.gov.uk

Summary: Intervention and Options

RPC Opinion: Not Applicable

Cost of Preferred (or more likely) Option				
Total Net Present Value	**Business Net Present Value**	**Net cost to business per year** (EANCB on 2009 prices)	**In scope of One-In, Two-Out?**	**Measure qualifies as**
	N/A	N/A	No	NA

What is the problem under consideration? Why is government intervention necessary?

The current benefit cap has been shown to be successful with more households looking for and finding work. The long term positive, intergenerational, effects from people moving into work are well-known and therefore, to encourage more households to move into work, a new lower, tiered cap has been designed to strengthen the work incentives for those on benefits. It also helps in tackling the deficit and consequent reductions in public expenditure that the Government is making to return to sustainable public finances. Evaluation evidence shows that the existing benefit cap, at £26,000, is improving work incentives, promoting fairness between those on out of work benefits and taxpayers and delivering savings. Reducing the benefit cap to £20,000 in Great Britain and £23,000 in Greater London builds on this, delivering further positive change.

What are the policy objectives and the intended effects?

The objective of the policy change is to build on the successes of the existing benefit cap, as shown by evaluation evidence. We will do this by restricting the total amount of benefits that a household can receive to £20,000 in Great Britain and £23,000 in Greater London (and 67% of these levels for single people without children). By doing this the policy will:

1. Further improve work incentives for those on benefits
2. Promote even greater fairness between those on out of work benefits and tax payers in employment (who largely support the current benefit cap), whist providing support to the most vulnerable
3. Further reduce benefit expenditure and continue to help tackle the financial deficit.

What policy options have been considered, including any alternatives to regulation? Please justify preferred option (further details in Evidence Base)

We considered 3 options: (1) Applying the cap to all working age benefit recipients (2) Leaving the cap at £26,000 as the policy is in place and clearly working as intended (3) Lowering the cap to £20,000 in Great Britain and £23,000 in Greater London to build on the current success of the cap in in improving incentives to work, delivering fairness and benefit savings.

Removing exemptions reduces fairness and work incentives, despite increasing savings and so was rejected. The current cap meets policy intentions; however, there is opportunity to further build on its success with a lower cap. We believe the lower levels further enhance work incentives, whilst striking a balance between claimants and taxpayers interests for fairness and spending and ensuring a safety net for the most vulnerable; it is, therefore, the chosen option.

Will the policy be reviewed? It will be reviewed. **If applicable, set review date:** 12/2018

Does implementation go beyond minimum EU requirements?			No		
Are any of these organisations in scope? If Micros not exempted set out reason in Evidence Base.	**Micro** No	**< 20** No	**Small** No	**Medium** No	**Large** No
What is the CO_2 equivalent change in greenhouse gas emissions? (Million tonnes CO_2 equivalent)			**Traded:** N/A	**Non-traded:** N/A	

I have read the Impact Assessment and I am satisfied that, given the available evidence, it represents a reasonable view of the likely costs, benefits and impact of the leading options.

Signed by the responsible Minister: ______________ Date: 20/07/2015

Summary: Analysis & Evidence

Description:

FULL ECONOMIC ASSESSMENT

Price Base Year 15/16	PV Base Year 15/16	Time Period Years 5	Net Benefit (Present Value (PV)) (£m)		
			Low: Optional	**High:** Optional	**Best Estimate:**

COSTS (£m)	**Total Transition** (Constant Price)	Years	**Average Annual** (excl. Transition) (Constant Price)	**Total Cost** (Present Value)
Low	Optional		Optional	**Optional**
High	Optional		Optional	**Optional**
Best Estimate			£325m	

Description and scale of key monetised costs by 'main affected groups'

The estimates shown do not take account of the expected behavioural changes from reform as these are difficult to estimate. All figures shown relate to Great Britain. In a static environment an estimated total 120,000 households could be affected by benefit cap in the implementation year of 2016/17, 90,000 of them additional over the current policy. However, all households taking action to move into work will be unaffected by the changes. Those not responding will have their benefits reduced by an average of around £63 per week (median £50) in 2017/18 leading to a transfer from these households of £95m in 2016/17 and £300m in 2017/18 (cash terms).

For many people who will be affected by the cap these reductions are notional changes in entitlement rather than actual cash losses i.e. those who become capped once the policy is in place haven't seen any reductions in their benefit, just a lower maximum limit on the benefit they would, otherwise, have been entitled to. Households who do not make an adjustment before the lower cap is introduced would face a cash reduction in their benefit receipt.

Other key non-monetised costs by 'main affected groups'

Households who may be affected by the cap will face the same choices as working families over where to live and managing their household expenditure. It is not possible to robustly quantify these costs because they are based on behavioural changes which are difficult to assess.

These costs do not include the operational cost of implementing the benefit cap or support provided to capped claimants. The Department is currently refining the estimate of these costs. To help ensure Local Authorities are able to protect the most vulnerable a total of £800m in Discretionary Housing Payments over 5 years (from 2016/17) will be available.

BENEFITS (£m)	**Total Transition** (Constant Price)	Years	**Average Annual** (excl. Transition) (Constant Price)	**Total Benefit** (Present Value)
Low	Optional		Optional	**Optional**
High	Optional		Optional	**Optional**
Best Estimate			£325m	

Description and scale of key monetised benefits by 'main affected groups'

Deliver additional fiscal savings of £95m in 2016/17 and £300m in 2017/18 (cash terms) or £95m in 2016/17 and £295m in 2017/18 (2015/16 prices), these being the benefits transferred to the taxpayer as a result of the policy change. Further additional savings from the policy change, assuming the cap remained at the same level would be £350m in 2018/19, £395m in 2019/20 and £480m in 2020/21 (cash terms) or £330m in 2018/19, £365m in 2019/20 and £435m in 2020/21 (2015/16 prices).

Other key non-monetised benefits by 'main affected groups'

This measure sits alongside the other measures announced in the Welfare Reform and Work Bill to continue to improve work incentives, make the welfare system fair and affordable for all. Workless households will see limits in benefit receipt and this improves work incentives, particularly since entitlement to Working Tax Credits will provide exemption from being capped. There are long term, positive, intergenerational, effects from work and improving work incentives helps deliver these.

Key assumptions/sensitivities/risks	**Discount rate (%)**	3.5%

Impacts have been estimated using administrative records held by the DWP on benefit recipients (see Annex 1 for further detail). The source data relates to November 2014, but has been up-rated to the relevant year's prices and benefit rates, therefore assumptions about future inflation rates have been made. The modelling was carried out under the assumption of a 4 year benefit freeze starting in 2016/17. All of the £m figures above have been rounded to the nearest £5m. All estimates are shown for at a Great Britain level. No behavioural change has been assumed in the impacts, although such change is likely; evaluation has shown more people looking for and finding work from the current cap level.

BUSINESS ASSESSMENT (Option 1)

Direct impact on business (Equivalent Annual) £m:			**In scope of OITO?**	**Measure qualifies as**
Costs: N/A	**Benefits:** N/A	**Net:** N/A	No	NA

Introduction

The Welfare Reform and Work Bill incorporates a number of policy changes designed to improve work incentives and enhance fairness, whilst ensuring support for the most vulnerable.

Measures include the Government's intention that key elements of benefits and tax credits be frozen at their 2015/16 levels in 2016/17, 2017/18, 2018/19 and 2019/20 and, also, that from 2016/17 total household benefit payments for working-age claimants will be capped so that workless households will no longer be entitled to receive more than £20,000[1] in benefit (£13,400 for single adults with no children) and £23,000 (£15,410 for single adults with no children) in Greater London.

Separate Impact Assessments have been produced to assess the impacts of the policies within the Bill. This Impact Assessment examines the move from a £26,000 benefit cap to a benefit cap of £20,000 in Great Britain and £23,000 in Greater London.

The current policy

From April 2013 the Government introduced a cap on the total amount of benefit that working-age people can receive. The cap was set at £26,000 per year or £500 per week for a couple (with or without children) and single parent households; and equivalised at 67%, or £350 per week (after rounding), for single adult households without children.

Benefits taken into account

Benefits and tax credits (with the exception of working tax credit) that provide an out-of-work income for adults or support for children and housing are taken into account for purposes of applying the cap.

The cap applies to the combined income from:

- Bereavement Allowance
- Carer's Allowance
- Child Benefit
- Child Tax Credit
- Employment and Support Allowance except where the support component has been awarded
- Guardian's Allowance
- Housing Benefit
- Incapacity Benefit
- Income Support
- Jobseeker's Allowance
- Maternity Allowance
- Severe Disablement Allowance
- Universal Credit

[1] An equivalisation, in line with OECD modified scale, has been made so the single-adult rate is equal to 67% of the cap level for families. Equivalisation means a single person can typically attain the same standard of living as a childless couple on only 67% of its income

- Widowed Parent's Allowance
- Widow's Benefit

Currently, where the total amount of welfare benefits exceeds the cap, the LA will reduce a claimant's entitlement to HB by the amount of the excess, but increasingly the benefit cap will be administered through UC. The Impact Assessment focuses on the effects of households claiming Housing Benefit.

Benefits not taken into account

Legislation specifically excludes State Pension and Pension Credit, reflecting that the policy is primarily a work incentive aimed at people of working age. Also excluded are one-off payments, non-cash benefits and those not paid by government, such as Statutory Sick Pay (which, in any event, would be paid while someone was in employment and so exempt from the cap).

Exemptions

Entitlement to Working Tax Credit reflects the main aim of the policy, which is to increase the incentive to work. This includes households who are working sufficient hours to qualify for WTC but whose earnings are so great that they have been awarded a "nil entitlement."

Receipt of Disability Living Allowance, Personal Independence Payment, Attendance Allowance, Industrial Injuries Benefits (and equivalent payments made as part of a war disablement pension or the Armed Forces Compensation Scheme) or the Support Component of Employment and Support Allowance recognise the additional financial costs that can arise from disability and that disabled people will have less scope to alter their spending patterns or reduce their housing costs, or adjust their circumstances to improve their employment prospects (Attendance Allowance and Personal Independence Allowance are replacing Disability Living Allowance.)

War Widows and Widowers receiving a pension paid under the relevant parts of the War Pension Scheme, Armed Forces Compensation Scheme or analogous schemes are exempt to reflect commitments to support the aim of the Armed Forces Covenant to recognise sacrifice of those seriously injured or killed in the service of their country.

Grace Period provides a fixed period of protection for those with a consistent work history whose employment has ended or those who have been forced to leave work due to a change in their circumstances during which they can adapt to their position and look for alternative employment. The grace period will be for a set 39 weeks, and if applicable it will remain in place irrespective of any reportable change of circumstances made by the claimant during the 39 weeks.

Disregards

In addition some payments are disregarded for purposes of the benefit cap. Housing costs paid in respect of 'supported exempt accommodation' and "specified accommodation" (e.g. some refuges, hostels) are not included in the benefit cap calculation.

What policy changes are we making and why?

The cap was originally established to enhance work incentives as part of the Welfare Reform Act which received Royal Assent in March 2012. The level of the cap was set at £26,000 per year for couples, with or without children, and lone parents, and £18,200 per year for households of a single adult with no children.

A lower cap level

Our welfare reforms are focussed on transforming lives by supporting people to find and keep work. The changes we are making to the benefit cap will support our ambition of moving to full employment. From 2016/17 total household benefit payments for working-age claimants will be capped so that workless households will no longer be entitled to receive more than £20,000 in benefit (£13,400 for single adults with no children) and £23,000 (£15,410 for single adults with no children) in Greater London, which is defined as the 32 London boroughs and the City of London.

Why is the benefit cap being lowered and tiered?

- The new lower, tiered cap strengthens work incentives, achieves fairness for taxpayers and ensures there is a reasonable safety net of support for the most vulnerable.

- An evaluation[2] of the current £26,000 benefit cap showed capped households were 41% more likely to enter work than comparable households not affected by the benefit cap, and the greater the amount by which benefit receipt was reduced by the cap, the greater the proportion moving into employment.

- A lower cap recognises that many hard working families earn less than median earnings – a lower cap provides a strong work incentive.

- The tiered approach recognises that under the current cap, a disproportionate percentage of capped households are in London. Almost half of all households currently capped are living in London, in contrast only 3% of capped households live in the North East. The tiered cap would see a more equitable distribution of capped cases, with around 24% in London.

- A higher cap tier of £23,000 in London takes account of the higher household costs in London including housing. For example, average private rents are almost three times more expensive in London than in the North East. Average Housing Benefit payments in London are around £3,000 per year higher than outside London. A tiered cap will mean that the distribution of capped households will be more broadly in line with the geographical distribution of Housing Benefit claimants. This will ensure that the work incentive effects of the cap are realised nationally, and not only in London[3].

- The level of the tiered caps is fair and reflects the broader economic situation – for instance, alongside the differences in housing costs, around 4 out of 10 households earn less than £23,000 in London, whilst around 4 out of 10 households in GB (excluding London) earn less than £20,000[4].

- The level of the tiered caps alongside the introduction of the national living wage aims to strengthen the work incentives for households. A couple, where both adults work full-time at the national living wage, may be up to £4,000 better off in work.

- People who do the right thing and move into work are not affected by the cap – creating a clear incentive to move into employment. Those who work at least 16 hours (24 hours for a couple) and are entitled to Working Tax Credit are exempt from the benefit cap.

The cap will continue to be administered by either:

- local authorities through housing benefit payments: when a household's total benefit entitlement exceeds the cap the local authority will reduce the level of housing benefit by the excess amount; or

- decision makers when the cap is also applied through Universal Credit: when a household's total benefit entitlement exceeds the cap the UC award will be reduced by the excess amount. Analysis within this Impact Assessment has focused on households under the Housing Benefit system.

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[2] Available at https://www.gov.uk/government/publications/benefit-cap-evaluation

[3] Housing Benefit statistics are available from https://stat-xplore.dwp.gov.uk/ . Private rental market statistics are available from: https://www.gov.uk/government/statistics/private-rental-market-statistics-may-2015

[4] Family Resource Survey 2013/14 and uprated in line with average earnings growth.

Who is exempt from the changes?

The lower cap will retain the same policy design around exemptions, benefits taken into account and disregarded as the cap at £26,000.

Options for policy change that have been considered

We considered 3 potential options for the benefit cap:

(1) Applying the cap to all working age benefit recipients would clearly fail to meet all the policy intentions. It would significantly reduce the extent to which the policy improves incentives to work, since the cap would then apply to working households and the inclusion of disability related benefits would not protect the most vulnerable who are not able to make the choice to return to work. Whilst it would increase savings to the taxpayer to help tackle the financial deficit this wasn't felt an appropriate trade off. Therefore, this option was rejected.

(2) Leaving the cap at £26,000 would retain its current work incentives and its benefit savings. Evaluation evidence shows that the existing benefit cap, at £26,000, is delivering savings, improving work incentives and promoting fairness between those on out of work benefits and tax payers, it is right we build on this and go further in extending these positive outcomes. Additionally, this level may not be encouraging work across all regions as the level remains significantly higher than average earnings in many regions.

(3) Reducing the benefit cap to £20,000 and £23,000 in London (chosen option) will build on this existing policy success and help, alongside other necessary reforms, in strengthening work incentives, whilst also helping achieve fiscal stability alongside increasing fairness between claimants and taxpayers (around 4 in 10 working households will still have earnings below this lower level) and ensures there is a reasonable safety net of support for the most vulnerable

Estimating costs and benefits of the policy change

The impacts presented in this assessment are based on static assumptions, transposing the policy change on to a population that we model based on the current benefit system and claimants. These changes therefore do no not show the full dynamic picture as people are now aware of the policy changes that will affect their future benefit entitlement once the policy is implemented. This change has an immediate impact on the financial incentives to move into work. Movement into work will result in them increasing their income rather than face a reduction, or a lower entitlement, in the future. Therefore, households will have to face similar choices faced by working families.

Behavioural change

Estimates of caseload and amounts do not include behavioural responses, which would lower the number of households capped. We have, however, seen clear evidence of positive behavioural responses to the cap at £26,000 (for example, from movements into work); this has been observed from post implementation evaluation. The evaluation of the current £26,000 benefit cap found:

- Those who would be impacted by the cap are 41% more likely to go into work than a similar group who fall just below the cap's level. But this trend didn't exist before the cap was in place – indeed those with higher weekly benefit used to be less likely to move into work.

- 38% of those capped said they were doing more to find work, a third were submitting more applications and 1 in 5 went to more interviews.

- Where households said they intended to seek work because of the cap in February 2014 (45%), by August, the vast majority of them (85%) had done so – 2 in 5 (40%) of those who said they had looked for work because of the cap in February actually entered employment by August.

The new cap level of £20,000, and £23,000 in Greater London, strengthens the work incentive for a larger number of households to encourage households to move into work and to increase their hours of work. Couples must, together, work at least 24 hours per week to be exempt from the cap. Lone parents must work 16 hours per week to be exempt.

Children can have their life chances and opportunities damaged as a result of living in households where no-one has worked for years and where no-one considers work is an option. For example:

- Children in households where neither parent is in work are much more likely to have challenging behaviour at age 5 than children in households where both parents are in paid employment[5].

- Growing up in a workless household is associated with poorer academic attainment and a higher risk of being not in education, employment and training (NEET) in late adolescence[6].

The recent evaluation of the current benefit cap also found that most capped households spoke very positively about the overall benefits of being in work on their health and family life. Most were keen to work for multiple reasons including: health, happiness, self-esteem and overall quality of life benefits. In a few cases, the new employment had brought sufficient financial rewards that people now felt better off such as being able to afford treats for their children.

Encouraging more households to move into work would also help increase the household's income and improve their well-being: research[7] shows for people without work, re-employment leads to improvement in health and well-being whereas further unemployment leads to deterioration. We therefore expect the reduction of the benefit cap to have a positive impact on households moving into work.

We do not have sufficient information to reliably be able to predict, in advance of implementation, the potential magnitude of such responses for a lower cap, but there will be 2 groups affected by a lower cap:

- Those already capped at £26,000 will have the new, lower, cap applied to them. Evidence from evaluation suggests households that are capped by larger amounts are more likely to move into employment than those capped by smaller amounts. Therefore, all else being equal, a lower cap will increase work incentives for this group.

- A group of people not capped at £26,000. Some of these people will be capped by small amounts and evaluation evidence suggests adjustments, at least initially, are likely to come through changes in spending patterns. In the slightly longer term, this group may respond by seeking employment or moving house etc. We may, therefore, see similar responses to those capped at £26,000, but given there are some small differences between the groups (if these weren't present they'd have already been capped) they may respond differently.

If those capped responded similarly to those assessed as part of the previous benefit cap evaluation we could expect to see those impacted by the cap being 41% more likely to go into work than a similar group who fall just below the cap's level.

Details of methodology

Estimates of caseload and amounts do not include behavioural responses, which would reduce the number of households capped. Modelling for this assessment was conducted using administrative records held by the Department for Work and Pensions that dated from November 2014. This data contains amounts of benefit paid (including Child Benefit, as paid by HM Revenue and Customs), family structure, and indicators of receipt of Working Tax Credit and exemption benefits such as DLA. This enables the separation of households into those excluded from the cap, and those which will be subject to it. Further information on the data can be found in Annex 1.

[5] Economic and Social Research Council (2012) Parenting Style Influences Social Mobility. Economic and Social Research Council Briefing Paper.
[6] Barnes, M. et al. (2012) Intergenerational Transmission of Worklessness: Evidence from the Millennium Cohort Study and Longitudinal Study of Young People in England. Department for Education research report 234
[7] For example, https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/212266/hwwb-mental-health-and-work.pdf

The administrative records relate to November 2014, but have been adjusted to reflect the future benefit regime which is consistent with OBR economic assumptions for the July 2015 Budget. The modelling takes account of a 4 year freeze in working-age benefits (included in the Welfare Reform and Work Bill) from 2016/17.

At this stage decisions over the precise details of implementation (for example, roll out schedule and level of pre-implementation employment support available) haven't been finalised; however, DWP has learned lessons from the successful roll out of the cap at £26,000. Given detailed implementation plans have not been finalised we have not currently set out departmental DEL costs (for example, DWP staff costs for processing additional cases and New Burdens funding for LA costs). To help ensure Local Authorities are able to protect the most vulnerable a total of £800m in Discretionary Housing Payments over 5 years (from 2016/17) will be available. Further information and details will be developed as implementation is agreed.

Savings

In the absence of behavioural responses to the policy changes an estimated average[8] total of 126,000 households will be affected by a £20,000 benefit cap and £23,000 benefit cap in Greater London in the first full-year of the policy in 2017/18. It is estimated that 92,000 of these households will be additional (over and above those affected by without a policy change i.e. with the cap at £26,000).

Households making a behavioural response to the cap will not face a reduction in their benefit receipt from the benefit cap. For households not making a behavioural response to the change their benefit entitlement will be reduced by an average of around £63 per week (median £50). For many people who will be affected by the cap these reductions are notional changes in entitlement rather than actual cash losses i.e. those who become capped once the policy is in place haven't seen any reductions in their benefit, just a lower maximum limit on the benefit they would, otherwise, have been entitled to. Households who do not make an adjustment before the lower cap is introduced would face a cash reduction in their benefit receipt.

The effects of the changes are shown in the table below. The 2016/17 figures shown currently assume the policy has a phased implementation. Plans for implementation are yet to be finalised and therefore a cautious approach has been taken using a third of full-year additional savings.

Table 1: Additional AME savings from the benefit cap changes without behavioural responses

Year	Additional savings from the policy change (cash terms)	Additional savings from the policy change (2015/16 prices)
2016/17	£95m	£95m
2017/18	£300m	£295m
2018/19	£350m	£330m
2019/20	£395m	£365m
2020/21	£480m	£435m

Note: Figures rounded to the nearest £5m. Estimates are shown at a Great Britain level and made in the absence of behavioural changes.

The estimated savings have been based on a benefit cap level remaining at £20,000 and £23,000 in Greater London. The benefit cap level may be reviewed in line with a range of factors and considerations at least once in a Parliament and any change to the level would impact the savings from the policy change.

Savings from the policy are also sensitive to a number of other factors. They may be affected by behavioural responses to the policy. In addition estimates have been based on OBR economic assumptions for the Summer Budget 2015 and if inflation was different to the forecast, the up-rating of working-age benefits in 2020/21 and the growth of eligible rents may be impacted resulting in changes to the number of households affected by the benefit cap and the average benefit reduction. Any additional welfare reforms (other than the

[8] The total number of households affected by the cap in any year will be larger than the average number as there are flows onto and out of the cap.

four-year out-of-work working age benefit freeze) may also have an impact on the number of households affected by the benefit cap and the average reduction in benefit entitlement.

The estimated savings and the impacts of the benefit cap have been assessed on a Great Britain basis. If the estimated savings were reflected at a United Kingdom level, savings would be estimated at £100m in 2016/17, £310m in 2017/18, £360m in 2018/19, £405m in 2019/20 and £495m in 2020/21 (cash terms). These savings are aligned to those published alongside the Summer Budget 2015. These are Great Britain figures scaled up using the Barnett formula; however, analysis is based on Great Britain.

Caseload

In the absence of any behavioural response to the policy, around 92,000 additional households over and above those affected by the current cap at £26,000 will have their benefits reduced by the policy in 2017/18 (this is roughly 2% of the out-of-work benefit caseload). Within these households, in 2016/17, the additional number of adults affected is 112,000 and the number of children 224,000. The average total number of households affected by the change if they do not make the choice to move into employment is around 126,000 in 2017/18; this includes those who would see their current cap lowered. Within these households, in 2017/18, the number of adults affected is 156,000 and the number of children 333,000.

However, if those capped responded similarly to those assessed as part of the previous benefit cap evaluation we might expect to see those impacted by the cap being 41% more likely to go into work than a similar group who fall just below the cap's level

Average amount of benefit reduction

Households making a behavioural response to the cap will not face a reduction in their benefit receipt. In those households not making a behavioural response to the cap the average (mean) reduction in benefit is estimated to be around £63 a week (median reduction £50 a week). For many people who will be affected by the cap these reductions are notional changes in entitlement rather than actual cash losses i.e. those who become capped once the policy is in place haven't seen any reductions in their benefit, just a lower maximum limit on the benefit they would, otherwise, have been entitled to. Households who do not make an adjustment before the lower cap is introduced would face a cash reduction in their benefit receipt.

For those households who may be newly affected by the benefit cap (around 92,000 households in 2017/18), their average reduction in entitlement is around £39 per week. Households who would have had their benefit capped at £26,000 will lose a further £64 per week from the change. However, some households who may have been impacted by the policy may, therefore, move into work and be financially better off.

Around half of the additional households affected will face a reduction of £50 per week or less. As a proportion of the caseload, this distribution of reduction in benefit entitlement is estimated to be similar to the distribution under the current benefit cap level.

Impacts of the policy on people with protected characteristics are set out in the following sections. It's important to note these do not include any behavioural response to the cap, which might affect both numbers and types of cases impacted. For example, additional moves into employment, as observed with a £26,000 cap, may reduce the overall capped caseload.

Impacts of the policy change

All impacts are shown in a static world, without behavioural change, for 2017/18 as this is the first full year the policy is expected to be rolled out for. Impacts are subject to the same sensitivities as noted for the savings estimates.

This document records the analysis undertaken by the Department to enable Ministers to fulfil the requirements placed on them by the Public Sector Equality Duty (PSED) as set out in section 149 of the Equality Act 2010.

The PSED requires the Minister to pay due regard to the need to:

- eliminate unlawful discrimination, harassment and victimisation and other conduct prohibited by the Act;

- advance equality of opportunity between people who share a protected characteristic and those who do not; and

- foster good relations between people who share a protected characteristic and those who do not.

In undertaking the analysis, where applicable, the Department has also taken into account:

- the United Nations Convention on the Rights of the Child (UNCRC) and, in particular: Article 2 (the duty not to discriminate); Article 3 (the duty to treat the best interests of the child as a primary consideration); Article 6 (the right to life and to develop to the maximum extent possible); Article 9 (the right for children not to be separated from their parents against their will); Article 16 (prohibition against arbitrary or unlawful interference with private life, home and family); article 26 (social security); and article 27 (standard of living).

- the Convention on the Elimination of all forms of Discrimination Against Women in particular articles 2 (policy measures), 3 (Guarantee of Basic Human Rights and Fundamental Freedoms) and 13 (economic and social benefits);

- and the UN Convention on the Rights of Persons with Disabilities.

Gender

Modelling suggests that around 64% of claimants who are likely to have their benefit reduced by the cap will be single females but only around 12% will be single men.

Most of the single women affected are likely to be lone parents: this is because we expect the majority of households affected by the policy to have children. Around 59% of the caseload are estimated to be female lone parents.

The female employment rate is currently at a record high of 68.6% and there are a record 14.53m women in work (Labour Market Statistics June 2015).The latest estimates also show 1.248 million lone parents in employment (63.5%) in the UK in 2014 (Quarter 4)[9].

Age

Modelling suggests that just over three-quarters (76%) of additional households affected will be aged 25 to 44 (ages are based on the age of the main claimant). This is mainly because those under 25 generally receive less in benefit payments and are less likely to have children. The cap will only apply to working-age benefits and will not impact on single people or couples who have both reached the qualifying age for Pension Credit. In Housing Benefit the cap will not apply to most couples where one partner has reached the qualifying age for Pension Credit. The age distribution of affected claimants remains broadly similar to the current cap.

Disability

Households where someone is in receipt of Disability Living Allowance (or its replacement, Personal Independence Payment), Attendance Allowance, Industrial Injuries Benefit or the support component of Employment Support Allowance are exempt from the benefit cap.

[9] http://www.ons.gov.uk/ons/rel/lmac/working-and-workless-households/index.html

Ethnicity

We cannot precisely quantify the number of capped households where a member is from an ethnic minority since recording of ethnicity on benefits administrative data isn't sufficiently reliable to be used. A large proportion of those affected by the benefit cap are larger families. Those from cultural backgrounds with a high prevalence of large families and households from certain ethnic minorities that tend to have a higher proportion of large families are more likely to be affected. A large proportion of the caseload is also in London which, relative to the rest of the country, has a more diverse population. An indicative proportion can be taken from the Ipsos MORI survey of affected claimants (with the cap set at £26,000) which found that 37% of households sampled in the cohort were from a black or minority ethnic background; however, the new cap will, relatively, have a greater proportion of its caseload outside London, so this finding needs to be treated with some caution.

Sexual orientation

The Department does not hold information on its administrative systems on the sexual orientation of claimants. The Government does not envisage an adverse impact on these grounds.

Pregnancy and maternity

The Department only holds information on pregnancy and maternity on its administrative systems where it is the primary reason for incapacity. It cannot therefore be used to accurately assess the equality impacts. The Government does not envisage an adverse impact on these grounds.

Religion or belief

The Department does not hold information on its administrative systems on the religion or beliefs of claimants. There may be some religions with a high prevalence of large families that are more likely to be affected. However, the Government does not envisage an adverse impact on these grounds.

Gender reassignment

The Department does not hold information on its administrative systems on gender reassignment. The Government does not envisage an adverse impact on these grounds.

Marriage and Civil Partnership

The Department does not hold information on its administrative systems on the marital or civil partnership status of claimants. The Government does not envisage an adverse impact on these grounds.

Carers

The vast majority, 94%, of households in receipt of Carer's Allowance who have a benefit income above the new cap level are exempt from the cap, mainly because the person they care for is in the same household and is in receipt of an exempting disability related benefit. The characteristics of those in receipt of Carer's Allowance are broadly similar to the total capped caseload.

Life Chances

The new Life Chances legislation (incorporated into the Welfare Reform and Work Bill) proposes to remove a number of the legal duties and measures set out in the Child Poverty Act 2010 and to place a new duty on the Secretary of State to report annually on children in workless households and the educational attainment of children. This is because evidence shows these to be the two main factors leading to child poverty now and in the future (respectively).

The benefit cap is supportive of the Life Chances legislation in that this policy gives the incentive for people to make the choice to move into work.

The current benefit cap, at £26,000, has been shown to be successful with more households looking for, and finding work. The new, lower, tiered cap aims to build on this success by strengthening the work incentive for households. In this way the number of children living in workless households could fall over time.

What are we doing in mitigation?

DWP has a number of measures in place to ease the transition for families affected by the policy change. Our strategy is based on the principle of providing mainstream services that are flexible enough at the point of delivery to deal with the needs of individual customers. Most of the obstacles to labour market participation faced by our customers are very similar, whatever their background. Barriers that may exist - such as lack of confidence, poor educational achievement, low skill levels, childcare or disabilities - are universal. Where impediments are specific to a person's ethnic origins, such as lack of fluency in English, these can be addressed within the mainstream programmes. Additional childcare provided will better support households with children to make the decision to move into work.

There is evidence to show behavioural change prior to implementation for the £26,000 level of the benefit cap:

- Of those who entered work prior to implementation: over three-in-five people (62%) of those who took action said they looked for a job after being notified they would be affected by the benefit cap.

- Around 14% of households in scope for the cap in May 2012 (a year before implementation) moved into work after a year compared to around 11% for similar uncapped households. After controlling for a range of observable characteristics, those in scope for the cap were 1.5 percentage points (14%) more likely to enter employment after a year compared to similar uncapped households.

Employment support

There is a wide range of help and employment support currently offered and available by Jobcentre Plus and its partners such as the Work Programme and Work Choice.

Childcare Costs

Support for childcare costs for those in work is currently provided through Working Tax Credit and households in receipt of Working Tax Credit are exempt from the cap. Under UC childcare support will be paid via an element within UC and will be available to all lone parents and couples, where both members are in work, regardless of the number of hours they work. Payments to support childcare costs through UC will not be affected by the cap and will continue to be received in full. This will help mitigate the impacts of the cap for parents whilst maintaining the work incentive effects of providing support for the costs of childcare for those in employment.

The government currently provides 15 hours of free childcare during term time for all three and four year olds and for the most (around 40%) disadvantaged two year olds. From September 2017 onwards, this free entitlement will be doubled to 30 hours a week for working parents of three and four year olds, worth around £5,000 a year per child. The Government will implement this extension of free hours early in some local areas from September 2016. Additionally those on low incomes, eligible for Working Tax Credit, can already recover 70% of childcare costs, up to a limit of £175 per week for one child and £300 for two or more children and under Universal Credit. The previous Government announced that support will be increased to cover up to 85% of childcare costs, where lone parents or where both parents are in work, regardless of the number of hours they work.

Exemptions

Certain benefits and payments will result in exemption from the cap; these were effective under the £26,000 and remain in place under the policy change.

Discretionary Housing Payments

DHPs[10] make an important contribution to managing the transition for various customers whilst they make the necessary changes to adapt to the application of the benefit cap. Resources are available to provide short-term, temporary relief to families who may face a variety of challenges. DHPs can also help families manage their move into more appropriate accommodation. Each case is considered on its own merits rather than on predefined criteria. An additional £65 million was provided for this purpose in 2013/14 and a further £45 million in 2014/15 and £25m in 2015/16.

A total of £800m in Discretionary Housing Payments are being provided over the next 5 years (from 2016/17) which are available to vulnerable people who need extra support. In circumstances where the HB weekly payment would reduce to below £0.50 – a weekly amount of £0.50 remains in payment to enable access to the DHP Scheme and passported benefits.

In 2014/15, benefit cap DHP expenditure was around £27m, 68% of the allocation to the 347 Local Authorities that returned data on expenditure[11].

Evidence from the evaluation of the £26,000 cap showed that more than two in five (42%) of respondents applied for and received DHP, half of whom (22% overall) were no longer receiving them. Those who applied for and got DHP and who are still receiving them are more likely to have a benefit cap of at least £100 a week (41%), pay £300 or more in rent a week (29%) or live in a council/local authority property (39%). Respondents who are no longer receiving DHP are more likely to be from one-parent families with two or more children (68%) or from a black and minority ethnic background (48%)

Households who had not received DHPs were more likely to say that they had not made any progress to overcome barriers to work (48% compared to 36% overall). Evidence from across the evaluation showed that households affected may not have seen DHP as a long-term solution.

Implementation plans

Lowering the benefit cap threshold will include activity in Universal Credit and in the legacy benefits and we will be working from the existing benefit cap arrangements. The implementation of the benefit cap will include customer engagement and support ahead of the actual capping. The Department will be aiming to follow its best practice of a phased roll out and hopes to complete implementation around the close of 2016. Further details on the roll out will be announced in due course.

Monitoring and evaluation

On 15 December 2014, a review of the first year of the benefit cap was published alongside four reports which explored the progress from policy development to implementation of the current benefit cap. They reviewed the progress so far against the three main aims of the benefit cap:

1) Increase incentives to work
2) Introduce greater fairness in the welfare system
3) Make financial savings

We are committed to monitoring the impacts of our policies and to establishing the extent to which they have met their objectives. We will be developing our evaluation plans over the coming weeks.

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[10] DHPs provide claimants with further financial assistance, in addition to any welfare benefits, when an LA considers that help with housing costs is required.

[11] https://www.gov.uk/government/statistics/use-of-discretionary-housing-payments-financial-year-201415

7.3 Appendix 1

The department will continue to produce **Official Statistics** on the benefit cap on a quarterly basis allowing frequent monitoring on the number of households affected by the policy. The statistics cover:

- Cumulative and point-in-time statistics on the number of households capped in Great Britain, regional and local authority level by household type, number of children and amount of the benefit cap.
- Great Britain and regional level off-flow statistics from the benefit and by reason of the off-flow.
- Further breakdowns are also available by local authority and Parliamentary Constituency.

Annex 1: Data used to model the benefit cap

This analysis has been performed on bespoke datasets commissioned for the purpose of evaluating the benefit cap, created from a range of administrative benefit records from different sources within the Department for Work and Pensions, Her Majesty's Revenue and Customs (HMRC) and Local Authorities (LAs) including:

The Single Housing Benefit Extract (SHBE): SHBE is a monthly electronic record of claimant level data compiled from scans directly taken from Local Authority Housing Benefit administration systems and is the main source of data on Housing Benefit. Local Authorities (LAs) send DWP data on a rolling timescale, therefore this data is the best information on Housing Benefit payments in that month, but is not a snapshot across all LAs on a specific date. It provides contextual information such as the current claim amount, postcode and tenure type. Where a record is not found, for example due to a non-return, the most recent return is used instead. The vast majority of returns are received every month so this is not a widespread flaw in the data.

This is then matched to the:

Work and Pensions Longitudinal Study (WPLS): WPLS links benefit and programme information held by DWP on its claimants to employment records from HMRC. This provides information on weekly Child Tax Credit and Working Tax Credit entitlement (including nil entitlements), benefit income data, and demographic details about claimants.

Further input is then provided from other data sources to obtain information on other benefit types including Personal Independence Payments and Child Benefit. Where all claim information across sources are linked to the HB lead claimant and, where applicable, partner.

The benefit cap datasets were created for each month using the latest information available. Each dataset presents the best information we have on benefit income of households in that specific month from our administrative data. For example, for the April 2013 benefit cap dataset, data was used from the 2nd May 2013 scan from SHBE, March 2014 from WPLS, and April 2013 for other datasets.

As data is drawn from administrative records, some variables are not available or are incomplete in the data. However we explored the use of more variables than were eventually included in the data. For example, ethnicity was considered as a possible variable to include in the dataset, but due to the number of missing records, it would not provide an accurate breakdown and is therefore not available on the dataset.

The datasets were created retrospectively, therefore will include households who were not identified as in scope for the cap at the time. For example where the scan of the administrative data takes place on a Monday and a household's benefit claim was processed on Tuesday, but backdated to when they initially became eligible for the award on the previous Friday then they will be included in our data, but would not be identified and capped until they appeared in the data. It may also be the case that a household is identified as in scope, but then changes circumstance prior to the cap being applied by the LA. These operational data-lags means that our estimates of those capped are not the same as the Official Statistics which identify capped households as a starting point, they use a different methodology. The Official statistics are quality assured to standards set out by the UK Statistics Authority, whilst our methodology for this analysis has been developed with the advice of the Institute for Fiscal Studies. However our estimated levels converge closely with the actually capped caseload (as shown in official statistics) providing confidence in the reliability of the estimates of those in scope for the cap.

Impact Assessment (IA)

Title:

Welfare Reform and Work Bill: Impact Assessment of the Benefit rate freeze

Lead department or agency:
Department for Work and Pensions

Other departments or agencies:
Her Majesty's Treasury
Her Majesty's Revenue and Customs

Date: July 2015

Stage: Final

Source of intervention: Domestic

Type of measure: Primary legislation

Contact for enquiries:

Summary: Intervention and Options

RPC Opinion: Not Applicable

Cost of Preferred (or more likely) Option				
Total Net Present Value	**Business Net Present Value**	**Net cost to business per year** (EANCB on 2009 prices)	**In scope of One-In, Two-Out?**	**Measure qualifies as**
	N/A	N/A	No	N/A

What is the problem under consideration? Why is government intervention necessary?

The Government has made clear its objective of tackling the deficit and rebalancing the welfare state, whilst sharpening work incentives and supporting the vulnerable. Government has announced that the rates of certain working-age benefits, certain elements of tax credits and Child Benefit will be frozen at their 2015/16 levels for four years between 2016/17 and 2019/20. Legislation to freeze benefits is expected to achieve Royal Assent within the current tax year. Until then, the current legislation applies, so the Secretary of State will conduct a review of price increases in the autumn and make a decision for 2016/17 in accordance with the obligations in force at the time.

What are the policy objectives and the intended effects?

The primary objectives are to deliver savings to Government that contribute to a reduction in spending on welfare to tackle the deficit, increase work incentives and contribute to the suite of policies designed to re-balance the welfare state to support the vulnerable. This policy will gradually build the incentive for people to make the choice to move into work. Freezing benefit rates for four years will increase the gains from moving into employment as the difference between the potential income from earnings and income from benefits grows. There is no direct effect on business of the policy but could be an increase in labour supply as a result of claimants responding to incentives to move into employment.

This measure is time-limited to the tax years 2016/17 to 2019/20 and there are no cash losers. Key vulnerable groups have been protected through the proposal to up-rate pensioner benefits, as well as benefits and premia designed to reflect the additional costs of disability, as expected for the years in question.

The four year freeze of benefit rates is expected to save £3.5bn in 2019/20. These savings will continue in future as increases will be from a lower base level and savings will increase in cash terms.

7.3 Appendix 2

Does implementation go beyond minimum EU requirements?			N/A		
Are any of these organisations in scope? If Micros not exempted set out reason in Evidence Base.	**Micro** No	**< 20** No	**Small** No	**Medium** No	**Large** No
What is the CO_2 equivalent change in greenhouse gas emissions? (Million tonnes CO_2 equivalent)			**Traded:** N/A	**Non-traded:** N/A	

What policy options have been considered, including any alternatives to regulation? Please justify preferred option (further details in Evidence Base)

The main alternative is to uprate the benefit rates in question as expected (primarily by prices as measured by the CPI). However this would result in a cost in cash terms to the welfare budget and so not provide the expected savings that arise from the option proposed.

A second option is to include all elements of the social security working-age payments in question in the rate freeze. This would include premia paid to pensioners and disabled recipients of working-age benefits, the Support Group component of Employment and Support Allowance and elements of tax credits payable to disabled persons. However, in order to protect the most vulnerable, who are least able to increase their incomes through work (pensioners and disabled persons), the Government has proposed these elements should be up-rated in line with convention (primarily with reference to prices, and in line with the Government's triple guarantee for the Basic State Pension). Including these groups in the benefit rate freeze would undermine the foundations of the welfare state by failing to protect those who are least able to help themselves and so this option has not been chosen on the basis of the fairness of the system as a whole.

Will the policy be reviewed? It will not be reviewed. **If applicable, set review date:**

I have read the Impact Assessment and I am satisfied that, given the available evidence, it represents a reasonable view of the likely costs, benefits and impact of the leading options.

Signed by the responsible Minister: ______________ Date: 20/07/2015

Summary: Analysis & Evidence

Policy Option 1

Description:

FULL ECONOMIC ASSESSMENT

Price Base Year	PV Base Year	Time Period Years	Net Benefit (Present Value (PV)) (£m)		
			Low: Optional	**High:** Optional	**Best Estimate:**

COSTS (£m)	**Total Transition** (Constant Price)	Years	**Average Annual** (excl. Transition) (Constant Price)	**Total Cost** (Present Value)
Low	Optional		Optional	**Optional**
High	Optional		Optional	**Optional**
Best Estimate			£3.5bn in 2019/20	

Description and scale of key monetised costs by 'main affected groups'

Overall, freezing the rates of the affected benefits for four years from 2016/17 will result in unchanged household incomes in cash terms, where people do not respond to the growing incentives and make the choice to move into employment and increase income. Compared to CPI uprating of benefits, the notional loss to household income will be £3.5bn in real terms in 2019/20 after the four years of the benefit rate freeze.

Around 70% of households will be unaffected by the benefit rate freeze. It is estimated that only around 30% of households[1] will experience changed future benefit entitlement from the policy. Benefit income would have been increased by CPI up-rating, however this will not occur under the policy change. The average difference between pre-change entitlement is around -£6 a week compared to CPI up-rating. The majority of working-age households in receipt of state support will be affected by this policy. Households towards the bottom of the income distribution are more likely to be affected, were they not to choose to move into employment and have a slightly higher average change because they are more likely to receive more of the affected benefits. These effects are based on a static model and therefore do not account for any possible behavioural change resulting from the policy. If an individual foresees the notional loss to income they would incur and moves into work or increases their hours then their difference in entitlement may be significantly smaller or not occur at all. This behavioural effect is however uncertain and not possible to quantify.

Other key non-monetised costs by 'main affected groups'

BENEFITS (£m)	**Total Transition** (Constant Price)	Years	**Average Annual** (excl. Transition) (Constant Price)	**Total Benefit** (Present Value)
Low	Optional		Optional	**Optional**
High	Optional		Optional	**Optional**
Best Estimate			£3.5bn in 2019/20	

[1] A household is defined here as a single adult or a couple living as married, together with any dependent children.

Description and scale of key monetised benefits by 'main affected groups'

Overall, it is estimated that savings to the Government from freezing the rates of certain benefits at their 2015/16 levels rather than uprating by the CPI inflation rate, will be around £3.5bn in 2019/20. These savings will continue into the future, as increases will be from a lower base. Cash savings gradually rise over the long term.

Though benefits will remain unchanged in cash terms, the savings to the Government result from the difference between these flat rates and the increases in benefit that would have been the case if they were up-rated by the CPI.

Other key non-monetised benefits by 'main affected groups'

We have not been able to quantify possible behavioural effects of the policy as these initially are low. However over time there will be an increased incentive to move into work as the relative income gain increases. The notional average loss from the benefit rate freeze is £6 per week in 2019/20 – less than the value of one hour's work at the National Living Wage. People may choose to respond to the benefit rate freeze by moving into work or increasing their hours of work and so some people could recoup all of their notional loss by working less than an hour a week extra at the National Living Wage. Individuals may choose to move into employment and there will be overall benefits that are known to be associated with employment including increased life chances for children in working households.

Key assumptions/sensitivities/risks | **Discount rate (%)** |

The level of CPI inflation - The savings from this policy derive from the difference between the forecast benefits expenditure using CPI uprating and benefit expenditure assuming the rates are frozen as described. These have been costed using the latest economic assumptions from the Office of Budget Responsibility, the relevant CPI forecasts (from Summer Budget 2015) are given in Table 1. If inflation is higher than forecast in any year covered by this bill then savings will be higher; if inflation is lower than forecast then savings will be lower.

BUSINESS ASSESSMENT (Option 1)

Direct impact on business (Equivalent Annual) £m:			**In scope of OITO?**	**Measure qualifies as**
Costs:	**Benefits:**	**Net:**	No	N/A

Introduction

Part of the Welfare Reform and Work bill sets out the Government's intention that the following benefits and tax credits be frozen at their 2015/16 levels between 2016/17 and 2019/20 inclusive.

- The main working-age rates of Income Support, Jobseeker's Allowance, Employment and Support Allowance and Housing Benefit; the work-related activity group component of Employment and Support Allowance.
- The basic, second adult, lone parent and 30 hour elements of Working Tax Credit (WTC) and the individual element of Child Tax Credit.
- The corresponding elements of Universal Credit.
- Child Benefit.

It will not apply to the premia within the above working-age benefits relating to disability, pensioners, and caring responsibilities, nor to the support group component of ESA. Neither will it apply to statutory payments such as Statutory Maternity Pay or Maternity Allowance. This ensures that key vulnerable groups, who are least able to increase their incomes through earnings, are protected.

Table 1: Selected Benefit rates in 2016/17 and 2019/20

(Weekly rates £)	**2015/16**	**2016/17**	**……**	**2019/20**
EMPLOYMENT AND SUPPORT ALLOWANCE, HOUSING BENEFIT, JOBSEEKER'S ALLOWANCE, INCOME SUPPORT				
Personal Allowances				
Single				
under 25	57.90	57.90	…..	57.90
25 or over	73.10	73.10	…..	73.10
Lone Parent (18 or over)	73.10	73.10	…..	73.10
Couple both over 18	114.85	114.85	…..	114.85
Components				
Work-related Activity Group	29.05	29.05	…..	29.05
Child Benefit – first child	20.70	20.70	…..	20.70
Child Benefit – second and subsequent child	13.70	13.70	…..	13.70
Universal Credit - standard allowance (single, 25+)	73.10	73.10	…..	73.10
Universal Credit - standard allowance (couple)	114.85	114.85	…..	114.85
Working Tax Credit – basic element (annual rate £)	1,960	1,960	…..	1,960
Working Tax Credit – second adult element (annual rate £)	2,010	2,010	…..	2,010
Working Tax Credit – lone parent element (annual rate £)	2,010	2,010	…..	2,010
Working Tax Credit – 30 hour element (annual rate £)	810	810	…..	810
Child Tax Credit – individual element (per child, annual rate £)	2,780	2,780	…..	2,780

Exchequer Impact

The Summer Budget 2015 sets out the Office for Budget Responsibility's forecast for Government spending and key economic determinants. In the absence of policy change the previous September's CPI rate would be used to up-rate benefits, for instance benefits in 2016/17 would be uprated by the September 2015 CPI rate (forecast at 0.0%) and in 2017/18 would be up-rated by the September 2016 CPI rate (forecast at 1.2%).

Table 2: OBR Economic assumptions and forecasts from Summer Budget 2015

	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
Relevant CPI level for up-rating	1.2%	0.0%	1.2%	1.7%	1.8%	1.9%
						Welfare Expenditure
Social security benefits (£bn)		188.5	190.2	192.1	194.7	199.1
Tax credits (£bn)		25.3	26.3	27.3	27.5	28.2

Table 2 above shows the overall scale of welfare spending in the UK and the relevant CPI rates which would be used to up-rate the affected benefits in the absence of the policy change. Table 3 below gives the savings to the exchequer of the four year benefit rate freeze.

Table 3: Exchequer savings in cash terms of the four year benefit rate freeze

	2016/17	2017/18	2018/19	2019/20	2020/21
Working-age discretionary benefits frozen at 2015/16 levels for 4 years (£bn)	0.0	0.2	0.6	1.1	1.1
Elements of working and child tax credits and Child Benefit frozen at 2015/16 levels for 4 years (£bn)	0.1	0.6	1.5	2.4	2.5
Total from the benefit rate freeze (£bn)	0.1	0.9	2.1	3.5	3.6

Totals may not sum due to rounding

These total savings are at a UK level but differ from those in the 4 year benefit freeze costing note published at Summer Budget 2015 because they exclude the savings from the freeze of LHA rates which is not part of this bill.

The small savings in 2016/17, despite 0% headline inflation, are due to tax credits being uprated in a different way to DWP benefits by rounding CPI to different levels. Inflation is forecast to be low for the first two years of the freeze and after the end of the freeze in 2020/21, up-rating is assumed to return to convention of CPI.

Impact on Households

Methodology

There are no cash losers as a result of this policy, households can accept the changed benefit entitlement in the future or move into work and out of scope from these changes. The differences in pre-policy future entitlement and the changes are notional in that they are currently not in payment. People have a choice as to how they respond to the policy announcement and may choose to move into work or increase their hours and so mitigate or never experience the notional loss at all. Over time the financial incentive to move into employment will grow and we are likely to see people responding to this. It is not possible to take possible behavioural changes into account in the modelling of the impacts of the policy as they are uncertain and inherently linked to individual choice and reaction. The following impacts are therefore based on static modelling transposing the policy change on to a population that we model based on the current benefit system and claimants.

The Exchequer savings are calculated using administrative sources of data. However, it is not straightforward to use administrative data to calculate the overall change in benefit receipt for a household over a large number of households. Households may be in receipt of multiple benefits at any one time and there are many combinations of this. The impacts on households in this assessment are modelled in the DWP Policy Simulation Model which draws on data from the Family Resources Survey allowing us to estimate total household entitlement to any of the benefits included in this policy change and understand the overlaps.

The impacts presented below are assessed on the following basis:

- The baseline for the impacts assumes that in the absence of this policy, benefits will be uprated by their legislative baseline, normally CPI. The economic assumptions such as the forecast of CPI are updated to the latest OBR forecasts of Summer Budget 2015.
- Impacts are assessed in 2019/20 incorporating the current migration profile of legacy benefits to Universal Credit and all policy decisions as of March Budget 2015.
- The modelled impacts include incomplete take-up of benefit entitlement.
- All households in Great Britain only.[2]

Changes in Household Income

The following sections set out the impacts of this change on different households in 2019/20 i.e. after the four years of the freeze.

Around 70% of households will not be affected by the up-rating changes in this bill. There are three main reasons for this:

The Government has continued its commitment to protect pensioner benefits including protecting the Basic State Pension through the ‘triple lock’ commitment.

In addition, certain benefits reflecting the additional costs of disability such as the Disability Living Allowance (DLA), the Support Group component of Employment Support Allowance and the Personal Independence Payment (PIP) have been protected and will continue to be up-rated by CPI. This is also the case for statutory payments such as Statutory Maternity Pay and Maternity Allowance.

In addition, those who are not receiving state support are unaffected by this change.

The households which are affected are defined as those households who are in receipt of a benefit affected by this Bill. Whilst freezing the rates of these benefits will lead to unchanged household incomes in cash terms, the notional change is in real terms, presented as the difference between freezing benefit rates and up-rating them by CPI inflation between 2016/17 and 2019/20.

Around 30% of households are affected seeing an average notional change of -£6 a week in real terms in 2019/20 as they do not receive the cash increase in their benefit income which would be the case if benefits were up-rated in line with CPI. This notional loss represents a change of just over -1 per cent of weekly net income. However, no households will see a change in their benefit income in cash terms from this policy and this impact does not account for any possible mitigating behavioural change. The notional average loss of £6 per week in 2019/20 is less than the value of one hour’s work at the National Living Wage. People may choose to respond to the benefit rate freeze by moving into work or increasing their hours of work and so some people could recoup all of their notional loss by working less than an hour a week extra at the National Living Wage.

[2] Unless otherwise stated, the impacts are presented for the household as a whole who receive benefits rather than on an individual basis.

Impact on Income for Protected Groups

Households that include someone with a protected characteristic (as defined by the Equality Act 2010) will be affected by this policy if they receive one or more of the affected benefits. Overall, those groups who are more likely to be in receipt of affected benefits are more likely to be affected by this policy change, though these groups will not see a change in benefit income in cash terms. The protected groups according to the Equality Act 2010 are:

- Age
- Disability
- Gender
- Race
- Gender reassignment
- Pregnancy and maternity
- Sexual orientation
- Religion or belief
- Marriage and civil partnership

The impacts on households in this assessment are modelled in the DWP Policy Simulation Model which draws on data from the Family Resources Survey (FRS). Information from the FRS is not published for sexual orientation, marital status or civil partnership status and religion/belief and is not collected for gender reassignment, pregnancy and maternity so these are not presented here. As for other groups, impacts for these households will be determined by the likelihood of receiving an affected benefit.

Age

Younger households are likely to lose the most as a proportion of their income from this policy with households where the head is under 30 years old losing an average of £3 per week. As a proportion of the population, it is households where the head is between 30 and 50 years old who are most affected. Over 50% of households in this bracket are affected by the policy. These are the age groups most likely to include children in the household and will therefore be affected by the changes to child related benefits. There are unlikely to be many households affected by this policy where the head is over 70.

Disability

This benefit freeze excludes the following and so, assuming they are up-rated with CPI, these benefits will maintain their real value: Disability Living Allowance, Personal Independence Payment, Attendance Allowance, the Support Group component of Employment and Support Allowance (for those not expected to look for work), disability premia in working-age benefits and the disabled elements of tax credits. This provides protection for those facing the additional cost of disability.

Gender

On an individual basis women are more likely to be affected than men with a third (33 per cent) of women affected compared to 29 per cent of men but neither group experience cash losses. This difference is likely to be because around 90 per cent of lone parents are women, which is the family type most likely to claim the benefits under the scope of this change.

Race

As a proportion of the total population households where the head reports themselves as Black / African / Caribbean / Black British are most likely to be affected by this benefit rate freeze. However Asian / British Asian people and Other Ethnic Groups are likely to see the highest notional losses. The change in weekly income is broadly similar across all racial groups and no group will experience a cash loss. It's important to note that smaller ethnic groups exhibit year-on-year variation in the survey source and so these results should be treated with caution.

Life Chances

The new Life Chances legislation (incorporated into the Welfare Reform and Work Bill) proposes to remove a number of the legal duties and measures set out in the Child Poverty Act 2010 and to place a new duty on the Secretary of State to report annually on children in workless households and the educational attainment of children. This is because evidence shows these to be the two main factors leading to child poverty now and in the future (respectively).

The benefit rate freeze is supportive of the Life Chances legislation in that this policy will gradually build the incentive for people to make the choice to move into work. Freezing benefit rates for four years will increase the gains from moving into employment as the difference between the potential income from earnings and income from benefits grows. In this way the number of children living in workless households could fall over time.

7.3 Appendix 3

Title: Welfare Reform and Work Bill: Impact Assessment of Tax Credits and Universal Credit, changes to Child Element and Family Element **Lead department or agency:** Her Majesty'sTreasury / Department for Work and Pensions **Other departments or agencies:** Her Majesty's Revenue and Customs	**Impact Assessment (IA)** **Date: July 2015** **Stage: Final** **Source of intervention:** Domestic **Type of measure:** Primary legislation **Contact for enquiries:**

Summary: Intervention and Options

RPC Opinion: Not Applicable

Cost of Preferred (or more likely) Option				
Total Net Present Value	**Business Net Present Value**	**Net cost to business per year** (EANCB on 2009 prices)	**In scope of One-In, Two-Out?**	**Measure qualifies as**
£0m	£0m	£0m	No	NA

What is the problem under consideration? Why is government intervention necessary?

The Government has made clear its objective of tackling the deficit and rebalancing the welfare state. Welfare expenditure is a significant driver of public spending and the Government is committed to delivering a more sustainable welfare system, including changes to tax credits, to put the system on a more sustainable footing.

The current benefits structure, adjusting automatically to family size, removes the need for families supported by benefits to consider whether they can afford to support additional children. This is not fair to families who are not eligible for state support or to the taxpayer.

What are the policy objectives and the intended effects?

The objective of these policies are to reform tax credits and Universal Credit to make them fairer and more affordable. They will ensure that the benefits system is fair to those who pay for it, as well as those who benefit from it, ensuring those on benefits face the same financial choices around the number of children they can afford as those supporting themselves through work. Encouraging parents to reflect carefully on their readiness to support an additional child could have a positive effect on overall family stability.

The changes are part of a package which will deliver a more sustainable welfare system and return expenditure on tax credits to 2007/08 levels in real terms.

What policy options have been considered, including any alternatives to regulation? Please justify preferred option (further details in Evidence Base)

Three options were considered:

1) Whether the measures should apply to all families in receipt of child tax credit and Universal Credit; or
2) Whether the measures should apply as flow measures; or
3) Do nothing.

The do nothing option is not sustainable. Option 2 was the preferred option as it ensures families would not have cash losses from the policy at the point of change. Entitlement will remain at the level for two children for households who make the choice to have more children, in the knowledge of the policy. This will result in fairness to claimants and to the taxpayer

Will the policy be reviewed? It will/will not be reviewed. **If applicable, set review date:** Month/Year

Does implementation go beyond minimum EU requirements?			N/A		
Are any of these organisations in scope? If Micros not exempted set out reason in Evidence Base.	**Micro** No	**< 20** No	**Small** No	**Medium** No	**Large** No
What is the CO_2 equivalent change in greenhouse gas emissions? (Million tonnes CO_2 equivalent)			**Traded:** N/A	**Non-traded:** N/A	

I have read the Impact Assessment and I am satisfied that, given the available evidence, it represents a reasonable view of the likely costs, benefits and impact of the leading options.

Signed by the responsible Minister: ______________________ Date: 20/07/2015

Summary: Analysis & Evidence

Policy Option 1

Description: Tax Credits and Universal Credit, changes to Child Element and Family Element

FULL ECONOMIC ASSESSMENT

Price Base Year 2015	PV Base Year 2015	Time Period Years 5	Net Benefit (Present Value (PV)) (£m)		
			Low: Optional	**High:** Optional	**Best Estimate:** £0

COSTS (£m)	Total Transition (Constant Price)	Years	Average Annual (excl. Transition) (Constant Price)	Total Cost (Present Value)
Low	Optional		Optional	**Optional**
High	Optional		Optional	**Optional**
Best Estimate	1,020		N/A	**4,455**

Description and scale of key monetised costs by 'main affected groups'

By 2020/21, the costs of limiting support through tax credits and Universal Credit to two children will be £1,365m, and of removing the Family Element in Child Tax Credit and child premium in Universal Credit will be £675m. The main affected groups will be those currently in receipt of tax credits or Universal Credit who choose to have a first or a third or subsequent child after April 2017 and households with children who make a new claim to Universal Credit after April 2017.

Other key non-monetised costs by 'main affected groups'

It has not been possible to quantify the distributional effects in the tax credit system.

The assessment is only carried out over the period to 2020/21, transition will continue beyond this period and costs and benefits will continue to accrue beyond the period.

BENEFITS (£m)	Total Transition (Constant Price)	Years	Average Annual (excl. Transition) (Constant Price)	Total Benefit (Present Value)
Low	Optional		Optional	**Optional**
High	Optional		Optional	**Optional**
Best Estimate	1,020		N/A	**4,455**

Description and scale of key monetised benefits by 'main affected groups'

Savings to the taxpayer are estimated to be £2,040m in cash terms on an annual basis by 2020/21. These savings will continue to rise in the future in line with the flow of new births and claims, and on the basis that families will make decisions based upon their ability to support their family.

Other key non-monetised benefits by 'main affected groups'

The assessment is only carried out over the period to 2020/21, transition will continue beyond this period and costs and benefits will continue to accrue beyond the period.

Key assumptions/sensitivities/risks — **Discount rate (%)** 3.5

A range of factors will determine the precise level of savings achieved from these measures, in particular the assumed level of new births and future family sizes. The rate of earnings growth amongst the affected groups will also play a role in determining the size of the overall claimant population in the two systems and hence the level of savings from the measures. Key demographic and economic assumptions have been agreed by HMRC and DWP with the independent Office for Budget Responsibility.

BUSINESS ASSESSMENT (Option 1)

Direct impact on business (Equivalent Annual) £m:			In scope of OITO?	Measure qualifies as
Costs: 0	**Benefits:** 0	**Net:** 0	No	NA

Evidence Base (for summary sheets)

Problem and rationale for intervention

1. The Government has made clear its objective of tackling the deficit and rebalancing the welfare state. Welfare expenditure is a significant driver of public spending, and the Government is committed to delivering a more sustainable welfare system which is fair to those who pay for it, as well as those who benefit from it, including changes to tax credits to put the system on a more sustainable footing.
2. The current benefits structure, adjusting automatically to family size, removes the need for families supported by benefits to consider whether they can afford to support additional children. This is not fair to families who are not eligible for state support or to the taxpayer.
3. Tax credit expenditure more than trebled in real terms between 1999-00 and 2010-11, with total expenditure in 2014-15 estimated to be around £30 billion – an increase of almost £10 billion in real terms over the last 10 years.

Policy objective

4. These policies are intended to reform tax credits and Universal Credit to make them fairer and more affordable. They will ensure that the benefits system is fair to those who pay for it, as well as those who benefit from it, ensuring those on benefits face the same financial choices around the number of children they can afford as those supporting themselves through work.
5. The changes are part of a package which will deliver a more sustainable welfare system. They will return expenditure on tax credits to 2007/08 levels in real terms.

Do nothing option

6. The do nothing option is unfair to families who are not eligible for state support and to the taxpayer, and does not return welfare spending to a sustainable level.
7. Delivering welfare savings is a vital part of the government's deficit reduction plan. Had the Budget not announced significant welfare savings, steeper reductions in public service spending would have been required – or higher borrowing and debt, or higher taxes.

Other options considered

8. In addition to 'do nothing' the Government considered whether the change should apply to all families in receipt of tax credits and Universal Credit. Recognising the impact this could have on families already in receipt of tax credits or Universal Credit, the Government decided to proceed with the proposed option. Entitlement will remain at the level for two children for households who make the choice to have more children, in the knowledge of the policy. In the case of new claims to Universal Credit it will apply to families who have been outside of the Universal Credit and tax credit benefit systems for the previous 6 months. This will result in fairness to both claimants and to the taxpayer.

Child Tax Credit (CTC) and Universal Credit reforms

9. At the Summer Budget 2015, the Government announced the following reforms to CTC and child elements of UC:
    - Retain the same level of support provided for families through tax credits with 2 children, who then choose to have a third child or subsequent children. To achieve this, births of

third or subsequent children after April 2017 will no longer trigger increased entitlement to the Child Element of CTC;

- An equivalent change in Housing Benefit to ensure consistency between both benefits;
- Providing the same level of support provided for families with 2 children receiving Universal Credit to those families with three or more children and who make a new claim after April 2017. To achieve this, third or subsequent children born after April 2017 will no longer trigger entitlement to additional support within Universal Credit. This will also apply to families who make an entirely new claim to Universal Credit from April 2017;
- For households starting a family after April 2017 their tax credit entitlement will no longer increase to include a Family Element in addition to a child element. The equivalent increase in benefit in Universal Credit, known as the first child premium, will also not be available for new births or claims after April 2017;
- In Housing Benefit, the increase in benefit entitlement for the family premium ceases for new claims from April 2016;

10. Changes to Housing Benefit do not require primary legislation and will be made through separate secondary legislation relating to the Social Security and Benefits Act (1992). This change is part of the wider package presented to remove the increased financial awards for households who choose to have children.
11. In order to protect vulnerable households the support provided to families with disabled children through the disability elements of CTC and the amount for a disabled child or qualifying young person in Universal Credit will not be affected by the changes.
12. The following groups will be exempt and will not be considered a new claim:
    - those moving from tax credits to UC;
    - those claiming UC within 6 months of a previous claim to tax credits or UC; or
    - a lone parent already on UC forming a couple with a single claimant not on UC.
13. The Government will develop protections for women who have a third child as the result of rape, or other exceptional circumstances. Details will be set out following consultation with stakeholders.
14. The changes will not impact on the childcare element of Working Tax Credit or Universal Credit. In addition, Child Benefit will not be affected by the reforms. Families will still get Child Benefit in respect of every child and a higher amount for the first child. This is because the Government wants to ensure a fair start in life for children in all families.

Exchequer and Claimant Impact

15. The savings from the tax credit measures are calculated using HMRC's Tax Credits Expenditure Forecast Model (TCEFM). The impacts are based on static modelling transposing the policy change on to a population that is modelled based on the current benefit system and claimants. There are no cash losers from this change, the differences are in entitlement under the new policy in the future.
16. Given that families are aware of the policy they may make the choice not to have (further) children. Therefore the numbers of families affected by the policy relates to this notional loss and is uncertain as behaviours may change to alter this number.
17. The model is run with and without the measures being applied to the relevant birth cohorts from 2017-18 onwards, families who have a third or subsequent child do not have an increase in benefit from a child element for that child. Cases of multiple births which breach the limit (e.g. a family with one child who has twins) are treated as a single birth for the purposes of the limit. The maximum notional entitlement in the child element is £2780 per child per year, for each third and subsequent child.

18. Households who would have previously had an increase in benefit from a new award of family element of Child Tax Credit will not see this happen from 2017-18 onwards. The maximum notional entitlement is £545 per year per family.

19. The estimates are produced on a "marginal cost" basis in respect of the transition between tax credits and Universal Credit. The savings are calculated on the basis that the tax credit system continues to exist through to 2020-21, with any additional savings arising from Universal Credit added to the tax credit savings. This is in line with standard tax credits/Universal Credit forecasting methodology which has been agreed with the Office for Budget Responsibility.

20. The static impact of applying the policy to the flow of new claims in Universal Credit is estimated by forecasting the number of affected benefit units using DWP's INFORM model[1] with volumes adjusted to be consistent with those in HMRC's Tax Credits Expenditure Forecast Model (TCEFM)[2]. These estimates are uncertain due to potential behavioural change and represent the households who will no longer see an increase in entitlement that they would have prior to this policy change.

21. This results in estimated tax credit and Universal Credit volumes as follows:

Table 1: CTC and Universal Credit caseload impacted

000s	2017/18	2018/19	2019/20	2020/21
Families limited to 2 children for child element of CTC and UC	160	350	510	640
Families no longer entitled to family element/first child premium in tax credits and UC	270	680	970	1,180

22. There are complex interactions between these savings from these measures and other measures announced in Summer Budget 2015. The savings estimates assume that the uprating freeze and the benefits cap have already been implemented, but the other measures announced (including changes to the taper rate and income threshold in tax credits) have not. The order in which policy measures are assumed to be implemented has been determined by methodological reasons.

23. The measures also interact with other policies such as existing HMRC operational measures, tax credits debt recovery and the existing Housing Benefit policy regime. The costs of these interactions have been calculated and are included in the figures below. The savings below and the caseloads from the preceding table are not on a directly comparable basis due to the complex nature of the interactions.

Table 2: Exchequer savings as a result of changes to CTC, Universal Credit and equivalent changes in Housing Benefit

£m	2016/17	2017/18	2018/19	2019/20	2020/21
Limit child element to 2 children for new births in tax credits and new claims in UC	0	315	700	1,055	1,365
Remove family element/first child premium in tax credits and UC, and the family premium in Housing Benefit, for new claims	55	220	410	555	675

[1] INFORM is a dynamic micro simulation model based on data from the systems which administer DWP benefits, Housing Benefit and Tax Credits

[2] The TCEFM is a micro-simulation, computing and comparing case level tax credits entitlement under the baseline with a reformed tax credits system. The static costing is the change in modelled tax credits entitlement across the complete sample (grossed) under the baseline and reformed systems.

Longer term impact

24. If households continue to make the same choices about whether to have a family and family size as they do currently it is estimated that, once the policy is fully rolled out, approximately 3.7million households will have a lower rate of payment than would otherwise have been the case.
25. These are notional losses as changes will only apply to children born after 6 April 2017, and in Universal Credit where there are families making a new claim after this date. No one will see a fall in the cash they are receiving as a benefit payment as a result of these changes.

Behavioural assumptions

26. The primary purpose of the Government's welfare policies is to help people move into sustained employment, whilst ensuring the system is fair to both recipients and non-recipients. The policy which limits the child element of CTC and Universal Credit to two children means that families on benefits will have to make the same financial decisions as families supporting themselves through work. In practice people may respond to the incentives that this policy provides and may have fewer children. There is no evidence currently available on the strength of these effects although the Institute for Fiscal Studies found a relationship between support for children in the benefit system and childbearing[3].

Distributional analysis

27. The policy has the impact of redistributing income from Universal Credit / tax credit recipients to the Exchequer (i.e. society as a whole). The policy therefore has distributional impacts.

Impact on protected groups

28. Households that include someone with a protected characteristic (as defined by the Equality Act 2010) will be affected by this policy if they receive one or more of the affected benefits. Overall those groups who are more likely to be in receipt of affected benefits are more likely to be affected by this policy change.
29. The Universal Credit payment is made to the benefit unit, however on an individual basis women may be more likely to be affected than men. Around 90% of lone parents are women, and a higher proportion of this group are in receipt of CTC. Therefore they are more likely to be affected, in the absence of behavioural change.
30. Of households currently in receipt of any welfare benefit those which contain someone with a disability are less likely to have children, relative to those households which do not. Therefore of households in receipt of welfare those containing someone with a disability are less likely to be affected.
31. Ethnic minority households may be more likely to be impacted by these changes. This is because they are, on average, more likely to be in receipt of these benefits, and on average have larger families.

Life Chances

32. The new Life Chances legislation (incorporated into the Welfare Reform and Work Bill) proposes to remove a number of the legal duties and measures set out in the Child Poverty Act 2010 and to place a new duty on the Secretary of State to report annually on children in workless households and the educational attainment of children. This is because evidence shows these to be the two main factors leading to child poverty now and in the future (respectively).

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[3] http://www.ifs.org.uk/wps/wp0809.pdf

33. The proposed changes enhance the life chances of children as they ensure that households make choices based on their circumstances rather than on taxpayer subsidies. This will increase financial resilience and support improved life chances for children in the longer term.