

# FINANCE AND POLICY COMMITTEE AGENDA



**Monday 23 November 2015**

**at 1.30 pm  
(or immediately following the conclusion of the  
Joint Meeting with Regeneration Services Committee,  
whichever is the later)**

**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 6 November, 2015. *(Previously published and circulated)*
- 3.2 To receive the minutes of the meeting of the Health and Wellbeing Board held on 11 September 2015.
- 3.3 To receive the minutes of the meeting of the Safer Hartlepool Partnership held on 4 September, 2015.

**4. BUDGET AND POLICY FRAMEWORK ITEMS**

- 4.1 Hartlepool Living Wage and Related Issues - *Assistant Chief Executive and Chief Finance Officer*
- 4.2 Capital Receipts Targets - *Corporate Management Team*
- 4.3 Local Council Tax Support 2016/17 - *Chief Finance Officer*
- 4.4 Medium Term Financial Strategy (MTFS) 2016/17 TO 2018/19 - *Corporate Management Team*



## **5. KEY DECISIONS**

None.

## **6. OTHER ITEMS REQUIRING DECISION**

- 6.1 Irrecoverable Debts - Sundry Debts and Housing Benefit Overpayments - *Chief Finance Officer*
- 6.2 North East Rail Management Unit Collaboration Agreement - *Director of Regeneration and Neighbourhoods*

## **7. ITEMS FOR INFORMATION**

- 7.1 Employee Sickness Absence 2<sup>nd</sup> Quarter 2015/16 -

## **8. ANY OTHER BUSINESS WHICH THE CHAIR CONSIDERS URGENT**

### **FOR INFORMATION**

Date of next meeting – Monday 7 December at 9.30 am in the Civic Centre, Hartlepool.



# HEALTH AND WELLBEING BOARD

## MINUTES AND DECISION RECORD

11 September 2015

The meeting commenced at 10.00 am in the Civic Centre, Hartlepool

**Present:**

Councillor C Akers-Belcher, Leader of Council (In the Chair)

**Prescribed Members:**

Elected Members, Hartlepool Borough Council – Councillors Carl Richardson and Chris Simmons

Representative of Hartlepool and Stockton-on-Tees Clinical Commissioning Group – Graeme Niven (as substitute for Alison Wilson)

Director of Public Health, Hartlepool Borough Council - Louise Wallace

Representatives of Healthwatch – Ruby Marshall and Margaret Wrenn

**Other Members:**

Representative of Tees Esk and Wear Valley NHS Trust – David Brown (as substitute for Martin Barkley)

Representative of Cleveland Police – Assistant Chief Constable Simon Nickless

Also in attendance:- Julia Waller, Screening and Immunisation Manager, NHS England

Dr Simon Howard, Public Health Registrar

L Fletcher J Gray, G and S Johnson and S Thomas

Officers: Steven Carter, Health Improvement Practitioner (Workplace, Obesity, Physical Activity)

Deborah Clark, Health Improvement Practitioner

Amanda Whitaker, Democratic Services Team

### 19. Apologies for Absence

Representatives of Hartlepool and Stockton-on-Tees Clinical Commissioning Group – Dr Schock and Alison Wilson

Director of Child and Adult Services, Hartlepool Borough Council – Sally Robinson

Representative of North Tees and Hartlepool NHS Foundation Trust – Alan Foster

## 20. Declarations of interest by Members

Councillor Christopher Akers-Belcher reiterated the declaration he had made at a previous meeting of the Board that in accordance with the Council's Code of Conduct, he declared a personal interest as Manager for the Local HealthWatch, as a body exercising functions of a public nature, including responsibility for engaging in consultation exercises that could come before the Health and Wellbeing Board. He had advised that where such consultation takes place (or where there is any connection with his employer), as a matter of good corporate governance, he would ensure that he left the meeting for the consideration of such an item to ensure there was no assertion of any conflict of interest.

Councillor Christopher Akers-Belcher informed the Board that he would, therefore, vacate the Chair during consideration of the item relating to HealthWatch Hartlepool investigation of good practice examples in the care and support of residents with dementia in Hartlepool care homes. The Board agreed that Graeme Niven, representative of the Clinical Commissioning Group, Chair the meeting during consideration of that item.

## 21. Minutes

The minutes of the meeting held on 3 August 2015 were confirmed.

## 22. Draft Healthy Weight Strategy for Hartlepool (*Director of Public Health*)

The Director of Public Health presented a proposed 10-year Healthy Weight Strategy for Hartlepool, a copy of which was appended to the report. together with the associated Action Plan to support its implementation.

Board Members were reminded that at the meeting of the Board held on 11 August 2014, it had been requested that a Childhood Obesity Strategy for the town be developed, to set out an approach to tackling rising levels of overweight and obesity among young people in Hartlepool. A town-wide obesity conference had been held in February 2015, in order to bring together key stakeholders and services that had a significant role to play in the obesity agenda, including Elected Members and the wider community. The aim of the conference was to highlight areas of good practice, identify gaps in provision, establish what more key partners can do around the agenda, and highlight key actions and areas for strategic focus. Following the conference, a steering group had been established from members of the Hartlepool Healthy Weight Healthy Lives Strategic Group, to analyse the findings from the conference, consider the existing evidence and good practice, and develop a proposed healthy weight strategy and action plan for the town.

It was proposed that the healthy weight strategy take a longer-term view of the obesity issue and three key strategic themes were detailed covering primary, secondary and tertiary prevention, each with specific objectives to be

tackled over a 10-year period. It was also proposed that the strategy take a whole-systems approach to the issue across the full life course, and as such, also addressed obesity in adults and the wider family unit.

Board Members debated issues arising from the report. The Chair of the Children's Strategic Partnership advised the Board of observations which had been highlighted at a recent meeting of the Partnership. It had been suggested that children should be guided towards making healthier choices of school meals.

A Healthwatch representative referred to recent attendance at a health consultation meeting with refugee and asylum seekers when discussions had highlighted diet awareness issues and consequences arising from change in diets.

It was agreed that the issues raised at the Board meeting should be referred to the Hartlepool Healthy Weight Healthy Lives Strategic Group. Interest expressed by the representative of Cleveland Police, to be involved in the campaign, was noted for inclusion in the action plan.

## **Decision**

The Health and Wellbeing Board:

- i) Considered the draft Healthy Weight Strategy 2015-2025 and Action Plan;
- ii) Agreed the content of the draft Healthy Weight Strategy and Action Plan subject to the comments made by Board Members being reflected in the Action Plan;
- iii) Agreed that the Strategy and Action Plan be referred to partner governing bodies, with a view to seeking support for its adoption and implementation
- iv) Agreed that responsibility for the implementation of the Strategy be referred to the Hartlepool Healthy Weight Healthy Lives Strategic Group;
- v) Agreed that the membership of the Hartlepool Healthy Weight Healthy Lives Strategic Group be reviewed/extended to ensure that those involved are in a position to take forward all required actions within their respective organisations / bodies; and
- vi) Agreed that the Hartlepool Healthy Weight Healthy Lives Strategic Group report progress against implementation of the Strategy to the Health and Wellbeing Board on a 6 monthly basis and the feedback from partner governing bodies be included in the subsequent report to the Board.

## 23. Immunisation Presentation *(Director of Public Health)*

The Board received a presentation by the Director of Public Health and the Immunisation and Screening Manager from NHS England. The presentation provided the Board with the following:-

- assurance that appropriate governance arrangements are in place within NHS England in relation to immunisations for the population, in order to protect the health of people in Hartlepool.
- an update on the local picture of Immunisations in Hartlepool and;
- NHS England's plans to improve uptake and local actions being undertaken to address these.

The Immunisation and Screening Manager highlighted at the meeting that although there had been a significant improvement in the uptake of immunisations in Hartlepool, immunisation rates continued to be below the rate for the North East overall. Board Members discussed ethnicity issues, including the involvement of international centres, and were advised of information which was available nationally. It was recognised that there needed to be more intelligence to address issues which existed locally in particular wards and links to social workers were discussed. In response to concerns expressed regarding issues of communication, it was suggested that the Council's communication team should liaise with the Director of Public Health and the Immunisation and Screening Manager with a view to inclusion of information in Hartbeat community magazine. It was suggested also that ward information be forwarded to ward councillors for dissemination in ward bulletins.

Activities to improve immunisation uptake were included in the presentation. It was intended that visits would be arranged to General Practice's with lowest uptake to discuss seasonal flu uptake for 'at risk' groups, to all practices to discuss routine childhood programme and seasonal flu programme and to work with practices to ensure robust data collection via Child Health Information System (CHIS). There had been also engagement with children and parents to design a bespoke leaflet. A Healthwatch representative requested copies of the leaflet for distribution although the benefit of face to face interaction was recognised including the role of health visitors and nursery nurses through children's centres in the promotion of immunisation.

The Chair thanked the Director of Public Health and the Immunisation and Screening Manager for their informative presentation.

### **Decision**

The Board noted the content of the presentation.

## **24. Scrutiny Investigation into Cardiovascular Disease (CVD) – Action Plan** *(Director of Public Health)*

The report sought agreement of the Action Plan in response to the findings and subsequent recommendations of Council's investigation into Cardiovascular Disease (CVD). As a result of the Scrutiny investigation into CVD, a series of recommendations had been made. To assist the Health and Wellbeing Board in its determination of either approving or rejecting the proposed recommendations an action plan had been produced, appended to the report, and was detailed along with the Final Report and recommendations of Council also appended to the report.

The Director of Public Health assured the Board that the recommendations, arising from the investigation, were being progressed. The Board was advised of a report which had been submitted to the Finance and Policy Committee on options for the future commissioning and delivery of, feasible and appropriate, NHS Health Checks, in the context of the Cardiovascular Disease (CVD) review and Council's provision of wider public health services to address ill health, inequalities and premature mortality caused by CVD.

During the discussion following presentation of the report, the Director of Public Health responded to clarification sought from Board Members. It was noted that dialogue was ongoing with GP practices to increase awareness of patients eligible for NHS Health Checks.

### **Decision**

The Board approved the proposed recommendations and approved the action plan in response to the recommendations of Council's investigation into CVD.

**Councillor C Akers-Belcher vacated the Chair.**

**Graeme Niven, representative of the Clinical Commissioning Group, chaired the meeting during consideration of the following item.**

## **25. Healthwatch Hartlepool Investigation of Good Practice Examples in the Care and Support of Residents with Dementia in Hartlepool Care Homes** *(Healthwatch Hartlepool)*

The report informed the Health & Wellbeing Board of the outcomes of the Healthwatch Hartlepool investigation of good practice examples in the care and support of residents with dementia in Hartlepool Care Homes. Healthwatch representatives explained that the Care Home Dementia Project had been included in the 2014/15 work programme of Healthwatch Hartlepool as a result of some concerns which had been raised about inconsistencies in the quality of care and support received by residents with varying levels of

dementia in residential care homes in Hartlepool.

Appreciation was expressed to Healthwatch Members who had contributed to the report. Board Members highlighted issues arising from the report including examples of good practice and management and staff continuity and training. The Chair of the Council's Adult Services Committee complimented Healthwatch on the report. Assurances were sought that the issues which had been raised would be acted upon. A Healthwatch representative advised that the report would be shared with all Care Homes and the Care Quality Commission. The context of the report in terms of commissioning arrangements was highlighted. The Chair of Adult Services Committee advised that he would welcome the submission of the report to the Adult Services Committee.

Arising from the debate, the Director of Public Health undertook to determine how many disabled access taxis there were in Hartlepool and to update Board Members at a subsequent meeting.

### **Decision**

- (i) The Board noted the contents of the report and considered the recommendations contained therein.
- (ii) The Healthwatch report was referred to the Council's Adult Services Committee.

Meeting concluded at 11.30 a.m.

CHAIR



## **SAFER HARTLEPOOL PARTNERSHIP MINUTES AND DECISION RECORD**

4 September 2015

The meeting commenced at 10.00 am in the Civic Centre, Hartlepool

**Present:**

Councillor: Christopher Akers-Belcher (In the Chair)  
Councillor Marjorie James, Hartlepool Borough Council  
Clare Clark, Head of Community Safety and Engagement  
Denise Ogden, Director of Regeneration and Neighbourhoods  
Gordon Lang, Chief Superintendent, Cleveland Police  
Barry Coppinger, Police and Crime Commissioner  
John Bentley, Safe in Tees Valley

In accordance with Council procedure rule 5.2 (ii) Mal Suggitt was in attendance as Substitute for Gordon Lang, Gilly Marshall was in attendance as substitute for Stewart Tagg and Richard Parker was in attendance as substitute for Barbara Gill

**Also present:**

Councillor Jim Ainslie, HBC  
Sarah Wilson, Office of Police and Crime Commissioner  
Emma Roebuck, Chief Officer, GADD

Officers: Joan Stevens, Scrutiny Manager  
Denise Wimpenny, Principal Democratic Services Officer

### **11. Apologies for Absence**

Apologies for absence were submitted on behalf of Louise Wallace, Director of Public Health, Chief Superintendent Gordon Lang and Chief Inspector Lynn Beeston, Cleveland Police, Sally Robinson, Director of Child and Adult Services, Barbara Gill, Tees Valley Community Rehabilitation Company, Stewart Tagg, Housing Hartlepool, Karen Hawkins, Hartlepool and Stockton on Tees Clinical Commissioning Group and Steve Johnson, Cleveland Fire Authority

## 12. Declarations of Interest

None

## 13. Minutes of the meeting held on 10 July 2015

Confirmed.

## 14. Matters Arising from the Minutes

Min 6 – Substance Misuse Strategy Group – A Member expressed thanks to the Chair and other partners in relation to the action taken in response to concerns conveyed at the last meeting regarding the problem of individuals drinking in excess on trains. The Member was pleased to report that from personal observations there appeared to have been improvements in this regard. Members were advised that arrangements had been made for a representative from the British Transport Police to attend the next meeting of the Partnership. The Chair highlighted that a Joint Communication Strategy that had been agreed had proved to be successful.

In response to another Member's concerns regarding a recent incident of racist behaviour on the train service from Newcastle, the Chair suggested that this issue be fed back to the British Transport Police in advance of the next meeting.

### Decision

That the issues raised in relation to racist behaviour, as set out above, be referred to the British Transport Police in advance of the next meeting.

## 15. Addressing Barriers to Reporting Hate Crime Affecting the LGBT Communities *(Director of Regeneration and Neighbourhoods)*

### Purpose of report

To present a report commissioned by Cleveland Police and Crime Commissioner into the barriers to the reporting of hate crime affecting the Lesbian, Gay, Bisexual and Transgender (LGBT) Community in the policing area of Cleveland Police.

### Issue(s) for consideration

The Director of Regeneration and Neighbourhoods introduced the report which provided background information to an event hosted by the Cleveland Police and Crime Commissioner which sought to explore hate crime affecting Lesbian, Gay and Transgender people in the force area.

Gay Advice Darlington/Durham (GADD) had been tasked to provide a report on the barriers to reporting and how to reduce or remove those barriers and improving the relationship between the public sector criminal justice services and outcomes for the LGBT community, a copy of which was attached as an appendix to the report.

Representatives from the Office of the Police and Crime Commissioner and GADD, who were in attendance, presented the report on barriers to reporting of LGBT hate crime in Tees Valley which included details of the methodology used, participants, results of the survey, conclusions, recommendations together with specific actions. The key actions were as outlined below:-

- Establish a Steering Group to agree the overall strategy in response to the recommendations
- Hate Crime Training for Police Officers
- Awareness Training for Police Officers
- Indirect reporting of hate crime
- Building trust
- Arrange sharing of publication of leaflets and information on the process and expectation on how the police/CPS process hate crime after it was reported.
- Work with local community organisations to make the information leaflet accessible to as many people as possible via all possible media.
- Re-evaluate current hate crime reporting mechanisms and prioritise using community based groups to support individuals through the process rather than the current generic third party reporting system that was failing victims of hate crime
- Build an ongoing sustainable model of community engagement and participation to build trust between the police/CPS and relevant communities

In the lengthy discussion that followed presentation of the report, Members debated issues arising from the report. Concerns were expressed regarding the anonymity afforded to perpetrators involved in hate crime via social media sites to which the Cleveland Police representative outlined the reasons for such protection arrangements. In response to a request for clarification as to whether the work had identified any specifics around social media reporting, the representative from GADD outlined the main findings in terms of hate crime via social media sites. It was highlighted that anonymous bullying via social media methods was often hard to trace and

sometimes difficult to prove within the Criminal Justice System. There were limitations as to what could be done to address this. The importance of individuals understanding privacy settings was emphasised. The challenges of third party reporting centres were highlighted and reference was made to the evidence that suggested that victims of hate crime were more confident of a satisfactory outcome if the incident was reported via a community organisation that was also able to support the individual through the process. The benefits of increasing community confidence and signposting individuals to specialist community organisations were outlined.

The Partnership discussed the options of utilising restorative justice measures as an alternative to the criminal justice system including the challenges of encouraging take-up. The Chair commented on the importance of ensuring restorative justice approaches were carefully implemented to assist with a positive outcome.

The Partnership was advised of National Hate Crime Awareness Week 12-16 October where a number of activities were being planned across Cleveland with a different strand of hate crime providing the focus for each day of that week.

### **Decision**

That the contents of the report and comments of Partnership Members be noted.

## **16. Scrutiny Investigation into Hate Crime – Report and Action Plan** *(Audit and Governance Committee and Director of Regeneration and Neighbourhoods)*

### **Purpose of report**

To seek consideration of the Audit and Governance Committee's report following completion of its Hate Crime Investigation and agree the Action Plan in response to the findings and recommendations contained within it.

### **Issue(s) for consideration**

A representative from Audit and Governance Committee presented the report which outlined the overall aim of the scrutiny investigation, terms of reference, methods of investigation, findings, conclusion and subsequent recommendations following the Committee's investigation into Hate Crime.

To assist the Partnership in its determination of either approving or rejecting the proposed recommendations, an action plan had been produced, a copy of which was attached at Appendix 1.

In the discussion that followed concerns were expressed regarding the issue of hate crime and various examples were shared with the Partnership. Members were pleased to note the recommendation to raise awareness in this regard to ensure the most vulnerable victims were protected. The various methods of abuse were debated during which disappointment was expressed in relation to the inappropriate use of the press and social media as a means of targeting individuals. The difficulties preventing such activities were highlighted. Emphasis was placed upon the need to protect and support individuals who came forward to report hate crime. A Member commented on the invaluable service provided by Victim Support Officers and took the opportunity to thank officers for their support.

In concluding the debate, the Chair requested that the concerns regarding the inappropriate use of social media as a means of targeting individuals be referred to the Communications Group for consideration.

The Chair welcomed the report and thanked the Audit and Governance Committee for undertaking the investigation.

### **Decision**

- (i) That the contents of the Audit and Governance Committee's investigation into hate crime in Hartlepool be approved.
- (ii) That the action plan, in response to the recommendations, be approved.
- (iii) That the concerns regarding the inappropriate use of the press and social media as a means of targeting individuals be referred to the Communications Group for consideration.

## **17. Reducing Re-Offending Group Update** (*Director of Regeneration and Neighbourhoods*)

### **Purpose of report**

To update the Partnership on progress in relation to the Reducing Re-offending Action Plan 2014/15.

### **Issue(s) for consideration**

The Head of Community Safety and Engagement presented the report which provided background information in relation to the strategy. Attached as an appendix to the report was the Reducing Re-offending Action Plan which provided an overview of progress made during 2015/16 and described some of the Task Group activity that had been undertaken to reduce re-offending in Hartlepool.

The Partnership was advised that although progress against the action plan

had been slow due to the transformation of rehabilitation services, key achievements in relation to the action plan included improving pathways out of re-offending, partnership working with needs of offenders and public safety at the heart of service planning and delivery of a local response to local problems through a better understanding of offending behaviour and impact of interventions.

In support of the report, the Chair welcomed Richard Parker from the Durham Tees Valley Community Rehabilitation Company, who had also recently been appointed as Chair of the Group, who provided a detailed and comprehensive presentation which focussed on the background and context to transforming rehabilitation and included the following issues:-

- 4 main aims
- Background to set up of Community Rehabilitation Companies
- In 2013 ARCC consortium established and in October 2014 identified as the 'preferred bidder'
- Overview of various partners of ARCC consortium
- Durham Tees Valley Community Rehabilitation Company in Hartlepool – organisational set up including staffing structure, caseload, staff allocations
- Proposals
  - regular provision of proven re-offending data, charges and arrests
  - multi-agency case conferencing for Prolific and Priority Offenders (PPOs)
  - introduce 2<sup>nd</sup> tier in IOM based on Offender Group Reconviction Scale (OGRS) risk predictor
  - by shared working with partner agencies contribute where appropriate to SHP Action Plan

#### Challenges/Change Process

- All probation offices currently occupied by DTV CRC staff will be closed no later than 31 December 2015. 80 to 85% of the offender caseload will be seen in Community Justice Hubs. District Centres will be available for offenders who are not suitable for attendance at the hubs.
- Agile working – most staff will work mainly from the Criminal Justice Hubs but will also work from home and for some of the time at the offices of partner agencies
- New Technology – staff will be provided with laptops. The current administration system will be replaced as will the offender assessment system.

- Performance Management – service measures/targets are set and if not achieved will incur a financial penalty.
- Maintaining quality in the new world - staff to acquit themselves to new ways of working

The Partnership was advised that the Integrated Offender Management Hub Launch would be held on 22 September at 10.00 am at Holme House Prison to which all Partnership Members were invited to attend. Details would be provided under separate cover following the meeting.

With regard to the issue of reporting critically on proven convictions, it was noted that performance information relating to re-offending was outstanding. The representative from the Tees Valley Community Rehabilitation Company reported on the potential reasons for the delay and agreed to follow this up following the meeting.

### **Decision**

- (i) That the contents of the report and progress made in delivering the Reducing Re-offending Action Plan be noted.
- (ii) That the representative from the Tees Valley Community Rehabilitation Company follow up outstanding performance information relating to re-offending for inclusion in future performance reports.

## **18. Domestic Violence Strategic Group Update** (*Director of Regeneration and Neighbourhoods*)

### **Purpose of report**

To provide an overview of activity undertaken by the Hartlepool Domestic Violence and Abuse Strategy Group during 2014/15.

### **Issue(s) for consideration**

The Director of Regeneration and Neighbourhoods presented the report which provided background information in relation to the Domestic Violence and Abuse Group (DVAG). Attached as an appendix to the report was the Domestic Violence Action Plan which provided an overview of progress made during 2014/15 and described some of the partnership activity that had been undertaken to address domestic violence and abuse in Hartlepool.

Partnership Members were referred to prevention and early intervention work, partnership working and justice outcomes, as detailed in the report. Details of additional actions that had been identified as a result of a refresh of the Action Plan were provided. Good progress had been made by the Group over the last year with some notable new developments in place to safeguard individuals, children and their families from the impact of domestic abuse.

It was noted that the number of domestic abuse incidents in Hartlepool was also moving in the right direction having reduced year on year since 2011/12. There had been a number of positive outcomes for both victims and perpetrators of domestic abuse, details of which were provided. However, Hartlepool continued to experience high levels of domestic abuse and had the second highest rate of recorded domestic incidents per 1000 population in Cleveland Police force area. During 2013/14, 2166 domestic abuse incidents were recorded and of those 1046 children and young people were present in the home at the time of the incident.

#### **Decision**

- (i) That the contents of the report and progress made against the Domestic Violence and Abuse Action Plan.
- (ii) The Partnership noted the new actions included in the 2015/16 action plan.

### **19. Safer Hartlepool Partnership Performance** (*Director of Regeneration and Neighbourhoods*)

#### **Purpose of report**

To provide an overview of Safer Hartlepool Partnership performance for Quarter 1 – April 2015 to June 2015 (inclusive)

#### **Issue(s) for consideration**

The Head of Community Safety and Engagement provided the Partnership with an overview of the Partnership's performance during Quarter 1, as set out in an appendix to the report. Information as a comparator with performance in the previous year was also provided. In presenting the report, the Head of Community Safety and Engagement highlighted salient positive and negative data and responded to a number of queries raised in relation to crime figures by type.

The potential reasons why crime figures had increased in the last year were debated. In response to some concerns raised regarding the increase in sexual offences in Hartlepool, it was reported that this was potentially as a result of individuals being encouraged to report crimes as well as the



increase in the number of people reporting historical crimes.

The Partnership was advised that the issues raised in relation to the disproportionate increase in crime figures was being fully explored by the Council's Audit and Governance Committee as part of their scrutiny work programme for this municipal year.

### **Decision**

That the Quarter 1 performance figures and comments of Members be noted.

## **20. Proposed Closure of Hartlepool Magistrates Court and County Court** (*Director of Regeneration and Neighbourhoods*)

### **Purpose of report**

To inform the Safer Hartlepool Partnership of a report to Council following the Ministry of Justice announcement of proposals to close Hartlepool Magistrates Court and County Court.

### **Issue(s) for consideration**

The Director of Regeneration and Neighbourhoods reported on the background to the proposed closure of Hartlepool Magistrates Court and County Court and consideration of a report by the Finance and Policy Committee on 28 August 2015, a copy of which was appended to the report. The report considered the impact of the changes and consultation had taken place to enable a considered response to the Ministry of Justice proposals, the outcome of which was included in the report. The Finance and Policy Committee had expressed their opposition to the closure of the Hartlepool Magistrates Court and the report would be referred to Council for consideration and debate at the meeting to be held on 17 September to allow a response to the Ministry of Justice.

The Police and Crime Commissioner and the Partnership endorsed the views of the Finance and Policy Committee and were strongly against the proposed closure of the courts in Hartlepool.

### **Decision**

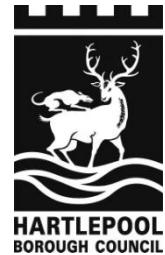
That the contents of the report, attached at Appendix 1, be noted.

The meeting concluded at 12 noon.

CHAIR

# FINANCE AND POLICY COMMITTEE

23<sup>rd</sup> November 2015



**Report of:** Assistant Chief Executive and Chief Finance Officer

**Subject:** HARTLEPOOL LIVING WAGE AND RELATED ISSUES

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## 1. TYPE OF DECISION/APPLICABLE CATEGORY

Budget and Policy Framework Decision.

## 2.0 PURPOSE OF REPORT

2.1 The purposes of the report are to:

- i) enable Members to consider updated proposals for implementing the Hartlepool Living Wage; and
- ii) to provide an initial assessment of the Government's proposals to implement a Statutory National Living Wage and proposed 1% Public Sector pay cap for 4 years commencing April 2016.

## 3.0 BACKGROUND

- 3.1 As reported previously the implementation of a Hartlepool Living Wage was included within the proposed package of Terms and Conditions changes. These changes were designed to provide a net budget saving, after reflecting the cost of implementing the Hartlepool Living Wage, of £200,000 and this amount was included in the 2015/16 base budget.
- 3.2 Following the outcome of the Trade Union ballot which rejected the proposed package of Terms and Conditions savings Members requested a further report on the options for implementing a Hartlepool Living Wage, whilst recognising that the net budget saving included in the 2015/16 base budget will not be achieved.

- 3.3 Since Finance and Policy Committee considered this issue on 27<sup>th</sup> July 2015 the Chancellor, as part of the summer 2015 Budget, made a surprise announcement regarding the implementation of a Statutory National Living Wage commencing from April 2016. Further details of this proposal and the impact on the Council are detailed later in the report.

#### **4.0 HARTLEPOOL LIVING WAGE**

- 4.1 The Terms and Conditions proposal included implementation of a Hartlepool Living Wage of £7.88 per hour, which equates to an annual cost to the Council of £150,000. It was envisaged that this cost would be funded from recurring savings from the proposed Terms and Conditions changes. As these savings will not be achieved implementation of the Hartlepool Living Wage will result in a budget pressure in the current year and recurring budget pressure in future years.
- 4.2 In the short term (i.e. 2015/16 and 2016/17) these costs could have been funded by releasing the one-off resources no longer required to fund Protection Costs arising from changes to Terms and Conditions. This proposal would not have provided a permanent funding solution and would have increased the budget deficit in 2017/18. However, following the Government announcements regarding a National Living Wage and proposed 1% pay cap, a more comprehensive financial strategy for managing these changes is needed and detailed proposals are set out in section 5. These proposals are based on the following planning assumptions:
- The Hartlepool Living Wage of £7.88 is implemented from 1<sup>st</sup> December 2015;
  - The Hartlepool Living Wage is updated on an annual basis, commencing on 1<sup>st</sup> April 2016, in line with pay inflation or the increased National Living Wage (whichever is greater).
- 4.3 By law, the Council is the employer of Community and Voluntary Controlled school employees whereas the Governing Body is the employer of Academy, Aided and Foundation school employees. Therefore any increase in the Hartlepool Living Wage will apply to Community and Voluntary Controlled Schools. Academies, Aided and Foundation Schools will need to be consulted to whether they will agree to adopt the updated Hartlepool Living Wage.
- 4.4 1% PAY CAP FOR PUBLIC SECTOR EMPLOYEES AND NATIONAL LIVING WAGE**
- 4.5 Pay Cap
- 4.6 As Members will be aware pay for Council staff was frozen for 4 years i.e. 2010/11 to 2013/14. During this period Local Authority staff earning less than £21,000 did not receive the flat rate increases of £250 awarded to other public sector workers. Non consolidated pay awards were paid for the period 1<sup>st</sup> April 2014 to 31<sup>st</sup> December 2014, which were weighted towards lower paid

employees. From 1<sup>st</sup> January 2015 a consolidated increase of 2.2% was awarded for most staff, with a slightly higher percentage increase for low paid staff. There will be no further consideration of pay levels until 1<sup>st</sup> April 2016.

- 4.7 The Chancellor's July 2015 Budget included proposals for a 1% cap for Public Sector workers commencing in April 2016. On 26<sup>th</sup> August 2015 the Chief Secretary to the Treasury, Greg Hands, indicated in a letter to Public Sector pay boards that:
- "The government expects pay awards to be applied in a targeted manner to support the delivery of public services, and to address recruitment and retention pressures. This may mean that some workers could receive more than 1% while others could receive less. There should not be an expectation that every worker will receive a 1% award."
- 4.8 The application of the 1% pay cap to Local Authority employees will be a matter for the National Employers who form part of the National Joint Council for Local Government Services. However, the Government is likely to use this benchmark within the Local Government Finance Settlement, which will effectively put a cap on pay awards owing to the continued impact of cuts in Government funding for Councils.
- 4.9 If the 1% pay cap applies to Local Authorities there will be a financial benefit to the Council as the 2016/17 budget forecast includes a forecast pay increase of 1.5% and the forecasts for 2017/18 and 2018/19 include annual increases of 2.5%. On the downside a further 4 years of pay restraint may impact on the ability of the Public Sector to retain and recruit staff, particularly if private sector pay awards are higher over the next 4 years.
- 4.10 Proposed Statutory National Living Wage
- 4.11 The Statutory National Living Wage is a more significant issue for Local Authorities as the sector has a greater proportion of lower paid workers, particularly in the caring, catering and cleaning sectors, than other parts of the public sector. Therefore, the link between pay levels of low paid staff receiving 1% annual pay awards and those staff receiving phased increases in the National Living Wage will have significant implications for the Council's existing pay and grading structure and the costs of contracted services in certain areas. This position is difficult to assess as the Government's proposal for the National Living Wage are based on setting an initial level of £7.20 from 1<sup>st</sup> April 2016 and increasing this to 60% of median income by 1<sup>st</sup> April 2020. The Office for Budget Responsibility forecast that this will result in a Statutory National Living Wage of £9 per hour by April 2020. However, the actual level may vary from this forecast, with some commentators suggesting a rate in 2020 of somewhere between £9.30 and £9.40.
- 4.12 For planning purposes it is assumed that the increases in the National Living Wage will be phased equally over this period. This planning assumption will need to be reviewed when more information is available. Based on this planning assumption the forecast National Living Wage levels are:

- 1<sup>st</sup> April 2016 - £7.20
- 1<sup>st</sup> April 2017 - £7.65
- 1<sup>st</sup> April 2018 - £8.10
- 1<sup>st</sup> April 2019 - £8.55
- 1<sup>st</sup> April 2020 - £9.00

- 4.13 The Council's proposed 1<sup>st</sup> December Living Wage is £7.88, which will increase from 1<sup>st</sup> April 2016 Living Wage to £7.96, assuming a 1% pay award for Local Government employees, which will equate to existing pay point 11, i.e. the minimum point of Band 4. Further work is planned to assess the potential impact on the overall pay and grading structure, however in the short term with the introduction of a proposed Living Wage at £7.88 will require an immediate change to the Council's pay and grading structure. Therefore it is recommended that the bottom point of the pay and grading structure will move from pay point 10 to pay point 11 to reflect the increase in the rate of the Hartlepool Living Wage (i.e. £7.88 per hour) and therefore Band 4 would change to become a single point pay band at pay point 12 as demonstrated below:-

<b>Current Pay &amp; Grading Structure</b>	<b>SCP Minimum</b>	<b>SCP Maximum</b>	<b>Proposed Pay &amp; Grading Structure 1.12.15</b>	<b>SCP Minimum</b>	<b>SCP Maximum</b>
Band 1-3	10	10	Band 1-3	11	11
Band 4	11	12	Band 4	12	12

The rest of the pay and grading structure is unchanged.

- 4.14 Assuming the 1% pay cap is applied to Local Authority employees and the National Living Wage increases in line with the above forecasts there will be an erosion of existing pay differentials between the forecast pay scales of the Council and the level of the National Living Wage over the next 4 years.
- 4.15 On the basis of the above forecast it is anticipated that by 1<sup>st</sup> April 2020 the National Living Wage will be £9.00, which broadly equates to the forecast pay point of £9.03 for pay point 15, i.e. the maximum point of Band 5. This position is summarised in the table 1 overleaf. The table also shows that, on the basis of forecast 1% inflationary increases in the Hartlepool Living Wage and the forecast phased implementation of the National Living Wage, the Hartlepool Living Wage will exceed the National Living Wage until 1<sup>st</sup> April 2019.

**Table 1 – Comparison of Forecast HBC pay scale and National Living Wage of £9.00 by 2020**

Year	Forecast HBC Living Wage Hourly Rate (based on annual increases of 1%)	Forecast National Living Wage	HBC Proposal	Comment on HBC Proposal	Number of Staff paid at HBC proposal (FTE)
1.12.15	7.88	Not applicable	7.88	Hartlepool Living Wage	
1.4.16	7.96	7.20	7.96	Hartlepool Living Wage +1%	
1.4.17	8.04	7.65	8.04	Hartlepool Living Wage +1%	
1.4.18	8.12	8.10	8.12	Hartlepool Living Wage +1%	
1.4.19	8.20	8.55	8.55	National Living Wage	
1.4.20	8.28	9.00	9.00	National Living Wage	

- 4.16 In the event that the 1% pay cap is not applied to Local Authority employees and pay levels are frozen for 4 years the implementation of the National Living Wage would have a greater impact on the existing pay and grading structure as the National Living Wage would equate to point 17 i.e. the mid-point of Band 6 by April 2020.
- 4.17 There is also a potential financial impact if the National Living Wage increases to £9.40, which would increase costs and increase the pressure on the existing pay structure. A National Living Wage of £9.40 by 2020 would broadly equate to the forecast pay point of £9.46 for pay point 17, i.e. the mid-point of Band 6. This position is summarised in the table 2 overleaf. The table also shows that, on the basis of forecast 1% inflationary increases in the Hartlepool Living Wage and the forecast phased implementation of the National Living Wage, the Hartlepool Living Wage will exceed the National Living Wage until 1<sup>st</sup> April 2018.

Table 2 – Comparison of Forecast HBC pay scale and National Living Wage of £9.40 by 2020

Year	Forecast HBC Living Wage Hourly Rate (based on annual increases of 1%)	Forecast National Living Wage	HBC Proposal	Comment on HBC Proposal	Number of Staff paid at HBC proposal (FTE)
1.12.15	7.88	Not applicable	7.88	Hartlepool Living Wage	
1.4.16	7.96	7.20	7.96	Hartlepool Living Wage +1%	
1.4.17	8.04	7.75	8.04	Hartlepool Living Wage +1%	
1.4.18	8.12	8.30	8.30	National Living Wage	
1.4.19	8.20	8.85	8.85	National Living Wage	
1.4.20	8.28	9.40	9.40	National Living Wage	

- 4.18 The implementation of the National Living Wage will also have a significant impact on the cost of services purchased from the private sector. At a national level both the Local Government Association and Private Sector Social Care providers have highlighted the significant additional costs of implementing the National Living Wage in this sector and the implications if additional Government funding is not provided. This is an even more difficult area to assess as we do not have the detailed cost base for the organisations currently providing these services. However, an assessment has been completed on the basis of information currently available and details are included in section 5.
- 4.19 An assessment of the National Living Wage and 1% pay cap on the Council's Trading activities also needs to be completed. The National Living Wage may be helpful for the Council's trading operations as this should provide a more level playing field as private sector organisations will no longer be able to undercut the public sector by paying lower wages. However, there remain a range of Terms and Conditions which when applied with the higher National



Living Wage may continue to undermine the Council's competitiveness and ability to retain existing contracts, or win new work. A range of these issues formed part of the proposals in respect of Terms and conditions which were not supported by the Trade Unions. The competitiveness of services will continue to be negatively affected by these issues even if the national living wage equalises (over time) the basic wage levels.

## 5.0 FINANCIAL CONSIDERATIONS

- 5.1 Financial forecasts covering the impact of the issues detailed in the previous paragraphs have been prepared for the period up 2020/21 to reflect Government proposals for implementing and then increasing the National Living Wage. These forecasts provide an appropriate planning basis for assessing the financial impact on the existing MTFS, which covers the period 2016/17 to 2018/19. However, these forecasts will need to be reviewed on an annual basis to reflect the actual level of the National Living Wage and actual pay settlements for Local Government employees not covered by the National Living Wage.
- 5.2 As part of the Chancellor's July 2015 Budget he stated the costs of implementing the National Living Wage in the private sector will be offset by a reduction in Corporation Tax (which is not paid by Local Authorities). The Chancellor made no reference to providing additional funding to Public Sector organisations to fund this new financial burden. This approach is in line with changes to employers National Insurance contributions previously announced, coming into effect in April 2016, which Public Sector organisations are required to fund from within existing recurring resources. The exiting MTFS has addressed the increased National Insurance costs.
- 5.3 As no additional Government funding will be provided to fund the new financial burden of implementing the National Living Wage this issue will need to be addressed as part of the Medium Term Financial Strategy. Therefore, based on the information currently available an assessment of the following factors has been completed:
- Forecast budget savings from lower potential pay awards if the 1% pay cap applies to Councils. It had been hoped that if actual pay awards are lower than forecast the budget saving could be used to reduce the forecast budget deficit. However, these forecast savings now need to be allocated to offset the budget pressures arising from the National Living Wage;
  - An initial assessment of the cost of the National Living Wage on the Council's own workforce. Further work is planned to assess the potential impact on the overall pay and grading structure; impacting on workforce structures, job roles, and pay differentials impacting on motivation;
  - An initial assessment of the cost of the National Living Wage on bought in Care Services.

- 5.4 The final assessment also reflects the impact of not achieving the forecast net Terms and Conditions saving of £0.2m built into the 2015/16 base budget.
- 5.5 Based on the above assessment it is currently anticipated that the Council will face significant additional budget pressures. The forecast budget pressures excludes the potential impact of cost pressures on the existing Pay and Grading structure arising from the erosion of existing pay differentials. Further work is planned to assess these issues and to develop a strategy for managing this position and details will be reported to a future meeting of the Committee.

Table 3 – Forecast Budget Pressures 2015/16 to 2020/21 based on National Living Wage of £9.00 by 2021

	<u>Annual Pressure</u> <u>£'000</u>	<u>Cumulative Pressure</u> <u>£'000</u>
2015/16	250	250
2016/17	600	850
2017/18	500	1,350
2018/19	500	1,850
2019/20	660	2,510
2020/21	660	3,170

- 5.6 To address the impact of the forecast additional budget pressures outline above the following financial strategy is recommended to help mitigate the budget pressure:
- Reduce the pay award provisions included in the MTFS for cost of living pay awards to Council employees to 1% for the period of the current MTFS, to reflect the proposed 1% Public Sector Pay cap. There is a potential risk that reducing the provision for future cost of living pay awards to 1% may result in an additional budget pressure of pay awards exceed 1% as the pay award at national level is subject to negotiation by the National Employers with the Local Government Trade Unions. At this stage this risk is assessed as low, particularly for the next 2 financial years (2016/17 and 2017/18). However, this issue will need to be reviewed on an annual basis as pressure on pay may increase if inflation and/or pay awards in the private sector significantly exceed the 1% Public Sector pay cap;
  - Allocated the Terms and Conditions Protection Costs Reserve of £560,000 and the uncommitted Living Wage Reserve of £49,000 to offset the additional budget pressures on a temporary basis in 2015/16 and 2016/17;
  - Allocate the £93,000 final 2015/16 grant allocation to partly fund the cost of implementing the Hartlepool Living Wage.
- 5.7 The recommended financial strategy will avoid the need for in-year budget cuts in 2015/16 and also avoid increasing the 2016/17 budget deficit, as detailed in **Appendix A**. However, despite the forecast budget savings from

the Public Sector pay cap, the Council will still face additional budget pressures over the period 2017/18 to 2020/21 as a result of the National Living Wage not being funded by the Government. The majority of the cost pressure reflects the impact of the National Living Wage on Social Care contracts. The following table summarises the forecast net budget pressures and further details are provided in **Appendix A**.

Table 4 – Net additional Budget Pressures based on National Living Wage of £9.00

	<u>Annual Pressure</u> <u>£'000</u>	<u>Cumulative Pressure</u> <u>£'000</u>
2015/16	0	0
2016/17	0	0
2017/18	457	457
2018/19	0	457
2019/20	560	1,017
2020/21	660	1,677

## 6. RISK AND FINANCIAL IMPLICATIONS

- 6.1 As outlined in the previous paragraphs the financial forecast are based on the National Living Wage increasing to £9.00 by 2020. There are potential risks that annual increases in the National Living Wage may be implemented earlier than forecast and the 2020 National Living Wage is higher than £9.00. There is also a risk that the annual cost of Living Pay Awards for staff not affected by the National Living Wage may exceed 1%, although this is considered a low risk for 2016/17 and 2017/18. These issues will be reviewed on an annual basis as part of the MTFS process.

## 7. LEGAL CONSIDERATIONS

- 7.1 Compliance with the National Living Wage will be a legal requirement for all employers.

## 8. CHILD AND FAMILY POVERTY

- 8.1 The implementation of the Hartlepool Living Wage will help address low pay and therefore indirectly impact on Child and Family Poverty. The impact on the National Living Wage is difficult to assess as the Government are also making changes to the tax system which will mean the impact varies depending on an individual's personal circumstances.

## **9. EQUALITY AND DIVERSITY CONSIDERATIONS**

- 9.1 Over 90% of the employees who will benefit from a Living Wage are female. Considerations will also need to be given to ensure we do not treat those employed in the same job roles differently in terms of their pay because of their age, especially where the higher proportion of those affected are female.

## **10. STAFF CONSIDERATIONS**

- 10.1 The increase in the Hartlepool Living Wage will increase the pay rates for the lowest paid employees from December 2015. The National Living Wage is anticipated to exceed the Hartlepool Living Wage from April 2019. The Hartlepool Joint Trade Union Committee are likely to be very supportive of the increase in the Hartlepool Living Wage.
- 10.2 The forecasted increases in the National Living Wage has the potential to place a cost pressure onto the existing Pay and Grading structure arising from the erosion of existing pay differentials. Therefore further work is planned to assess these issues and to develop a strategy for managing this position.

## **11. ASSET MANAGEMENT CONSIDERATIONS**

- 11.1 None.

## **12. CONCLUSION**

- 12.1 The proposed net saving of £200,000 included within the 2015/16 base budget from changes in Terms and Conditions cannot be achieved as the Trade Union ballot did not provide a mandate to implement these proposals. Therefore, alternative savings will need to be identified. Whilst, a range of alternative Terms and Conditions proposals are being explored at this stage it is not recommended that these alternative proposals are relied upon for setting the 2016/17 budget. If these alternative proposals are achieved they will provide a one-off benefit in 2016/17 and contribute towards the 2017/18 budget deficit.
- 12.2 Of greater financial and operational significance is the Government's proposal to implement a Statutory National Living Wage. Whilst, this proposal will help address low pay, the Government will not be providing any additional funding for this new financial burden. Therefore, the Council will face an increased budget pressures and an increase in the forecast budget deficit.
- 12.3 An initial assessment, based on information currently available, has been completed and it is anticipated that by 2019/20 the Council will face an additional budget pressure of approximately £3.2m arising from the National Living Wage. This consists of £0.7m for the Council's own workforce and

£2.5m for contracted services. These forecasts are based on a National Living Wage of £9.00 by 2020. There is a risk that the cost pressure may increase, or arise earlier, depending on the actual National Living Wage increases implemented in future years. Therefore, the financial forecasts will need to be reviewed on annual basis.

- 12.4 Assuming the 1% Public Sector pay cap applies to Local Authorities the Council should benefit from actual pay awards being lower than forecast. This should therefore help partly address the impact of the National Living Wage pressure.
- 12.5 However, the Council still faces a significant net additional budget pressure of £1.677m by 2020/21, which will need to be funded at a time of significant additional recurring cuts in Government funding.

### 13. RECOMMENDATIONS

- 13.1 It is recommended that Members note the following recommendations are included in the Medium Term Financial Strategy report elsewhere on the agenda for today's meeting:
- i) Approve the implementation of a Hartlepool Living Wage of £7.88 from 1<sup>st</sup> December 2015. Note that payment in December 2015 will be subject to Council approving this proposal on 10<sup>th</sup> December 2015 as part of the 2016/17 MTFS proposals.
  - ii) Approve the proposal that the Hartlepool Living Wage of £7.88 be increased on an annual basis, commencing from 1<sup>st</sup> April 2016, in line with cost of living pay award for Local Authority employees until such time as this is less than the National Living Wage, at which stage the National Living Wage will apply. To note that indicative forecasts are detailed in table 1 paragraph 4.11;
  - iii) Approve the funding strategy for implementing the Hartlepool Living Wage as detailed in **Appendix A**;
  - iv) Note the forecast additional budget pressure in 2017/18 and future years and to note that these forecasts will need to be updated on an annual basis to reflect actual Local Government cost of living pay awards and actual National Living Wage levels.
  - v) Approve a change to the Council's pay and grading structure effective from 1<sup>st</sup> December 2015. The bottom point of the pay and grading structure will move from pay point 10 to pay point 11 and therefore Band 4 will change to become a single point Band at pay point 12 and that additional work is to be undertaken on the pay and grading structure and the potential impact of the increases in the national living wage to be reported back to a future meeting of this committee.

**14. REASONS FOR RECOMMENDATIONS**

- 14.1 To enable Members to determine proposals in relation to the implementation of the Hartlepool Living Wage and to consider the financial impact of this proposals and the implementation of the National Living Wage.

**15. BACKGROUND PAPERS**

- 15.1 None.

**16. CONTACT OFFICERS**

Chris Little (Chief Finance Officer) &  
Andrew Atkin (Assistant Chief Executive Officer)  
Level 3  
Civic Centre  
Hartlepool  
TS24 8AY

Appendix A						
FORECAST COSTS AND SAVINGS 2015/16 TO 2020/21						
	Current MTFS Planning Period				Beyond MTFS	
	2015/16 (part year)	2016/17	2017/18	2018/19	2019/20	2020/21
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Forecast Budget Pressures:</b>						
- Removal of Terms and Conditions Savings	200	200	200	200	200	200
- Cost of implementing Hartlepool Living Wage	50	150	150	150	150	150
- Cost of increasing Hartlepool Living Wage to level of National Living Wage (note 1)	0	0	0	0	160	160
- Cost of continuing increase in National Living Wage	0	0	0	0	0	160
- Increased External Contract prices	0	500	1,000	1,500	2,000	2,500
<b>Total Forecast Budget Pressure</b>	<b>250</b>	<b>850</b>	<b>1,350</b>	<b>1,850</b>	<b>2,510</b>	<b>3,170</b>
<b>Forecast Resources</b>						
- Final 2015/16 Revenue Support Grant	(93)	(93)	(93)	(93)	(93)	(93)
- Savings from April 2016 pay cap of 1%		(200)	(200)	(200)	(200)	(200)
- Savings from April 2017 pay cap of 1%		0	(600)	(600)	(600)	(600)
- Savings from April 2018 pay cap of 1%		0	0	(600)	(600)	(600)
<b>Total Forecast Budget Savings</b>	<b>(93)</b>	<b>(293)</b>	<b>(893)</b>	<b>(1,493)</b>	<b>(1,493)</b>	<b>(1,493)</b>
<b>Net Forecast Budget Pressure</b>	<b>157</b>	<b>557</b>	<b>457</b>	<b>357</b>	<b>1,017</b>	<b>1,677</b>

<b>Funding of net Budget Pressure</b>						
Commitment against 2015/16 Outturn	(105)					
Use of Living Wage Reserve	(49)					
Reallocation of Protection Costs Reserve (note3)	(3)	(557)				
Additional Budget cuts 2017/18			(457)	(457)	(457)	(457)
Additional Budget cuts 2019/20					(560)	(560)
Additional Budget cuts 2020/21						(660)
<b>Net Deficit/(temporary one off surplus)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(100)</b>	<b>0</b>	<b>0</b>

**Notes**

1) Based on the planning assumptions detailed in table 1, paragraph 4.11, the Hartlepool Living Wage will exceed the forecast National Living Wage until 1st April 2019. Provision for forecast increases in the Hartlepool Living Wage of 1% from 1st April 2016, 2017 and 2018 are included within overall pay budget.

2) As report to Finance and Policy Committee on 30.01.15 the actual 2015/16 final Grant settlement was £93k higher than forecast and this amount was earmarked to partly fund implementation of the Hartlepool Living Wage.

3) Value of uncommitted Protection Costs Reserves is £560,000, after reflecting allocation of £190,000 for Holiday Pay costs.

# FINANCE AND POLICY COMMITTEE

23 November 2015



**Report of:** Corporate Management Team

**Subject:** CAPITAL RECEIPTS TARGETS

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## 1. TYPE OF DECISION/APPLICABLE CATEGORY

Budget and Policy Framework.

## 2. PURPOSE OF REPORT

2.1 The purposes of the report are to update Members:

- i) on the progress in achieving the existing capital receipts target of £6.5m;
- ii) to outline proposals for setting a new capital receipts target and the proposed land sales to achieve the additional target; and
- iii) to enable Members to develop a strategy for using the additional capital receipts when they are achieved.

## 3. BACKGROUND

- 3.1 In 2007 the Government approved Housing Market Renewal (HMR) programmes developed by a number of Councils, including Hartlepool, to address specific housing market failures and to secure the redevelopment of these areas. It was recognised by the Government that these plans would take a number of years to implement and indicative multi-year capital funding allocations were approved by the Government for these projects.
- 3.2 Following the 2010 General Election the new Government determined that after 2011/12 no further HMR funding allocations would be provided. As a result of this decision the Council had to review the HMR plans and either scale back this project, or identify alternative funding sources.
- 3.3 As part of the Council's strategy to address the withdrawal of Government Funding for HMR schemes a capital receipts target of £4.5m was set as part of the 2012/13 MTFS approved by Council on 9<sup>th</sup> February 2012 to provide alternative funding. It was originally anticipated that 90% of these receipts



would be achieved by 2013/14. However, it was recognised at the time that achieving this level of capital receipts would be extremely challenging and the Council would need to manage two key risks:

- **Temporary delays in the achievement of capital receipts** - This risk could mean that HMR capital expenditure was incurred before planned capital receipts were achieved, which would mean that the funding shortfall would need to be funded from temporary Prudential Borrowing.
- **A permanent shortfall in the capital receipts target** - This risk would result in the permanent use of Prudential Borrowing, which would then result in a recurring revenue budget pressure as the Council would need to fund annual loan repayment costs.

3.4 On 14<sup>th</sup> February 2013 as part of the 2013/14 MTFS the Council increased the capital receipts target from £4.5m to £6.5m. The additional £2m was allocated to fund developments at the Brierton Site.

#### 4. **PROGRESS IN ACHIEVING THE EXISTING £6.5M CAPITAL RECEIPTS TARGET**

- 4.1 Regular updates on progress in achieving the capital receipts targets have been reported to Members over the last few years as part of the quarterly financial management reports and within Medium Term Financial Strategy reports. These reports have highlighted the significant challenges of achieving capital receipts against the difficult economic environment which has existed over this period, which resulted in annual shortfalls against the initial annual capital receipts target.
- 4.2 However, the Council has benefitted from HMR expenditure being incurred later than expected. In relation to the remaining HMR expenditure commitments it is not anticipated that these costs will all be incurred in 2015/16. Therefore, it is unlikely that temporary Prudential Borrowing will need to be used at the end of 2015/16.
- 4.3 As reported to the Committee on 16<sup>th</sup> October it is hoped that the final amount allocated for the Carr Hopps HMR site will not be required if the developer with whom terms have been agreed for the sale of the site confirms that the viability of the proposed business plan does not require any subsidy. However, until this position is finalised it is recommended that these resources remain earmarked until there is a contractual commitment with the developer. This will ensure funds remain available if an alternative strategy is needed for this site.
- 4.4 Despite the delays in capital expenditure the Council has had to use temporary Prudential Borrowing to fund shortfalls in capital receipts at the end of the financial year. This position underlines the complexity of managing the capital receipts targets and the capital commitments funded from these resources. The following table provides a summary of the position and highlights the three key issues:

- Column C – highlights the potential temporary capital funding shortfall if capital expenditure had been incurred as planned, which would have had to be funded from temporary Prudential Borrowing;
- Column E – highlights the actual temporary Prudential Borrowing used at the end of financial years 2012/13, 2013/14 and 2014/15 and reflects the benefits of re-phased expenditure as detailed in paragraph 4.2 and summarised in column D.
- Column E also provides an updated forecast of the outturn position at 31<sup>st</sup> March 2016. The 2015/16 Financial Management Report considered at the Committee's meeting on 28th August 2015 reminded Members that capital receipts of £2.544m still need to be achieved to meet the overall target of £6.5m. It was also reported that capital receipts of £1.3m were forecast to be achieved in 2015/16. Recent progress indicates that the forecast capital receipts to be received in the current year will be £1.473m, which means the forecast receipts will be less than the overall £6.5m target by £1.071m. This is a worst case forecast and assumes that the full HMR costs in relation to Carr/Hopps will still be incurred. However, as indicated in paragraph 3.3 it is hoped that this funding will not be needed. The remaining 2015/16 land sales still need to be progressed to legal completion and the position will continue to be monitored during the remainder of the financial year.

Table 1 – Cumulative Capital Receipts Position

Year	Cumulative				
	Planned Expenditure	Actual Capital Receipts (15/16 Projected figure)	Capital Receipts Shortfall / (Uncommitted Capital Receipts) Before Benefit of Rephased Capital Expenditure C=A+B	Rephased Capital Expenditure D	Actual Cumulative Year End Capital Receipts Shortfall / (Uncommitted Capital Receipts) E=C+D
	A	B			
2012/13	1,470	(675)	795	(776)	19
2013/14	6,170	(2,199)	3,971	(2,843)	1,128
2014/15	6,500	(3,956)	2,544	(1,977)	567
2015/16	6,500	(5,429)	1,071	0	1,071

- 4.5 In relation to the capital receipts achieved at the end of 2014/15 table 2 provides a reconciliation of the gross and net capital receipts i.e. total sales less cost of land acquisitions and specific additional schemes approved by Members. It should also be noted that the initial plan to achieve the £6.5m target included the proposed sale of the Brierton site, which has been delayed. However alternate sales have been substituted by a combination of the sale of the former EDC site and the planned sale of the Briarfield site (including the former ambulance station site) in the current financial year.

Table 2 – Gross and Net Capital Receipts received at the end of 2014/15.

	£000	Description
GROSS RECEIPTS	5,317	
Ambulance Station	(498)	Purchase of Ambulance Station with the objective of achieving a higher "marriage value" with the sale of Briarfields.
Tanfield/Focus Developments	(475)	Purchase of former Focus site to facilitate relocation of Grounds Maintenance and sale of Tanfield Road site
Stranton Lodge Amenity Block	(168)	Allocated to build facilities for Cemeteries Staff previously located at the Tanfield site.
Macaulay Road Parking	(145)	Money allocated to improve parking adjacent to the Brierton site originally earmarked from future capital receipt of Upper Brierton site
Foggy Furze Replacement Bowling Green	(60)	Money allocated to provide alternative provision of bowling green as a result of the sale of Foggy Furze
Pink Domino	(15)	Fifty percent of the fee for release of covenant earmarked for local improvements
NET RECEIPTS	3,956	

- 4.6 The interest cost arising from the temporary use of Prudential Borrowing has only been £8,000 as the Council has benefitted from the historically low level of interest rates apply over the last few years, which has been managed as part of the annual outturn strategies.

## 5. NEW CAPITAL RECEIPTS TARGET

- 5.1 Plans to achieve the existing capital receipts target indicate that the target of £6.5m will be exceeded. In addition, a number of additional potential land sales which can be achieved over the next 3 years have been identified and are outlined in **Appendix A**.
- 5.2 It is anticipated that the existing planned land sales and the items detailed in **Appendix A** should provide additional net capital receipts of between £3.520m and £4.620m, phased over the period of the MTFS. The best case figure assumes that the planned expenditure on the Carr/Hopps scheme is not required. These figures reflect the delayed achievement of the existing £6.5m capital receipts target, which will be a first call on capital receipts achieved in 2016/17.

Table 3 – Profile of Forecast Capital Receipts 2015/16 to 2018/19

	Worst Case	Best Case
	£m	£m
2015/16 (Shortfall)/Net Receipt Against Existing Target of £6.5m	(1.071)	0.029
Forecast 2016/17 Receipts	1.876	1.876
<b>Net Forecast 2015/16 and 2016/17 Receipts</b>	<b>0.805</b>	<b>1.905</b>
Forecast 2017/18 Receipts *	2.345	2.345
Forecast 2018/19 Receipts	0.370	0.370
<b>Net Forecast 2015/16 to 2018/19</b>	<b>3.520</b>	<b>4.620</b>

\* 2017-18 forecast receipts includes the sale of Brierton previously approved by members.

- 5.3 **Appendix B** details a list of assets that it is recommended are not to be considered for potential sale and the reasons for this.

- 5.4 **Appendix C** details a list of assets where officers are seeking Members views on whether these sites should be disposed of, or should be retained by the Council.

## 6.0 STRATEGY FOR USING FORECAST ADDITIONAL CAPITAL RECEIPTS

- 6.1 As indicated above, future land sales may potentially achieve uncommitted capital receipts of between £3.520m and £4.620m. Based on experience of previous sales the market continues to be challenging and it will be difficult to achieve these additional capital receipts. It also needs to be recognised that existing deliverable planning approvals have already been granted for 2,668 houses on privately owned land. In addition to permissions already granted there are a substantial number of housing planning applications that are under consideration that may further impact on the future demand for residential land if approved due to saturation of that market and this dynamic will be critical in the achievement of ongoing capital receipts.
- 6.2 The setting of a new capital receipts target also needs to take account of the Council's reducing financial ability, owing to the impact of ongoing Government grant cuts, to either:
- Manage temporary delays in the achievement of future capital receipts; or
  - A permanent shortfall against the new capital receipts target.
- 6.3 These risks need to be managed by not committing forecast capital receipts until the monies have either actually been received, or are certain to be received. However, given the existing pressure on the Council's overall revenue and capital resources, these risks cannot be completely removed and need to be managed by committing a manageable level of future capital receipts.
- 6.4 In this context it is recommended that an initial capital receipts target for 2016/17 of £1m should be achievable. In the event that this target is not achieved in 2016/17 the Council would need to use temporary Prudential Borrowing until these monies are received. Targets for 2017/18 and 2018/19 can be reviewed during 2016/17 when progress in achieving the next phase of capital receipts can be assessed more robustly.
- 6.5 With regard to potential options for using future forecast capital receipts the following proposals have been identified:

- **Option 1 – Use to finance the Council Capital Fund**

Government capital allocations only cover Education, Transport and Social Services. Therefore, to address capital expenditure requirements not covered by a specific Government capital allocation the Council has, for a number of years, used Prudential Borrowing to meet a range of local capital expenditure priorities. These priorities have been referred to as the Council Capital Fund and relate to schemes to sustain operational

buildings, for which there is no other funding. This underlines the continued need to rationalise buildings and invest in the remaining core stock to achieve fit for purpose premises. Without this investment there is a significant risk that buildings will need to close or will require more expensive capital works in future years. Up until 2015/16 the loan repayment costs of using Prudential Borrowing have been reflected as an annual revenue budget pressure of £50,000 in the Medium Term Financial Strategy, which provided an annual capital budget allocation of approximately £600,000.

The MTFS for 2016/17 to 2018/19 includes no revenue provision to continue the Council Capital Fund owing to the scale of forecast Government Revenue Support Grant cuts. Allocating £600,000 per year for the next three year would require Capital Receipts of £1.8m to be achieved. This approach would avoid an annual revenue budget pressures of £50,000, which would increase the budget cuts required over the next three years by £150,000.

Allocating forecast future capital receipts to finance the Council Capital Fund would enable this initiative to continue and avoid unfunded revenue budget pressures. If this proposal is supported by Members detailed proposals for using these resources would be submitted to a future Finance and Policy Committee and final proposals then referred to Council.

- **Option 2 – Use to repay existing debt**

Using capital receipts to repay debt would enable the Council to achieve recurring revenue savings which would help reduce the need for service reductions. For each £1m of debt repaid there would be recurring revenue saving of £80,000.

- **Option 3 – Use to fund new projects which provide an income stream**

There may be potential to use future capital receipts to invest in new projects where there is a robust business case to generate a new recurring income stream. Projects would only be approved where the new income stream would exceed the recurring revenue saving from using capital receipts to repay debt. Therefore, for a business case to be approved the recurring income stream would need to exceed £80,000 per annum for each £1m of capital expenditure.

- **Option 4 – Use to fund new projects not covered by Options 1 and 3**

There may be a range of service priorities which can be addressed if the forecast capital receipts targets detailed in paragraph 5.2 are achieved. These proposals would need to be prioritised on the basis of addressing a specific service need with a clear business case, which either removes a future unfunded liability, or increases service efficiency, or will address a forecast increase in demand. By their nature these types of project are year 2 or 3 projects (i.e. 2017/18 and 2018/19) as they require the development of a detailed business case, which can be matched to the

forecast phasing of future capital receipts. New projects may include the development of Community Hubs.

- 6.6 In view of the ongoing pressure on the revenue budget and the forecast budget deficits for the period 2016/17 to 2017/18 of £14m it recommended that no significant capital commitments against the additional forecast capital receipts are considered until these monies have been received, or are certain to be received. In addition, a detailed assessment of the options detailed above needs to be completed and reported to Members.
- 6.7 For 2016/17 it is recommended that the target capital receipts of £1m are allocated as follows:
- £0.6m for Council Capital Fund Priorities – detailed proposals for allocating these resources will be reported to a future Finance and Policy Committee for consideration and approval;
  - £0.4m for other Council priorities, which may include match funding capital grants and/or other external funding opportunities, or potential development of Community Hub facilities – detailed proposals will be reported to a future Finance and Policy Committee for consideration and approval;

## **7.0 RISK AND FINANCIAL CONSIDERSTIONS**

- 7.1 These issues are detailed in the previous paragraphs and to manage these issues it is recommended that the majority of forecast capital receipts are not committed until they are received. This will ensure the Council does not face unbudgeted revenue pressures from having to use Prudential Borrowing to offset capital receipts shortfalls.

## **8.0 LEGAL CONSIDERATIONS**

- 8.1 There are no specific legal considerations in relation to the proposed strategy. Normal legal processes will apply to individual disposals.

## **9.0 CHILD AND FAMILY POVERTY**

- 9.1 There are no specific issues.

## **10.0 EQUALITY AND DIVERSITY CONSIDERATIONS**

- 10.1 There are no specific issues.

## 11.1 STAFF CONSIDERATIONS

- 11.1 There are no specific issues.

## 12.0 ASSETS MANAGEMENT CONSIDERATIONS

- 12.1 These are covered in earlier sections and the Appendices to the report.

## 13.0 CONCLUSION

- 13.1 In response to the removal of HMR capital funding by the Government the Council set an initial Capital Receipts Target in February 2012 of £4.5m to replace this funding and to enable HMR schemes to be completed. It was originally anticipated that 90% of this target would be achieved by 2013/14. The capital receipts target was increased in February 2013 to £6.5m and the additional £2m allocated to fund developments at the Brierton Site.
- 13.2 Owing to the extremely difficult economic conditions over the last few years it has taken longer to achieve the net capital receipts target than envisaged. The Council has been able to manage this position through a combination of capital expenditure being re-phased and the use of temporary prudential borrowing at the end of 2013/14 and 2014/15.
- 13.3 It is currently anticipated that the remaining capital receipts of £2.544m to achieve the existing target will not be achieved in the current year. However, the existing target should be achieved in the early part of 2016/17 if planned land sales are achieved. This position will continue to be monitored closely.
- 13.4 Officers have identified a schedule of potential capital receipts for the period 2016/17 to 2018/19 as detailed in **Appendix A**. Achieving these land sales will be extremely challenging and will need to be managed carefully. Therefore, it is recommended that these resources are not committed until they have been received. If these land sales can be achieved capital receipts of between £3.520m and £4.620m may be available over the next three years – inclusive of the Brierton site capital receipt.
- 13.5 Paragraph 6.5 outlines a range of options for using future capital receipts. At this stage it is not recommended that these resources are committed until they have been received, or are certain to be received, owing to the significant risks of achieving these additional receipts and the Council's reducing financial ability to manage the impact if forecast capital receipts are not achieved.
- 13.6 However, it is recommended that a limited amount of forecast capital receipts are allocated to support capital expenditure in 2016/17 as reflected in section 6.

## 14.0 RECOMMENDATIONS

14.1 It is recommended that Members note the following recommendations are included in the Medium Term Financial Strategy report elsewhere on the agenda for today's meeting:

- i) Note that achieving the previous capital receipts target of £6.5m has been extremely challenging and it has taken longer to achieve these receipts than originally forecast. To note the remaining capital receipts of £2.544m to achieve the existing target will not be achieved before the 31<sup>st</sup> March 2016, although the target should be achieved early in 2016/17;
- ii) Approve the capital receipts targets for 2016/17 to 2018/19 of between £3.520m and £4.620m as detailed in table 3 (paragraph 5.2) and schedule of land sales detailed in **Appendix A**;
- iii) Note that the capital receipts target includes the Briarfields site and the Brierton site capital receipt arising from the disposal of the un-earmarked part of this site;
- iv) Approve a new capital receipts target for 2016/17 of £1m and the allocation of these resources to fund the following priorities:-
  - £0.6m for Council Capital Fund Priorities – detailed proposals for allocating these resources will be reported to a future Finance and Policy Committee for consideration and approval;
  - £0.4m for other Council priorities, which may include match funding capital grants and/or other external funding opportunities, or potential development of Community Hub facilities – detailed proposals will be reported to a future Finance and Policy Committee for consideration and approval;
- v) Approve the proposal that no further commitment be approved until capital receipts have been received and Members have considered a detailed report on the options detailed in paragraph 6.5;
- vi) Members approve the proposal not to dispose of the items detailed in **Appendix B**;
- vii) Members provide guidance on whether any of the sites detailed in **Appendix C** should be considered for disposal, or should be retained by the Council.

## 15.0 REASON FOR RECOMMENDATIONS

15.1 To enable Members to approve a future capital receipts target and proposals for using these forecast resources which will underpin the Council's overall financial strategy.



## **16.0 BACKGROUND PAPERS**

16.1 The following background papers were used in preparation of this report:

- Finance and Policy Committee – Strategic Financial Management report 2015/16 – 28<sup>th</sup> August 2015.
- Council – Medium Term Financial Strategy report 2015/16 to 2018/19 – 18<sup>th</sup> December 2015.
- Council – Medium Term Financial Strategy report 2012/13 to 2015/16 – 9<sup>th</sup> February 2012.

## **17.0 CONTACT OFFICERS**

Denise Ogden, Director of Regeneration and Neighbourhood Services  
Hartlepool Borough Council  
Tel: 01429 523300  
Email: Denise.Ogden@hartlepool.gov.uk

Chris Little, Chief Finance Officer  
Hartlepool Borough Council  
Tel: 01429 523002  
Email: Chris.Little@hartlepool.gov.uk

**APPENDIX A****SCHEDULE OF POTENTIAL LAND SALES 2016/17 TO 2018/19**

<b>Sites Considered Appropriate for Disposal</b>	<b>Time Scale</b>	<b>Comments</b>
St Begas RC School Field, Howard Street, the Headland UPRN 437, Area - 6,718 sq/m	16/17	Former School playing field. Suitable for infill housing subject to Sport England approval
Land at Winterbottom Avenue (Doctors Surgery) (Ground Lease) UPRN 687, Area - 1,944.38 sq/m	16/17	Ground lease investment sale
Land at Greenlea, Elwick UPRN 985, Area - 655.87 sq/m	16/17	Infill residential development
Land at Challoner Road UPRN 1800, Area - 429.01 sq/m	16/17	Small residential Site
Carnegie Building UPRN 76, Area - 561.89 sq/m	17/18	Suitable for residential
Land at Graythorp UPRN 1082, Area - 3,492.16 sq/m	17/18	Conversion subject to relocation of tenants
Land at Burbank Street UPRN 28, Area - 397.45 sq/m	18/19	Social housing development site
8 & 9 Church Street UPRN 85, Area - 204.05 sq/m	18/19	Property suitable for commercial office use subject to relocation of staff
Land at Seaton Lane (South) UPRN 133, Area - 2,626.54 sq/m	18/19	Land suitable for residential development or garden land extension
Land at Hirdman Grove UPRN 174, Area - 2100 sq/m	18/19	Small social housing redevelopment site
Former Fairground Site, Seaton Carew UPRN 700, Area - 4,960.09 sq/m	18/19	Commercial development site

**APPENDIX B****SCHEDULE OF ASSETS NOT CONSIDERED FOR POTENTIAL DISPOSAL**

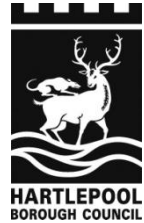
<b>Sites not Considered Appropriate for Disposal</b>	<b>Reason</b>
Rift House Recreation Ground, Waverley Terrace	Protected green space
Rocket House, The Front	Limited market value. Part of regeneration strategy
Land at Millpool Close/ Brunel Close	Incidental open space. Loss not acceptable to planning policy
Land at Golden Flatts	Limited development potential due to proximity to Steelworks. Masterplan for community forest in place
Land at Seaton Station (West)	Infrastructure/ public open space
Land at West View Road (Rear of No 238 - 294)	Potential wildlife reserve
Land at Coronation Drive (East)	Protected green space
Land at Manners Street	Planning policy objections. Conservation area
Land at Brenda Road (East)	Allocated as part of the green wedge. Possible solar farm site
Land at Vincent Street (East of No's 1 - 19)	Poor ground conditions. Anhydrite mine
Land at Hill View, Greatham (North of No's 35 - 44)	Public open space
Land at Catcote/ Macaulay Road	Protected green space
Summerhill	Protected green space
Land at Bruntoft Avenue (North of No's 13 - 81)	Land locked
Land at Dalton Piercy (Rear of North View) (Ground Lease)	Inadequate access
Land at Old Boys Field, Near Mansepool Close	Protected green space
Waverley Terrace Allotments	Allotment land
Land at Masefield Road/ Gulliver Road	Protected green space
Land at Shields Terrace (North East of No 20) (Custodian)	Poor location - limited demand
Land at Dickens Grove/ Spenser Grove (Village Green)	Limited demand
Land at Rossmere Way (former Learner Pool)	Poor location - limited demand
Land at Zinc Works Road	Leased in site
Kilwick Street, No 11	Ground lease - limited value
Claxton Quarry (Former Civic Amenity Site)	No development potential. Possible solar farm site
Land at St Cuthbert Street (West of No 19)	Public open space
Land at Telford Close (East of No's 19 - 22)	Public open space
Land at West View Road	Public open space
Land at High Street, Headland (Town Wall Nos 37-44)	Historic Wall restricts access
Land at St Cuthbert Street (West of No 42)	Public open space
Land at West View Road (East of No 108)	Public open space
Land at Beauly Grove (South West of No 10)	Protected green space
Land at Beauly Grove (North of No 1)	Protected green space
Land at Belle Vue Way/ Haswell Avenue	Protected green space
Land at Saltaire Terrace (East of No's 31 - 38)	Potential. Subject to neighbourhood plan outcome
Land at Voltigeur Drive, Hart Village (East of No 21)	incidental open space. Loss not acceptable to planning policy
Land at Voltigeur Drive, Hart Village	Proximity to reservoir restricts development
Land at Lennox Walk/ Owton Manor Lane	Protected green space
Land at Kilmory Walk/ Laird Road	Protected green space
Land at Glamis Walk/ Kilmarnock Road	Protected green space
Dumfries Road Garage Site	restricted access - potential future sale
Land at Challoner Square (East of No's 15 - 16)	Public open space
Town Moor Bowls Green	Listed as part of the village green
Land at Miers Avenue/ Bruce Crescent	Public open space
Masefield Centre	Actively used - potential future sale
Grayfields - WHTDSOBRUFC Lease	Actively used
Land at Rossmere Way (Adjacent to Sure Start South)	Poor site. Limited demand/ value
Land at Jutland Road (North of No 29)	Poor site. Limited demand/ value
Hartfields Manor, The Day Centre	operationally used
Central Housing Regeneration Area (Carr/ Hopp Street Area)	Regeneration scheme partner being secured
Land at Fordyce Road, North of No 8	incidental open space
Hartfields Manor, Apartment 109	operationally used
Land at Browning Avenue (East of 1-7 Spenser Grove)	Currently forms part of village green. Potential future sale
West View Cemetery - Disused Chapel & Other Buildings	Part of cemetery
Land at Coronation Drive (East)	Protected green space
Hart Lane Garage, West of Park Square	Infrastructure - less than 20 sq/m

**APPENDIX C****SCHEDULE OF ASSETS FOR FUTURE CONSIDERATION**

Potential Sites for Future Consideration	Comments
Gardner House	Currently under consideration for re-use for operational purposes.
Brinkburn Sports Centre	Residential potential but access restricted.
Land at Macrae Road/ Monkton Road	Agricultural land tenanted at present. Potential to incorporate into southwest extension.
Dodds Field, Grosmont Road, Seaton Carew	Well located site for a residential area. Requires reprovision of sports facilities.
Hart Smallholdings (East)	Potential residential development on part of the site.
Land at Montague Street (Garage Forecourt)	Potential for a joint scheme with Thirteen due to joint land ownership. Long term potential as it is currently a garage site.
Sir William Gray House, Clarence Road	Potential for residential development. Would require relocation of artefacts.
Hart Smallholdings (West)	Development of site for residential development limited at present but may have potential in the future.
The Link, 6 & 8 Lealholm Road	conversion potential for residential development though demand in the area is limited. Clawback restrictions prohibit sale.
Town Hall, Raby Road	Potential conversion subject to relocations.
Anuerin Bevan House	Potential conversion subject to relocations.
Millhouse Site	Potential conversion subject to relocation of leisure centre and indoor bowls.
Park view Industrial Estate, Unit BT97/ 8A	Sale of commercial investment.
Land at Wiltshire Way	Residential development site.
Land at West View Road	Small social housing development site (3 plots).
Land at Relton Way	Single house plot.
Land at Huckelhoven Way/ Reed Street	small social housing site.
Land at Marlowe Road	12 plot residential site.
Parks & Countryside Depot (Former Focus Unit)	Regeneration site.
Rockhaven, 36 Victoria Road	Investment sale to existing tenant or general market.
Land at Argyll Road	0.5 Acres residential development site.
Land at Bonnyrigg Walk/ Brechin Grove	0.25 Acres infill residential site.
Land at West View Road	0.2 Acres infill social housing site.

# Finance & Policy Committee

23 November 2015



**Report of:** Chief Finance Officer

**Subject:** LOCAL COUNCIL TAX SUPPORT 2016/17

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## 1. TYPE OF DECISION / APPLICABLE CATEGORY

1.1 Budget and Policy Framework Decision.

## 2. PURPOSE OF REPORT

The purposes of the report are to:

- i) Update Members on the operation of the current 2015/16 Local Council Tax Support (LCTS) scheme;
- ii) Enable Members to determine a LCTS 2016/17 scheme to be referred to full Council for a final decision as required by statute.

## 3. BACKGROUND

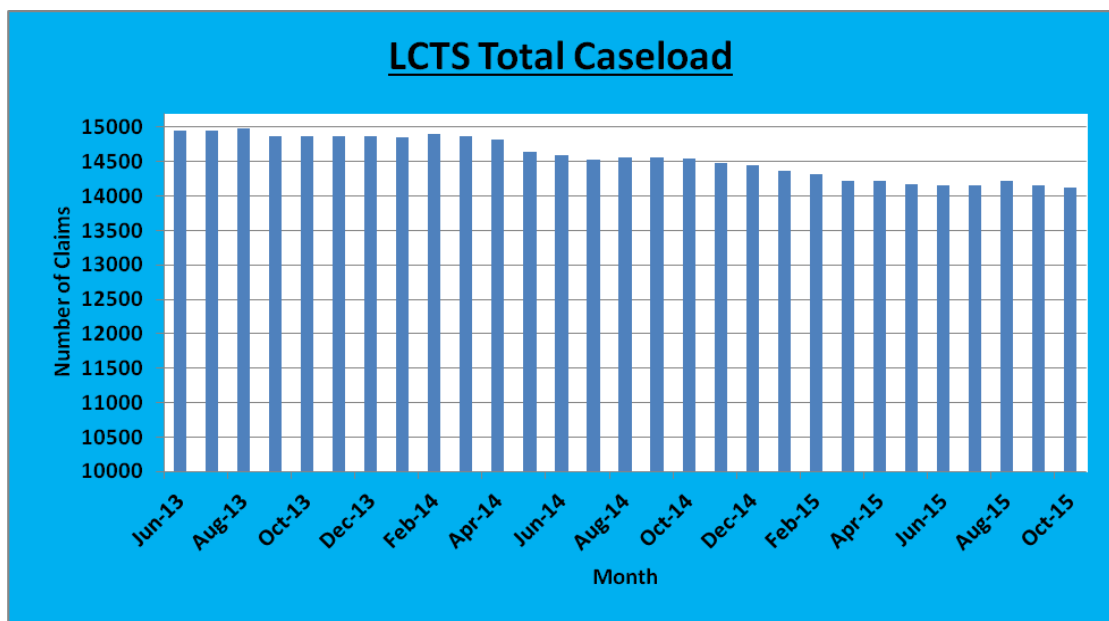
- 3.1 Previous reports informed Members that the Coalition Government abolished the national Council Tax Benefit scheme on 31<sup>st</sup> March 2013 and replaced it with a requirement for Councils to determine and operate their own LCTS schemes. Once a LCTS scheme has been set for a financial year it cannot be altered for that year.
- 3.2 This was a fundamental change to the Welfare State which transferred responsibility for Council Tax support from the national Government to individual Councils. Previous reports to Members have set out three key issues arising from this change:-
  - (i) 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%;
  - (ii) Councils are required to fully protect low income Pensioners eligible for LCTS support, which means the initial funding cut falls on working age households and effectively built a 20% reduction for this group into the system;

- (iii) From 2014/15 and future years, Central Government funding for LCTS is no longer provided as a separate grant allocation but is included in the Core Revenue Grant allocation for individual Councils. This means Councils face 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.
- 3.3 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 which are more dependent on Government Grant and have higher levels of deprivation.
  - 3.4 Previous Medium Term Financial Strategy reports have highlighted the implications of this change and the difficult policy decision individual Councils must now make on the use of the Core Revenue Grant. This is a choice between supporting services and providing LCTS support to low income households. For 2013/14 and 2014/15 the Council decided to protect the funding allocated for the LCTS scheme. For the LCTS scheme in 2015/16 and future years the MTFS approved by full Council in February 2014 determined to share the grant cut across the General Fund and the LCTS scheme.
  - 3.5 The Council had recognised the impact of these 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.
  - 3.6 Details of the number of households and the value of support they have received in Hartlepool, as compared to a 20% LCTS scheme are provided in section 7. All other Tees Valley councils have operated LCTS schemes involving cuts of 20% since April 2013.
  - 3.7 Members have been advised that significantly higher cuts in LCTS support are likely to be required in future years as Councils will find it increasingly difficult to balance supporting LCTS schemes and General Fund services if grant cuts continue. In this context, the 2015 Comprehensive Spending Review will have a key impact on the affordability and sustainability of LCTS schemes.

- 3.8 Furthermore, the Council must manage the significant permanent reduction in Business Rates income received from the Power Station following the rateable value reduction of 48%. The Council's share of this annual income reduction is £3.9m and this issue is addressed within the Medium Term Financial Strategy also on the agenda for this meeting. The Power Station issue is highlighted to underline the range of financial challenges facing the Council when developing its 2016/17 LCTS scheme and the General Fund Budget.

#### 4. 2015/16 and future years LCTS financial modelling

- 4.1 The actual cost of the Council's LCTS scheme is determined by a range of external factors including, the total number of households accessing support, the balance of claimants between pensionable age and working age and the particular financial circumstances of individual claimants as Council Tax support continues to be means tested support. The Council now has three years experience of operating a LCTS scheme covering:
- 2013/14 and 2014/15 – both estimated costs and outturn costs;
  - 2015/16 – estimated outturn costs based on scheme operational costs to October 2015.
- 4.2 On the basis of this experience the LCTS financial model has been updated to reflect changes in the key cost drivers – i.e. claimant numbers and collection levels, as detailed in the following paragraphs.
- 4.3 **Claimant numbers** - Since June 2013 there has been a gradual reduction in the numbers of households receiving LCTS and the cost of the associated awards covering both Pensioner Households (a protected group under LCTS) and Working Age Households.



- 4.4 This general trend was reflected in the 2015/16 LCTS scheme modelling. An updated assessment of caseload trends has been completed and further marginal reductions in claimant numbers are anticipated for 2016/17 and 2017/18 which have been factored into the updated financial forecasts detailed later in the report. However, the LCTS scheme faces future financial risks associated with the 2015 Comprehensive Spending Review and the government's proposed £12bn welfare cuts, further details are provided in section 7.
- 4.5 **Collection Levels** – in Hartlepool, the operation of the LCTS scheme means that in 2016/17 about 5,600 working age households will receive a Council Tax Bill who would have been exempt under Council Tax Benefit. A further 1,900 working age households will receive a higher Council Tax Bill. Robust and proportionate arrangements for collecting Council Tax from LCTS households have been adopted to reflect the financial circumstances of households, whilst balancing the needs of the Council to collect this income to pay for services.
- 4.6 Collecting Council Tax from LCTS households is more difficult and resource intensive as these households are significantly less likely to pay by Direct Debt. Furthermore, a significant number of LCTS working age households are paying their Council Tax by deduction from other welfare benefits, which introduces time delays into the recovery process.
- 4.7 The impact of these time delays is closely monitored. The table below shows that by 31<sup>st</sup> October 2015, 92.9% of the Council Tax due from LCTS working age households in respect of the financial year 2013/14 had been collected. This position reflects the fact that the Council restricted the level of LCTS cut to 8.5% in 2013/14 and the overall effectiveness of the council's recovery arrangements. Arrangements are in place to recover the remaining 2013/14 Council Tax outstanding from LCTS working age households. Similar positive levels of collection are being sustained in respect of the 2014/15 and 2015/16 Council Tax liabilities of LCTS households:

Council Tax Collection Rate for LCTS working age households

Financial Year	Percentage Collected	Percentage Collected	Percentage Collected
	31 <sup>st</sup> March 2014	31 <sup>st</sup> March 2015	31 <sup>st</sup> October 2015
2013/14	70.6%	91.4%	92.9%
2014/15		64.6%	74.9%
2015/16			38.1%



- 4.8 Collection levels for LCTS households will continue to be monitored closely as it will become increasingly difficult to recover Council Tax in the year it is due. LCTS has impacted on in-year collection rates within Hartlepool, which have fallen from 97% in 2012/13 (the last year of Council Tax Benefit) to 95.4% in 2014/15. However, there is currently no adverse impact on the council's long-term Council Tax collection rate, which is being sustained in excess of 99.2% after 5 years. This long term collection performance indicator is the key measure of collection effectiveness, as the Council operates robust but fair recovery arrangements recognising some households will take longer to pay their Council Tax.

## **5. 2016/17 and future years LCTS Scheme Financial Modelling**

- 5.1 Modelling the LCTS scheme costs beyond the forthcoming financial year is complex and challenging owing to the many variables affecting scheme costs, including the total number of claimants, both pensioner households and working age households, individual claimants' financial circumstances, eligibility for support and economic conditions. In addition, funding for LCTS schemes will remain uncertain until the 2016/17 Local Government Finance Settlement is announced in December 2015 and the results of the 2015 Comprehensive Spending Review are available.
- 5.2 Against this uncertain background, the LCTS scheme forecasts for 2016/17 and future years have been updated to reflect experience of operating the LCTS scheme to date and the latest caseload forecasts. These forecasts are based on annual indicative Council Tax increases of 1.9% for 2016/17 to 2018/19.
- 5.3 If Members determine to implement a lower Council Tax increase for 2016/17 this will reduce the cost of the LCTS scheme. It is recommended that if this situation arises the LCTS scheme cost saving is used to reduce the LCTS budget pressure included in the Medium Term Financial Strategy (MTFS), as this will help partly mitigate the impact of a lower Council Tax increase than 1.9% in 2016/17.
- 5.4 The Chancellor's July 2015 budget set out the Government's plans to deliver a further £12bn of welfare savings. Some of the legislative and regulatory proposals will potentially increase the cost of LCTS schemes whilst other changes may potentially reduce the cost. The timing and extent of the changes are not yet finalised and have been the subject of challenge by the House of Lords. Notwithstanding this uncertainty, for strategic financial planning purposes, a broad based assessment of the likely impacts in Hartlepool has been made and factored into the Council's future LCTS scheme costings.
- 5.5. As previously reported to Members, a LCTS Risk Reserve was established to support the LCTS scheme over a number of years and to

provide one-off funding to manage the risk of an unexpected in-year increase LCTS costs arising from increased caseloads. At 31<sup>st</sup> March 2015, the value of the LCTS Risk Reserve was £2.92m (inclusive of £0.48m contributed from the 2014/15 outturn). It has previously been recommended that £0.3m of this reserve should be retained to manage in-year financial risks. This remains the recommended level and equates to about 3% of the Council's share of the annual scheme cost.

- 5.6. After reflecting the 2015/16 use of the LCTS reserves and the recommended minimum risk reserve, there is £1.622m available to support the LCTS in 2016/17 and future years. This amount has been reflected in the updated financial forecasts and the proposed phasing is designed to minimise cuts in Council Tax support for working age households for as long as possible.

- 5.7 In summary, the updated financial forecasts for the LCTS scheme for the period 2016/17 to 2018/19 are based on the following planning assumptions:

Planning assumptions underpinning LCTS forecasts for 2016/17 to 2018/19

- i) The actual grant cuts for 2016/17 to 2018/19 being in line with the existing planning assumptions;
- ii) The existing Working Age caseload continuing to incrementally reduce;
- iii) Members supporting the re-phased use of the LCTS Reserves to partly mitigate the impact of the Government Grant cut on Working Age households;
- iv) The retention of an un-committed LCTS Risk Reserve of £0.3m to manage LCTS financial risks. The availability of this uncommitted funding would not provide a permanent solution to a higher grant cut, or the ongoing impact of a sustained in-year increase in claimant numbers, but it would provide a slightly longer lead time for the Council to respond;
- v) The forecast impacts on LCTS linked to the proposed £12bn of further national welfare cuts.
- vi) For 2016/17, an additional General Fund budget pressure has been included in the MTFs forecast increasing the total pressure to £1.57m;
- vii) In the event that Members approve a lower Council Tax increase than 1.9% it is recommended that the reduction in the LCTS scheme cost should be used to reduce the LCTS budget pressure

included in the Medium Term Financial Strategy (MTFS), as this will help partly mitigate the impact of a lower Council Tax increase.

- 5.8 Regular reviews of these factors will continue to be undertaken to assess the implications of any changes in these planning assumptions which are inevitable and unavoidable, as the majority of factors are outside the Council's direct control.
- 5.9 Based on the updated planning assumptions the following table summarises the LCTS forecasts for the period 2016/17 to 2018/19 and highlights the following key issues:
- The increasing impact of the Government grant cut;
  - The re-phased use of the one-off LCTS reserves, which has enabled the Council to partly protect low income households from the impacts of cuts in government grant;
  - The potential un-sustainability of the LCTS scheme necessitating higher levels of future LCTS cuts from 2017/18 if Government grant cuts continue as forecast in the MTFS. The table shows the impact of grant cuts continuing for 2016/17 to 2018/19. If the level of future government grant cuts is higher than modelled, and / or the government's national welfare reforms have a significant adverse financial impact on the LCTS scheme, the level of LCTS scheme cut will need to increase to ensure a balanced and viable scheme can be approved;
  - Previous policy guidance from Members to phase reductions in LCTS support over as a long a period as possible using the available one-off LCTS Risk Reserve.

#### **LCTS Scheme Cost modelling 2016/17 to 2018/19**

	16/17	17/18	18/19
	£'000	£'000	£'000
LCTS scheme Govt Grant			
Shortfall	3,140	4,060	4,640
Less cut in LCTS to households			
% LCTS cut	12%	20%	39%
Funding Required	2,246	2,516	1,570
<u>Funding available</u>			
MTFS Pressure	1,570	1,570	1,570
LCTS Reserve	676	946	0
Funding available	2,246	2,516	1,570

5.10 Continuing with a 12% LCTS cut for 2016/17 would defer an increase in the Council Tax liability for low income working age households at a time when households will be affected by the Government's £12bn welfare savings programme. This level of LCTS support will also increase the likelihood of the Council maintaining high levels of Council Tax collection in 2016/17. Previous scheme forecasts had indicated that LCTS cuts would begin increasing in 2016/17. This has now been put back to 2017/18.

5.11 Members have previously indicated that they would not wish to reduce in LCTS support in 2016/17 and the above proposals achieve this objective.

5.12 Members have previously requested information regarding LCTS claimants covering those who are unemployed and those that are in work. Relevant data is set out in the following tables:-

**Unemployed Working Age Households - who would previously have qualified for 100% Council Tax Benefit**

**Estimated amount of Council Tax to pay by Band 2016/17 with 12% LCTS scheme cut**

Band	Number of Households	Amount to pay 2016/17 £
A	5176	138
B	390	161
C	114	184
D	35	207
E	16	253
F	1	299
G	2	345
H	0	N/A
Total	5734	

NB The amount to pay will be reduced for those households with only one occupier.

### **Employed Working Age Households impacted by the 12% LCTS scheme cut**

Band	Number of Households Impacted
A	1251
B	214
C	87
D	17
E	7
F	3
G	1
H	0
Total	1580

## **6. 2016/17 LCTS Scheme Principles**

- 6.1 In common with LCTS schemes established by many other Councils the Hartlepool LCTS scheme has been centred on a number of core principles for the period 2013/14 to 2015/16. For 2016/17, it is proposed that the existing scheme principles should continue to be applied, as they are clear, fair and have been generally supported in previous consultation, as follows:

### **A - Every working age household should pay something towards Council Tax**

Working age claimants should have their LCTS entitlements recalculated and reduced to ensure an affordable and sustainable scheme.

### **B - Everyone in the Household should contribute appropriately**

Hartlepool would implement the Government's annual increases in the value of non dependant adult deductions from Council Tax Support entitlements.

### **C - The LCTS scheme should encourage work**

Claimants should be allowed to keep more of their earnings before they are taken into account in the LCTS award calculation. The Hartlepool LCTS scheme increased earnings disregards by £5 per week; to £10, £15 and £30 for single person, couple and single parent households respectively.

### **D - Streamline / Simplify the LCTS Scheme**

The Hartlepool LCTS scheme involved the removal of 2<sup>nd</sup> Adult Rebate, and the restriction of backdating of LCTS to a maximum of 4 weeks.

**E - Retain War Widows / War Pensions Local disregards framework**

Under the national CTB regulations Local Authorities are required to disregard the first £10 per week of War Pension Scheme and Armed Forces Compensation Scheme payments. In addition Local Authorities have the discretion to top up the disregard to the full amount. Hartlepool had historically applied the discretionary top up and this was carried over to the Council's LCTS scheme.

- 6.2 In relation to Parish Councils the national regulations require Billing Authorities (ie. Hartlepool Borough Council) to pass on an element of the Council Tax Support Grant received to individual Parish Councils. For some Local Authorities with a large number of Parish Councils levying relatively high Parish Council Tax precepts this may be a significant issue. This is not the case for Hartlepool as the total share of the grant for all Parish Councils is estimated at around £6,000 for 2016/17.

**7. RISK IMPLICATIONS**

- 7.1. The proposals detailed in this report are based on the current forecast grant cuts for 2016/17 to 2018/19 and Members previous decision to allocate the Government grant cuts proportionately between the LCTS scheme and the General Fund budget. In the event that the actual Government grant cuts for 2016/17 and future years are higher than forecast, Members will need to review the impact on both the LCTS scheme and General Fund budget. It is proposed that for 2016/17 an LCTS scheme involving a 12% LCTS cut is implemented. If central government grant funding cuts are higher than forecast, LCTS reserves could be re phased to maintain a 12% scheme allowing the Council to consider at a future date the potential impacts for the LCTS scheme for 2017/18 onwards.
- 7.2. There is also a financial risk from the measures outlined by the Chancellor in the July 2015 Budget to achieve a further £12bn of Welfare Reform reductions by 2019/20. The changes include proposed reductions in Tax Credits which will reduce household income. The Government has also stated that a new National Living Wage will be introduced for workers aged 25 and above. The Government will ask the Low Pay Commission to set out how the National Living Wage will reach 60% of median earnings by 2020. Based on the Office for Budget Responsibility earnings forecast the Government's National Living Wage target of £9 will be reached by 2020.
- 7.3. The changes to national Welfare Benefits and the National Living Wage will have an impact on the cost of the LCTS, the former will increase costs, the latter may reduce costs. Following a vote in the House of Lords the Chancellor has indicated he will review his proposed Tax Credit changes and will make a further statement as part of his wider Autumn Statement. In this context, a detailed assessment of these

issues will need to be completed as part of the monitoring of the 2016/17 scheme and the preparations for the 2017/18 LCTS scheme when information on the actual timing and extent of the changes is available. An initial assessment indicates that there will be a net increase in the costs of the LCTS scheme from these changes and a provisional cost has been factored into the LCTS scheme projections.

## **8 FINANCIAL CONSIDERATIONS**

- 8.1 As reported previously the replacement of the national Council Tax Benefit scheme with Local Council Tax Support schemes determined by individual Councils and a 10% national funding cut transferred a significant new financial risk to Councils. The requirement to protect low income pensioners means the whole of the funding cut falls on low income working income households, which effectively results in an in-built 20% LCTS scheme cut for this group. The national change continues to have a greater impact on Councils serving more deprived communities, including Hartlepool.
- 8.2 The Council had recognised the risk from the Council Tax Benefit scheme abolition. Accordingly, the Council had set aside one-off resources to manage the impact of this unprecedented transfer of responsibility for an element of Welfare Support from Central Government to Local Government. This approach enabled the Council to limit the cut in Local Council Tax Support to 8.5% in 2013/14 and 12% in 2014/15 and 2015/16.
- 8.3 If the Council had not taken this pro-active multi-year strategy, a 20% LCTS would have had to be implemented in 2013/14. This is the level of cut implemented by the other Tees Valley Councils in 2013/14, 2014/15 and 2015/16.
- 8.4 Following the Government's decision to mainstream the Local Council Tax Support grant within the main revenue grant allocation from 2014/15 individual Councils now face a difficult choice over the use of the overall grant. This is particularly challenging for Hartlepool as further significant grant cuts are forecast over the next three years. On the basis of the forecast reductions in funding of 10% in the MTFS the Council needs to make General Fund budget cuts of around £14m over the years 2016/17, 2017/18 and 2018/19.
- 8.5. Against this background, Members need to determine a LCTS scheme for 2016/17 that is financially viable, supports the delivery of future year's schemes and that will help smooth the reduction in support to working age households.
- 8.6 Updated financial modelling indicates that the 2016/17 LCTS scheme reduction can be maintained at 12%, the same level as 2014/15 and

2015/16. This is predicated on the actual grant cut for 2016/17 not exceeding the current forecast cut.

- 8.7. However, if the level of grant cuts for 2016/17 and future years are higher than forecast, Members will need to review the impact on both the LCTS scheme, the General Fund Budget and the phasing of the use of LCTS reserves. Furthermore, there will be LCTS entitlement cost pressures linked to the timing and extent of cuts to welfare benefits as part of the Government's commitment to deliver £12bn of welfare savings. In view of these uncertainties, the LCTS scheme will need to be closely monitored in 2016/17 when details of the actual grant cut and welfare savings programme are known.
- 8.8 On the basis, of sustaining a 12% LCTS cut for 2016/17, the Council's locally approved LCTS scheme will have provided the following financial support to low income working age households compared to annual LCTS cuts of 20% over the 4 years up to March 2017. All other Tees Valley councils have operated LCTS schemes involving cuts of 20% since April 2013. This position is summarised below:

Impact of Hartlepool's actual 2013/14 to 2015/16 LCTS scheme and proposed 2016/17 LCTS cut compared to annual cuts of 20% (as implemented by other Tees Valley Authorities).

	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
<b>Cumulative Support to Households 2013/14 to 2016/17</b>	<b>£402</b>	<b>£468</b>
Number of Households Supported (i.e. who previously would have been awarded 100% Council Tax Benefit)	5,176	390
Percentage of LCTS Households (i.e. who previously would have been awarded 100% Council Tax Benefit)	90%	7%

- 8.9 The reductions in the number of LCTS claimants and the re-phasing of earmarked one-off resources will allow the Council to maintain the level of cut in LCTS support in 2016/17 at 12% and minimise the level of cut in 2017/18 to 20%. The revised forecast will depend on existing caseload trends continuing.



8.10 The national Welfare Reforms announced in the Chancellor's July 2015 Budget, together with the national living wage changes will impact on future LCTS scheme costs. Initial broad based modelling has been undertaken and a provisional cost has been included in LCTS scheme projections for 2016/17 onwards. However, this analysis will need to be revisited when details of the actual national changes and timing become known.

8.11 Beyond 2017/18 a significantly higher level of cut in LCTS will be required reflecting future forecast additional Government Grant cuts and this will affect all Councils, particularly areas serving more deprived communities. This risk was highlighted when responsibility for providing Council Tax support was transferred to Councils in April 2013 and has been exacerbated by the Government's decision to transfer funding for Council Tax support into the main Revenue Support Grant.

## **9. LEGAL CONSIDERATIONS**

9.1. Statutorily, the LCTS scheme for a financial year must be approved by full Council and when approved cannot be amended for that year. Members are requested to approve a LCTS scheme for 2016/17 which can be referred to full Council in December 2015. The proposed LCTS scheme for 2016/17 does not involve changing either the level of award cut (being sustained at 12%) or any of the underlying Scheme principles as set out in section 6. On this basis, it is considered that there is no need for the Council to undertake consultation.

## **10. CHILD / FAMILY POVERTY CONSIDERATIONS**

10.1 Sustaining an LCTS scheme for 2016/17 with a 12% cut will assist households which are affected by the Government's wider welfare reforms.

## **11. EQUALITY AND DIVERSITY CONSIDERATIONS**

11.1. An impact assessment covering LCTS has been reviewed and is included as Appendix A.

## **12. STAFF CONSIDERATIONS**

12.1. There are no staff considerations.

### **13. ASSET MANAGEMENT CONSIDERATIONS**

13.1. There are no asset management considerations.

### **14. APPENDICES**

Appendix A Equality Impact Assessment

### **15. RECOMMENDATIONS**

15.1. It is recommended that Members approve that the following proposals are referred to Council on 10<sup>th</sup> December 2015:

- i. Note the LCTS scheme financial modelling which indicates that maintaining a LCTS cut at 12% for 2016/17 is financially viable;
- ii. Note the risk that the actual 2016/17 Government Grant cut may be higher than forecast which may necessitate a re-phased application of LCTS reserves;
- iii. Approve a LCTS scheme for 2016/17 involving sustaining a 12% cut.
- iv. Approve the continuation of the existing scheme principles as set out at section 6.

### **16. REASONS FOR RECOMMENDATIONS**

16.1 To enable Members to agree a 2016/17 LCTS scheme to be referred to Council in accordance with statutory requirements..

### **17. BACKGROUND PAPERS**

17.1 Medium Term Financial Strategy 2016/17 to 2018/19 report - Finance and Policy Committee 29th June 2015.

17.2. Local Council Tax Support 2016/17 report – Finance and Policy Committee 27<sup>th</sup> July 2015.

### **18. CONTACT OFFICER**

John Morton  
Assistant Chief Finance Officer  
01429 523093  
[John.morton@hartlepool.gov.uk](mailto:John.morton@hartlepool.gov.uk)

Department	Division	Section	Owner/Officer
Chief Executives	Finance	Revenues & Benefits	John Morton
Function/Service	Local Council Tax Support Scheme 16/17, Universal 12% reduction in LCTS Awards (excl. low income pensioners).		
Information Available	HBC data on caseload / awards, financial modelling of local scheme options savings, CLG full EIA, Family Resources 2009/10 Survey data, Census 2011, DWP		
Relevance	Age		
Identify which strands are relevant to the area you are reviewing or changing	<p>The Government considered the position of low income pensioners associated with the abolition of Council Tax Benefit and the introduction of LCTS. The Government determined that unlike most other groups, pensioners cannot reasonably be expected to seek paid employment to increase their income. Therefore the Government determined that as a specific vulnerable group, low income pensioners should be protected from any reduction in support as a result of this reform. The Government has not changed its position on this core principle for 2016/17.</p> <p><b>In Hartlepool 5,890 low income pensioners account for 42% of all LCTS claimants and the Council is required by Government to continue to protect this group.</b></p>		
	Disability		
	<p>It is difficult to quantify accurately either the number of disabled people living in Hartlepool or the number of households in receipt of LCTS and where an individual in that household is receiving a disability related benefit.</p> <p>Broad modelling analysis indicates that to protect those households from the LCTS scheme cut where individuals are in receipt of a Disability Premium would cost about £260,000 pa or would increase the level of LCTS cut on non protected groups to 16%.</p> <p><b>The 2016/17 Hartlepool LCTS scheme continues with the core equity Principle that every working age household should pay something to towards Council Tax and that the level of cut should be equal. The Council endeavours to minimise the impact of LCTS but the LCTS scheme does not provide for protection / detriment for any specific working age group.</b></p>		
	Race / Gender / Gender Re-assignment		
	<p>The Government does not believe 'that this nationally driven policy change will disproportionately affect any particular gender or ethnicity'. The Government has not changed its position on this core principle for 2016/17. However both nationally and locally, there are almost twice as many female as male council tax benefit claimants, reflecting the number of single female claimants with child</p>		

	dependants. Only 2.3% of Hartlepool's population are non-white. It is not known how many of this group claim LCTS, as data within the LCTS system is incomplete for this group (claimants often do not complete this section of the application form). <b>The 2016 / 17 Hartlepool LCTS scheme does not provide for protection / detriment for any specific working age group</b>			
	<b>Religion</b>			
	No effect			
	<b>Sexual Orientation</b>			
	No effect			
	<b>Marriage &amp; Civil Partnership</b>			
	No effect			
	<b>Pregnancy &amp; Maternity</b>			
	No effect			
Information Gaps	Nil.			
What is the Impact	<ul style="list-style-type: none"><li>• Every working age household will pay some Council Tax</li><li>• Other non dependant adults in the household will be expected to contribute to council tax</li><li>• The scheme will encourage work</li><li>• The 2016/17 LCTS scheme will continue to be based on the key features of the former CTB scheme</li><li>• A universal 12% reduction in the value of the award will be made for all working age low income households.</li><li>• Low income pensioner households are protected in line with Central Government Policy.</li><li>• The 2016/17 LCTS scheme will continue to comply with the Armed Forces Covenant.</li><li>• The 2016/17 LCTS scheme will continue to fully disregard child maintenance when assessing LCTS awards. This is consistent with national Housing Benefit regulations.</li></ul>			
Addressing the impact	<b>1. No Major Change</b> - The proposal is robust there is no potential for discrimination across working age claimants. (The council has no choice on the protection of low income pensioners).			
	The maintenance in the level of cuts to LCTS awards for 2016/17 at 12% reflects funding issues and is after the Council committing resources to support the scheme. The 2016/17 Hartlepool scheme continues to provide no protection/ detriment for any specific working age group and is centred on equality of impact.			
Actions				
The 2016/17 LCTS scheme has been developed with the aim of removing any potential for discrimination.				
Action identified	Responsible Officer	By When	How will this be evaluated?	
Scheme Principles review	Liz Cook Principal Benefits Officer	Oct 16	Peer review by Chief Executive's Department Diversity Lead officer.	

# FINANCE AND POLICY COMMITTEE

23 November 2015



**Report of:** Corporate Management Team

**Subject:** MEDIUM TERM FINANCIAL STRATEGY (MTFS)  
2016/17 TO 2018/19

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## 1. TYPE OF DECISION/APPLICABLE CATEGORY

1.1 Budget and Policy Framework Decision.

## 2. PURPOSE OF THE REPORT

2.1 The purposes of the report are to:-

- i) Update the MTFS; and
- ii) Enable Members to finalise the detailed 2016/17 budget proposals to be referred to Council on 10<sup>th</sup> December 2015.

## 3. BACKGROUND

3.1 The budget timetable for 2016/17 was approved by this Committee on 29<sup>th</sup> June 2015 and was developed to address the timing of Government funding announcements, which do not provide adequate time to develop savings proposals. The budget process is divided into two stages:

- Budget Decisions – relate to consideration of detailed savings proposals to address forecast cuts in Government funding and are covered in this report;
- Council Tax decisions - these cannot be completed until the final 2016/17 Local Government Finance Settlement is issued and will be reported to this Committee in January/February 2016.

3.2 As detailed in previous MTFS reports the Council faces an increasingly challenging financial position which is driven by four key issues:

- Continuing significant Government grant cuts in 2016/17 and future years;
- The impact of financial risks transferred to Local Authorities from April 2013 arising from the implementation of the Business Rates Retention system and the transfer of responsibility for the Local Council Tax Support Scheme;
- The impact of demand led pressures – particularly in relation to learning disabilities, older people and children in need;
- Continued restriction of Council Tax increases.

3.3 Whilst these factors have applied in previous years and the position has been managed effectively by the Council over the period 2011/12 to 2015/16, it will become increasingly difficult as each year passes to manage these issues. In common with local authorities across the country the Council has managed the cuts to date extremely effectively and without a significant and visible adverse impact on front line services.

3.4 It will become significantly more difficult to balance future years' budgets. The Council's ability to manage the impact of significant Government grant cuts over the last five years is not a guarantee this position will continue as the local cuts implemented to date cannot be repeated. Therefore, the actions which will be required to balance future years' budgets will become significantly more difficult to achieve. Increasingly cuts will have a visible impact on the services the Council continues to provide and those services which will either need to be scaled back or stopped completely.

3.5 The Council is not in a unique position and a report last year from the Local Government Association (LGA) – *"Under pressure – How Councils are planning cuts"* highlighted the financial challenges facing Councils in 2015/16. The report indicated:-

- There is no single reason why 2015/16 should be such a difficult year (although nationally the cut in Government support to local authorities will be the largest since 2012/13), but rather the squeeze is a result of an accumulation of funding reductions, expenditure pressures, which have been building over a number of years, and a series of other risks;
- That cost pressures include care service reforms (deferred payment scheme, social care cost cap), additional public health duties, an ageing population, increasing costs of concessionary fares schemes, pressures on social housing services and inflation;
- Councils face new financial risks, including business rate appeals, welfare reform (including the benefit cap and Universal Credit) and potential changes to interest rates.

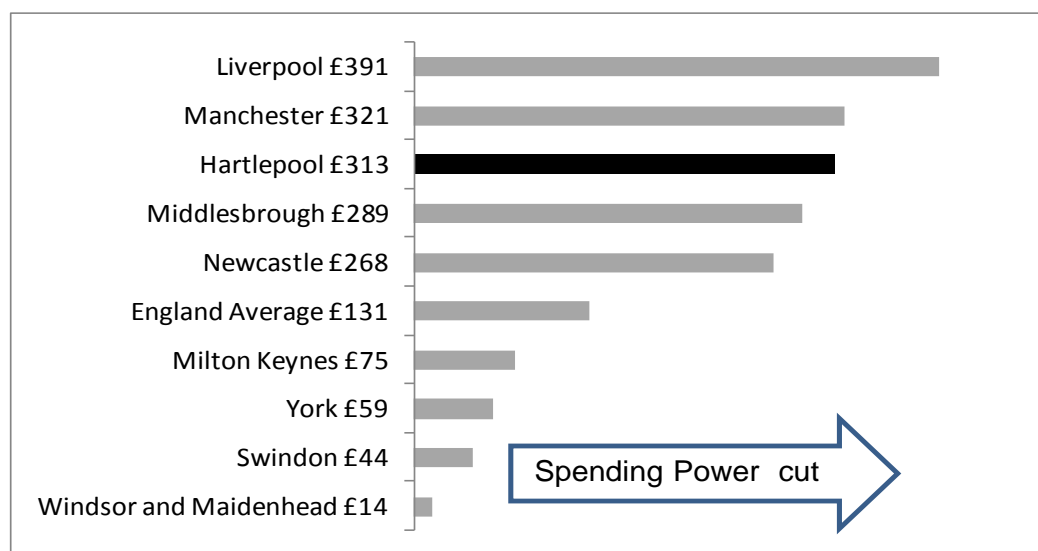
3.6 During the summer the National Audit Office's (NAO) Director with responsibility for oversight of the Department for Communities and Local Government (DCLG) made the following comments in an interview with 'The Municipal Journal':

Extract from Interview

- "The incentive-based mechanisms (introduced by the last government) are fine but you have to think about the differential impact. The differential impact of the way that funding reductions have been done has been considerable. Some local authorities over the last five years have seen a rise in their income from central government, some have seen a rise in revenue spending power;
- The way that need and demand are reflected in the local government finance system is something that needs to be looked at again. Because of the introduction of incentive-based funding mechanisms like business rates retention and New Home Bonus the more economically active parts of the landscape will do better, so in a sense we're sort of locking in inequality;
- The NAO has called on DCLG to obtain a better overview of the financial sustainability of the sector, warning the department only became aware of serious problems in councils after they occurred".

3.7 Members will recognise the issues highlighted by the NAO Director and as reported previously the Council suffered Spending Power cuts more than twice the national average over the last five years, as summarised in the following table.

Table 1 - Spending Power Cuts for last five years (2011/12 to 2015/16)



3.8 The MTFS forecasts are based on forecast cuts in Government funding of 10% per year over the next three years (2016/17 to 2018/19). This is in line with the HM Treasury 'invitation' to Government departments to consider the impact on spending cuts of between 25% and 40% over a 4 year period (2016/17 to 2019/20).

- 3.9 As outlined in the previous MTFS report there is a risk that the actual 2016/17 grant cut may be higher than currently forecast, particularly if the Government front loads funding cuts. Therefore, to address this situation it has previously been recommended that one off resources from the 2015/16 managed under spend and reserves review are allocated to manage a higher grant cut. This would not provide a permanent solution, although it would provide a longer timeframe to develop and consult on additional cuts to manage this position.

#### **4. UPDATE ON GOVERNMENT POLICY ANNOUNCEMENTS**

- 4.1 Since the initial MTFS report was considered in June 2015 the Government has made a number of significant policy announcements which will have a significant financial impact on the Council, as summarised in the following paragraphs.
- 4.2 **Implementation of National Living Wage** – Members' have previously indicated their commitment to implement a Hartlepool Living Wage.
- 4.3 Detailed proposals for implementing the Hartlepool Living Wage are set out in a separate report on the agenda. These proposals recommend implementing a Hartlepool Living Wage of £7.88 with effective from 1<sup>st</sup> December 2015, which will exceed the proposed National Living Wage payable from 1<sup>st</sup> April 2016 of £7.20
- 4.4 The Hartlepool Living Wage will then be updated annually on the 1<sup>st</sup> April and set at the higher of:
- Hartlepool Living Wage, plus annual percentage costs of living pay awards for Local Authority employees; or
  - The actual National Living Wage applying from 1<sup>st</sup> April each year.
- 4.5 As reported previously the initial full year cost of implementing the Hartlepool Living Wage is £150,000.
- 4.6 The implementation of the National Living Wage will increase costs on a range of contracts and an initial assessment of the impact on care contracts has been completed. This indicates there will be an additional budget pressure in 2016/17 of £500,000, increasing to £2.5m by 2019/20. The Government will not be providing any additional funding to meet the costs of implementing the National Living Wage.
- 4.7 When account is taken of the costs of implementing the Hartlepool Living Wage, the removal of the forecast Terms and Conditions savings (£200,000) and implementation of the National Living Wage the overall budget pressure by 2019/20 is £3.2m.



- 4.8 As detailed in the separate Hartlepool Living Wage report it is recommended that the part year costs in 2015/16 and full year cost in 2016/17 of implementing the Hartlepool Living Wage for the Council's own workforce and apply the National Living Wage within care contracts are funded from one-off resources (existing Living Wage Reserve, reallocation of Protection Costs Reserves and 2015/16 Outturn contribution). This proposal will avoid increasing the budget cuts which will be required in 2016/17.
- 4.9 As detailed in Appendix A the above proposal does not provide a permanent funding solution, therefore in 2017/18 the budget deficit increases by £457,000. This is after reflecting the budget savings from reducing the April 2017 provision for forecast cost of pay awards to 1%, the level of the public sector pay cap. If this reduction had not been possible the increase in the 2017/18 budget deficit would have been £1.057m.
- 4.10 **Increase in Employers National Insurance contributions** – as part of the 2014 Budget the Government announced changes to Employers National Insurance contributions from 1<sup>st</sup> April 2016. The Government will not be providing additional funding for this new burden and this change effectively increases income to the Treasury, whilst increasing costs for employers, including all public sector organisations.
- 4.11 This change results in an ongoing budget pressure of £0.835m and this amount is reflected in the 2016/17 budget forecasts.
- 4.12 **Business Rates Proposals** – the Chancellor announced proposals at the Conservative Party conference to allow Councils to retain 100% of Business Rates by 2020.
- 4.13 No specific details have been issued by the Government regarding these proposals. However, the Government has indicated that as part of these changes the existing Revenue Support Grant will be phased out and additional responsibilities transferred to Councils to reflect forecast growth in Business Rates income.
- 4.14 A detailed assessment of the impact on Hartlepool will need to be completed when more information is available. Based on an initial assessment of these proposals they are unlikely to benefit Hartlepool as they remove the remaining resources equalisation within the Revenue Support Grant.
- 4.15 The proposal may, depending on changes to the 'safety net' system, significantly increase financial risks. This is a significant risk for the Council owing to the reliance on the Power Station which, following the permanent Rateable Value reduction, still contributes 25% of annual Business Rates income. Furthermore, the Council still faces an ongoing annual risk in relation to unplanned outages and the granting of temporary Rateable Value reductions by the Valuation Office Agency.

## 5. POWER STATION UPDATE

### 5.1 Overview of Business Rates Retention System and financial risks for Hartlepool

5.2 The Government introduced the Business Rates Retention system on 1<sup>st</sup> April 2013. Prior to this date 100% of Business Rates income was paid over to the Government and used to partly fund Revenue Support Grant paid to Councils. From 1<sup>st</sup> April 2013 the Government only retain 50% of Business Rates income and the remaining 50% is retained by Local Authorities and shared on the following basis:

- In two tier areas between the County Council and Districts Councils;
- In Unitary areas between Unitary Authorities (49%) and Fire Authorities (1%).

5.3 This was a significant change in the funding system for Local Authorities and resulted in 'winners and losers' owing to the level of Business Rates generated in different areas. The 'gains and losses' were partly mitigated through a system of 'tariffs and top-ups' and the payment of 'Business Rates Retention Top-up grant' to those Authorities with a low Business Rate base, including Hartlepool.

5.4 As previously reported these changes transferred additional financial risks to individual Councils. For Hartlepool it was clear before these changes were implemented that the Council faced unique financial risks owing to the impact of the Power Station. Therefore, these issues were reflected in the Council's response to the Government's consultation proposals prior to the new system being implemented from 1<sup>st</sup> April 2013. These concerns were then repeated in a detailed submission to the Local Government Minister in February 2013 when the Leader, MP, Chief Executive and Chief Finance Officer met with Brandon Lewis MP (Parliamentary Under-Secretary of State for Communities and Local Government at the time).

5.5 The financial risks to Hartlepool reflected the following factors:

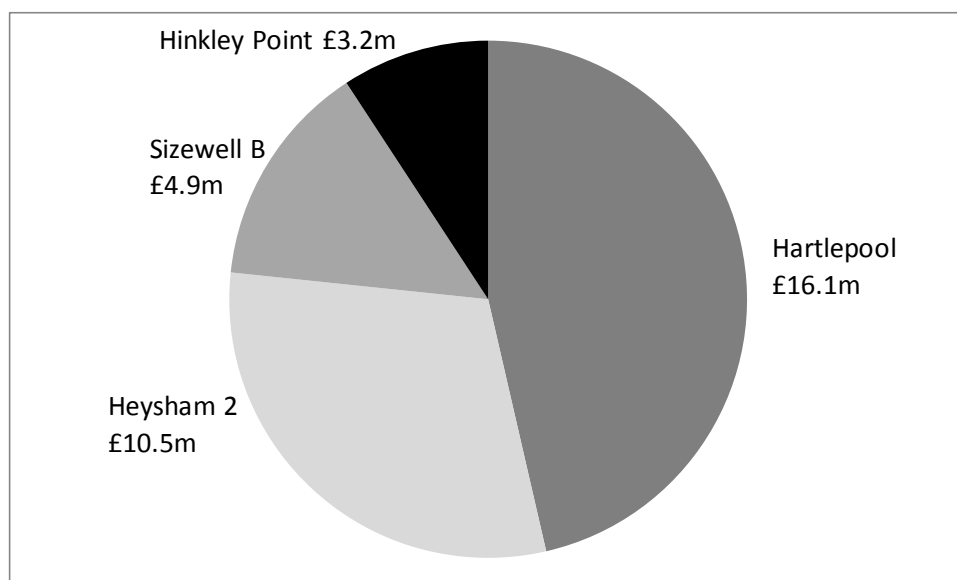
- Concerns that the Rateable Value for the Power Station set by the Valuation Office Agency (VOA) with effect from 1<sup>st</sup> April 2010 was incorrect as the increase was significant compared to the previous valuation determined by the VOA in 2005;
- Concern that the Business Rates Retention System was being implemented from 1<sup>st</sup> April 2013 and at that time significant Business Rates appeals remained outstanding against the 2010 Rateable Values. This meant the baseline for setting funding allocations for the overall system and individual Councils was not based on reliable Rateable Values for a significant number of Business Ratepayers;
- Concern regarding the impact of future unplanned outages at the Power Station on the level of Business Rates paid and how/if the Council would receive any financial support from the Government to manage such situations.

- 5.6 To address these risks the Council recommended in a submission to the Government that they should have either removed Nuclear Power Stations from the system owing to the unique safety regime applying to such facilities, or at the very least ensured the Rateable Value appeals were resolved before the Business Rates Retention system was implemented.
- 5.7 As the Government did not act on these concerns the Council began to develop a strategy for managing these financial risks before the Business Rates Retention system went live on 1<sup>st</sup> April 2013.
- 5.8 As a result of this forward financial planning the Council initially established a 'Business Rates Risk Reserve' in 2012/13 of £1m. As further information has become available this reserve was increased and the current amount available to manage this risk is £4.784m (as at 31<sup>st</sup> March 2015). As outlined in the following paragraphs the whole of this amount is now needed to help address the financial impact of a significant reduction in the Power Station Rateable Value.
- 5.9 Outcome of Valuation Office Agency consideration of Power Station Appeals
- 5.10 The 2010 Rateable Value for Hartlepool Nuclear Power Station was set at £33.6 million by the Valuation Office Agency (VOA), compared to the 2005 Rateable Value of £8.1m and the 2000 Rateable Value of £16.9m.
- 5.11 As reported previously the VOA notified the Council on 5<sup>th</sup> May 2015 that in response to the Rateable Value appeal submitted by Hartlepool Nuclear Power Station they had determined a revised Rateable Value, applicable from 1st April 2010, of £17.5 million. This is a reduction of £16.1 million, which equates to a 48% reduction on the previous Rateable Value determined by the VOA.
- 5.12 Following notification of the revised Rateable Value for the Power Station officers met with senior officials from the VOA to discuss this issue. A letter was also sent to the Chief Executive of the VOA requesting that they ensure the outstanding 'material change appeal' for the autumn 2014 outage (which is separate to the main Rateable Value appeal) is resolved before the end of the current financial year. As a result of these discussions the VOA is now working with the Power Station to resolve this issue before the end of November 2015. Depending on the scale of the temporary Rateable Value reduction agreed by the VOA this should ensure the Council does not suffer an additional income loss of up to £1m in 2016/17. Members will be updated as soon as the position is clearer.
- 5.13 In relation to the permanent Rateable Value reduction the VOA informed the Council that they had reviewed the Rateable Values for 6 Nuclear Power Stations located in England. As a result of this review the Rateable Values for 2 of these Power Stations remained unchanged.

5.14 Reductions in the Rateable Values for 4 Nuclear Power Stations were agreed by the VOA, which resulted in a national Rateable Value Reduction of £34.7 million, which is a reduction of 23%. The reductions for individual Nuclear Power Station are summarised in Table 2, which shows:

- The reduction in the Rateable Value for Hartlepool Nuclear Power Station of £16.1m accounted for nearly half of the national reduction of £34.7m;

Table 2 - Analysis of Reductions in Rateable Values for 4 Nuclear Power Stations located in England of £34.7m



5.15 Reductions in the Rateable Values (RV) varied significantly for individual Power Stations as summarised in Table 3, which shows:

- The reduction in the Rateable Value for Hartlepool Nuclear Power Station of 48% was more than twice the national average of 23% and 6 times the lowest percentage reduction of 8%;

Table 3 – Comparison of Reductions in Power Station Rateable Values

Power Station	Original RV	Revised RV	Reduction In RV	Percentage Reduction in RV
Hartlepool	£33.6m	£17.5m	£16.1m	48%
Heysham 2	£50.0m	£39.5m	£10.5m	21%
Sizewell B	£57.4m	£52.5m	£4.9m	8%
Hinkley Point	£11.2m	£8.0m	£3.2m	28%
Total	£152.2m	£117.5m	£34.7m	23%

5.16 Representations made to the Government

5.17 Following the VOA announcement the Leader wrote to the Local Government Minister on 18<sup>th</sup> June 2015 requesting a meeting to discuss

concerns regarding the process for supporting Councils affected by significant Rateable Value reductions and to seek Government support to manage the unprecedented income reduction. Following receipt of this letter Department for Communities and Local Government senior officials agreed to meet with the Chief Finance Officer and the Assistant Chief Finance Officer on 12<sup>th</sup> August 2015 to discuss the technical issues in relation to this issue. The objective of this meeting was to put forward the Council's case and hopefully enable DCLG officials to understand the unique position facing the Council so they could then advise the Minister accordingly.

- 5.18 A detailed presentation and supporting information was presented to the DCLG officials which was well received, although the officials did not provide any firm commitments and indicated that the matter would be referred to the Minister.
- 5.19 Owing to the complexity of this issue a response was not received from the DCLG until 21<sup>st</sup> October 2015 and basically covers the following:
- DCLG agree with the Council's analysis that the Business Rates income loss arising from the revised Rateable Value reduces the Council's share of ongoing Business Rates income by £3.8m per year;
  - DCLG re-affirmed there is currently no provision under the existing scheme to consider the proposal put forward by the Council to recalculate 'top up grant' payments to exclude the impact of the Power Station reductions;
  - The provision of specific funding to help Hartlepool manage the Power Station reduction outside the existing 'safety net' arrangements is not deemed a viable option, notwithstanding the scale of the reduction.
- 5.20 The final bullet point has the most significant impact for the Council as it confirms that DCLG officials do not believe there is provision within the existing Business Retention scheme to provide financial assistance to help the Council manage this position. This statement should not rule out direct representations being made to the Minister and at our request DCLG officials will now seek to schedule the meeting requested by the Leader. However, the Council now needs a financial strategy to manage impact of the unprecedented Business Rates reduction for the Power Station.
- 5.21 Strategy for managing permanent Power Station Rateable Value reduction
- 5.22 As a result of the reduction in the Power Station Rateable Value the Council will face the following additional budget pressures:
- 2015/16 one off budget pressure – the costs in 2015/16 will include the back dated impact of refunding Business Rates paid by the Power Station to 2010/11 of £18.9m. The Council will receive 'Safety Net' grant of £17.5m, which means there will be a net cost to the Council of £1.4m;

- 2016/17 ongoing gross Business Rates reduction of £3.790m;
- 5.23 In terms of recommending a strategy to manage these income reductions and avoid impacting on the General Fund budget the starting point is to consider the ongoing Business Rates reduction for 2016/17 of £3.790m.
- 5.24 As summarised in the following table this loss can be partly mitigated by allocating increases in other uncommitted income streams of £1.523m. This additional income would have been sufficient to cover a Power Station Rateable Value reduction of 18%, which in itself would have been a very significant reduction. However, this income only covers part of the impact of the Power Station reduction and the Council still faces a net income shortfall of £2.267m for 2016/17 as summarised below.

Table 4 - Summary of Gross Power Station Business Rates reduction and ongoing resources to partly mitigate the impact on the MTFS

	£'m
Power Station Business Rates reduction	3.790
<u>Less</u> Business Rates growth  As part of the 2016/17 MTFS growth in the Business Rates base was allocated to offset the potential impact of a permanent reduction in the Power Station Rateable Value.	(0.485)
<u>Less</u> Council Tax base growth  As detailed later in the report the actual increase in the 2015/16 Council Tax base is above the MTFS planning assumptions. As this ongoing income has not been reflected in the MTFS it is recommended that it is allocated to help mitigate the impact of the Power Station Rateable Value reduction.	(0.680)
<u>Less</u> Inflation on Business Rates growth  The Council will retain 49% of anticipated the inflation on the Business Rates Base.	(0.268)
<u>Less</u> Enterprise Zone Business Rates  Reflects Business Rates growth retained by the Council.	(0.090)
Net Business Rates Reduction 2016/17	2.267

- 5.25 It is currently anticipated that the net Business Rates shortfall will reduce to £1.709m in 2017/18 and £1.551m in 2018/19, assuming annual Business Rates increases of 1%, or the Government compensate Councils if Business Rates are frozen. These figures are used for planning purposes. However, in the event that Business Rates income does not increase by 1% the annual shortfall in 2017/18 and 2018/19 would be approximately £2m. The position will be reviewed when more information is available.
- 5.26 The second part of the recommended strategy for managing the net reductions outlined above is a strategy for using the existing Power Station Risk Reserve.
- 5.27 As detailed earlier the Council began developing a financial strategy to manage the forecast reduction in the Power Station Rateable Value in 2012/13 when the first contributions to the risk reserve were made. Further contributions have been made to the risk reserve and one-off funding of £4.784m was available at the end of 2014/15.
- 5.28 Additional one-off contributions to the Risk Reserve are also recommended in 2015/16 and 2016/17 as follows:

2015/16

- £585,000 from Business Rates growth not included in MTFS forecasts – already approved as part of the current MTFS;

2016/17

- £309,000 from additional forecast 2016/17 New Homes Bonus payments. As detailed later in the report if this income continues in 2017/18 and future years it will help reduce the forecast budget deficits, although this income cannot yet be relied beyond 2016/17;
- £827,000 Collection Fund surplus 2015/16 – this reflects the increase in the Council Tax base referred to later in the report.

- 5.29 After reflecting the recommended contributions detailed above it is anticipated that there will be total one-off funding of £6.505m, compared to net reductions income arising from the Power Station Rateable Value of £6.964m over the period 2015/16 to 2018/19. Therefore, the Council faces a net forecast funding shortfall of £0.459m in 2018/19. Hopefully, this amount can be funded from the 2015/16 outturn if the under spend is not needed to offset a higher actual grant cut than forecast. This position is summarised overleaf:

Table 5 - Summary of contributions to / (commitments to be funded) from the Power Station Risk Reserve 2015/16 to 2018/19

	Contribution £'000	Commitment £'000	Balance of Risk Reserve/(net annual cost) £'000
Balance 31.03.15	4,784	0	4,784
2015/16 #	585	(1,437)	(852)
2016/17	1,136	(2,267)	(1,131)
2017/18	0	(1,709)	(1,709)
2018/19	0	(1,551)	(1,551)
Total / (Funding Shortfall 2018/19)	6,505	(6,964)	(459)

# The commitment in 2015/16 relates to the repayment of Business Rates paid on the previous Power Station Rateable Value to 2010/11 of £18.902m, less 'Safety Net' grant received by the Council of £17.465m

5.30 Summary of the financial impact of the Power Station Rateable Value reduction 2015/16 to 2018/19

- 5.31 As outlined in the previous paragraphs the Council has faced significant financial uncertainty regarding the Rateable Value of the Power Station since the Business Retention system was implemented by the Government from 1<sup>st</sup> April 2013.
- 5.32 This uncertainty was exacerbated by the time it took the Valuation Office Agency to determine the outcome of the Power Station Appeal as this decision was only made in May 2015, some 5 years after the previous Rateable Value became effective (i.e. from 1<sup>st</sup> April 2010).
- 5.33 As reported previously if this issue had been resolved before the 1<sup>st</sup> April 2013 the Council would have not faced this uncertainty, or more importantly the loss of income which now needs to be managed.
- 5.34 These risks had been recognised by the Council in 2012/13 when an initial Risk Reserve was established and further resources have been earmarked since then. This action enables the Council to manage the impact of the Power Station Rateable Value reduction over the period 2015/16 to 2017/18 and to partly fund the income reduction in 2018/19. If this risk management strategy had not been implemented significantly higher budget cuts would have been required in 2016/17.
- 5.35 However, whilst the recommended strategy avoids increasing the budget deficits for 2016/17 to 2018/19, the Council has had to manage a permanent income reduction of £3.790m as a result of the Power Station Rateable Value reduction. This is on top of continuing grant cuts.



5.36 The recommended strategy means the Council has to commit the following resources over the period 2015/16 to 2018/19 to manage the impact of the ongoing reduction in the Power Station Rateable Value and therefore avoid increasing the budget deficits:

- One off resources of £6.505m;  
This amount consists of the existing Power Station Risk Reserve of £4.784m, plus planned contributions of £0.585m and £1.136m in 2015/16 and 2016/17 respectively.
- Ongoing resources of £1.523m;

5.37 Whilst, the recommended strategy avoids increasing the budget deficits for the next three years, this is not a permanent solution and the Council will need to address a net income shortfall in 2018/19 of £0.459m, which can hopefully be funded from the 2015/16 outturn if the under spend is not needed to offset a higher actual grant cut than forecast. If this is not possible the 2018/19 budget deficit will increase by this amount. The Council will then need to address an ongoing net income reduction of £1.5m in 2019/20.

## 6. RESERVES REVIEW AND 2015/16 GENERAL FUND FORECAST OUTTURN

6.1 A comprehensive review of Reserves held at 31<sup>st</sup> March 2015 and the risks reserves are held for was reported to the Committee in October. This is an annual review undertaken by the Corporate Management Team which is recognised good practise. The detailed review addressed five key areas recommended by the Audit Commission in their 2013 national report on Council reserves covering:

- 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.

6.2 The reserves review highlighted the key priorities and risks these monies are held to fund. This includes significant support for the budget over the next few years, support for the Local Council Tax Support scheme, funding for redundancy/early retirement costs over the period of the MTFS and to manage the impact of the significant Power Station Business Rates reduction. The review identified a limited number of areas where risks have reduced and reserves of £889,000 can be released, as detailed in Appendix B. Members have determined to recommend that Council allocates these resources as follows:

- £0.5m to establish a Child and Family Poverty Reserve – detailed proposals for using this amount will be referred to a future meeting;

- £0.389m to help manage a higher 2016/17 grant cut than forecast – further details are provided in the following paragraph.

- 6.3 An assessment of the forecast outturn for 2015/16 has been completed and reflects the robust action taken by the Corporate Management Team to achieve an under spend to help address the financial challenges facing the Council over the next few years. The outturn forecasts are currently being updated and no significant changes in the previous forecasts are anticipated. Reports on the position for individual Policy Committees will be reported in December. At the meeting on 16<sup>th</sup> October 2015 Members approved the proposals that the £0.389m identified from the reserves review and the forecast 2015/16 outturn should be allocated to manage a higher 2016/17 grant cut than forecast.
- 6.4 This proposal would not provide a permanent strategy for addressing a higher actual 2016/17 grant cut, although it would provide a longer lead time to develop, consult and then implement additional budget cuts. This proposal provides between £1.058m and £1.278m to manage a higher 2016/17 grant than forecast, as set out below:

Table 6 – Summary of 2015/16 Outturn forecast and reserves review

	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

- 6.5 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. There are a number of potential commitments which Members may wish to consider funding and further details will be reported when the 2016/17 grant cut is known. These issues cover the following areas:

- **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.

- **Funding for Policy Priorities**

The Council will 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 financial challenges 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 with 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. LOCAL COUNCIL TAX SUPPORT (LCTS) SCHEME 2016/17**

7.1 There is a separate report elsewhere on the agenda on the LCTS scheme which recommends the 2016/17 LCTS scheme to be maintained at 12%, for the third year.

7.2 The current forecasts anticipate the LCTS cut having to increase to 20% in 2017/18, with higher cuts in 2018/19 and future years. These forecasts will need to be reviewed as part of the 2017/18 MTFS when the actual grant cut is known and Members will need to prioritise the reduced level of Government funding between:

- Support for the General Fund budget and services; and
- Support for the LCTS scheme.

7.3 This will require an updated assessment of the impact of apportioning the actual grant cuts between the General Fund budget and the LCTS scheme. The LCTS assessment will need to consider both the impact on individual low income working age householders (which will be affected by a range of further Welfare reforms and the National Living Wage) and the impact on the sustainability of Council Tax payments from LCTS households.

## **8. 2016/17 GENERAL FUND BUDGET**

8.1 This section considers the issues impacting on the 2016/17 General Fund Budget and covers the following areas:

- Government Grant funding;
- Council Tax Level 2016/17;
- Council Tax Base;
- New Homes Bonus;
- Business Rates income;
- Council Tax Collection Fund 2015/16.

## 8.2 **Government Grant funding**

- 8.3 The February 2015 MTFS forecasts were based on anticipated annual grant cuts of 10% for three years commencing 2016/17. Following the July 2015 Budget the Chancellor 'invited' Government departments to outline plans for achieving budget reductions of between 25% and 40% over a 4 year period commencing 2016/17. The Government will issue details of the Spending Review outcome on 25<sup>th</sup> November 2015. The impact on individual Councils will not be known until the Local Government Finance Settlement is issued. This will probably not occur until late December, which makes financial planning extremely challenging.
- 8.4 It is anticipated that Government Grant cuts will continue to have a disproportionate impact on those areas (including Hartlepool) which still remain more dependent on Government Grants than more affluent areas. These additional Government grant cuts will further erode the remaining resource equalisation from the Local Government funding system and increase the incentives to achieve growth from housing and business development.
- 8.5 On the basis of the Chancellor's statement the existing MTFS planning assumption of 10% annual grant cuts continues to be appropriate. However, as detailed earlier in the report, there is a risk that the actual grant cut for 2016/17 may be higher than forecast. Therefore, the recommendation to allocate uncommitted resources from the 2015/16 managed under spend and part of the one-off resources identified from the reserves review, provides temporary resources to manage a higher grant cut and provide a longer lead time to make permanent budget reductions if this is necessary.
- 8.6 Government grant cuts will continue beyond the current MTFS period and based on current information a further 10% reduction is forecast for 2019/20. This assumes the Government implements total funding cuts of 40% and phases these cuts equally over 4 years.
- ## 8.7 **Council Tax Level 2016/17**
- 8.8 There is statutory requirement for Local Authorities to set indicative Council Tax levels for future years. However, this does not commit the Authority to implement the indicative Council Tax level, as the level of Council Tax needs to reflect the financial circumstances applying at the time the annual Council Tax decision is made. This includes consideration of the Council Tax referendum trigger point set by the Government on an annual basis and decisions the Government may make to provide Council Tax freeze grant.

- 8.9 On this basis of these statutory requirements Members approved an indicative 2016/17 Council Tax increase of 1.9% in February 2015 and noted that this position would be subject to review and a final decision in January/February 2016.
- 8.10 At this stage the Government has not provided details of the Council Tax referendum trigger point for 2016/17, or indicated whether the Council Tax freeze grant will be paid for 2016/17, or the level of Council Tax freeze grant if it is paid. It is anticipated that this information should be provided alongside the 2016/17 Local Government Finance Settlement in December.
- 8.11 The level of Council Tax for 2016/17 will need to be reviewed when this information is available and at that stage Members will need to consider the following issues:
- The impact on households of the proposed 2016/17 Council Tax level;
  - The impact of a Council Tax increase on the cost of operating the Local Council Tax Support Scheme (LCTS). The LCTS forecasts are based on a 1.9% Council Tax increase for 2016/17. If Council Tax is frozen there will be a reduction in the LCTS scheme cost of £200,000, which would need to be allocated to help offset the loss of income from freezing Council Tax.
  - The sustainability of income from either accepting a Council Tax freeze grant, or increasing the level of Council Tax;
- 8.12 Further details will be reported when more information is available to enable the Committee to determine the final 2016/17 Council Tax proposals to be referred to full Council in January/February 2016.
- 8.13 Council Tax Base**
- 8.14 As reported within the 2015/16 MTFS report an assessment of forecast growth in the Council Tax base (the equated number of Band D properties) for the period 2015/16 to 2018/19 had been prepared. It was reported that significant work had been completed to provide a robust forecast based on an assessment of historic trends for the period 2000/01 to 2014/15 and growth projections. On the basis of these forecasts additional Council Tax income was built into the MTFS forecasts for the next three years.
- 8.15 The previous forecasts have been updated to include the actual 2015/16 tax base and revised growth projections over the period of the MTFS which reflected anticipated annual growth of 250 Band D equivalent properties.
- 8.16 The 2015/16 Council Tax base included a prudent assessment of forecasts for various Council Tax exemptions/discounts and additional Council Tax from properties empty for more than 2 years. This approach reflected the significant financial risks facing the Council, including the Power Station Rateable Value Appeal, which was outstanding at that time. After reflecting

these factors the 2015/16 approved Council Tax base was 22,298 and this was reflected in the 2015/16 budget proposals.

- 8.17 As anticipated at the time the prudent forecasts for exemptions/discounts and income collected from empty properties have been exceeded. As these factors are sustainable and additional housing growth is anticipated the forecast 2016/17 Council Tax base is 23,092. This is 470 higher than the previously forecast 2016/17 Council Tax base.
- 8.18 Assuming Members confirm the indicative Council Tax increase of 1.9% this will result in additional 2016/17 Council Tax income of £680,000 (£667,000 if Council Tax is frozen). This income has not previously been reflected within the MTFS forecasts.
- 8.19 However, as detailed earlier in the report the MTFS forecast deficit of £14m does not include the impact of the Power Station Business Rates reduction. Therefore, it is recommended that this income is allocated to partly offset the Power Station Business Rates reduction.
- 8.20 Proposals for funding the Power Station income reductions are summarised in paragraphs 5.24 and 5.29, which includes the additional Council Tax income referred to above.
- 8.21 The forecast Council Tax base for 2017/18 and 2018/19 have also been reviewed to reflect the most recent information on house building proposals. On this basis there is no change in the forecast growth for 2017/18. For 2018/19 it is anticipated that there will be growth of 420 Band D equivalents, compared to an initial forecast of 250, an increase of 170. In financial terms this equates to approximately £255,000 of additional Council Tax income in 2018/19 (assuming annual Council Tax increases of 1.9% in 2016/17, 2017/18 and 2018/19). This additional forecast income is reflected in the updated financial forecasts detailed later in the report.
- 8.22 The forecasts for 2017/18 and 2018/19 will be reviewed on an annual basis to reflect actual house building in the previous financial year and updated information on planned housing development. This will enable any changes in these forecasts to be reflected in the MTFS.
- 8.23 In summary it is forecast that over the next three years growth in the Council Tax base will provide additional forecast income of £1.985m from the 2015/16 base of £31.6m. This equates to an increase of approximately 1,400 Band D equivalent properties. As this is more than previously forecast it is recommended that £0.680m is allocated to partly address the impact of the Power Station Business Rates reduction and £1.305m is allocated to support the MTFS. The following table provides a summary of changes in the Council Tax base:

	2000/01	2014/15	2015/16
Band A to D	93%	89%	88%
Band E to H	7%	11%	12%
Total	100%	100%	100%

**8.24 New Homes Bonus (NHB)**

- 8.25 Councils currently benefit from the NHB which is paid for 6 years and is funded by top slicing the national Local Government funding allocation. NHB is therefore not additional funding and the Council has allocated this funding to partly offset cuts in core grants.
- 8.26 The Government has not yet determined what will happen in 2017/18 after the initial 6 year period has expired for the year 1 NHB allocations. Removal of this funding would have a detrimental impact on Local Authority funding, particularly for those areas which have experienced the highest housing growth and therefore benefitted most from the NHB regime.
- 8.27 For planning purposes the MTFS forecasts assume the NHB regime will continue and the Council will receive additional allocations in 2016/17, 2017/18 and 2018/19 as a result of forecast local housing growth. Clearly, if the Government changes the existing NHB regime the Council may not receive the forecast level of NHB in future years, which would increase the forecast budget deficits.
- 8.28 In 2016/17 it is anticipated that the Council will receive £2.398m of NHB (£1.767m in 2015/16). The NHB allocation needs to be compared to a core grant cut since 2010/11 of £22m.
- 8.29 The forecast 2016/17 NHB reflects the changes on the overall Council Tax base and is £309,000 more than forecast in the previous MTFS. Assuming the forecast 2016/17 NHB allocation is confirmed as part of the Local Government Finance Settlement in December 2015 it is recommended that this additional funding is allocated to partly address the impact of the Power Station Rateable Value reduction, referred to earlier in the report.
- 8.30 Until the future sustainability of the NHB regime is confirmed by the Government it is not recommended that the additional 2016/17 NHB is included within the MTFS in future years.
- 8.31 Business Rates 2016/17**
- 8.32 Previous MTFS reports highlighted the significant uncertainties in relation to the Business Rates Retention system changes implemented from 1<sup>st</sup> April 2013. The major areas of uncertainty related to the Power Station, both the appeal for a permanent reduction in the Rateable Value and an appeal for a temporary Rateable Value reduction covering the summer 2014 outage. As detailed in section 5 the permanent reduction in the Rateable Value reduces the Council's share of ongoing Business Rates income by £3.9m and proposals for managing this reduction are detailed earlier in the report.
- 8.33 There are still outstanding risks in relation to other outstanding appeals, including appeals from supermarkets which are within the top ten Business Rates payers in the town. Outstanding Business Rates appeals by

supermarkets are a national issue and will affect the majority of councils. It is anticipated that when the Valuation Office Agency determine these appeals there will be a reduction in the Rateable Value, owing to significant changes in the sector since the Rateable Values were assessed prior to 2010. However, at this stage it is not possible to assess the potential impact on Hartlepool.

- 8.34 After reflecting outstanding appeals and business growth, but excluding the impact of the Power Station, it is not anticipated that there will be any net change in the forecast level of Business Rates income over the period of the MTFS. This position will be kept under regular review and if there are any significant unexpected changes details will be reported as part of the regular Financial Management reports submitted to Finance and Policy Committee.

**8.35 Council Tax Collection Fund 2015/16**

- 8.36 An initial assessment of the 2015/16 outturn has been completed to fit in with the budget timetable. This indicates there is a net one-off 2015/16 surplus of £0.827m, which has not previously been anticipated. This position reflects in-year additions to the Council Tax base as a result of housing completions and increased income from the local exemptions/discounts/long term empty policy. Where these trends will continue they are reflected in the forecast Tax Base for 2016/17 detailed earlier in the report.

- 8.37 As detailed earlier in the report it is recommended this amount is earmarked to help mitigate the impact of the Power Station Rateable Value reduction.

**9. UPDATED FORECAST 2016/17 TO 2018/19**

- 9.1 The MTFS forecasts have been updated to reflect the issues detailed in the previous section and the forecast overall net deficit has increased from £13.997m to £14.192m, excluding the impact of the Power Station. Whilst, the overall forecast net deficit has only increased by £195,000, there have been significant changes in the budget forecasts.
- 9.2 The most significant change is the impact of the National Living Wage which will increase costs by £1.5m by 2018/19, with further increases in the following two years. The Government will not provide any additional funding to meet this new financial burden.
- 9.3 To mitigate this cost pressure the provision for annual cost of living pay awards has been reduced to 1% for the next three years, in line with the Public Sector pay cap. This provides a budget saving of £1.4m. If this saving had not been needed to offset the National Living Wage pressure it could have been allocated to reduce the forecast budget gap.
- 9.4 The changes in the forecast deficit are summarised overleaf and these forecasts will be updated when the actual grant allocations for the next three years are known. There is therefore a risk that the actual deficits are higher.



**Table 7 - Changes in forecast Deficit 2016/17 to 2018/19  
(excluding the impact of Power Station Rateable Value reduction)**

	£'000
Forecast deficit reported 29.06.15	13,997
Add - Removal for forecast Terms and Conditions savings	200
Add – Cost of Hartlepool Living Wage	150
Add - Cost of National Living Wage (reflects annual budget pressures up to 2018/19, but excludes additional pressures in 2019/20 and 2020/21)	1,500
Less reduction in annual provision for cost of living pay awards to 1% public sector pay cap up to 2018/19	(1,400)
Less additional forecast growth in Council Tax base over up to 2018/19	(255)
Revised Deficit	14,192

9.5 The revised deficit of £14.192m is after reflecting the following factors:

- Permanent ICT savings and lower interest costs in 2016/17;
- Forecast annual Council Tax increases over the next three years of 1.9% per year;
- An updated forecast of growth in the Council Tax base over the next three years arising from house building;
- Forecast continuation of the New Homes Bonus regime and increased allocations reflecting house building; and
- The phased use of the Budget Support Fund.

9.6 If the above measures had not been available the Council would have faced higher annual deficits over the next three years and an overall gross deficit of £24.811m as summarised in the table overleaf:

**Table 8 - Forecast Gross and Net Deficits 2016/17 to 2018/19**

	2016/17	2017/18	2018/19	Total ongoing income / (cost) over 3 years
	£'000	£'000	£'000	£'000
Gross Forecast Deficit	8,435	7,895	6,499	22,829
<u>Add Permanent Pressures</u>				
Hartlepool Living Wage, removal of Terms and Conditions saving and cost National Living Wage	850	500	500	1,850
Ward Member Budgets	132	0	0	132
	9,417	8,395	6,999	24,811
<u>Less Forecast Permanent savings and increased income</u>				
ICT and Interest rates savings	(500)	0	0	(500)
Reduction in provision for forecast pay awards	(200)	(600)	(600)	(1,400)
Forecast annual 1.9% Council Tax increase	(600)	(610)	(620)	(1,830)
Forecast growth in Council Tax Base #	(350)	(350)	(605)	(1,305)
Forecast New Homes Bonus ##	(323)	(380)	(380)	(1,083)
Deficit before use of reserves	7,444	6,455	4,794	18,693
<u>Less Use of one-off Reserves</u>				
Use of Budget Support Fund	(2,620)	(1,224)	(100)	(3,944)
Rephasing Use of Budget Support Fund	(88)	(8)	96	0
Use of Protection Reserve/Living Wage reserve	(557)			(557)
Revised Net Forecast Deficit ###	4,179	5,223	4,790	14,192

# Forecast growth in the Council Tax base will provide additional forecast income of £1.985m from the 2015/16 base of £31.6m. It is recommended that £1.305m of this growth is allocated to support the MTFS and £0.680m is allocated to partly address the Power Station Rateable Value reduction.

## 2016/17 figure is net of £309,000 of additional New Home Bonus income which it is recommended is allocated to partly address the Power Station Rateable Value reduction.

### 2018/19 Forecast deficits excludes forecast shortfall in 2018/19 in relation to the Power Station of £0.459m detailed in paragraph 5.29, which it is hoped can be funded from the 2015/16 forecast outturn if this is not needed to fund a higher 2016/17 actual grant cut than forecast.

#### 9.7 The Council will continue to face a challenging financial position beyond 2018/19 from:

- The continuation of Government grant cuts in 2019/20;
- The ongoing net impact of the Power Station Rateable Value reduction in 2019/20, currently forecast to be £1.550m, as the one-off resources allocated to help address this position over the next three years will have been used up; and
- Further forecast budget pressures in relation to the phased increase in the National Living Wage in £660,000 in 2019/20 and a further £660,000 in 2020/21.

- 9.8 An assessment of the budget position beyond 2018/19 will be completed after the Government 2016/17 Local Government Finance Settlement announcement and details will be reported to a future meeting.

## 10. DETAILED 2016/17 BUDGET PROPOSALS

- 10.1 As detailed in paragraph 9.6 the Council faces a gross forecast budget deficit of £9.417m. After reflecting the permanent corporate savings, forecast income increases and use of the Budget Support Fund which can be taken into account in 2016/17 the forecast deficit has been reduced to £4.179m.
- 10.2 Detailed proposals for addressing the net forecast 2016/17 deficit were considered by individual Policy Committees over the summer and these reports are detailed at Appendix C1 to C6. The savings proposals were supported by individual Policy Committees, albeit reluctantly. Members requested additional information on a small number of items and this is provided in paragraph 10.3 for Finance and Policy Committee issues and paragraph 12.3 for Public Health.

### 10.3 Finance and Policy Committee

#### • Information of proposed redundancies

As reported previously a 'continuous ER/VR' process commenced in 2014/15 and has continued in the current year to help manage the budget position and to maximise the opportunity for retraining and redeploying staff where service need allows.

For 2016/17 this has worked extremely well and at this stage it is anticipated that there will be **no compulsory redundancies**. This is the first financial year this has happened over the period 2011/12 to 2016/17.

The budget saving for 2016/17 includes the deletion of approximately 33 posts and these have been matched to applications for redundancy or early retirement

The Corporate Management Team has worked extremely hard to achieve this outcome and is delighted that there are currently no compulsory redundancies as part of the 2016/17 budget process. However, it needs to be recognised that owing to the scale of the Government funding cuts in future years, this position will not be sustainable and compulsory redundancies will be unavoidable in 2017/18 and 2018/19.

#### • Information on Assistant Chief Executive - Income and Running costs saving of £62.5k

The majority of the £62,500 identified as savings will be achieved by centralising divisional running costs. There is approximately £15,000 which is additional income generated from external customers for a mix of Health and Safety and Human Resources services. These services can be delivered without the need for additional resources

10.4 The Departmental savings of £4.179m consist of a combination of:

- Budget reductions/increased income/grant regimes of £3.088m; and
- Use of Departmental Reserve of £1.091m.

10.5 The use of Departmental Reserves is designed to provide a longer lead time to make permanent reductions and for planning purposes these permanent saving are built into the 2017/18 base. If these measures are not implemented the budget deficit for 2017/18 detailed in paragraph 9.6 will increase.

10.6 In summary the 2016/17 savings proposals are as follows:

Table 9 - Summary of 2016/16 proposed Savings

	Use of Departmental Reserves	Budget Reductions/ Increased income/ Grant regimes	Budget reductions Increased income/ Grant regimes as a percentage of 2015/16 budget
	£'000	£'000	
Chief Executive's Department (1)	0	235	5.6%
Child and Adult Service Department	934	1,750	3.7%
Regeneration and Neighbourhoods Department	157	1,024	5.0%
Public Health (General Fund budgets)	0	79	7.3%
<b>Total</b>	<b>1,091</b>	<b>3,088</b>	<b>4.2%</b>

1. The Chief Executive's Department will also need to manage the impact of the forecast 2016/17 Housing Benefit Administration Grant, currently anticipated to be £54,000. Members have previously approved the allocation of the FERIS (Fraud and Error Reduction Incentive Scheme) grant to mitigate this grant cut.

#### **10.7 Total use of one off funding to support the 2016/17 Budget**

10.8 As part of the development of a multi-year MTFS Members have previously approved the establishment of a Budget Support Fund to support the budget over a number of years. Proposals for using additional one-off resources to address specific issues and to provide a longer lead time to enable these issues to be managed are detailed in previous paragraphs. The phased withdrawal of these resources is reflected in the MTFS forecasts detailed

earlier in the report and by 2018/19 there will be no reliance on this one-off funding.

- 10.9 After reflecting these issues the Council will be using one-off resources of £4.356m to support the 2016/17 budget, which has reduced the budget cuts required and protected services for 12 months. This is not sustainable and more significant budget cuts will be required in 2017/18 and 2018/19 as a result of continuing cuts in Government grants. The use of one-off resources in 2016/17 is summarised below:

Table 10 - Summary of one-off resources allocated to support the 2016/17 budget

	£'000
Budget Support Fund	2,708
Protection Costs Reserve/Living Wage Reserve	557
Departmental Reserves	1,091
<b>Total One-off Resources use to support 2016/17 budget</b>	<b>4,356</b>

#### 10.10 Summary of strategy to address 2016/17 forecast budget deficit

- 10.11 After reflecting the factors detailed in the previous paragraphs the gross budget deficit arising from the further forecast significant cut in Government grant can be bridged from a combination of factors as summarised below. The table shows that only 37% £3.088m of the gross budget deficit will be bridged from cuts to departmental budgets. This position reflects the use of one off resources, forecast growth in income arising from house building and the achievement of corporate savings. It also underlines the significant benefits from continuing to adopt a multi-year approach to managing the Council's resources:

Table 11 - Summary of 2016/17 Savings and Resources to bridge gross forecast budget deficit of £9.417m

	£'000	Percentage of £9.417m
Use of Budget Support Fund	2,708	29%
Housing Growth and Council Tax increase	1,273	13%
Use of Departmental Reserves	1,091	12%
Corporate Savings (ICT and interest savings, plus reduction in April 2016 pay award provision)	700	7%
Use of Protection Costs Reserve/Living Wage Reserve	557	6%
<b>Sub Total</b>	<b>6,329</b>	<b>67%</b>
Departmental Budget cuts	3,088	33%
<b>Total</b>	<b>9,417</b>	<b>100%</b>

## 10.12 **Risk Assessment of recommended 2015/16 savings**

- 10.13 **Corporate savings** - There is no risk in relation to the Corporate ICT saving as work has been completed to confirm the saving is achievable. Similarly the additional saving in interest rates is considered to be low risk owing to the outlook in relation to interest rates.
- 10.14 **Departmental savings** – The detailed savings reports include a risk assessment section detailing financial and non financial risks of achieving the proposed savings. Implementation of individual savings will be managed carefully during 2016/17 to ensure these savings are implemented. In addition, the progress in achieving permanent savings/income to replace the use of department reserves in 2016/17 will also be managed carefully to ensure these are achieved before the start of 2017/18, or there is sufficient time to develop an alternative strategy if planned reductions cannot be achieved.

## 11. **CAPITAL PROGRAMME 2016/17 to 2018/19**

- 11.1 There are two elements to the capital programme, namely schemes funded from specific Government capital allocations and locally funded schemes.
- 11.2 **Schemes funded from Specific Government capital allocations** – details of specific capital allocations had not been issued when this report was issued. Indicative figures are included in Appendix D. In line with the procedures adopted in previous years it is recommended that when these ring fenced allocations are known that the detailed proposals for using these resources are reported to the relevant Policy Committee for approval.
- 11.3 **Locally Funded schemes** – these schemes contribute to the continued development and/or well being of the town and include self funding business cases for specific projects which will be funded using Prudential Borrowing. Details of individual proposal are provided in the following paragraphs.
- 11.4 **Schemes funded from the Council Capital Fund** – in previous years the Council supported capital expenditure of £600,000 using Prudential Borrowing. Owing to the continued impact of Government grant cuts this approach is not sustainable as the resulting loan repayment costs would increase the budget deficit and therefore the cuts required to balance the budget.

However, as detailed in the separate Capital Receipts report, a review of progress in achieving the existing capital receipts target of £6.5m has been completed and this indicates the target will be achieved early in 2016/17, if planned land sales are achieved.

In addition, work has been completed to recommend a new capital receipts target for 2016/17 to 2018/19. Based on experience of achieving the previous target, which has taken longer to achieve than initially forecast owing to challenging market conditions, achieving further capital receipts will also be challenging and require careful management. It also needs to be

recognised that existing deliverable planning approvals have already been granted for 2,668 houses on privately owned land. In addition to permissions already granted there are a substantial number of housing planning applications that are under consideration that may further impact on the future demand for residential land if approved due to saturation of the market and this dynamic will be critical in the achievement of ongoing capital receipts.

Therefore, against this background it is recommended that a capital receipts target of £1m is set for 2016/17. In the event that these capital receipts are delayed the temporary shortfall will be funded from temporary Prudential Borrowing. Based on the planned sales for 2016/17 this is a low risk.

It is recommended that the 2016/17 resources are allocating to fund the following priorities:

- £0.6m for Council Capital Fund Priorities – detailed proposals for allocating these resources will be reported to a future Finance and Policy Committee for consideration and approval;
- £0.4m for other Council priorities, which may include match funding capital grants and/or other external funding opportunities, or potential development of Community Hub facilities – detailed proposals will be reported to a future Finance and Policy Committee for consideration and approval;

- 11.5 **Housing Investment** – a comprehensive report on the Housing investments completed to date and potential future developments will be submitted to a future meeting. Preparation of the report has been delayed pending clarification from the Department for Communities and Local Government (DCLG) of the potential requirements in relation to the Housing Revenue Account (HRA) and Government approvals required for further housing investment funded from Prudential Borrowing.

On 6<sup>th</sup> August 2015 full Council approved the business case for the purchase of 14 bungalows on the former Raby Road Corridor/Perth Street site. The business case noted that after reflecting a successful grant bid to the Homes and Communities Agency and the application of section 106 monies that Prudential Borrowing of £735,000 would be used for this project. The Prudential Borrowing equates to 58% of the overall project cost (i.e. £58,500 per property).

The report to Council advised Members that the scheme could not proceed until the DCLG provided the necessary approvals in relation to the Housing Revenue Account. Officers have been pursuing this issue with DCLG officials for several months and on 4<sup>th</sup> November DCLG confirmed that the Council can reopen the Housing Revenue Account. However, DCLG have not yet provided the necessary detailed approvals and it is not yet clear when this information will be provided, although these details are anticipated to be received before the end of the financial year.

Whilst, the DCLG notification is helpful a further delay to this scheme is unhelpful as the Council needs to commit to this development. Therefore, in order to progress this scheme a fall back funding strategy is needed and it is recommended that the planned Prudential Borrowing of £735,000 is replaced with a temporary loan from the existing Major Repairs Reserves. The fall back will only be used if DCLG do not provide the necessary detailed approval by the end of the current financial year.

A further report will be prepared once DCLG have provided the detailed approvals. The report will also consider a strategy for using income received from Housing Hartlepool in 2015/16 from the sale of former Council houses, currently forecast to be £118,000.

- 11.6 **Operational Equipment replacement** - these schemes will be funded from Prudential Borrowing and the loan repayment costs repaid from existing revenue budgets, including Trading Accounts, or in the case of vehicles potentially required to bring the recycling service in-house will only be purchased once the detailed Business Case has been considered by the Neighbourhood Services Committee. The recycling service Business Case also identifies works which will be necessary to accommodate changes to the kerbside dry recycling service at the Burn Road Transfer Station which comprises of the following:

- Remove the now-defunct elevated platform and reinstate the ground;
- Erect a suitable building/canopy for dry recyclable material and wastes diverted from the Energy from Waste (EfW) plant;

The works will provide a purpose made holding facility to enable the Council to deposit waste materials at the site where they are sorted prior to being transferred to external authorised treatment facilities. The estimated cost is £250,000 and this will be funded by Prudential Borrowing and the annual repayment costs of £15,000 will be funded from savings generated in the Waste Disposal Budget. These schemes are detailed in Appendix D.

## 12. PUBLIC HEALTH FUNDING

- 12.1 A detailed report on Public Health Funding was presented to the Committee on 28<sup>th</sup> August 2015 and is attached as Appendix E. The report advised Members that the Chancellor announced a recurring cut in the ring fenced public health grant of £200 million – a 7.4% cut.
- 12.2 For planning purposes the report outlined proposals for managing a cut of 7.4% in the Public Health grant allocated to the Council, which is a reduction of £640,000. This cut has now been confirmed by the Government.
- 12.3 When the August report was considered Members requested information on a number of issues as detailed below:
- Information on alternative models and their impact on the provision of Stay Safe Stay Warm Fire Service Programme and Smoking Services Prevention Programme



The Stay Safe Stay Warm Programme provided by Cleveland Fire Service, responds to crisis situations and purchase the necessary equipment and materials, to ensure those most in need remain safe and warm during the winter months. It is proposed to reduce this budget from £25,000 to £10,000. In regard to the impact of this reduction on the provision of the programme, it is anticipated that the impact will be limited. This view is based on the fire service exploring ways in which they can support health and well being through their mainstream activities, therefore the proposed funding level in 16/17 funding could well be sufficient to continue to deliver the programme.

The Smoking Services Prevention Programme has a current budget of £20,000 to carry out insight work to inform smoking interventions for young people and for an annual programme of theatre in education for year 7 pupils. The insight work is now complete therefore no impact will be felt on the loss of this budget for that element. A Theatre in Education Company has been commissioned by Public Health to deliver performances and workshops to Year 7 pupils in all secondary schools in Hartlepool for the past 5 years. This has always been well received in all schools and evaluates well and there may be an opportunity for schools to commission this programme directly. The cost of this for all 5 secondary schools is under £10,000 and so it would be a small contribution required from individual schools. In addition, the new service specification for Children and Young People's Health and Wellbeing Service requires school nurses to raise the issue of smoking and offer help and support to those wishing to quit. In addition, a number of youth workers have now been trained to raise the issue and deliver advice and support regarding quitting in the youth setting. The role of the Specialist Stop Smoking Service in this is to provide training, mentoring, shadowing and general guidance on the issue of smoking cessation and this will continue.

- Referral of the proposal in relation to the Taxi Marshalling service to the Safer Hartlepool Partnership in order to determine if Partner organizations could contribute to the scheme.

A paper is to be presented to the Safer Hartlepool Partnership on 20<sup>th</sup> November requesting Responsible Authorities, including the NHS and police, contribute to sustaining this scheme from 16/17 onwards.

- 12.4 The August report reminded Members that these reductions are anticipated to be in addition to 'pace of change' reductions, which could increase the total recurring funding cut to £1.5m. Further details will be reported as soon as they are available and at the time this report was prepared the Director of Public Health was preparing a response to consultation proposals issued by the Advisory Committee on Resource Allocation (ACRA).

### **13. ROBUSTNESS OF BUDGET FORECASTS – CHIEF FINANCE OFFICER'S PROFESSIONAL ADVICE**

- 13.1 As indicated in previous years the Local Government Act 2003 introduced a statutory requirement on an Authority's Chief Finance Officer (CFO) to advise Members on the robustness of the budget forecasts and the adequacy of the proposed level of reserves. If Members ignore this advice, the Act requires the Authority to record this position. This later provision is designed to recognise the statutory responsibilities of the CFO and in practice is not a situation I would expect to arise for this Authority.
- 13.2 In response to the continuing financial challenges facing councils CIPFA (Chartered Institute of Public Finance and Accountancy) issued guidance reminding Chief Finance Officers and their authorities of the statutory responsibilities when setting budgets. This advice reinforces statutory requirements and provides practical guidance to help Chief Finance Officers discharge their responsibilities.
- 13.3 The Chief Finance Officer can advise Members that in his professional opinion the budget proposals for 2016/17 are robust and this advice is based on the following factors being in place:
- The overall strategic approach being adopted to develop and implement a robust multi-year approach to managing the Council's financial position. This includes the approach to achieving in-year managed budget under spends in the current year and the review of reserves to identify resources to fund additional one-off expenditure commitments over the next few years. It also includes the approach to assessing financial risks, the earmarking of reserves to manage these risks and the annual review of reserves and risks as summarised earlier in the report and considered in detail at the Finance and Policy Committee on 16<sup>th</sup> October 2015. This approach provides a sound financial basis for managing ongoing annual grant cuts and will help avoid even higher budget cuts in future years when one-off unavoidable expenditure commitments need to be funded;
  - The assumption that Members will approve the proposals for bridging the 2016/17 budget deficit detailed in the report. The proposed savings are the key issue affecting the robustness of the proposed budget. If Members do not approve these proposals the budget forecasts will not be robust as overall expenditure will inevitably exceed available resources;
  - The assessment by the Corporate Management Team of the achievability and sustainability of proposed budget reductions for 2016/17. The assessment of the proposed savings reflects the process adopted for identifying, managing and implementing these measures. This includes action taken in the current year to implement proposals early to ensure a full year saving is achieved in 2016/17. It also reflects a risk assessment of proposed savings based on an assessment of the level of pay, non-pay savings and increased income savings. In relation to the level of pay savings achieved for 2016/17 this reflects management action taken to hold posts vacant where possible to avoid the need for compulsory

redundancies as part of the 2016/17 budget process. This action is not sustainable over the period of the MTFS and it will not be possible to avoid compulsory redundancies in future years;

- The detailed work undertaken by individual Directors (and their senior managers) in conjunction with my staff regarding the preparation of detailed budget forecasts, including income forecasts;
- Prudent provision for the cost of living pay award impacting in 2016/17 and the costs of implementing both the Hartlepool Living Wage and the National Living wage;
- Budget provision for additional Employers National Insurance costs from 1<sup>st</sup> April 2016 arising from changes being implemented by the Government;
- A prudent provision for inflation on non pay budgets and income budgets during 2016/2017;
- A prudent view of the net costs of the Authority's overall cash flow, including the repayment of Prudential Borrowing;
- An assessment of financial risks and the measure to mitigate these risks as detailed in Appendix F;
- An assessment of the key financial assumptions underpinning the 2016/17 budget as detailed in Appendix G;
- An assessment of the impact of using Departmental Reserves to help manage the 2016/17 budget deficit and the arrangements for managing progress during 2016/17 to identify permanent savings to replace this one-off funding from 2017/18.

- 13.4 Previous reports identified a number of significant financial risks over the period of the MTFS and indicated that there may need to be flexibility around the timing of funding for individual risks. These risks remain and strategies adopted for managing these issues also underpin the Chief Finance Officers advice on the robustness of the budget. These issues cover the following:

**i) Redundancy and Early Retirement costs**

This risk reflects the scale of the budget deficits over the MTFS period and the impact these cuts will have on staffing levels. For the 2016/17 these costs will relate to voluntary redundancies as management action is currently anticipated to avoid compulsory redundancies for 2016/17. However, this is not sustainable and given the scale of budget cuts which will be required over the period of the MTFS there will be significant redundancy and early retirement costs in future years. Therefore, the existing provision for redundancy and early retirement costs is still the level recommended by the Chief Finance Officer and the Corporate Management Team.

**ii) Existing Capital Receipts target of £6.5m (includes £2m for Brierton Developments)**

This risk has reduced significantly during 2015/16 owing to the completion of land sales. It is anticipated that the existing capital receipts target should be achieved early in 2016/17 provided planned land sales are completed.

**iii) New Capital Receipts target of £1m for 2016/17**

The report outlines proposal for achieving additional capital receipts over the period of the MTFS. Owing to the uncertainty and timing of achieving these additional forecast receipts a prudent approach has been recommended in setting a new target for 2016/17 of £1m. Provided planned land sales are completed this is a low risk. In the event that planned land sales are delayed until 2017/18 temporary Prudential Borrowing will need to be used to temporary fund 2016/17 capital expenditure.

**iv) Jacksons Landing Development**

Resources have previously been earmarked to cash back 80% of the interest free loan as part of the previous MTFS and 2014/15 final outturn strategy. These resources will provide protect the Council's financial position if a longer timeframe is needed to secure the development/sale of this site than provided by the current interest free loan, which is repayable in October 2017.

**v) Business Rate Retention Risks**

As outlined in previous MTFS report the main financial risk related to the outcome of the Power Station Rateable Value appeal. As outlined earlier in the report this risk has now materialised and a 48% reduction in the Rateable Value has been approved by the Valuation Office Agency. The scale of this reduction is unprecedented and exceeds the amount forecast. A strategy for managing this issue is detailed earlier in the report.

Potential risks remain in relation to unplanned outages at the Power Station, which may result in temporary rateable value reductions. As the existing Risk Reserve is fully committed to help manage the permanent Rateable Value reduction this position will need to be closely monitored on an ongoing basis.

Potential risks also remain in relation to business closures and these will also be monitored closely on an ongoing basis.

**vi) Looked After Children costs and Social Work capacity**

As part of the Director of Child and Adult Services multi-year approach to managing service demands in this area the existing risk reserve will be allocated to support a higher level of expenditure in 2016/17 than can be supported from the 2016/17 base budget. This strategy provides a longer lead time to achieve service transformation and reduce costs. The

achievement of this strategy will need to be reviewed as part of the 2017/18 budget process to ensure the necessary permanent cost savings will be achieved.

- 13.5 In addition to the above issues there is a new risk in relation to the recycling service as a result of market conditions affecting all Authorities arising from a significant reduction in demand for recyclable material which is driven by lower oil prices and continued weak growth in the global economy. A range of options are being explored in relation to the recycling services and a full business case will be reported to the Neighbourhood Services Committee next month. Whichever option is adopted the Council will face increased financial risks and the current options appraisal is designed to minimise this risk. The work completed to date indicates that the options appraisal is likely to recommend bringing the service in-house. In 2016/17 it is currently anticipated that this risk can be managed within the overall Departmental budget. However, for 2017/18 a budget pressure may be required and this will be considered as part of the 2017/18 budget process.

#### **14. CONSULTATION FEEDBACK**

- 14.1 Budget consultation/engagement meetings have involved the following organisations and further information is provided in the Appendices as indicated below:

- Trade Unions budget consultation meeting - H
- Business Sector budget consultation meeting - Appendix H
- Neighbourhood Forum budget consultation meeting – Appendix H
- Youth Parliament – considered the overall budget and detailed savings proposals over a number of meetings and met with Policy Chairs on 9<sup>th</sup> November 2015 to discuss the budget. Details of feedback from this meeting will be reported verbally to the Committee meeting.

#### **15. EQUALITY IMPACT ASSESSMENTS**

- 15.1 Members are aware from previous MTFS reports that in making financial decisions the Council is required to demonstrate that those decisions are made in a fair, transparent and accountable way, considering the needs and the rights of different members of the community. This is achieved through assessing the impact that changes to policies, procedures and practices could have on different equality groups. The Equality & Human Rights Commission has published a guide for decisions-makers which has been used by Officers assessing the impact of individual savings proposals.
- 15.2 Equality Impact Assessments (EIA) have therefore been undertaken where required and are included as part of the proposal reports to Committee's (appendices C1–C6) to enable Members to satisfy themselves that they are able to consider fully the potential impact of the proposed changes when making their decisions. Each EIA has identified whether:

- there is no major change to the service if the proposal is implemented;
- adjustments or changes should be made to the proposal;
- the proposal should continue even though there may be an impact, or;
- the proposal should be stopped or removed.

- 15.3 An overall central assessment has been undertaken to determine the cumulative impact of the savings proposals on each individual “protected characteristic”. It is understood that the savings proposals do not have an overall potential impact on any one area and there is no requirement to arrange further corporate consultation in relation the budget proposals.

## 16. **CONSIDERATIONS / IMPLICATIONS**

Financial Considerations and Risk Implications	Covered in detail in the previous paragraphs of this report
Legal Considerations	None
Child and Family Poverty Considerations	None
Equality and Diversity Considerations	Detailed in paragraph 15
Staff Considerations	Detailed in paragraph 10.3
Asset Management Considerations	None

## 17. **CONCLUSIONS**

### 17.1 **Business Rates Issues and Power Station Rateable Value Reduction**

- 17.2 As well as managing significant cuts in Government funding the Council has also had to manage increased financial risks as a result of the Government implementing the Business Rates Retention system and transferring responsibility for Council Tax support to Councils. These changes have had a disproportionate impact on Hartlepool.

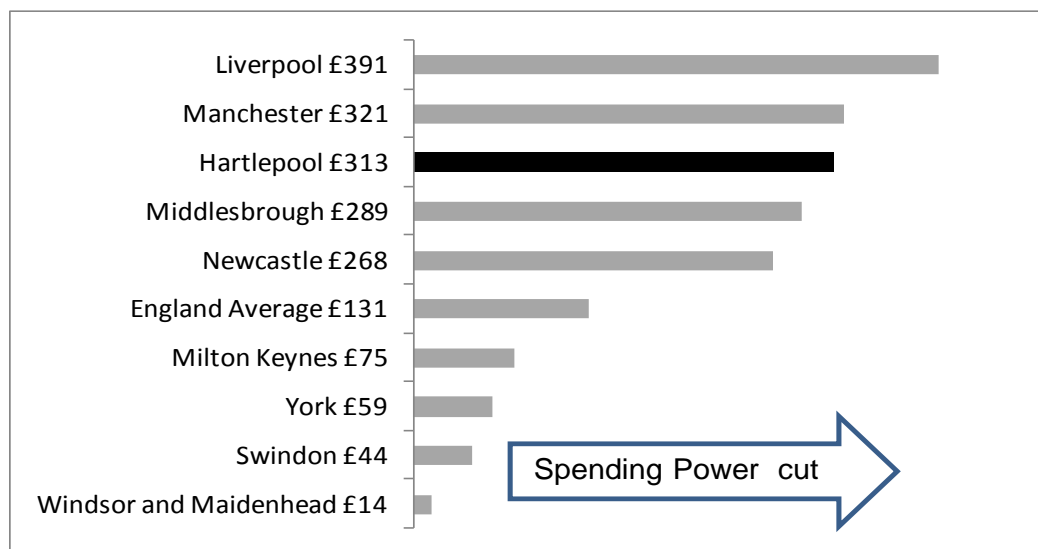
- 17.3 In particular, the Business Rates Retention system changes have had a significant detrimental impact on the Council’s financial position and results from factors outside the Council’s control, namely:-

- the time taken to address an outstanding Rateable Value appeal submitted by the Power Station against the Rateable Value set from 1<sup>st</sup> April 2010;
- the Government’s decision to implement the Business Retention System from 1<sup>st</sup> April 2013 before appeals against the 1<sup>st</sup> April 2010 Ratable Values had been resolved; and

- the implementation of inadequate ‘safety net’ arrangements to support Councils suffering a significant ongoing reduction in Business Rates from a reduction in Business Rates income from a single business.
- 17.4 In May 2015 the Valuation Office Agency (VOA) approved a reduction of 48% in the Rateable Value of the Power Station which had applied since 1<sup>st</sup> April 2010 and which had previously been set by the VOA. As a result of this decision the Council faces an ongoing annual loss of Business Rates income of **£3.9m**, which equates to 25% of total Business Rates income for the town. The Council will not receive any financial support from the Government to manage the ongoing income reduction. Therefore, the Council has to fund this income loss from its own resources.
- 17.5 Whilst, the recommended strategy for managing this income loss avoids even greater cuts in services, it commits significant Council resources over the period 2015/16 to 2018/19, namely:
- £6.505m of one-off resources – which have been earmarked over a number of years to manage this risk; and
  - £1.523m of ongoing resources – arising from housing and business growth.
- 17.6 In summary over the period 2015/16 to 2018/19 the Council will need to commit one-off resources and ongoing resources of £11.074m to offset the impact of the Power Station Rateable Value reduction to avoid increasing the forecast budget deficits.
- 17.7 Whilst, the recommended strategy avoids increasing the budget deficits for the next three years, this is not a permanent solution and the Council will need to address a net income shortfall in 2018/19 of £0.459m, which can hopefully be funded from the 2015/16 outturn if the under spend is not needed to offset a higher actual grant cut than forecast. If this is not possible the 2018/19 budget deficit will increase by this amount. The Council will then need to address an ongoing net income reduction of £1.5m in 2019/20.
- 17.8 **Public Health Funding**
- 17.9 In addition, to managing significant additional cuts in Government funding for core services over the next three year, the report highlights the Government’s proposals to cut Public Health funding by 7.4% in the current year and potential additional cuts in future years. These cuts will also have a disproportionate impact on Hartlepool owing to existing health in-equalities.
- 17.10 **General Fund Budget**
- 17.11 Local Authorities suffered some of the highest funding cuts in the Public Sector over the 5 years up to 2015/16. These cuts had a disproportionate impact on those Authorities which were most reliant on Government grant and have less ability to fund services from Business Rates and Council Tax.

Consequently Councils in the North East and other deprived areas suffered the highest Spending Power cuts per resident as highlighted in the following graph.

Spending Power Cuts for last five years (2011/12 to 2015/16)



- 17.12 The Council has successfully managed the cuts in Government funding over the last 5 years through a combination of measures. This included a range of initiatives which cannot be repeated, including reducing management tiers/departmental restructuring, re-letting the ICT contract at a significantly reduced costs and interest savings. This approach has mitigated the impact on front line services and minimised the visible impact on services provided to the public. This position is not sustainable.
- 17.13 The Government has indicated that austerity will continue for the rest of this Parliament and in the summer Government departments were 'invited' to submit proposals for implementing cuts of either 25% to 40% over the next 4 years. Government plans will be outlined in more detail in the Spending Review announcement on 25<sup>th</sup> November 2015.
- 17.14 Details of the Local Government Finance Settlement are not expected to be issued by the Government until late December 2015, which makes financial planning extremely challenging. The proposals in this report are therefore based on a forecast Government grant cut for 2016/17 of 10%. In the event that the actual grant cut for 2016/17 is higher than 10% it is recommended that additional one-off resources, arising from the 2015/16 outturn and reserves review, are allocated to support the 2016/17 budget. This strategy will not provide a permanent solution and is designed to provide a longer timescale to develop and then consult upon additional permanent savings proposals.
- 17.15 On the basis of forecast grant cuts and budget pressures the Council faces a gross budget deficit of £24.811m for 2016/17 to 2018/19. It is anticipated that this can be reduced to £14.192m from a combination forecast housing



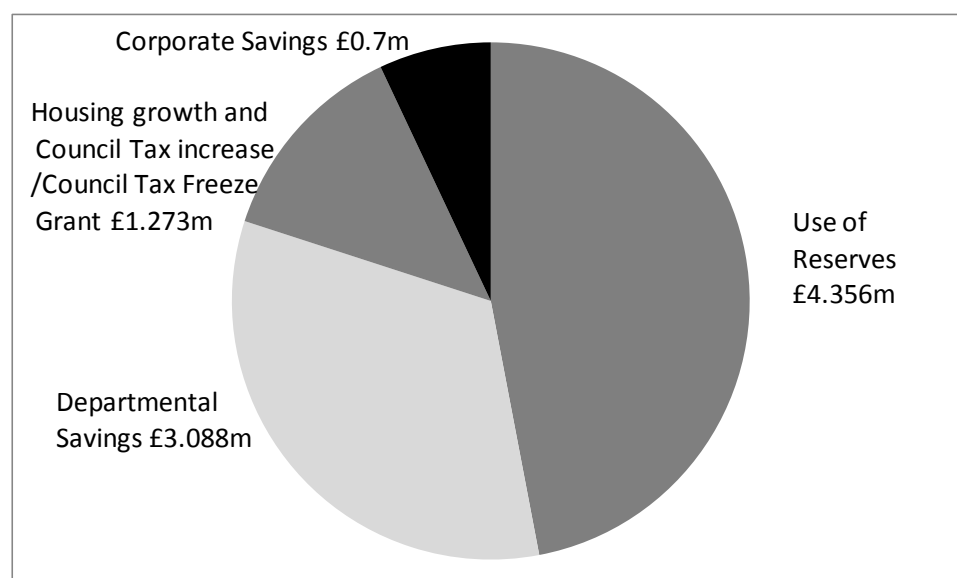
growth, annual Council Tax increase/receipt of Council Tax freeze grant and use of the Budget Support Fund, as summarised below:

	Forecast 2016/17 to 2018/19 £'m
Gross Forecast Deficit	24.811
Less Forecast Permanent Corporate Savings and income increases (including anticipated Council Tax base increases and additional New Homes Bonus)	(6.118)
Less Use of Budget Support Fund	(4.501)
Net Forecast Deficit	14.192

(A detailed breakdown is provided in Table 8, paragraph 9.6)

- 17.16 In relation to the forecast 2016/17 budget the Council faces a gross budget deficit of £9.417m (inclusive of budget pressures). The impact on services has been mitigated from a combination of housing growth, forecast Council Tax increase/receipt of Council Tax freeze grant, corporate savings and use of reserves (i.e. use of Budget Support Fund and Departmental Reserves). Without these measures Members would have faced even more difficult decisions in relation to services. However, as a result of these measures budget reductions have been limited to £3.088m, which equates to only 33% of the gross deficit, as summarised in the following graph:

Summary of 2016/17 Savings and Resources to bridge gross forecast budget deficit of £9.417m



(A detailed breakdown is provided in Table 11, paragraph 10.12)

- 17.17 It is currently anticipated that the strategy for managing the 2016/17 forecast budget deficit should avoid the need for any compulsory redundancies. This

reflects action taken by CMT to manage staffing reductions included in the 2016/17 savings proposals by managing vacant posts and approving 33 applications for voluntary redundancy/retirement.

- 17.18 The report concentrates on the forecast financial position for 2016/17 to 2018/19 and the Councils faces significant deficits in these years. As summarised in the following table the overall deficit for the three years up to 2018/19 has increased slightly. The increase largely reflects the net impact of forecast increases in the National Living Wage, reductions in forecast pay growth resulting from the Government's Public Sector pay cap of 1%, increased Council Tax income arising from forecast housing growth and annual Council Tax increases.

Forecast Net Budget Deficits 2016/17 to 2018/19  
(based on forecast Government Grant cuts)

	Reported 29.06.15 £'m	Latest Forecast £'m
2016/17	4.135	4.179
2017/18	4.954	5.223
2018/19	4.908	4.790
	13.997	14.192

- 17.19 Addressing the budget deficits in 2017/18 and 2018/19 will be challenging and proposals for addressing these deficits will be reported to a future meeting for Members consideration. There is a potential risk that the deficit in 2017/18 may increase by £1.091m if savings proposals to replace the use of Departmental Reserves in 2016/17 are not implemented. Progress in achieving these budget reductions will be monitored closely during 2016/17.
- 17.20 The Council will continue to face budget deficits beyond 2018/19 owing to the following factors:
- The continuation of Government grant cuts until at least 2019/20 – this will mean there have been 9 consecutive years of funding cuts, which is unprecedented;
  - The additional impact of further phased increases in the National Living Wage in April 2019 and April 2020. Despite this legislative change increasing Local Authority costs, whilst reducing Government Tax Credit expenditure, Councils will not be provided with 'new burdens' funding by the Government to address this cost pressure;
  - The ongoing impact of the Power Station Rateable Value reduction will result in a net forecast income reduction of £1.550m in 2019/20; and
  - Potential financial risks arising from the Government proposal to localise 100% of Business Rates by 2020.

- 17.21 Future reports will update Members on the impact of these issues when more information is available. In the meantime, the longer term outlook underlines the importance of continuing to adopt a multi-year approach to managing the Council's resources and implementation of measures to address the forecast budget deficit on a sustainable basis by 2018/19, including the importance of achieving forecast housing growth.
- 17.22 On a more positive note the MTFS proposals include the introduction of a Hartlepool Living Wage of £7.88 with effect from 1<sup>st</sup> December 2015.

## **18. RECOMMENDATIONS**

- 18.1 It is recommended that Members consider and approve the following detailed recommendations for submission to Council:
- 18.2 Implementation of Hartlepool Living Wage and National Living Wage**
- 18.3 Approve the implementation of a Hartlepool Living Wage of £7.88 from 1st December 2015. Note that payment in December 2015 will be subject to Council approving this proposal on 10th December 2015 as part of the 2016/17 MTFS proposals.
- 18.4 Approve the proposal that the Hartlepool Living Wage of £7.88 be increased on an annual basis, commencing from 1st April 2016, in line with the cost of living pay award for Local Authority employees until such time as this is less than the National Living Wage, as which stage the National Living Wage will apply.
- 18.5 Approve the funding strategy for implementing the Hartlepool Living Wage as detailed in Appendix A.
- 18.6 Note the forecast additional budget pressures in 2017/18 and 2018/19 have been included in the MTFS and to note that these forecasts will need to be updated on an annual basis to reflect actual Local Government cost of living pay awards and actual National Living Wage levels.
- 18.7 Strategy for Managing Power Station Rateable Value Reduction**
- 18.8 Note that the Valuation Office Agency has reduced the Rateable Value of the Power Station by 48% and as a result there is a permanent reduction in the Council's share of Business Rates income of £3.790m.
- 18.9 Approve the allocation of permanent income from Business Rates growth, an increased Council Tax Base and Enterprise Zone Business Rates income, total value of £1.523m (as detailed in table 4, paragraph 5.24), to partly offset the gross Business Rates income and reduce the net 2016/17 shortfall to £2.267m (i.e. £3.790m less £1.523m).
- 18.10 Approve the allocation of the Power Station Risk Reserve, inclusive of additional contributions in 2015/16 and 2016/17, to fund the net 2016/17

Power Station income reduction and reductions over the period 2015/16 to 2018/19 as detailed in table 6, paragraph 5.29.

- 18.11 Note that recommendations 17.9 and 17.10 avoid increasing the budget deficits for 2015/16 to 2017/18 and this is only possible as a result of beginning to plan for this situation in 2012/13. To also note that in 2018/19 there is a net forecast shortfall of £0.459m which it is hoped can be funded from the 2015/16 outturn if the under spend is not needed to offset a higher actual grant cut than forecast. If this is not possible the 2018/19 budget deficit will increase by this amount.
- 18.12 Note that recommendations 17.9 and 17.10 do not provide a permanent solution to fully address the permanent reduction in the Power Station Rateable Value of £3.790m and there will be a forecast net income shortfall in 2019/20 of £1.5m;
- 18.13 Note the action taken by Officers to encourage the Valuation Office Agency and Power Station to reach agreement on the temporary Rateable Value reduction for 2014 outage before the end of the current financial year to avoid the income loss, potentially up to £1m, falling on the Council in 2016/17.

#### **18.14 Reserves Review and General Fund 2015/16 Forecast Outturn**

- 18.15 Approve the allocation of £0.5m from the Reserves Review to establish a Child and Family Poverty Reserve and delegate authority to the Finance and Policy Committee to develop and approve a strategy for using these resources.
- 18.16 Approve the allocation of the following forecast amounts to manage the potential impact of a higher actual 2016/17 grant cut than forecast:

	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
<b>Total Forecast Uncommitted Resources</b>	<b>1,058</b>	<b>1,278</b>

- 18.17 To note that if the above resources are not needed to offset a higher actual 2016/17 grant cut than forecast a further report will be submitted to enable an alternative strategy for using these resources to be developed, which may include allocating uncommitted funding to either:

- Increase cash backing for the Jackson's Landing Interest free loan from 80% of the loan value;
- To support the General Fund budget in 2017/18 and future years;

- To support the Local Council Tax Support scheme in 2017/18; or
- To fund one-off costs of reshaping the Council, which may require one-off funding to achieve ongoing savings.

**18.18 Local Council Tax Support Scheme 2014/15 Forecast Outturn.**

18.19 Note the detailed Local Council Tax Support (LCTS) scheme report to be referred to Council on 10<sup>th</sup> December 2015 will recommend that a 12% LCTS scheme is retained for 2016/17.

**18.20 2016/17 to 2018/19 General Fund Budget**

18.21 Note that on the basis of forecast annual Government grant cuts the Council faces a gross budget deficit for 2016/17 to 2017/18 of £24.811m.

18.22 Note that after reflecting the proposals detailed in table 8, paragraph 9.6, which includes forecast housing growth and the use of the Budget Support Fund, the gross deficit of £24.811m should reduce to £14.192m and will result in the following annual forecast deficits:

- 2016/17 £4.179m
- 2017/18 £5.223m
- 2018/19 £4.790m

18.23 Approve the phased use of the Budget Support Fund as follows and to note that this phasing is reflects in the forecasts net annual deficits detailed in recommendation 17.22:

- 2016/17 £2.708m
- 2017/18 £1.232m
- 2018/19 £0.004m

18.24 Approve the use of Departmental Reserves of £1.091m and implementation of Budget Reductions/increased income/grant regimes of £3.088m to address the 2016/17 net budget deficit of £4.179m as summarised below and detailed in Appendix C1 to C6.

	Use of Departmental Reserves	Budget Reductions/ Increased income/ Grant regimes	Budget reductions Increased income/ Grant regimes as a percentage of 2015/16 budget
	£'000	£'000	
Chief Executive's Department (1)	0	235	5.6%
Child and Adult Service Department	934	1,750	3.7%
Regeneration and Neighbourhoods Department	157	1,024	5.0%
Public Health (General Fund budgets)	0	79	7.3%
<b>Total</b>	<b>1,091</b>	<b>3,088</b>	<b>4.2%</b>

**18.25** Note the financial risks regarding the actual cuts in Government funding for the next 3 years and note that an update will be reported to a future meeting after the 2016/17 Local Government Finance Settlement is issued by the Government.

**18.26** Note that a decision on the 2016/17 Council Tax level and indicative levels for 2017/18 and 2018/19 will be considered at a future meeting once the Government has issued the 2016/17 Council Tax referendum threshold and determined whether the Council Tax freeze grant regime will continue.

#### **18.27 Capital Programme 2016/17**

**18.28** Note that details of specific Government Capital Allocations for the Local Transport Plan, Education and Personal Social Services had not be issued by the Government when this report was prepared and detailed proposals for using these ring fenced capital resources will be reported to the relevant Policy Committee for approval once details have been received.

**18.29** Approve the use Prudential Borrowing for the replacement of Operational Equipment as detailed in Appendix D and note the annual repayment costs are already included within existing operational and trading accounts budgets, or in the case of vehicles required to bring the recycling service in-house will only be purchased subject to approval of the detailed Business Case by the Neighbourhood Services Committee.

**18.30** Approve, subject to the approval of the detailed Business Case, the use of Prudential Borrowing of £250,000 to complete works necessary to provide Waste Transfer Station Recycling capacity to enable the recycling service in-house and to note the annual repayment costs of £15,000 will be funded from savings generated in the Waste Disposal Budget.

**18.31** Approve a new capital receipts target for 2016/17 of £1m and the allocation of these resources to fund the following priorities:-

- £0.6m for Council Capital Fund Priorities – detailed proposals for allocating these resources will be reported to a future Finance and Policy Committee for consideration and approval;
- £0.4m for other Council priorities, which may include match funding capital grants and/or other external funding opportunities, or potential development of Community Hub facilities – detailed proposals will be reported to a future Finance and Policy Committee for consideration and approval;

**18.32** Note that DCLG have confirmed the Council can reopen the HRA, but have not yet provided the necessary detailed approvals. Therefore, in order to progress the scheme approved by Council on 6<sup>th</sup> August to purchase 14 bungalows on the former Raby Road/Perth Street development, it is recommended that the planned Prudential Borrowing of £735,000 (i.e. 58% of the project cost, which equates to £58,500 per property) is replaced with a temporary loan from the existing Major Repairs Reserves. The fall back will only be used if DCLG do not provide the necessary detailed approvals by the year end current financial year.

#### **18.33 Public Health Funding**

**18.34** Approve the savings proposals detailed in Appendix E to address the forecast cut in Public Health funding of £630,000 and to note that if the actual cut is higher a report will be submitted to a future meeting of the Committee.

#### **18.35 Robustness of Budget Forecasts**

**18.36** Note the detailed advice provided by the Chief Finance Officer and Corporate Management Team in section 13.

### **19. REASON FOR RECOMMENDATIONS**

**19.1** To enable the Finance and Policy Committee to approve the 2016/17 budget proposals to be referred to Council for approval.

## **20. BACKGROUND PAPERS**

Medium Term Financial Strategy 2014/15 to 2016/17 report to Finance and Policy Committee 29<sup>th</sup> June 2015.

Medium Term Financial Strategy Review of Reserves as at 31<sup>st</sup> March 2015 report to Finance and Policy Committee 15<sup>th</sup> September 2014.

## **21. CONTACT OFFICER**

Chris Little

Chief Finance Officer

Tel: 01429 523003

Email: [chris.little@hartlepool.gov.uk](mailto:chris.little@hartlepool.gov.uk)



**FORECAST COSTS AND SAVINGS 2015/16 TO 2020/21**

	Current MTFS Planning Period				Beyond MTFS	
	2015/16 (part year)	2016/17	2017/18	2018/19	2019/20	2020/21
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Forecast Budget Pressures:</b>						
- Removal of Terms and Conditions Savings	200	200	200	200	200	200
- Cost of implementing Hartlepool Living Wage	50	150	150	150	150	150
- Cost of increasing Hartlepool Living Wage to level of National Living Wage (note 1)	0	0	0	0	160	160
- Cost of continuing increase in National Living Wage	0	0	0	0	0	160
- Increased External Contract prices	0	500	1,000	1,500	2,000	2,500
<b>Total Forecast Budget Pressure</b>	<b>250</b>	<b>850</b>	<b>1,350</b>	<b>1,850</b>	<b>2,510</b>	<b>3,170</b>
<b>Forecast Resources</b>						
- Final 2015/16 Revenue Support Grant (note 2)	(93)	(93)	(93)	(93)	(93)	(93)
- Savings from April 2016 pay cap of 1%		(200)	(200)	(200)	(200)	(200)
- Savings from April 2017 pay cap of 1%		0	(600)	(600)	(600)	(600)
- Savings from April 2018 pay cap of 1%		0	0	(600)	(600)	(600)
<b>Total Forecast Budget Savings</b>	<b>(93)</b>	<b>(293)</b>	<b>(893)</b>	<b>(1,493)</b>	<b>(1,493)</b>	<b>(1,493)</b>
<b>Net Forecast Budget Pressure</b>	<b>157</b>	<b>557</b>	<b>457</b>	<b>357</b>	<b>1,017</b>	<b>1,677</b>
<b>Funding of net Budget Pressure</b>						
Commitment against 2015/16 Outturn	(105)					
Use of Living Wage Reserve	(49)					
Reallocation of Protection Costs Reserve (note 3)	(3)	(557)				
Additional Budget cuts 2017/18			(457)	(457)	(457)	(457)
Additional Budget cuts 2019/20					(560)	(560)
Additional Budget cuts 2020/21						(660)
<b>Net Deficit/(temporary one off surplus)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(100)</b>	<b>0</b>	<b>0</b>

**Notes**

1) Based on the planning assumptions detailed in table 1, paragraph 4.11, the Hartlepool Living Wage will exceed the forecast National Living Wage until 1st April 2019. Provision for forecast increases in the Hartlepool Living Wage of 1% from 1st April 2016, 2017 and 2018 are included within overall pay budget.

2) As report to Finance and Policy Committee on 30.01.15 the actual 2015/16 final Grant settlement was £93k higher than forecast and this amount was earmarked to partly fund implementation of the Hartlepool Living Wage.

3) Value of uncommitted Protection Costs Reserves is £560,000, after reflecting allocation of £190,000 for Holiday Pay costs.

**earmarked for specific commitments reserves**

Balance as at 31st March 2014	Reserve	Balance as at 31st March 2015	Planned Use of Reserve						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
			2015/16	2016/17	2017/18	2018/19	Total Planned Use of Reserves	Estimated Balance at 31/03/19				
£'000		£'000	£'000	£'000	£'000	£'000	£'000	£'000		£'000	£'000	
	<b>Reserves Held in Trust</b>											
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	
	<b>Reserves allocated for specific commitments</b>											
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	
	<b>Reserves allocated for Council priorities</b>											
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 localised 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	<b>General Fund Reserve</b>	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	<b>Reserves earmarked for specific commitments</b>	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						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
			2015/16	2016/17	2017/18	2018/19	Total Planned Use of Reserves						
		£'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	<p>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).</p> <p>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.</p>	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		
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 & 25291	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.	

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
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 Hartlepool 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	
	<b>Total Departmental Reserves</b>	<b>10,497</b>	<b>(2,787)</b>	<b>(1,613)</b>	<b>(1,717)</b>	<b>(73)</b>	<b>(6,190)</b>	<b>4,307</b>		<b>205</b>	<b>10,292</b>	

**CHILD AND ADULT SERVICES RESERVES**
**4.4 Appendix B3**

Cost Head	Reserve	Balance as at 31st March 2015	Planned Use of Reserve - £000						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
			2015/16	2016/17	2017/18	2018/19	Total Planned Use of Reserves	Estimated Balance at 31/03/19				
		£'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 assessment 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 assessment 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 assessment 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 assessment and reserve will be reviewed on an annual basis.	0	220	
<b>TOTAL CHILD &amp; ADULT (EXC EDUCATION)</b>		<b>2,888</b>	<b>(432)</b>	<b>(767)</b>	<b>(644)</b>	<b>(435)</b>	<b>(2,278)</b>	<b>610</b>		<b>610</b>	<b>2,778</b>	

**EDUCATION SERVICES RESERVES**

			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	
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	

Cost Centre	Reserve	Balance as at 31st March 2015	Planned Use of Reserve - £000						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
			2015/16	2016/17	2017/18	2018/19	Total Planned Use of Reserves	Estimated Balance at 31/03/19				
		£'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 initial 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.

	<b>TOTAL REGENERATION &amp; NEIGHBOURHOODS</b>	<b>1,638</b>	<b>(286)</b>	<b>(286)</b>	<b>(276)</b>	<b>(218)</b>	<b>(1,066)</b>	<b>572</b>		<b>25</b>	<b>1,613</b>	
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**PUBLIC HEALTH RESERVES**

**4.4 Appendix B6**

Cost Head	Reserve	Balance as at 31st March 2015	Planned Use of Reserve - £000						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
			2015/16	2016/17	2017/18	2018/19	Total Planned Use of Reserves	Estimated Balance at 31/03/19				
		£'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

## 4.4 Appendix B7

Cost Centre	Reserve	Balance as at 31st March 2015	Planned Use of Reserve - £000						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
			2015/16	2016/17	2017/18	2018/19	Total Planned Use of Reserves	Estimated Balance at 31/03/19				
		£'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

28 August 2015



**Report of:** Chief Executive

**Subject:** SAVINGS PROGRAMME 2016/17 – CHIEF  
EXECUTIVES DEPARTMENT

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## 1.0 TYPE OF DECISION/APPLICABLE CATEGORY

1.1 Budget and Policy Framework.

## 2.0 PURPOSE OF REPORT

2.1 The purpose of this report is to enable Members to consider the initial 2016/17 savings proposals relating to the Committees remit. Comments made are to be incorporated with those received from each of the Policy Committees in relation to their remits.

## 3.0 BACKGROUND

3.1 An initial update of the Medium Term Financial Strategy (MTFS) 2016/17 to 2018/19 was considered by the Finance and Policy Committee on 29<sup>th</sup> June 2015. This report highlighted the key issues impacting on the development of the budget for 2016/17 and future years, which reflects the following key issues:

- The scale of the Government grant cuts implemented over the lifetime of the previous Parliament. These reductions had a disproportionate impact on Council's serving more deprived communities and in 2015/16 the Council's Government grant was £30.4m less than it was in 2010/11, which is a reduction of 39%;
- Continuing significant Government grant cuts in 2016/17 and future years. It is currently forecast that further budget cuts of £14m will need to be made over the next three years, although the actual cuts may be higher if the actual Government grant cuts exceed current forecasts;
- The impact of financial risks transferred to Local Authorities from April 2013 arising from the implementation of the Business Rates Retention system and the transfer of responsibility for the Local Council Tax Support Scheme;
- The impact of demand led pressures – particularly in relation to Older People demographic pressures and increases in Looked After Children;

- Continued restriction of Council Tax increases.

- 3.2 In addition, to the above financial challenges, a separate report was presented to the Finance and Policy Committee on 1<sup>st</sup> June 2015 to provide details of the outcome of the Power Station's Rateable Value appeal. The Valuation Office Agency, the organisation responsible for determining Rateable Values, has determined to reduce the Power Station Rateable Value by 48%. As a result of this reduction the Council's share of Business Rates income from the Power Station will reduce by £3.9m on a permanent basis. The Finance and Policy Committee will receive a further report on the strategy for addressing this issue. A meeting with the Local Government Minister has been requested to express the Council's concern at the impact of this reduction and to seek Government support to manage this significant reduction in Business Rates income.
- 3.3 As part of the process for the budget for 2016/17 it has been agreed that individual Policy Committees will consider these savings proposals prior to consideration of the overall proposals by this and then Council.
- 3.4 Details are provided in this report in relation to the:-
- i) Proposals identified to make the savings;
  - ii) Risks associated with the proposed savings; and
  - iii) Financial considerations taken into account in developing the proposals.
- 3.5 In line with the process adopted last year and to assist Members consideration of budget proposals, experience gained through the implementation of a Social Return on Investment (SROI) process by the previous Regeneration and Planning Services Scrutiny Forum is to be utilised. Key to the SROI process was the provision of additional information in relation to the aim and scope of the service, its service users and engagement, inputs, outputs and outcomes. On this basis, information in relation to the Chief Executives Department is provided below.
- 3.4 Service Aims
- 3.4.1 The services under consideration are those delivered by the Chief Executives Department and in service planning terms are largely, though not exclusively encompassed within the Council aim which relates to an effective organisation. Whilst these services are largely internally focussed around providing support services to the rest of the organisation this is not universally the case. A number of services are provided directly to the public including the Revenues and Benefits services and the Contact Centre. In providing the services encompassed within the Department the aims are that they are provided effectively, that other Departments are supported in the delivery of their service portfolios and that the Governance of the Council is effectively managed and delivered. Those services which are delivered externally are, in effect, universally available services to all residents (and businesses within the town). Following changes in 2013/14 to relocalise Business Rates and implement Local Council Tax Support (LCTS) schemes

there has been a significant and sustained increase in workloads and customer contacts, particularly in relation to LCTS which affected around 8,600 working age households and has impacted on Revenues, Benefits and the Contract Centre.

### 3.5 Service Users

- 3.5.1 For a range of the services delivered by the Department the services users are largely internal (although there are a range of the support services provided which are also utilised by external agencies such as the Fire Authority; a range of services are provided to schools; and some to other external bodies through Service Level Agreements (SLA). There has been an increase in services delivered to outside bodies over the last few years although this is undertaken as part of a managed development. For those services which are delivered externally the services are available town wide and to all potential users (such as the Contact Centre, Revenues and Benefits, Elections & Electoral registration, Local land searches.)

### 3.6 Engagement

- 3.6.1 The services provided are primarily internal. In assessing feedback and experience of utilising the service this is primarily, for internal services through regular liaison meetings with service Departments to identify any issues for consideration in respect of the services provided. For those services which are delivered externally the mechanisms for collecting feedback are as follows. For electoral registration a customer feedback option is included as part of the annual canvass and during all elections, electors have the option to take participate in a satisfaction survey. Revenues and Benefits Services the public can provide feedback via the respective service generic e-mail boxes. For the Contact Centre there are arrangements in place to assess the service provided at the point of use, with positive feedback received from the vast majority of users.

### 3.7 Inputs

- 3.7.1 The current cost to the Council of the services delivered by Chief Executives Department is as follows :

Service Area	2015/16 Gross Budget £'000
Finance	2,712
Assistant Chief Executive	2,883
Chief Solicitor	821
	6,416

The costs of these services to the Council have, in line with many other service areas in the Council reduced significantly over the last 5 years.

### 3.8 Outcomes

#### 3.8.1 A summary of the outcomes from the services are outlined below

Revenues and Benefits – Council Tax in year collection was 95.4% in 2014/15. This is slightly below the 95.7% average for the 10 North East Councils that operate LCTS schemes involving cuts to Local Council Tax Support entitlements (the range is 93.6% to 96.9%). If the LCTS scheme had not been in place, Hartlepool's in year collection of Council Tax would have been 96.1%.

Hartlepool's Business Rates in year collection was 98.0% in 2014/15. This is the same as the 98.0% average of all 12 North East Councils (the range is 96.2% to 99.1%).

Housing Benefit new claims average processing times were 21.18 calendar days (placing Hartlepool 7<sup>th</sup> out of North East Councils) and Local Council Tax Support new claims were processed on average in 18.3 days placing Hartlepool 4<sup>th</sup> out of North East Councils.

#### 3.8.2 The Council awaits confirmation of Central Government funding to develop and implement Individual Electoral Registration (IER) and whether this will be on a 'formula' basis or incentivised through performance. On a 'dry run' of data systems the Council performed at a level (82.5%) comparable with other Tees Valley Authorities. Similarly the canvass figures indicate a 95/96% response rate.

#### 3.8.3 Customer & Support Services –. During 2014/15 the Customer Service Centre supported residents with over 350,000 enquiries across three main contact channels – telephone, personal visit and online. In addition to providing first contact support on behalf of a wide range of Council sections, a number of new services transferred into the centre including Allotments, Housing Services and the Good Tenant Scheme. The service played a key role in the introduction of Universal Credit by assisting claimants to make an on-line application and also provided support for the Energy Switching Scheme initiative. Birth and death registration performance was above regional and national averages and the newly decorated and refurbished Marriage Room at the Borough Hall has received positive feedback. The main reception area received the Breast Feeding Gold Award for its inclusive approach and the service made a pledge to help create a dementia friendly community by becoming a Dementia Friend. Ten members of the team received a British Sign Language qualification, demonstrating an ongoing commitment to the hard of hearing. Apprentices continue to be supported by the service and one has progressed to permanent employment within the team

## 4.0 PROPOSALS

- 4.1 The savings target established at the outset of the budget process for Chief Executives department was £211,000. As part of the considerations for the options to deliver these savings considerable thought has been given to how these may be delivered in the light of previously required savings. The proposals and options considered as part of the potential savings package have been set in the context of the financial challenges and the changes in requirements of the Authority.

The proposals in respect of the services in the Chief Executives Department, are ordered by Division within the Chief Executives Department. These savings total £235,000, which exceeds the initial target of £24,000 (which was also the case in 2014/15 and 2015/16) and reflects 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.

There have been a number of requests for voluntary redundancies within the Department as part of the rolling process for considering Voluntary Redundancy and Early retirement costs. Vacant or fixed term posts which have been considered as part of the options for savings in this year. Whilst it is not possible to manage all of the savings in this way it has been an underpinning principle for the budget for 2016/17.

## 4.2 ASSISTANT CHIEF EXECUTIVE

- 4.2.1 At this stage the savings target for the Division has been exceeded, as part of an approach to enable the protection of front line services but also to ensure that the support required to the rest of the Authority can be maintained particularly through the significant staffing changes that the Authority is to face.

### 4.2.2 Changes in operations and management arrangements £42.5k

At this stage there are limited options available around vacant posts though in the few areas where this is the case and there may be temporary or acting up arrangements in place, the option will be taken to review these and this will mean that there are options both now, and potentially through the year to take these opportunities for savings subject to an assessment of the service impact and the ability to continue to deliver services. In essence this aligns with the management practice supported by Members in previous years to minimise the impact of compulsory redundancies.

The further changes required to deliver the savings will be as a result of a review of a number of aspects of operations and some reductions in staffing levels. It is anticipated that these can be delivered without the need for compulsory redundancies.

**4.2.3 Income and Running costs £62.5k**

A further review has been undertaken of running costs and there has been a concerted effort in the last year to both confirm existing income and generate income from new sources. This has proven to be successful in both aspects and as a result of this (with no required additional costs to deliver) it is anticipated that through the combination of income and reducing certain expenditure heads that the figure above can be realised.

**4.3 CHIEF FINANCE OFFICER**

4.3.1 At this stage the savings target for the Division has been exceeded. It is anticipated that additional savings will again need to be made in 2016/17 to manage a further reduction in the Housing Benefit Administration grant and details will be reported when this grant cut is known. In previous years there has been scope to achieve savings through reducing running costs, increasing income (summons charges) and contract renegotiation. These areas have been reviewed again and they will not provide any significant additional benefit for 2016/17. Total gross savings of £100k have been identified within the Finance Division, as detailed in the following paragraphs.

**4.3.2 Removal of vacant post / Changes in operations and management arrangements £80k**

These savings will be achieved by reviewing existing management structures and other operations across the Finance Division. The review that has been undertaken has identified that whilst there are potential risks from this action that these risks can be managed in the context of the services to be delivered. The changes required are not without risk and given the impact of making additional savings to offset an anticipated forecast Housing Benefit Administration grant cut will need careful management. This will be particularly the case in relation to those elements of the savings which affect the front facing services within the Division. It is currently envisaged that the remaining savings in staffing budgets can be achieved through a combination of voluntary redundancy and removal of vacant posts. There may be some instances where staff are redeployed in lower graded posts.

**4.3.3 Running costs £20k**

The implementation of functionality associated with the Council's new telephony system and improvements to the Council's web site will remove the need for the current externally hosted self service facility for Revenues and Benefits enquiries without any impact on existing customer service standards .

#### 4.4 CHIEF SOLICITOR

- 4.4.1 At this stage the savings target for the Division is under consideration by the Chief Solicitor and through on-going communications and engagement with staff.

#### 4.4.2 Staffing Savings £30k

Previous savings have relied on staff reducing their working hours (subject to operational requirements) and departure of personnel through EVR, with a re-alignment of duties as a consequence. All 'non staff' budgets have been exhausted to a position where the allocated budget for the Division relates to staff costs solely. Vacant posts have not been a feature of savings for some considerable time.

All attempts will be made to manage savings without impacting, particularly on those statutory areas of service, which is a feature of the composition of the Division. Meetings with all staff have taken place so that they are fully conversant with the savings that need to take place within the Division and also corporately. However, savings to be achieved for 2016/17 and in future years will require a reconfiguration of services at an operational level, which may result in compulsory redundancy and/or retirement situations.

As with all other required savings this is not without some degree of risk but is required as part of the overall consideration of savings.

### 5 Consideration of Options

- 5.1 A number of options have been considered in respect of the savings proposed. A summary of these considerations is included below.
- 5.2 Not to take savings from vacant posts.
- 5.2.1 Consideration was given to not taking those savings which are available through posts which have, or may, become vacant through the year. Whilst this option would provide for the continuation at the current level, in conjunction with the ability to reduce the potential compulsory redundancy, it was determined that this would not provide an effective solution for the Authority.
- 5.3 Savings other than staffing and operational issues.
- 5.3.1 There are a range of savings identified through the ICT contract and in line with corporate considerations these have been accounted for corporately which is appropriate and have been reported separately to Members. Beyond this there are limited if any options to make savings other than those which can come from staffing and operational arrangements. The opportunity has been taken to realise these from voluntary arrangements where this has been possible but given the scale of the changes this is not always possible.



**5.4 Consideration of service demands**

- 5.4.1 The savings proposed reflect consideration of current service demands. As an example the impact of Business Rates Re-localisation, the introduction of the Local Council Tax Support Scheme and the need to maintain adequate financial support services during a period of significant financial challenge and risk. The Welfare Reforms and Local Council Tax Support Scheme (LCTS) continue to generate significant workload issues. These workload demands are likely to continue into the foreseeable future and therefore in defining 2016/17 savings proposals net reductions to key front line staffing capacity are not considered operationally appropriate or feasible. Although proposals for restructuring to provide resilience will be implemented. For 2016/17 these alternative savings would not be recommended. However, given the continuing financial challenges in future years these areas are likely to require re-consideration next year.
- 5.4.2 Introduction of Individual Electoral Registration (IER) which is the most significant change since the universal franchise. It needs to be implemented carefully and in a way which maximises both accuracy and completeness of the electoral registers – and which puts the voter first. Local knowledge will be key to the success of this change.
- 5.5 The options which have been included in the report are recommended to the committee as they provide for a balance between protecting front line services, maximising savings to be taken, the assessment of service delivery and receipt of voluntary redundancy requests is aligned and can be managed in the context of the continued delivery of services.

**6 RISK IMPLICATIONS**

- 6.1 There are a number of risks implicit in the delivery of any package of savings and it is important to recognise these as part of any decision making. A summary of the risks considered as part of the proposals has been identified below:
- 6.2 There are a number of risks in these changes, particularly taken in the context of previous savings which have been made. The assessments which have been undertaken (and a summary of the conclusions from this are included in the sections above). All others, in the context they have been described are viewed as being manageable but with there being a significant need to review workloads, priorities and for the potential scaling back of a number of current activities in line with the resources available.
- 6.3 It is considered that these savings can be delivered, although not without difficulty or some degree of risk but that this can be managed in this year, however achieving these savings becomes more difficult each year, which is the case in other departments.

## 7 FINANCIAL CONSIDERATIONS

- 7.1 It has been highlighted in previous reports that failure to take savings identified as part of the Savings Programme will only mean the need to make alternative unplanned cuts and redundancies elsewhere in the Authority to balance next year's budget.
- 7.2 The savings that have been identified have been assessed for their sustainability. As with all others parts of the Authority the sustainability of the savings required by the ongoing cuts which the Authority faces becomes increasingly difficult as the compound affect of these savings impacts on services. It is not necessary to remind Members of the level of savings which have been delivered in previous years or those which are likely to be required in future years. The savings have been identified as sustainable in the light of the need to make ongoing changes to both what is delivered and the scaling back of some activity. The principles that have been applied in determining the proposals for savings have been linked to protecting front line services, savings being realised in respect of vacant posts where this can be managed, considering early retirement / voluntary redundancy request where these have been received and reflecting the pressures, both internal and external that the Authority needs to address to maintain effective governance arrangements.
- 7.3 The proposals deliver the following proposed savings:-

<b>Service</b>	<b>Proposed Savings</b>
<b>Assistant Chief Executive</b>	<b>(£k)</b>
Changes in operations / Management Arrangements	42.5
Income and running costs	62.5
<b>Chief Finance Officer</b>	
Deletion of vacant post / Changes in Management Arrangements	80
Running costs	20
<b>Chief Solicitor</b>	
Changes in Management Arrangements	30
<b>Total Proposed Savings</b>	<b>235</b>

- 7.4 The savings identified for the Chief Executive's Department exclude the Corporate savings included within the MTFs report considered by this Committee on 29<sup>th</sup> June 2016 of £0.5m. The achievement of these savings is dependent upon the Chief Executive's Department having the necessary skills and capacity to deliver these savings, which involve the management of complex operational areas and negotiations covering the ICT contract and Treasury Management activities.

## 8 EQUALITY CONSIDERATIONS

- 8.1 For each of the proposed savings areas where there is likely to be a direct impact on customers/service users and/or staff, consideration is given to the

impact across each of the protected characteristic groups. This is recorded through an Equality Impact Assessment.

- 8.2 More than 90% of the above savings will be made by reducing staffing levels (mainly from vacant posts and ER/VR applications) with some changes to day to day running costs.
- 8.3 This impact assessment will be reviewed by the Corporate Equality Group alongside those for the other Department savings proposals. An overall Equality Impact Assessment will be undertaken to identify if there is any Council-wide cumulative impact on protected groups from the savings proposals for 2016/17.

## **9 RECOMMENDATIONS**

- 9.1 That Members of the Committee note the content of the report and formulate a response to be presented to Finance and Policy Committee on 19<sup>th</sup> October 2015.

## **10 REASON FOR RECOMMENDATIONS**

- 10.1 The proposals included in this report have been identified as being sustainable and deliverable.

## **11 BACKGROUND PAPERS**

- 11.1 The following background papers were used in the preparation of this report:-

Finance and Policy Committee - Medium Term Financial Strategy (MTFS) 2016/17 to 2018/19 - 29<sup>th</sup> June 2015

## **12 CONTACT OFFICERS**

Gill Alexander, Chief Executive  
Hartlepool Borough Council  
Tel: 01429 523001 Email: [Gill.Alexander@hartlepool.gov.uk](mailto:Gill.Alexander@hartlepool.gov.uk)

Andrew Atkin – Assistant Chief Executive  
Hartlepool Borough Council  
Tel: 01429 523001 Email: [Andrew.Atkin@hartlepool.gov.uk](mailto:Andrew.Atkin@hartlepool.gov.uk)

Chris Little – Chief Finance Officer  
Hartlepool Borough Council  
Tel: 01429 523001 Email: [Chris.Little@hartlepool.gov.uk](mailto:Chris.Little@hartlepool.gov.uk)

Peter Devlin – Chief Solicitor  
Hartlepool Borough Council  
Tel: 01429 523001 Email: [Peter.Devlin@hartlepool.gov.uk](mailto:Peter.Devlin@hartlepool.gov.uk)

# ADULT SERVICES COMMITTEE

14th September 2015



**Report of:** Director of Child & Adult Services

**Subject:** SAVINGS PROGRAMME 2016/17 – ADULT SERVICES

## 1. TYPE OF DECISION/APPLICABLE CATEGORY

1.1 Budget and Policy Framework.

## 2. PURPOSE OF REPORT

2.1 The purpose of this report is to enable Members to consider the initial 2016/17 savings proposals relating to the Committee's remit. Comments made are to be incorporated with those received from each of the Policy Committees in relation to their remits and reported to Finance and Policy Committee.

## 3. BACKGROUND

3.1 An initial update of the Medium Term Financial Strategy (MTFS) 2016/17 to 2018/19 was considered by the Finance and Policy Committee on 29 June 2015. This report highlighted the key issues impacting on the development of the budget for 2016/17 and future years, which reflects the following key issues:

- The scale of the Government grant cuts implemented over the lifetime of the previous Parliament. These reductions had a disproportionate impact on Council's serving more deprived communities and in 2015/16 the Council's Government grant was £30.4m less than it was in 2010/11, which is a reduction of 39%;
- Continuing significant Government grant cuts in 2016/17 and future years. It is currently forecast that further budget cuts of £14m will need to be made over the next three years, although this may increase if the actual Government grant cuts exceed current forecasts;

- The impact of financial risks transferred to Local Authorities from April 2013 arising from the implementation of the Business Rates Retention system and the transfer of responsibility for the Local Council Tax Support Scheme;
  - The impact of demand led pressures – particularly in relation to older people and demographic pressures and increases in Looked After Children;
  - Continued restriction of Council Tax increases.
- 3.2 In addition to the above financial challenges, a separate report was presented to the Finance and Policy Committee on 1 June 2015 to provide details of the outcome of the Power Station's Rateable Value appeal. The Valuation Office Agency (the organisation responsible for determining Rateable Values) has determined to reduce the Power Station Rateable Value by 48%. As a result of this reduction the Council's share of Business Rates income from the Power Station will reduce by £3.9m on a permanent basis. The Finance and Policy Committee will receive a further report on the strategy for addressing this issue. A meeting with the Local Government Minister has been requested to express the Council's concern at the impact of this reduction and to seek Government support to manage this significant reduction in Business Rates income.
- 3.3 As part of the process for the budget for 2016/17 it has been agreed that individual Policy Committees will consider departmental savings proposals prior to consideration by the Finance and Policy Committee and then Council.
- 3.4 Details are provided in this report in relation to the:-
- i) Proposals identified to make the savings;
  - ii) Risks associated with the proposed savings; and
  - iii) Financial considerations taken into account in developing the proposals.
- 3.5 In line with the process adopted in previous years and to assist Members' consideration of budget proposals, information in relation to the aim and scope of Adult Services, its service users and engagement, inputs, outputs and outcomes is provided below.
- 3.6 Service Aims  
The focus of adult services is to support people to remain independent and to exercise choice and control regarding how their support needs are met. Some services are provided directly by the department (including assessment and care management and disability day services) while most services are commissioned (such as residential placements, services that support carers and day services for older people).

3.7 Service Users

People who use adult social care services in Hartlepool are over 18 and assessed as having a social care needs that meet the national eligibility criteria. Services support older people, people with learning disabilities, sensory loss or a physical disability, people with mental health needs, people who have alcohol dependency or substance misuse issues and carers.

3.8 Engagement

The department engages with people who use services through a range of methods including:

- Carers Strategy Group
- Learning Disability Partnership Board
- Mental Health Forum
- Champions of Older Lifestyles Group
- Service User Focus Groups; and
- Family Leadership Courses.

Feedback is also obtained through the annual Adult Social Care User Survey, a national Carer's Survey and through complaints and compliments.

3.9 Inputs

3.9.1 The current cost to the Council of the services delivered by the Child and Adult Services Department (excluding schools) is £72.8m, with £24.9m of income generated.

3.9.2 Within the departmental budget, the gross expenditure relating to adult social care is £48.5m, of which £18.5m is income from people's personal contributions, health funding and other sources, including reserves.

Category	Expenditure
Residential Placements	£19.4m
Personal Budgets	£18.3m
Social Care Activities inc Assessment & Care Management	£8.3m
Housing Related Support	£2.5m
	<b>£48.5m</b>

The breakdown of spend on personal budgets is as follows:-

Personal Budget Analysis:-	Expenditure
Home Care	£6.2m
Direct Payments	£5.4m
Supported Accommodation (including Extra Care)	£3.5m
Day Services	£1.6m
Equipment	£0.5m
Other	£1.1m
	<b>£18.3m</b>

The costs of these services to the Council have, in line with many other service areas in the Council, reduced significantly over the last 4 years.

### 3.10 Outcomes

The Care Quality Commission no longer assess or rate adult services but the last two assessments that were undertaken rated Hartlepool's services as excellent – the best rating that could be achieved. Since the last assessment, services have continued to perform well and most performance indicators for adult services have been achieved or exceeded.

Some of the outputs achieved are as follows:

- Over 5,700 people receive support from adult social care services.
- Over 2,000 carers had an assessment during the last year and received support to maintain their caring role.
- The number of people using telecare continues to grow with over 1,600 people currently being supported.
- People received over 5,600 pieces of equipment to help them stay at home and over 95% were received within 7 working days.

Some areas where particularly positive outcomes have been achieved include:

- Over 95% of people who have ongoing needs and are eligible to receive a personal budget have their support provided through a personal budget and exercise choice and control over how their support needs are met.
- Over 13% of adults with a learning disability and adults receiving mental health services are in paid employment.
- 76.3% of service users surveyed reporting that they are satisfied with adult services.
- 81.3% of people who use services and carers who were surveyed reporting that they find it easy to access information about services.
- 92.1% of carers surveyed reporting that they have been included or consulted in discussions about the person they care for.

## 4. **DEPARTMENTAL PROPOSALS**

4.1 The 2016/17 savings target for Child and Adult Services is £2.684m.

4.2 The departmental approach to identifying savings has been to focus on three key areas:-

- Reducing cost of high end demand through prevention, early intervention and reducing unit costs;
- Integration and service remodelling across functional areas; and
- Increasing income.

- 4.3 All areas of spend were reviewed under these headings, taking into account savings achieved in previous years and statutory responsibilities. Areas were identified where savings could be achieved with least impact on front line services for local people.
- 4.4 Reducing demand is a high priority for the department and measures have been taken that will impact on future demand to bring down spend in this area. There are some positive signs that these measures are being effective (such as the reduction in older people being permanently admitted to residential care), however, it will take time for the prevention and early intervention policies to take full effect, especially with demographic pressures arising from an increasingly older generation and an increasing number of children and adults with complex physical and learning disabilities.
- 4.5 Therefore, for 2016/17 it is proposed to use £0.934m of departmental reserves to help meet the savings target. This is not sustainable in the long term and is designed to provide a longer lead time to achieve these savings by delaying by one year, i.e. until 2017/18. A robust plan will be developed to ensure the deferred savings can be achieved in 2017/18.
- 4.6 It is proposed to use 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), reflecting the greater integration of services between Child and Adults and Public Health.
- 4.7 In addition to the savings specific to Children's Services, Education and Adult Services the following departmental savings are generic and contribute towards the overall departmental target:
- **Further integration of early help and intervention services across social care, education and public health – Saving £0.5m.** By working more closely with Public Health it is proposed that the Public Health grant can be utilised across Child and Adult Services to support the aims of improving and enhancing Public Health across Hartlepool.
  - **Departmental Salary Abatement Target – Saving £0.25m.** It is proposed to re-introduce a salary abatement target which will account for vacant posts and incremental drift across the department. This proposal will need to be closely monitored during the year and is only a short term proposal as when officers move through the pay grade towards the top of their pay scale the ability to contribute towards this target will reduce. Robust plans will be developed to identify alternative savings when this becomes necessary and details will be reported to Members as part of future savings report.



#### 4.8 Children's Services (including Education) Proposals – Saving £0.4m

- 4.8.1 Details of these savings will be reported to the Children's Services Committee.

### 5. **ADULT SERVICES PROPOSALS**

- 5.1 Within adult services, the following savings have been made over the last four financial years:

• 2012/13	-	£1,570,000
• 2013/14	-	£860,000
• 2014/15	-	£1,325,000
• 2015/16	-	£1,075,000

- 5.1.1 Reducing budgets by this level on an ongoing basis cannot be achieved without an impact on frontline services and on people who use adult social care services, although proposals have sought to minimise this impact as far as possible. It is inevitable that further savings proposals will have an increasing impact on frontline services, as it is not possible to sustain current levels of service and performance with reducing budgets and increasing demands on services.

- 5.1.2 There is no scope to further increase income following the decision by Adult Services Committee in January 2014 to implement a revised Contributions Policy from April 2014 which requires people to contribute up to 100% of the costs of their support.

- 5.1.3 The proposed savings within adult services therefore focus primarily on integration and reducing high end demand (primarily through the Better Care Fund work) and a small element of reducing costs through a review of contracts and non pay budgets.

- 5.1.4 The proposed contribution to the departmental target from adult services is £0.6m.

- 5.2 The savings proposals specific to the Adult Services Committee are as follows:-

#### 5.3 Further Integration of Health and Social Care – Saving £0.25m

- 5.3.1 The implementation of Hartlepool's Better Care Fund (BCF) plan will further integrate health and social care services, particularly those that support older people. The aim of the BCF plan is to:

- Reduce the number of people aged 65 and over who are permanently admitted to residential care;
- Maintain current excellent performance in relation to delayed discharges attributable to social care;
- Reduce the number of delayed discharges and lost bed days from acute settings for people aged 65 and over who are medically fit for discharge;

- Reduce avoidable emergency admissions of people aged 65 and over;
  - Increase the diagnosis rate of dementia;
  - Increase the number of people supported by assistive technology; and
  - Increase the number of people accessing reablement services.
- 5.3.2 This will be achieved through a focus on:
- Low Level Support and Management of Long Term Conditions
  - Intermediate Care
  - Improved Dementia Pathways
- 5.3.3 By moving to new models of service delivery, reorganisation of pathways and removal of professional boundaries, reliance on intensive, high cost interventions will be reduced which will achieve savings across the health and social care economy.
- 5.3.4 The Hartlepool BCF plan identifies that funding currently allocated through the NHS Transfer to Social Care has been used to enable the local authority to sustain the current level of eligibility criteria and to maintain existing integrated services that support timely hospital discharge, delivery of reablement and telecare services, commissioning of low level support services and support for carers.
- 5.3.5 The plan states that investment in these services will need to be sustained to maintain this as the social care offer for Hartlepool and to maintain current eligibility criteria and will need to be increased in order to deliver 7 day services and to address the implications of the Care Bill, which will require additional assessments to be undertaken for people who did not previously access social care and provision of further support for carers.
- 5.3.6 It is also proposed that additional resources are invested in social care to deliver enhanced reablement and step up services, which will reduce hospital admissions and readmissions as well as permanent admissions to residential and nursing home care.
- 5.3.7 It is anticipated that, through a combination of reducing the need for intensive, high cost services and additional investment in social care services that have a health benefit, a saving of £250,000 can be achieved through further integration of health and social care.
- 5.4 Review of Contracts and Non-Pay Budgets – Saving £0.15m
- 5.4.1 A range of services are commissioned by the Council to 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.

The total value of these contracts is approximately £3.3m.

- 5.4.2 A saving of approximately £1m has been made against these contracts over the past four years through renegotiation of existing contracts and retendering where appropriate to achieve better value for money, leaving little scope to achieve further savings in this area without a significant detrimental impact on people using services.
- 5.4.3 It is proposed that inflationary uplifts are not offered on these contracts from April 2016, which will achieve a saving of approximately £75,000.
- 5.4.4 In addition to a review of contracts, a review of all non pay budgets has been undertaken. This has identified a number of areas where budgets have been set based on historic spend, but have not been fully committed in recent years. This includes budgets for events, conferences, room hire etc. This review has identified savings of approximately £75,000.
- 5.5 Reduction in Demand for Services – Saving £0.20m
- 5.5.1 Over 80% of the gross budget for Adult Services is spent on demand led services, primarily on residential placements and packages of support that are delivered in the community. In order to continue reducing spend on Adult Services, it is therefore essential that plans are implemented that aim to reduce this demand.
- 5.5.2 Reducing demand is very challenging in the context of people living longer, an increased prevalence of dementia and increasing numbers of working age adults with complex learning and / or physical disabilities, as well as more people experiencing mental health issues.
- 5.5.3 Strategies have been in place for some time that aim to reduce reliance on more intensive and costly services, such as residential care placements. These include investment in assistive technology / telecare, investment in extra care housing and development of reablement services that support people to regain their independence following a hospital stay. There is some evidence that these strategies are beginning to reduce demand for residential care, as the number of permanent admissions to residential care has reduced in 2014/15 when compared to the previous year. However, it should be noted that packages of support in the community are not necessarily more cost effective as people can require a significant level of support in their own homes to maintain their safety and independence.
- 5.5.4 Through delivery of the Better Care Fund plan initiatives around early intervention, prevention and low level services, and continued work to promote alternatives to residential care, it has been identified that a saving of £200k could be achieved through reducing demand for services.

## 6. CONSIDERATION OF OPTIONS

- 6.1 A number of other options have been considered in respect of the savings proposed. A summary of these considerations is included below.

6.1.1 Reducing Capacity in Care Management Teams

This is considered too high risk due to the significant impact on people using services, impact on caseloads for social workers and the massively increased requirements in relation to Deprivation of Liberty Safeguards.

6.1.2 Reducing Spend on Residential Placements

This is not possible in light of the fair cost of care and increased pressure on residential provision. A number of providers have already contacted the Council requesting an increase in fees due to the financial pressures on providers associated with increases in the national minimum wage and increasing costs of food and utilities.

6.1.3 Reducing Spend on Personal Budgets

People who already have services can't have their personal budget reduced without evidence of a reduction in their assessed level of need as the Council has a statutory duty to meet assessed need. A reduction in assessed need is difficult to evidence when the majority of people that are supported by the department have an ongoing need or condition which is likely to result in increasing support needs over time and with age.

It is not possible to reduce spend on future personal budgets without a fundamental review of the Council's approach to personalisation and the Resource Allocation System. Any attempt to reduce spend without a full consultation exercise and a clear rationale for change would result in significant risk of judicial review, as has been seen elsewhere in the country.

This issue will be revisited when considering savings for 2017/18. Any proposed changes will have a significant lead time due to the requirement for consultation and will involve detailed financial modelling work to assess the potential saving that could be achieved.

6.1.4 Increasing Income

There is no scope to further increase income from contributions of people using services following the implementation in April 2014 of a revised Contributions Policy requiring people to contribute up to 100% of the costs of their support, dependent upon their ability to pay for services.

The savings proposals identified in 2015/16 take into account use of NHS funding via the Better Care Fund to support and protect social care services which would otherwise be at risk. Services already funded from the Better Care Fund allocation include reablement services, telecare, transitional care beds that support people after a hospital stay, support for carers, low level services, support services and equipment for older people in their own homes and day services for people with dementia

## 7. RISK IMPLICATIONS

- 7.1 Using reserves to contribute towards the savings target is not sustainable and only delays the savings until 2017/18. This has been implemented in the hope that early intervention, prevention and other policies will assist in the reduction of demand for services thus reducing costs. Given the increasing demographic pressures from an ageing population and increasing numbers of adults with complex physical or learning disabilities there is a significant risk that demand will not reduce and may in fact increase. There are also risks that costs of services increase with work that is underway nationally in terms of fair cost of care exercises for residential care and domiciliary care services. This may result in increasing costs for services, even if demand can be constrained or reduced.
- 7.2 There are risks associated with introducing a salary abatement target:-
- limited number of vacancies during the year and/or vacancies are filled immediately;
  - staff move through the pay grades and reach the top of pay scale quicker than anticipated ie. qualifications and experience based progression for Social Workers and Social Care Officers; and
  - incremental drift and vacancies have previously allowed some in-year flexibility within departmental budgets, offsetting budget pressures elsewhere within the budget and meeting urgent need.
- 7.3 There are significant risks associated with the successful delivery of the BCF Plan which are logged in a BCF risk register and will be developed further as detailed plans for BCF implementation are agreed. The risks include:
- There is insufficient time to implement the schemes to have the impact in the short term on performance and savings.
  - The schemes identified in the BCF fail to deliver the required reduction in acute and care home activity, impacting on the funding available to support core services and future schemes.
  - Partners can't agree the best model of service delivery and / or the implementation of the model.
  - Introduction of the Care Act results in significant pressures for social care services with resulting impacts on the delivery of the BCF plan.
  - There has been no confirmation regarding Better Care Fund allocations for the future. Allocations are currently only in place for 2015/16.
- 7.4 It is anticipated that the risks highlighted above in relation to using these measures to help balance the 2016/17 budget are manageable. However, the sustainability of these issues beyond 2016/17 will require careful management and if these items are not sustainable, alternative savings proposals will need to be identified and reported as part of a future year's savings report.

## 8. FINANCIAL CONSIDERATIONS

- 8.1 The proposals outlined above deliver the savings as summarised in the table below. These proposals include the use of £0.934 of departmental reserves in 2016/17, which provides a longer lead time to identify permanent budget savings from managing demand. Achievement of these reductions will be challenging and require carefully management and if these savings cannot be achieved alternative proposals will need to be identified for consideration by Members:-

Proposals:-	Proposed Savings
<b>Departmental</b>	
Integration of early help and intervention services across social care, education and public health	£500,000
Departmental Salary Abatement Target	£250,000
Children's Services Proposals	£400,000
Use of Children's Reserves	£233,000
Use of Adult Services Reserves	£233,000
Use of Public Health Reserves	£468,000
	<b>£2,084,000</b>
<b>Adult Services</b>	
Further Integration of Health & Social Care	£250,000
Review Contracts & Non-Pay Budgets	£150,000
Reduction in Demand for Services	£200,000
	<b>£600,000</b>
<b>Total Departmental Saving</b>	<b>£2,684,000</b>

## 9. EQUALITY CONSIDERATIONS

- 9.1 By definition, all of the savings proposals in adult services will affect the people who access adult services – those who are over eighteen and assessed as having eligible needs (older people, people with learning disabilities, sensory loss or a physical disability, people with mental health needs, people who have alcohol dependency or substance misuse issues and carers).
- 9.2 An assessment has indicated that none of the current proposals require an Equality Impact Assessment as the proposals will have limited impact on people accessing services and no disproportionate impact on people who share protected characteristics.

**10. RECOMMENDATIONS**

- 10.1 It is recommended that Members of the Adult Services Committee note the content of the report and formulate a response to be presented to Finance and Policy Committee on 19 October 2015.

**11. REASON FOR RECOMMENDATIONS**

- 11.1 The proposals included in this report will contribute to the delivery of the Child & Adult Services savings target for 2016/17.

**12. BACKGROUND PAPERS**

- 12.1 The following background papers were used in the preparation of this report:-

Finance and Policy Committee - Medium Term Financial Strategy (MTFS)  
2015/16 to 2017/18 - 29 June 2015

**13. CONTACT OFFICERS**

Sally Robinson  
Director of Child & Adult Services  
Tel: (01429) 523914  
e-mail: [sally.robinson@hartlepool.gov.uk](mailto:sally.robinson@hartlepool.gov.uk)

Jill Harrison  
Assistant Director - Adult Services  
Tel: (01429) 523911  
e-mail: [jill.harrison@hartlepool.gov.uk](mailto:jill.harrison@hartlepool.gov.uk)

# CHILDREN'S SERVICES COMMITTEE

15th September 2015



**Report of:** Director of Child & Adult Services

**Subject:** SAVINGS PROGRAMME 2016/17 – CHILDREN'S SERVICES

## 1.0 TYPE OF DECISION/APPLICABLE CATEGORY

1.1 Budget and Policy Framework.

## 2.0 PURPOSE OF REPORT

2.1 The purpose of this report is to enable Members to consider the initial 2016/17 savings proposals relating to the Committee's remit. Comments made are to be incorporated with those received from each of the Policy Committees in relation to their remits and reported to Finance and Policy Committee.

## 3.0 BACKGROUND

3.1 An initial update of the Medium Term Financial Strategy (MTFS) 2016/17 to 2018/19 was considered by the Finance and Policy Committee on 29<sup>th</sup> June 2015. This report highlighted the key issues impacting on the development of the budget for 2016/17 and future years, which reflects the following key issues:

- The scale of the Government grant cuts implemented over the lifetime of the previous Parliament. These reductions had a disproportionate impact on Council's serving more deprived communities and in 2015/16 the Council's Government grant was £30.4m less than it was in 2010/11, which is a reduction of 39%;
- Continuing significant Government grant cuts in 2016/17 and future years. It is currently forecast that further budget cuts of £14m will need to be made over the next three years, although the actual cuts may be higher if the actual Government grant cuts exceed current forecasts;
- The impact of financial risks transferred to Local Authorities from April 2013 arising from the implementation of the Business Rates Retention system and the transfer of responsibility for the Local Council Tax Support Scheme;



- The impact of demand led pressures – particularly in relation to Older People demographic pressures and increases in demand for children's social care services;
  - Continued restriction of Council Tax increases.
- 3.2 In addition, to the above financial challenges, a separate report was presented to the Finance and Policy Committee on 1<sup>st</sup> June 2015 to provide details of the outcome of the Power Station's Rateable Value appeal. The Valuation Office Agency, the organisation responsible for determining Rateable Values, has determined to reduce the Power Station Rateable Value by 48%. As a result of this reduction the Council's share of Business Rates income from the Power Station will reduce by £3.9m on a permanent basis. The Finance and Policy Committee will receive a further report on the strategy for addressing this issue. A meeting with the Local Government Minister has been requested to express the Council's concern at the impact of this reduction and to seek Government support to manage this significant reduction in Business Rates income.
- 3.3 As part of the process for the budget for 2016/17 it has been agreed that individual Policy Committees will consider these savings proposals prior to consideration by the Finance and Policy Committee and then Council.
- 3.4 Details are provided in this report in relation to the:-
- i) Proposals identified to make the savings;
  - ii) Risks associated with the proposed savings; and
  - iii) Financial considerations taken into account in developing the proposals.
- 3.5 In line with the process adopted in previous years and to assist Members' consideration of budget proposals, information relating to the aim and scope of Children's Services, its service users and engagement, inputs, outputs and outcomes is provided below.
- 3.6 Service Aims
- 3.6.1 The services in scope are focussed on addressing the welfare and education needs of all children and young people in Hartlepool, including the most disadvantaged and vulnerable, their families and carers. In delivering this function, the Department is responsible for working closely with local partners to jointly plan and commission services that improve outcomes for and the well being of children and young people in relation to their safety, health and education.
- 3.6.2 The Children's Services Division is responsible for:
- Social care services for children in accordance with the Children Act 1989, this includes provision for children in need (including those in need of protection) children looked after and care leavers;

- The Youth Offending Service in accordance with the Crime and Disorder Act 1998;
- Early help services for children, young people and their families including the provision of children's centres, family support and the families information service;
- The Youth Support Service including the provision of youth clubs and services for young people not in education, employment or training;
- Hartlepool Safeguarding Children Board.

3.6.3 The Education, Learning and Skills Division is responsible for:

- All Schools and the National Primary and Secondary Curriculum;
- School improvement, teaching and learning 0 – 19;
- Schools Capital Strategy, Schools Innovation and Health And Safety;
- Social and Educational Inclusion, Vulnerable Pupils and the Pupil Referral Unit;
- Special Educational Needs;
- Governor Support, School Governor Services and training;
- Performance Management/Management Information relating to service area responsibilities;
- School Admissions and School Place Planning;
- Educational Psychology.
- Strategic commissioning for children.

3.6.4 In addition both Divisions contribute to the Council's Public Health responsibilities in relation to children, young people and families.

3.7 Service Users

The Department is responsible for providing a range of universal, targeted and specialist services for children and young people from pre birth up to the age of 25 in certain instances. This involves the provision of services for children and also services to their families and carers to improve children's experiences and outcomes.

3.8 Engagement

The Department engages with children, young people and their families through a range of methods including:

- Youth Council;
- Children and Young People's Democracy;
- Young Inspectors;
- Children in Care Council;
- Service user focus groups.

Feedback on the performance of services is also obtained from external inspections and reviews, and an analysis of compliments and complaints.

Consideration of savings options has taken account of the feedback received from service users and OFSTED on the quality of services provided.

### 3.9 Inputs

3.9.1 The current cost to the Council of the services delivered by the Child and Adult Services Department (excluding schools) is £72.8m with £24.9m of income generated funding.

3.9.2 Within this departmental total, the gross expenditure relating to Children's Services is £24.3m, of which £6.5m is income generated from schools, grants and other sources including reserves:

Category	Expenditure
Children & Families inc. Looked After Children	£12.9m
Early Intervention Services	£5.3m
Education, Learning & Skills	£5.1m
Other (Youth Offending & Out of School Care)	£1.0m
	<b>£24.3m</b>

The costs of these services to the Council have, in line with many other service areas in the Council, reduced significantly over the last 4 years.

### 3.10 Outcomes

3.10.1 Outcomes for children in Hartlepool are measured through a range of statutory returns to the Department for Education. The performance framework for children covers the breadth of services delivered by the department including educational achievement, children subject to child protection plans and outcomes for children looked after. The Council is considered to perform well against these performance measures and particular achievements include:

- Year on year improvements in the stability of placements for looked after children making Hartlepool one of the top performing authorities in the country;
- Year on year improvement in the attainment of children of 5 A\* - C including English and Maths and in 2014, Hartlepool results were, for the first time, above the national average;
- Hartlepool Borough Council is meeting the Government targets in relation to the placement of children for adoption;
- An increasing number of Hartlepool schools are judged to be Good or Outstanding by Ofsted.
- 100% successful turnaround rate against government measures on the Troubled Families programme.

3.10.2 Hartlepool received its inspection under the current Ofsted Single Inspection Framework in November 2013. This inspection considered all services for

children who require early help, are in need, including those in need of protection and children looked after. The authority was judged to be Good overall with all sub judgements also classified as good. Within the same inspection, Ofsted also inspected the effectiveness of the Local Safeguarding Children Board, the outcome of this was that the Board 'Requires improvement'.

#### 4. PROPOSALS

4.1 The 2016/17 savings target for Child and Adult Services is £2.684m.

4.2 The departmental approach to identifying savings has been to focus on three key areas:-

- Reducing cost of high end demand through prevention, early intervention and reducing unit costs;
- Integration and service remodelling across functional areas; and
- Increasing income.

4.3 All areas of spend were reviewed under these headings, taking into account savings achieved in previous years and statutory responsibilities. Areas were identified where savings could be achieved with least impact on front line services for local people.

4.4 Reducing demand is a high priority for the department and measures have been taken that will impact on future demand to bring down spend in this area. There are some positive signs that these measures are being effective, such as a reduction in the number of children looked after, however, it will take time for the prevention and early intervention policies to take full effect, especially with demographic pressures arising from an increasingly older generation and an increasing number of children and adults with complex physical and learning disabilities.

4.5 Therefore, for 2016/17 it is proposed to use £0.934m of departmental reserves to help meet the savings target. This is not sustainable in the long term and is designed to provide a longer lead time to achieve these savings by delaying by one year i.e. until 2017/18. A robust plan will be developed to ensure the deferred savings can be achieved in 2017/18.

4.6 It is proposed to use 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), reflecting the greater integration of services between Child and Adults and Public Health.

4.7 In addition to the savings specific to Children's Services, Education and Adult Services the following departmental savings are generic and contribute towards the overall departmental target:

- **Further integration of early help and intervention services across social care, education and public health – Saving £0.5m.** By working more closely with Public Health it is proposed that the Public Health grant can be utilised across Child and Adult Services to support the aims of improving and enhancing Public Health across Hartlepool.
- **Departmental Salary Abatement Target – Saving £0.25m.** It is proposed to re-introduce a salary abatement target which will account for vacant posts and incremental drift across the department. This proposal will need to be closely monitored during the year and is only a short term proposal as when officers move through the pay grade towards the top of their pay scale the ability to contribute towards this target will reduce. Robust plans will be developed to identify alternative savings when this becomes necessary and details will be reported to Members as part of future savings reports.

#### 4.8 Adult Services Proposals – Saving £0.6m

4.8.1 Details of these savings will be reported to the Adult Services Committee.

#### 4.9. Children's Services Proposals – Saving £0.4m

4.9.1 Within Children's Services, the following savings have been made over the last four financial years:-

• 2012/13	-	£545,000
• 2013/14	-	£720,000
• 2014/15	-	£2,100,000
• 2015/16	-	£1,790,000

4.9.2 The savings proposals specific to the Children Services Committee come from across all sectors of the department as detailed below.

4.9.3 **Early Intervention Services – Saving £0.1m.** Following substantial reductions made in the early intervention services budget over the last two years, an efficiencies review of budget lines has been completed which has identified £0.1m savings can be achieved in 2016/17. This saving is realised through removal of vacant working hours and reductions in supplies and services and general running costs.

4.9.4 **Income generation – Saving £0.1m.** Children's Services is maximising opportunities to work collaboratively with other partners to improve the quality of services provided whilst identifying more efficient ways to deliver these services through pooling resources. Working in partnership with other services enables the department to share costs and realise efficiencies as a consequence.

4.9.5 **Troubled Families – Saving £0.1m.** Over the past three years, the department has successfully delivered the local Think Family Think Community initiative receiving 100% of available Payment by Results funding. The programme approach has now been mainstreamed across

services to deliver the requirements in relation to phase two. Government funding continues to be attached to the delivery of the programme as well as a payment by results criteria. Given the success in phase one, the intervention model is now embedded in practice which will enable the department to meet the requirements of phase two. Income from grant funding and the payment by results can be offset against existing budgets to realise savings.

- 4.9.6 **Education – Saving £0.1m.** A rationalisation and restructure of some services in this area, for example in commissioning, and ongoing reduced pension liabilities will contribute the bulk of these savings. The balance of additional savings in 2016/17 will come from a freeze on inflationary costs on non-pay budget areas.

## 5. CONSIDERATION OF OPTIONS

- 5.1 A number of other options have been considered in respect of the savings proposed. A summary of these considerations is included below.

- Reducing capacity in social work teams which is considered to be too high a risk due to impact on case loads and safe practice.
- Further reducing capacity in family support services which will impact upon the level of support provided to vulnerable children and their families. This could lead to an increase demand for more specialist and higher cost services.
- Reducing capacity in school improvement which is considered to be too high a risk in relation to meeting the Council statutory responsibility for school improvement and the priority to ensure every school in Hartlepool is a good school.
- Reducing Foster Carer Allowances which is considered to be too high a risk given the need to avoid expensive placements in the independent sector.
- Closure of Children's Centres which would compromise the Council's ability to provide early community based support to families.
- Deletion of funding to support short breaks which would compromise the Council's ability to meet the needs of vulnerable families with disabled children
- Reduction in commissioned services to the voluntary and community sector which would compromise the council's ability to reduce high end demand through community based services.

## 6.0 RISK IMPLICATIONS

- 6.1 Using reserves to contribute towards the savings target is not sustainable and delays the savings until 2017/18. This has been implemented in the hope that early intervention, prevention and other policies will assist in the reduction of demand for services thus reducing costs. Given the increasing demographic pressures from an ageing population and from increasing

numbers of adults and children with complex physical or learning disabilities there is a significant risk that the council may not be able to achieve the aspiration of reducing demand to realise future savings.

6.2 There are three main risks associated with introducing a salary abatement target:-

- There may not be many vacancies during the year and/or they are filled immediately;
- Staff move through the pay grades and reach the top of pay scale quicker than anticipated i.e. qualifications and experience based for Social Workers and Social Care Officers;
- Incremental drift and vacancies have previously allowed some in-year flexibility within departmental budgets offsetting budget pressures elsewhere within the budget and meeting urgent need.

6.3 Other risks relate to

- The need to accelerate service and system change in the reorganisation of services.
- The early intervention services will need to bring about sufficient change to reduce high end demand.
- Partners will need to fully engage in the process and agree the best ways of working together to achieve the necessary improvements and efficiencies.
- Shifting resources to prevention from acute services could destabilise acute services.

6.4 Risk can be mitigated through

- Effective project management and governance;
- Commencing the redesign process as early as possible;
- Providing effective workforce development to support the change;
- Planned short term use of reserves to support the shift from acute spend to prevention.

6.5 It is anticipated that the risks highlight above in relation to using these measures to help balance the 2016/17 are low and manageable. However, the sustainability of these issues beyond 2016/17 will require careful management and if these items are not sustainable alternative savings proposals will need to be identified and reported as part of a future year's savings report.

## 7.0 FINANCIAL CONSIDERATIONS

7.1 The proposals outlined above deliver the savings as summarised in the table below. These proposals include the use of £0.934m of departmental reserves in 2016/17, which provides a longer lead time to identify permanent

budget savings from managing demand. Achievement of these reductions will be challenging and require carefully management and if these savings cannot be achieved alternative proposal will need to be identified and reported to Members:-

<b>Proposals:-</b>	<b>Proposed Savings</b>
<b>Departmental</b>	
Integration of early help and intervention services across social care, education and public health	£500,000
Departmental Salary Abatement Target	£250,000
Adult Services Proposals	£600,000
Use of Children's Reserves	£233,000
Use of Adult Services Reserves	£233,000
Use of Public Health Reserves	£468,000
	<b>£2,284,000</b>
<b>Children's Services</b>	
Early Intervention Services	£100,000
Income Generation	£100,000
Troubled Families	£100,000
Education	£100,000
	<b>£400,000</b>
<b>Total Departmental Saving</b>	<b>£2,684,000</b>

## 8. EQUALITY CONSIDERATIONS

- 8.1 A full Equality Impact Assessment will be undertaken as detailed proposals are developed. By definition all the savings proposals will affect people who access children's services. The proposals will be developed to protect services to the most vulnerable and ensure equality of access to universal provision.
- 8.2 An assessment has indicated that none of the current proposals require an Equality Impact Assessment as the proposals will have limited impact on people accessing services and no disproportionate impact on people who share protected characteristics.

## 9. RECOMMENDATIONS

- 9.1 That Members of the Committee note the content of the report and formulate a response to be presented to Finance and Policy Committee on 19<sup>th</sup> October 2015.



**10. REASON FOR RECOMMENDATIONS**

- 10.1 The proposals included in this report have been identified as being sustainable and deliverable.

**11. BACKGROUND PAPERS**

- 11.1 The following background papers were used in the preparation of this report:-

Finance and Policy Committee - Medium Term Financial Strategy (MTFS)  
2015/16 to 2017/18 - 29<sup>th</sup> June 2015

**12. CONTACT OFFICER**

Sally Robinson  
Director of Child and Adult Services  
Child & Adult Services  
Level 4  
Civic Centre  
Hartlepool  
TS24 8AY  
Tel: (01429) 523914  
e-mail: [sally.robinson@hartlepool.gov.uk](mailto:sally.robinson@hartlepool.gov.uk)

Mark Patton  
Assistant Director  
Child & Adult Services  
Level 4  
Civic Centre  
Hartlepool  
TS24 8AY  
Tel: (01429) 523736  
e-mail: [mark.patton@hartlepool.gov.uk](mailto:mark.patton@hartlepool.gov.uk)

# NEIGHBOURHOOD SERVICES COMMITTEE

7<sup>th</sup> September 2015



**Report of:** Director of Regeneration and Neighbourhoods

**Subject:** SAVINGS PROGRAMME 2016/17 –  
NEIGHBOURHOODS DIVISION

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## 1.0 TYPE OF DECISION/APPLICABLE CATEGORY

1.1 Budget and Policy Framework.

## 2.0 PURPOSE OF REPORT

2.1 The purpose of this report is to enable Members to consider the initial 2016/17 savings proposals relating to the Committees remit. Comments made are to be incorporated with those received from each of the Policy Committees in relation to their remits and reported to Finance and Policy Committee.

## 3.0 BACKGROUND

3.1 An initial update of the Medium Term Financial Strategy (MTFS) 2016/17 to 2018/19 was considered by the Finance and Policy Committee on 29<sup>th</sup> June 2015. This report highlighted the key issues impacting on the development of the budget for 2016/17 and future years, which reflects the following key issues:

- The scale of the Government grant cuts implemented over the lifetime of the previous Parliament. These reductions had a disproportionate impact on Council's serving more deprived communities and in 2015/16 the Council's Government grant was £30.4m less than it was in 2010/11, which is a reduction of 39%;
- Continuing significant Government grant cuts in 2016/17 and future years. It is currently forecast that further budget cuts of £14m will need to be made over the next three years, although the actual cuts may be higher if the actual Government grant cuts exceed current forecasts;

- The impact of financial risks transferred to Local Authorities from April 2013 arising from the implementation of the Business Rates Retention system and the transfer of responsibility for the Local Council Tax Support Scheme;
- The impact of demand led pressures – particularly in relation to Older People demographic pressures and increase demand for children's social care services;
- Continued restriction of Council Tax increases.

3.2 In addition, to the above financial challenges, a separate report was presented to the Finance and Policy Committee on 1<sup>st</sup> June 2015 to provide details of the outcome of the Power Station's Rateable Value appeal. The Valuation Office Agency, the organisation responsible for determining Rateable Values, has determined to reduce the Power Station Rateable Value by 48%. As a result of this reduction the Council's share of Business Rates income from the Power Station will reduce by £3.9m on a permanent basis. The Finance and Policy Committee will receive a further report on the strategy for addressing this issue. A meeting with the Local Government Minister has been requested to express the Council's concern at the impact of this reduction and to seek Government support to manage this significant reduction in Business Rates income.

3.3 As part of the process for the budget for 2016/17 it has been agreed that individual Policy Committees will consider these savings proposals prior to consideration by the Finance and Policy Committee and then Council.

3.4 Details are provided in this report in relation to the:-

- i) Proposals identified to make the savings;
- ii) Risks associated with the proposed savings; and
- iii) Financial considerations taken into account in developing the proposals.

3.5 In line with the process adopted last year and to assist Members consideration of budget proposals, experience gained through the implementation of a Social Return on Investment (SROI) process by the previous Regeneration and Planning Services Scrutiny Forum is to be utilised. Key to the SROI process was the provision of additional information in relation to the aim and scope of the service, its service users and engagement, inputs, outputs and outcomes. On this basis, information in relation to the Neighbourhoods Division is provided below.

#### 3.5.1 Community Safety and Engagement

Responsible for the development and activities of the Safer Hartlepool Partnership including the town's Community Safety Plan which aims to promote confident, cohesive and safe communities by reducing crime and anti-social behaviour, the harm caused by illegal drugs and alcohol, and reducing reoffending.

The team is responsible for the provision of support to the voluntary and community sector, capacity building, and engaging with residents to support elected Members to enable residents to influence and improve accountability in service delivery ensuring a co-ordinated approach to tackling issues across the neighbourhoods of Hartlepool.

Specific services include the Anti-social behaviour unit; CCTV; Victim and Crime Prevention Services; a commissioned specialist Domestic Violence Service; Community Development and Regeneration Service; Neighbourhood Planning; management and administration of the Community Pool, Ward Member Budgets, and Civic Lottery, Allotments, Civil and Environmental enforcement.

Feedback from service users is obtained in a number of different ways and this is often determined by the type of service, the target audience, the way in which it is delivered. Examples include: -

- Satisfaction surveys and questionnaires
- Regular progress and liaison meetings with users and providers
  - Neighbourhood forums
  - Ward Councillor feedback

### 3.5.2 Facilities Management

Facilities Management operates and delivers a number of key service areas both within Hartlepool Borough Council and to the private sector, including:

- School Meals Service
- Function Catering
- Building Cleaning
- Security Contract
- Inspirations Café and Garden Centre
- Services Direct

The fundamental aim is to provide a value for money efficient service for our customers, ensuring continuous improvement within Service Level Agreements and workforce development and training for the 600 staff. Where it is feasible the section will endeavour to seek out new opportunities for growth, with particular attention to income generation and sustainability.

### 3.5.3 Operations

The Operations section provides a 'one-stop-shop' for a range of front-line services which are delivered townwide. 'Working for a safer, cleaner environment' is our key aim and we achieve this through a combination of on-street service delivery, co-ordinated education campaigns and enforcement activities when the need arises.

Services within Operations include:

- Waste Disposal
- Refuse and Recycling Collection
- Street Cleansing
- Grounds Maintenance
- Highways (Repair and Maintenance)
- Fleet Management
- Street Lighting
- Dog Warden Service

Scheduled day to day activities ensure that roads and back streets are kept clean and safe, domestic and street litter bins are emptied regularly, street lights are working and roadside verges are kept trimmed and free of litter.

Education campaigns around litter, responsible dog ownership and recycling are carried out amongst schools and the wider community and these play an important part in changing people's attitudes. Partnership working is also at the heart of the section, enabling the provision of a multi-agency approach to service delivery.

The Parks and Countryside Section is also encompassed within the Operations section and is responsible for the care, development and promotion of green spaces. These include the following

- Parks
- Town wide Horticulture work
- Countryside Wardens and Nature Conservation areas
- Coast and associated Beach Safety provision
- Public Rights of Way and the Countryside Access Network
- Cemeteries and the Crematoria
- Children's outdoor play spaces and fixed play equipment
- Football pitches, games spaces and bowling greens

Working from a bespoke new maintenance facility, Fleet Management plays a pivotal role in ensuring all Council vehicles are kept well maintained safe and reliable. This enables respective sections and departments to provide a seamless service to the residents of the town.

### **3.6 Service Users**

- 3.6.1 The range of services covered by this report are delivered to all residents across the whole of the borough, agencies working in Hartlepool from the statutory, voluntary and community as well as providing commercial services to external organisations colleges and schools via Service Level Agreements and contracts.

### **3.7 Engagement**

3.7.1 Services provided include delivery to internal and educational clients but some service portfolios have by necessity significant external public sector, commercial and private cliental. To meet the Councils client service expectations some service portfolio are already operating under the parameters of a public sector charging and trading arm to assist revenue streams.

3.7.2 Feedback from service users is obtained in a number of different ways and this is often determined by the type of service, the target audience, and the way in which it is delivered. Examples include: -

- Satisfaction questionnaires
- Regular progress and liaison meetings with users and providers
- Attending Neighbourhood Forums, resident groups and associations
- Service specific liaison groups

3.7.3 The Community Safety and Engagement section has a strong interface with Ward Councillors on a daily basis ensuring any ward issues raised by local residents are responded to immediately. The service is responsible for the Neighbourhood Management and Empowerment Strategy which aims to ensure appropriate governance arrangements are in place that enables meaningful participation and empowerment of communities in local government decision making processes supported by effective development work that increases cohesion; the promotion of integrated partnership working on a neighbourhood level; and tackling deprivation in our most disadvantaged neighbourhoods through good quality planning that facilitates effective and sustainable change. Examples of how the service engages with communities includes:

- Provision and support of Neighbourhood Forums which meet quarterly and facilitate feedback from the public on all Council services.
- Hartlepool Partnerships annual Community Safety Plan.
- Neighbourhood surveys such as those undertaken by the multi-agency Joint Action Groups in hotspot areas where there are high levels of crime and disorder to improve our conversation with the public and gather further intelligence on how services should be delivered in the local area.
- Provision of a network of support for local resident groups where concerns and feedback on how Council Services are operating are channelled to the appropriate service for action.
- Leading on engaging and supporting communities to exercise their rights under the Localism Act - the team is currently enabling 5 communities to develop Neighbourhood Plans for their local area, and is supporting the first community group wishing to register an asset of community value with a view to exercising their right to buy.
- Local groups are supported with events that reach out to the broader community e.g. diversity event where hard to reach groups can come along and find out more about services and how they can influence services in the future.

### 3.8 Inputs

3.8.1 The current cost to the Council of the services delivered by the Neighbourhoods Division is as follows :

Service Area	2015/16 Net Budget (£'000)
Building Design and Construction	(290)
Community Safety and Engagement	1,095
Emergency Planning	60
Operations	15,100
Facilities Management	780
	<b>16,745</b>

The costs of these services to the Council have, in line with many other service areas in the Council reduced significantly over the last 4 years.

### 3.9 Outcomes

- Delivery of technical, support and frontline services to internal Council departments, external organisations and schools.
- Delivery of the Council's Neighbourhood Management and Empowerment Strategy and the Voluntary and Community Sector Strategy.
- Operations

## 4.0 SAVINGS PROPOSALS

### 4.1 Consideration of Options

4.1.1 The Department is looking to generate additional income through land rental charges as part of future years savings programme and this includes income from a Wind Turbine site. Work is ongoing to secure an appropriate scheme however, it will take time for the necessary agreements to be considered and concluded and this is now not expected to be finalised in time to be included within the 2015/16 savings programme..

4.1.2 Therefore, for 2016/17 it is proposed to use £157k of departmental reserves to help meet the savings target and provide a longer lead in time to produce the income, effectively delaying these savings by one year.. In the event that this income is not achieved there will be an increase in the 2017/18 target and alternative savings will need to be identified. Other longer term options are also being reviewed including changes to operations to reduce vehicle running costs.

- 4.1.3 The reserve contribution will be funded from planning income in 2015/16 which will exceed the budget set for planning fees in year and this proposal will be included within the overall Medium Term Financial Strategy (MTFS).
- 4.1.4 The forecast planning income reflects the higher than normal level of large scale developments expected in year. This higher than normal planning activity is not sustainable in the long term given the financial cost associated with major developments. Further work is therefore required to consider the financial impact this higher than normal planning activity will have on planning fees in future years and this issue will need to be considered as part of the MTFS.
- 4.1.5 In addition to the savings specific to the Regeneration and Neighbourhood Services Committees, the following departmental savings are generic and contribute towards the overall departmental target:

- **Departmental Management of vacancies Target - £111k**

It is proposed to re-introduce a salary abatement target which will account for vacant posts and incremental drift across the department. This proposal will need to be closely monitored during the year and is only a short term proposal as when officers move through the pay grade towards the top of their pay scale the ability to contribute towards this target will reduce.

- **Support Services - £50k**

Administrative and support services which will achieve savings in the region of £50k. This will involve the removal of vacant posts and potential redundancies, a reduction in departmental management support budgets such as postage, general office consumables and training.

## 4.2 **Neighbourhood Services Proposals**

- 4.2.1 Within the overall Neighbourhood services division, the following savings have been made over the last four financial years:
- 2012/13 - £809,000
  - 2013/14 - £654,000
  - 2014/15 - £1,125,000
  - 2015/16 - £1,042,000
- 4.2.2 Reducing budgets by this level on an ongoing basis cannot be achieved without an impact on frontline services although proposals have sought to minimise this impact as far as possible. It is inevitable that further savings proposals will have an increasing impact on frontline services, as it is not possible to sustain current levels of service and performance with reducing budgets and increasing demands on services.
- 4.2.3 The proposed contribution to the overall departmental savings from the Neighbourhood Services Division is £595k.



4.2.4 The savings proposals specific to the Neighbourhood Services Committee are as follows:-

#### **4.2.1 Street Lighting (Maintenance Saving) - £180k**

The Street Lighting LED replacement scheme will reduce energy consumption by 50%, generating annual savings of £400,000 p.a. This saving has been used to fund prudential borrowing charges to fund the replacement programme. By delivering the scheme in house it has been possible to complete the work significantly under budget. The savings achieved of almost £1.2m has meant it has been possible to enhance the scheme, using resources in place, and fund the replacement of all street lighting columns over 30 years at the same time. This will remove a considerable budget pressure the Council was facing over the next 10 years.

In addition to this the scheme will also result in a reduction in the level of ongoing maintenance after installation. All LED units are covered by a 20 year warranty and the planned maintenance requirements are therefore significantly reduced. This has enabled the current street lighting workforce to be reduced by voluntary redundancy and redeployment into the Highways team. This, 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.

#### **4.2.2 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. The budget is set to fund higher levels of need and based on current and recent levels of demand it is possible to reduce this budget in 16/17. 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.

#### **4.2.3 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.

**4.2.4 Operations: - £215k**

An increase in productivity achieved through route optimisation programmes and the reconfiguration of operational activities will result in a reduction in the number of vehicles which will also bring about a reduction in fuel costs.

The changes to working arrangements from an analysis of the scheduled work carried out in some areas, e.g. Grounds Maintenance and Street Cleansing, will result in efficiencies and work programme improvements and a further reduction in the number of seasonal and casual staff is possible.

Applications for Early Retirement/Voluntary Redundancies have been received and where accepted are currently being processed. It is anticipated these will be concluded by the end of the current financial year in readiness for the 2016/17 period.

Given that the Operations section is still very much in its infancy and is currently working to realise the full potential of multi-tasking/traversing and/or the income generation capabilities of the new depot, further savings at this stage would be difficult without compulsory redundancies.

**4.2.5 Facilities Management - £60k**

All services within Facilities Management have undergone efficiency reviews on a regular basis, and whilst savings have been found year on year, finding further efficiency savings is becoming increasingly difficult as pressure on the Trading Accounts to remain competitive and reduce prices is growing.

As Facilities Management is a 'Trading Account' making efficiencies as part of our contract offer to schools etc. would seriously affect our ability to sustain 'buy back' from those clients. Savings have been identified through reduction of overheads in both Building Cleaning and Catering budgets.

**4.2.6 Community Safety and Engagement – 50K**

Staff reduction has taken place through natural wastage via new job opportunities both internal and external which has given rise to the opportunity to consider the restructuring of the service.

The Community Pool budget no longer exists and the merger of Civic Lottery and Ward Member Budgets will enable savings to be created in this service area.

Some duties have already been reallocated to existing staff, and whilst the removal of the posts will put further pressure on the service, this seems the obvious way to make savings without the need for compulsory redundancies.

## 5.0 RISK IMPLICATIONS

5.1 Using reserves to contribute towards the savings target is not sustainable and only delays the savings until 2017/18. This has been implemented in the hope that additional income will be generated from schemes currently being developed e.g. Wind Turbines. There is a risk that this income will not be received and alternate savings will need to be identified in 2017/18.

5.2 There are a number of risks implicit in the delivery of any package of savings and it is important to recognise these as part of any decision making. A summary of the risks considered as part of the proposals has been identified below:

- Increased pressure on frontline staff and management
- Potential for income generation – contribution and new opportunities
- Balance of workload versus fee earning potential
- Potential reduced effectiveness and quality of service
- Health and Safety implications
- Reduced flexibility of service and management capacity

5.3 There are risks associated with introducing a salary abatement target:

- limited number of vacancies during the year and/or vacancies are filled immediately
- incremental drift and vacancies have previously allowed some in year flexibility within departmental budgets, offsetting budget pressures elsewhere within the budget and meeting urgent need

## 6.0 FINANCIAL CONSIDERATIONS

6.1 The proposals deliver the following proposed savings:-

Service	Proposed Savings (£)
<b>Departmental</b>	
Management of Vacancies	£111,000
Support Services	£50,000
Use of Departmental Reserves	£157,000
Regeneration Committee	£268,000
<b>Sub Total</b>	<b>£586,000</b>
<b>Neighbourhood Services</b>	
Street Lighting Maintenance	£180,000

Home to School Transport	£70,000
Concessionary Fares	£20,000
Operations	£215,000
Facilities Management	£60,000
Community Safety and Engagement	£50,000
<b>Total Neighbourhood Services</b>	<b>£595,000</b>
<b>Grand Total for Department</b>	<b>£1,181,000</b>

## 7.0 RECOMMENDATIONS

- 7.1 That Members of the Committee note the content of the report and formulate a response to be presented to Finance and Policy Committee on 19<sup>th</sup> October 2015.

## 8.0 REASON FOR RECOMMENDATIONS

- 8.1 The proposals included in this report have been identified as being sustainable and deliverable.

## 9.0 BACKGROUND PAPERS

- 9.1 The following background papers were used in the preparation of this report:-

Finance and Policy Committee - Medium Term Financial Strategy (MTFS)  
2015/16 to 2017/18 - 29<sup>th</sup> June 2015

## 10.0 CONTACT OFFICERS

Denise Ogden  
Director of Regeneration and Neighbourhoods  
Level 3  
Civic Centre  
Hartlepool  
TS24 8AY

Tel: 01429 523300  
E-mail: [denise.ogden@hartlepool.gov.uk](mailto:denise.ogden@hartlepool.gov.uk)

Alastair Smith  
Assistant Director (Neighbourhoods)  
Level 3  
Civic Centre  
Hartlepool  
TS24 8AY

Tel: 01429 523802  
E-mail: [Alastair.smith@hartlepool.gov.uk](mailto:Alastair.smith@hartlepool.gov.uk)

## Impact Assessment Form

Department	Division	Section	Owner/Officer
Regeneration and Neighbourhoods	Neighbourhoods		Denise Ogden/Alastair Smith
Service, policy, practice being reviewed/changed or planned	<ul style="list-style-type: none"> <li>• Technical Services</li> <li>• Community Safety and Engagement</li> <li>• Operations</li> <li>• Facilities Management</li> </ul>		
Why are you making the change?	<ol style="list-style-type: none"> <li>1. Financial savings targets for 2016/17 set by the Council as a response to the Governments Public sector spending review.</li> <li>2. Respond to changing service delivery expectations from communities and users.</li> <li>3. To provide services in an efficient and responsive manner.</li> </ol>		
How might this impact (positively/negatively) on people who share protected characteristics?			
		Please tick	
		POSITIVELY	NEGATIVELY
Age			
<ul style="list-style-type: none"> <li>• <b>Concessionary Fares, Home to School Transport, Street Lighting (Maintenance Saving)</b> Reduction in budget is not anticipated to affect the statutory duty placed upon the Authority</li> <li>• <b>Community Safety and Engagement</b> At present no significant negative impacts have been identified for users</li> <li>• <b>Operations</b> At present no significant negative impacts have been identified for users</li> <li>• <b>Facilities Management</b> At present no significant negative impacts have been identified for users</li> </ul>			
Disability			
<ul style="list-style-type: none"> <li>• <b>Concessionary Fares, Home to School Transport, Street Lighting (Maintenance Saving)</b> Reduction in budget is not anticipated to affect the statutory duty placed upon the Authority</li> <li>• <b>Community Safety and Engagement</b> At present no significant negative impacts have been identified for users</li> <li>• <b>Operations</b> At present no significant negative impacts have been identified for users</li> <li>• <b>Facilities Management</b> At present no significant negative impacts have been identified for users</li> </ul>			
Gender Re-assignment			
<ul style="list-style-type: none"> <li>• <b>Concessionary Fares, Home to School Transport, Street Lighting (Maintenance Saving)</b> Reduction in budget is not anticipated to affect the statutory duty placed upon the Authority</li> <li>• <b>Community Safety and Engagement</b> At present no significant negative impacts have been identified for users</li> <li>• <b>Operations</b></li> </ul>			

<ul style="list-style-type: none"> <li>At present no significant negative impacts have been identified for users</li> <li>• <b>Facilities Management</b> At present no significant negative impacts have been identified for users</li> </ul>		
<b>Race</b>		
<ul style="list-style-type: none"> <li>• <b>Concessionary Fares, Home to School Transport, Street Lighting (Maintenance Saving)</b> Reduction in budget is not anticipated to affect the statutory duty placed upon the Authority</li> <li>• <b>Community Safety and Engagement</b> At present no significant negative impacts have been identified for users</li> <li>• <b>Operations</b> At present no significant negative impacts have been identified for users</li> <li>• <b>Facilities Management</b> At present no significant negative impacts have been identified for users</li> </ul>		
<b>Religion</b>		
<ul style="list-style-type: none"> <li>• <b>Concessionary Fares, Home to School Transport, Street Lighting (Maintenance Saving)</b> Reduction in budget is not anticipated to affect the statutory duty placed upon the Authority</li> <li>• <b>Community Safety and Engagement</b> At present no significant negative impacts have been identified for users</li> <li>• <b>Operations</b> At present no significant negative impacts have been identified for users</li> <li>• <b>Facilities Management</b> At present no significant negative impacts have been identified for users</li> </ul>		
<b>Gender</b>		
<ul style="list-style-type: none"> <li>• <b>Concessionary Fares, Home to School Transport, Street Lighting (Maintenance Saving)</b> Reduction in budget is not anticipated to affect the statutory duty placed upon the Authority</li> <li>• <b>Community Safety and Engagement</b> At present no significant negative impacts have been identified for users</li> <li>• <b>Operations</b> At present no significant negative impacts have been identified for users</li> <li>• <b>Facilities Management</b> At present no significant negative impacts have been identified for users</li> </ul>		
<b>Sexual Orientation</b>		
<ul style="list-style-type: none"> <li>• <b>Concessionary Fares, Home to School Transport, Street Lighting (Maintenance Saving)</b> Reduction in budget is not anticipated to affect the statutory duty placed upon the Authority</li> <li>• <b>Community Safety and Engagement</b> At present no significant negative impacts have been identified for users</li> <li>• <b>Operations</b> At present no significant negative impacts have been identified for users</li> <li>• <b>Facilities Management</b> At present no significant negative impacts have been identified for users</li> </ul>		
<b>Marriage &amp; Civil Partnership</b>		
<ul style="list-style-type: none"> <li>• <b>Concessionary Fares, Home to School Transport, Street Lighting (Maintenance Saving)</b> Reduction in budget is not anticipated to affect the statutory duty placed upon the Authority</li> <li>• <b>Community Safety and Engagement</b> At present no significant negative impacts have been identified for users</li> <li>• <b>Operations</b> At present no significant negative impacts have been identified for users</li> <li>• <b>Facilities Management</b> At present no significant negative impacts have been identified for users</li> </ul>		

Pregnancy & Maternity	
<ul style="list-style-type: none"> <li>• <b>Concessionary Fares, Home to School Transport, Street Lighting (Maintenance Saving)</b> Reduction in budget is not anticipated to affect the statutory duty placed upon the Authority</li> <li>• <b>Community Safety and Engagement</b> At present no significant negative impacts have been identified for users</li> <li>• <b>Operations</b> At present no significant negative impacts have been identified for users</li> <li>• <b>Facilities Management</b> At present no significant negative impacts have been identified for users</li> </ul>	
<p><b>Has there been consultation /is consultation planned with people who will be affected by this policy? How has this affected your decision making?</b></p>	<p>Information available that has been used to inform these proposed changes:</p> <ul style="list-style-type: none"> <li>• Current structures and proposed structures.</li> <li>• Staffing profiles across all areas.</li> <li>• Established HR Procedures (Selection criteria is based on objective matters which are not related to any protected groups).</li> <li>• Job Descriptions.</li> <li>• Job evaluation process.</li> <li>• Information on service users             <ul style="list-style-type: none"> <li>- Satisfaction surveys and questionnaires</li> <li>- Regular progress and liaison meetings with users and providers</li> <li>- Neighbourhood forums</li> <li>- Ward Councillor feedback</li> </ul> </li> </ul> <p><b>Concessionary Fares</b> The amount paid for concessionary fares depends 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 16/17. This is a volatile budget and costs will continue to be closely monitored on a regular basis.</p> <p><b>Home to School Transport</b> The Budget for home to School Transport is 'needs driven' and costs will vary depending on pupil demographics as well as route efficiencies. The budget is currently set to fund higher levels of need than is used and based on current and recent levels of demand it is possible to reduce this budget in 16/17. 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.</p> <p><b>Street Lighting (Maintenance Saving)</b> The original business case for this scheme recognised that in addition to the energy savings there is also a reduction in the level of ongoing maintenance after installation. All LED units are covered by a 20 year warranty and the planned maintenance requirements are therefore significantly reduced. This has enabled the current street lighting</p>

	<p>workforce to be reduced by voluntary redundancy and redeployment into the Highways team. These changes along with a reduction in the vehicles required and spend on materials, is predicted to produce an annual saving of £180,000 per annum on the Street Lighting Budget.</p> <p><b>Community Safety and Engagement</b> Staff having recently left this service area the loss of the Community Pool and the merger of Ward Member Budgets and Civic Lottery, has enabled some duties to be reallocated within existing job profiles. Any future restructuring will be subject to consultation with staff concerned.</p> <p><b>Operations</b> Savings are to be achieved through ER/VR's resulting partly from the transition to a multi-disciplinary workforce, and attainment of further amalgamated service efficiencies. The savings are not anticipated to affect the statutory duties placed upon the Authority</p> <p><b>Facilities Management</b> Consultation will take place between October-December 2015 with all relevant staff, once the areas of savings have been clearly identified.</p>
As a result of your decision how can you mitigate negative/maximise positive outcomes and foster good relationships?	<p>The proposals, as they stand, have a minimal impact on equality and statutory services will not be affected.</p> <p>Equality impacts on particular groups and staff have been considered as part of the Savings Programme proposals. Equality impacts are deemed to be minimal and options to mitigate, avoid or reduce the impact have been considered as part of the proposals, inc:</p> <ul style="list-style-type: none"> <li>• Early Retirement/Voluntary Redundancy opportunities are in line with HR policy and staff have been appropriately advised and will be supported throughout the process.</li> <li>• Staff in service like Facilities Management (e.g. cleaning) affected by service changes may also have options of workplace relocation.</li> <li>• Reconfiguration of services and merging of functions – No specific impact on users and communities identified. However it is noted that there will be increased pressure on staff to deliver services and potential reduced flexibility and effectiveness of service.</li> </ul>
Describe how you will address and monitor the impact	<p><b>1. No Impact - No Major Change</b></p> <p>The proposed changes will have to be monitored by the appropriate managers and front line staff through existing methods of service appropriate information gathering:</p> <ul style="list-style-type: none"> <li>- Satisfaction surveys and questionnaires</li> <li>- CRM data</li> <li>- Progress and liaison meetings with users and providers</li> </ul>



		<ul style="list-style-type: none"> <li>- Neighbourhood forums</li> <li>- Ward Councillor feedback</li> </ul> <p>If necessary proposals will have to be brought forward to the appropriate management level to address any emerging concerns.</p> <p><b>Concessionary Fares</b> The service is currently over funded and the reduction is not anticipated to affect the statutory duty placed upon the Authority.</p> <p><b>Home to School Transport</b> The service is currently over funded and the reduction is not anticipated to affect the statutory duty placed upon the Authority</p> <p><b>Street Lighting (Maintenance Saving)</b> The service is currently over funded and the reduction is not anticipated to affect the statutory duty placed upon the Authority</p> <p><b>Community Safety and Engagement</b> At present no significant negative impacts have been identified for users.</p> <p><b>Operations</b> At present no significant negative impacts have been identified for users.</p> <p><b>Facilities Management</b> In both cleaning and catering Facilities Management will continue to monitor outcomes in line with the existing performance monitoring processes and consultation with those customers affected by a reduction service.</p>	
		<b>2. Adjust/Change Policy</b>	
		<i>Please Detail</i>	
		<b>3. Adverse Impact but Continue as is</b>	
		<i>Please Detail</i>	
		<b>4. Stop/Remove Policy/Proposal</b>	
		<i>Please Detail</i>	
Initial Assessment	07/08/15	Reviewed	12/08/2015
Completed	12/08/2015	Published	07/09/2015

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# REGENERATION SERVICES COMMITTEE

28<sup>th</sup> August 2015



**Report of:** Director of Regeneration and Neighbourhoods

**Subject:** SAVINGS PROGRAMME 2016/17 –  
REGENERATION DIVISION

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## 1. TYPE OF DECISION/APPLICABLE CATEGORY

1.1 Budget and Policy Framework Item.

## 2. PURPOSE OF REPORT

2.1 The purpose of this report is to identify proposals for the delivery of savings in respect of the Regeneration Division for consideration as part of the 2016/17 budget process.

## 3. BACKGROUND INFORMATION

3.1 An initial update of the Medium Term Financial Strategy (MTFS) 2016/17 to 2018/19 was considered by the Finance and Policy Committee on 29<sup>th</sup> June 2015. This report highlighted the key issues impacting on the development of the budget for 2016/17 and future years, which reflects the following key issues:

- The scale of the Government grant cuts implemented over the lifetime of the previous Parliament. These reductions had a disproportionate impact on Council's serving more deprived communities and in 2015/16 the Council's Government grant was £30.4m less than it was in 2010/11, which is a reduction of 39%;
- Continuing significant Government grant cuts in 2016/17 and future years. It is currently forecast that further budget cuts of £14m will need to be made over the next three years, although the actual cuts may be higher if the actual Government grant cuts exceed current forecasts;
- The impact of financial risks transferred to Local Authorities from April 2013 arising from the implementation of the Business Rates Retention

system and the transfer of responsibility for the Local Council Tax Support Scheme;

- The impact of demand led pressures – particularly in relation to Older People demographic pressures and increased demand for children's social care services.

- Continued restriction of Council Tax increases.

3.2 In addition, to the above financial challenges, a separate report was presented to the Finance and Policy Committee on 1<sup>st</sup> June 2015 to provide details of the outcome of the Power Station's Rateable Value appeal. The Valuation Office Agency, the organisation responsible for determining Rateable Values, has determined to reduce the Power Station Rateable Value by 48%. As a result of this reduction the Council's share of Business Rates income from the Power Station will reduce by £3.9m on a permanent basis. The Finance and Policy Committee will receive a further report on the strategy for addressing this issue. A meeting with the Local Government Minister has been requested to express the Council's concern at the impact of this reduction and to seek Government support to manage this significant reduction in Business Rates income

3.3 As part of the 2016/17 Savings Programme, a number of service areas were identified where potential savings could be made. As part of the process for the budget for 2016/17 it has been agreed that individual Policy Committees will consider these savings proposals prior to consideration by Finance and Policy Committee and then Council.

3.4 Details are provided in this report in relation to the:-

- i) Proposals identified to make the savings;
- ii) Risks associated with the proposed savings; and
- iii) Financial considerations taken into account in developing the proposals.

3.5 In further developing the information provided to Members to assist them in consideration of budget proposals a range of information relating to the services within the Division is included in the report.

3.6 The services under consideration as part of this report are as follows: -

3.6.1 **Economic Regeneration** – The Economic Regeneration Team provides the Council lead on the Jobs and Economy Theme and offers services to residents and businesses.

The Business Team is responsible for Hartlepool's Business Incubation System and providing business infrastructure such as Queens Meadow, Incubation Units at Hartlepool Enterprise Centre and working with key partners including UKSE to develop high quality business units. The Team has established Enterprise Zones at Queens Meadow, Port Estates and Oakesway. At the same time the team works with growth companies to ensure they can maximise financial assistance available through, for

example, Regional Growth Fund where the team has a successful track record. The service works closely with the Regeneration Team and is driving forward the Hartlepool Vision and Master Plan and regeneration plans for Seaton Carew, based on mixed development opportunities. The Team is supporting housing regeneration and is also driving forward the Innovation and Skills Quarter initiative.

The Tourism Team undertakes specialist business support for the visitor economy and is actively involved in the development of a range of activities including the EAT Initiative. The service is also at the forefront of e-marketing activities. Hartlepool Working Solutions offers employability services to get residents back into training and employment with a particular focus on young people. The service has been successful in drawing down external funding to support key initiatives and has also launched the Hartlepool Youth Investment Project which provides the key framework for youth intervention

**3.6.2 Culture and Information** – The Culture and Information Section is responsible for the museums and galleries, libraries, heritage attractions, community centres, theatre and events programme across the Borough. These venues include:

- Museum of Hartlepool.
- Hartlepool Maritime Experience.
- Hartlepool Art Gallery.
- Sir William Gray House.
- Central Library.
- Owton Manor Library.
- Seaton Library.
- Headland Library.
- Owton Manor Community Centre.
- Burbank Community Centre.
- Masefield Centre.
- Throston Library

The Service also operates a mobile library and home delivery service, oversees events across the Borough and supports the Independent Safety Advisory Group (ISAG). The Service is involved in a number of Tees Valley and Hartlepool projects such as the the Hartlepool Maritime Experience / National Museum of the Royal Navy project, Enterprising Libraries, 999:What's Your Emergency, Young Cultural Ambassadors and the Summer Reading Challenge to name but a few.

**3.6.3 Planning Services** – The Planning Service consists of two discrete teams: Development Management Team focuses on assessing proposals for new development and their impact on their surroundings, particularly in the form of planning applications and informal planning submissions. The section is also responsible for monitoring development and, where necessary, implementing enforcement action against unauthorised development, including derelict untidy buildings and land.

Planning Policy is responsible for spatial planning policy and sustainable development policy, this includes the preparation, monitoring and review of the statutory Local Development Framework including the Local Plan, which will establish the overarching planning policy framework for the Borough and will eventually replace the adopted Hartlepool Local Plan 2006.

- 3.6.4 **Housing Services** – The Housing Services Team is responsible for administering and undertaking the Council's strategic housing functions, together with Housing Market Renewal activity and the Housing Options Service. Activity also includes managing bids for associated housing and regeneration funds, together with funding for the provision of affordable housing, housing advice and homeless services, tenancy advice and assistance. This section works with Registered Providers to build affordable housing in the town and with other developers to improve and increase the affordable housing options available to the market in Hartlepool. The role is also to support and assist in the progression of the Housing Partnership. In addition, the team co-ordinates and works with housing delivery services teams to ensure an integrated Housing Service across the Authority.

The Private Sector Housing team is involved in the current problems associated with low demand in the private housing sector, working with landlords regarding empty homes and selective licensing. The team also provides financial help for adaptations to houses for disabled persons and to owners to improve the condition of private houses.

The Housing Advice Team runs the Choice Based Lettings Service, maintains the Housing Register (waiting list), gives free advice and, where appropriate, assistance in obtaining and keeping accommodation. The team operates a Landlord Tenants Service to give advice and assistance to landlords and tenants in the conduct of tenancies.

Two additional functions which have been added to the Housing Service during 2015 to 2016 are Housing Management and the creation of a Social Lettings Agency. The Housing Management function relates to the management of all of the Council's stock which includes the new build council housing and the houses acquired under the Empty Property Acquisition scheme. Previously these houses were managed under a contract by the Thirteen Group. The Social Lettings Agency was set up to drive up the housing management standards by encouraging landlords to have their properties managed by the Council as opposed to some of the private sector housing management agencies whose standards and practices are less than satisfactory.

### 3.7 **Scope of Proposed Savings**

- 3.7.1 The savings proposed can be broken down into four areas as follows:-

- i) Housing income generation
- ii) Libraries Service review

- iii) Community Centres review
- iv) Planning Services enforcement reconfiguration
- v) Economic Regeneration various

### 3.8 Service Users

3.8.1 The range of services covered by this report are delivered across the whole of the Borough dealing with people across all age groups, however, within these functions there are many discreet services which have been tailored for particular user groups. Some examples are listed below for illustrative purposes and are by no means exhaustive.

- Going Forward project – 16 to 24 year olds (NEETS).
- Family Wise – Supporting residents with multiple problems.
- Selective Licensing – targeted towards areas of the town with a high proportion of private rented housing.
- Housing Adaptations service – targeted towards people with disabilities.
- Housing Advice – targeted towards people in need of housing or who are homeless or at risk of becoming homeless.
- Housing Management – tenants of Council owned properties
- The Business Team – supports the business community from new start ups right through to large scale inward investors.
- Planning One Stop Shop – providing comprehensive planning advice and guidance to residents, architects, consultants, developers and businesses.
- Book Trust Programme – aimed at children from 9 months to 5 years.
- Home Library Service – delivering books directly into the homes of library members who are in ill health or have mobility issues.
- Planning Enforcement – dealing with monitoring planning developments and undertaking enforcement against unauthorised development
- Arboricultural services – protection of existing trees and the promotion of new tree planting as part of new developments.

### 3.9 Engagement

3.9.1 Feedback from service users is obtained in a variety of different ways and this is often determined by the type of service, the target audience, the way in which services are delivered. Examples include:

- Updating of the Economic Regeneration Strategy involving consultation through the Economic Forum.
- Hartlepool Vision launch and engagement in January 2014 involving over 150 businesses and a similar number of residents.
- Following the launch of the Vision, the commencement of the Waterfront Masterplan process will see ongoing consultation over the next 6 – 9 months as the plan is developed. This will involve Members, the public, businesses and other interested groups.
- Training and Employability Programmes – all trainees are regularly consulted for satisfaction ratings.

- Housing Regeneration Carr and Hopps – regular one-to-one engagement with residents who remain in the area as the project moves forward.
- Regular attendance at resident group meetings to discuss, for example, housing standards, Selective Licensing, Empty Homes etc.
- Visitor surveys for specific events and festivals including, for example, Golf Week, to evaluate the success of the event and to learn from the experience.
- Annual satisfaction survey for tenants at the Hartlepool Enterprise Centre.
- Home Library User surveys – 394 in 2011.
- Cathy Cassidy – Author Event evaluation - 378 responses – February 2014.
- Local History lecture – 22 responses – March 2014.
- Library Services Review – Mobile Survey evaluation – 154 responses – September 2013, Library Service Review 2015 – 1530 responses.

### 3.10 Inputs

3.10.1 The current cost to the Council of providing the services relevant to the Regeneration Committee are as follows:-

Economic Regeneration	£870,000
Planning Services (including Heritage and Conservation)	£310,000
Housing Services	£585,000
Culture and Information	£1,500,000
Building Control	£60,000
Learning and Skills (100% grant funded)	£Nil
Estates and Asset Management	£(25,000)
<b>Total</b>	<b>£3,300,000</b>

### 3.11 Outputs and Outcomes

3.11.1 The services provided within the Regeneration Division are so broad and varied that it would be difficult to list all outputs and outcomes across all areas of delivery, however, the following is a summary of some of the key highlights: -

#### 3.11.2 Economic Regeneration

- The service contributes to a range of key economic performance outcomes including unemployment and employment rates, business start up and business stock levels, provision of key business infrastructure including business park development and managed workspace. Whilst not the focus of the service, the health and wellbeing of local residents is positively impacted on through meaningful employment and economic engagement. As an example youth unemployment rate has decreased from 17% in September 2012 to 4.9% in May 2015.

- To date the employability services of Family Wise, Going Forward and Connect 2 Work have achieved 221 employment outcomes for mainly young people.
- Hartlepool achieved 33% of the land allocation within the Tees Valley Enterprise Zone with Port Estates achieving ECA status, Queens Meadow achieving NDR discount status and Oakesway Industrial Estate achieving local Enterprise Zone status. To date 11 projects have been delivered at Queens Meadow and the Port, the highest number of projects achieved across the Tees Valley Enterprise Zone to date, attracting £2.0M of private sector investment and creating or safeguarding up to 200 jobs.
- Hartlepool's business start up rate per 10,000 head of population has been consistently higher than the Tees Valley and North East rate at 47 though the gap between Hartlepool and the Great Britain figure has increased slightly from 15 per 10,000 per head of population to 22.

### 3.11.3 Planning Services

- The service contributes to key outcomes including supporting the long term sustainable development and growth of the town which in turn impacts on the health and wellbeing of local residents.
- The determination of planning applications which supports the development and growth of the town and also carries out appropriate planning regulation enforcement which supports appropriate development and growth. Planning plays a key role in a comprehensive and coordinated approach of action against untidy and derelict buildings and land and also deals extensively with the control of waste sites.
- Production of the Local Plan which provides a long term plan to support the development of the town and at the same time supporting the Council's priorities.
- Development of planning and development briefs for key sites including master planning which helps deliver growth through the allocation of sites.
- Provision of the One Stop Shop advisory service which helps to ensure better quality applications are submitted.
- Conservation provides specialist advice aimed at the protection and enhancement of the natural and built environment of Hartlepool including advice and guidance to owners of listed buildings and other historic assets and has supported conservation areas by providing grant support. The service includes ecology and arboricultural advice and the service has undertaken paid for consultancy work. Current key projects include the Limestone Landscape project in Hart and Elwick, the Village Atlas for Elwick and the delivery of greater public access and connectivity in the area supported by Heritage Lottery Funding.



### 3.11.4 Housing Services

- The service contributes to key performance outcomes including the reduction in empty homes, improved residential accommodation including HMR and reducing and preventing homelessness, which in turn contributes to the health and wellbeing of local residents.
- Empty Homes initiatives are a key activity within this service, including a pilot programme with Housing Hartlepool and the Empty Homes purchase scheme, to date 132 empty properties have been acquired for refurbishment and re-let.
- The service proactively uses Section 215 planning powers to improve housing conditions and at the same time undertakes statutory enforcement where appropriate.
- A range of grant assistance is delivered to help owners carry out essential repairs and also offers the disabled facilities grant, for 2014/15 a total of 182 properties have benefited from this scheme.
- Housing and homelessness advice is provided and specific targeted support is given to many vulnerable groups and clients which allows individuals to maintain independent living. During 2014/15 homelessness was prevented in 297 cases.
- The service also develops strategies and provides specialist advice on the development of appropriate Council policies in relation to the housing market and at the same time liaises with external partners and developers to ensure the appropriate provision of residential accommodation. A developing area of work is around welfare reform and there is extensive liaison with partners to ensure that local residents are fully supported through major reform processes.
- Housing Regeneration remains a key issue for the town with several sites including Perth/Hurworth and Carr/Hopps Street seeing significant investment in improving homes and housing stock. 84 properties are being built in Perth/Hurworth area 60% of which are complete whilst of the properties in Carr/Hopps Street 161 of the 175 properties have been acquired for demolition.
- Choice Based Letting allocations has been successfully implemented in the town and is very popular with clients and service partners.
- Selective Licensing has been introduced to improve standards in properties in low demand areas and Regeneration Services Committee recently agreed to extend the service to other areas of the town. This tool is proving useful in conjunction with other measures to improve housing management and plans are being prepared to propose an extension to the scheme to other areas of the town.

### 3.11.5 Culture and Information

- Over 38,853 hours of usage was achieved for the Library Peoples Network computer scheme against a target of 38,000 for 2014/15.
- 20,122 engagements with children aged 0-19 were achieved through library delivered literary and learning activities against a target of 116,000.

## 4. PROPOSALS

- 4.1.1 The Department is looking to generate additional income as part of future years savings programme and this includes income from a Wind Turbine site. Work is ongoing to secure an appropriate scheme however, it will take time for the necessary agreements to be considered and concluded and this is now not expected to be finalised in time to be included within the 2015/16 savings programme..
- 4.1.2 Therefore, for 2016/17 it is proposed to use £157k of departmental reserves to help meet the savings target and provide a longer lead in time to produce the income, effectively delaying these savings by one year.. In the event that this income is not achieved there will be an increase in the 2017/18 target and alternative savings will need to be identified. Other longer term options are also being reviewed including changes to operations to reduce vehicle running costs.
- 4.1.3 The reserve contribution will be funded from planning income in 2015/16 which will exceed the budget set for planning fees in year and this proposal will be included within the overall Medium Term Financial Strategy (MTFS).
- 4.1.4 The forecast planning income reflects the higher than normal level of large scale developments expected in year. This higher than normal planning activity is not sustainable in the long term given the financial cost associated with major developments. Further work is therefore required to consider the financial impact this higher than normal planning activity will have on planning fees in future years and this issue will need to be considered as part of the MTFS.
- 4.1.5 In addition to the savings specific to the Regeneration and Neighbourhood Services Committees, the following departmental savings are generic and contribute towards the overall departmental target:

- **Departmental Salary Abatement Target - £111k**

It is proposed to re-introduce a salary abatement target which will account for vacant posts and incremental drift across the department. This proposal will need to be closely monitored during the year and is only a short term proposal as when officers move through the pay grade towards

the top of their pay scale the ability to contribute towards this target will reduce.

- **Support Services - £50k**

Administrative and support services which will achieve savings in the region of £50k. This will involve the removal of vacant posts and potential redundancies, a reduction in departmental management support budgets such as postage, general office consumables and training.

## 4.2 **Regeneration Division Proposals**

4.2.1 Within the overall Regeneration Services Division the following savings have been made over the last four financial years:

- 2012/13 - £634,000
- 2013/14 - £200,000
- 2014/15 - £420,000
- 2015/16 - £380,000

4.2.2 Reducing budgets by this level on an ongoing basis cannot be achieved without an impact on frontline services although proposals have sought to minimise this impact as far as possible. It is inevitable that further savings proposals will have an increasing impact on frontline services, as it is not possible to sustain current levels of service and performance with reducing budgets and increasing demands on services.

4.2.3 The proposed contribution to the overall departmental savings from the Regeneration Services Division is £268k.

4.2.4 The savings proposals specific to the Regeneration Services Committee are as follows:-

### 4.2.5 **Housing Services Income Generation - £50,000**

Housing Services took over the management of the Council's new build housing and Empty Property stock from the Thirteen Group in 2014 to 2015 but the was phased over two financial years so that the relevant systems and policies and procedures could be in place for a complete takeover by 1<sup>st</sup> April 2015. This has now been completed and has released additional money for savings. This has been combined with projected income from the setting up of the Social Lettings Agency bringing the total income to set against savings of £50,000.

### 4.2.6 **Library Services Review - £90,000**

The Regeneration Committee agreed a proposal to review the Library Service during the 2014 to 2015 to inform the budget setting round for 2016 to 2017. This piece of work is nearing completion but has yet to report back to Regeneration Services Committee with the findings. This has been a very detailed piece of work with significant amounts of consultation with service

users, community and voluntary sector groups, local organisations, schools, etc. The findings and options are due to be reported to Regeneration Services Committee in July.

#### 4.2.7 **Economic Regeneration Various - £113,000**

Savings have been identified across a range of budget headings including, the Statutory Economic Assessment, Local Initiatives, Tourism and Marketing, exhibitions, etc and a revision to the management structure. In addition, the service has set a modest income target to offset part of the core budget.

#### 4.2.8 **Planning Services Enforcement Reconfiguration - £15,000**

An opportunity has arisen to reconfigure the way in which planning enforcement is carried out as a consequence of a request for voluntary redundancy. This will require the duties of the current planning enforcement officer to be redistributed to another member or the planning service within the arboricultural team allowing for a partial saving from the enforcement officer post to be achieved.

### 4.3 **Impact**

#### 4.3.1 The above proposals will potentially have the following impacts:-

- Direct impact to service users, either through the closure of community centres, the closure of some community centres or the reduction in the opening hours.
- Direct impact upon service users in the event that there are changes to library opening hours, or closures to any of the branches.
- Direct impact on the service users by weakening of the front line services in the case of Libraries and Community Centres, economic regeneration and tourism, planning enforcement and arboricultural services
- In terms of Housing Services and economic regeneration, by switching to income based projections to offset revenue budgets, there will be added pressures placed upon an already stretched workforce to generate income.

## 5. **OPTIONS ANALYSIS**

#### 5.1 A variety of options have been considered across all of the service areas within the Division, including the following:-

- Reducing staffing levels to only provide statutory services, however, this would prevent the Council from delivering on socio-economic wellbeing for its residents.
- Ceasing or reducing the delivery of services. This would specifically affect the Council's ability to deliver on key policy areas, weakening outcomes which can be achieved.

- Reducing Management capacity, at the strategic management level both within and across the two Divisions within the Department. This will affect management capacity, resilience and potentially effectiveness.
- Outsourcing key services. No obvious beneficial efficiencies have been identified with this option.

## 6. RISK IMPLICATIONS

- 6.1 Using reserves to contribute towards the savings target is not sustainable and only delays the savings until 2017/18. This has been implemented in the hope that additional income will be generated from schemes currently being developed e.g. Wind Turbines. There is a risk that this income will not be received and alternate savings will need to be identified in 2017/18.
- 6.2 There are a number of risks implicit in the delivery of any package of savings in the magnitude of those being proposed across the Department and it is important to highlight these clearly as part of the decision making process.
- Reduced staff morale. Where restructuring or reducing budgets has a continuing impact as the level of staff left to deliver services, it is essential to engage fully with those staff in order services are delivered in an effective and efficient way.
  - Reduced operational budgets can lead to a reduced ability to deliver key targets, outputs and outcomes.
  - Reputational damage for the Council. With the continued reduction in budgets and the ability to deliver frontline services through reduced staffing capacity, there is a real danger the Council's reputation will suffer. There may be an increase in the number of complaints or a reduction in the level of customer satisfaction.
- 6.3 There are risks associated with introducing a salary abatement target:
- limited number of vacancies during the year and/or vacancies are filled immediately
  - incremental drift and vacancies have previously allowed some in year flexibility within departmental budgets, offsetting budget pressures elsewhere within the budget and meeting urgent need

## 7. FINANCIAL CONSIDERATION

- 7.1 The proposals deliver the following savings options

Service	Proposed Savings
<b>Departmental</b>	
Salary Abatement	£111,000
Support Services	£50,000

Use of Departmental Reserves	£157,000
Neighbourhood Services Committee	£595,000
<b>Sub Total</b>	<b>£913,000</b>
Housing Services Income Generation	£50,000
Library Services Review	£90,000
Planning Services – Enforcement Reconfiguration	£15,000
Economic Regeneration - Various	£113,000
<b>Total Regeneration Services</b>	<b>£268,000</b>
<b>Grand Total for Department</b>	<b>£1,181,000</b>

7.2 An impact Assessment has been undertaken and is attached at **Appendix A**

## 8. RECOMMENDATIONS

8.1 That Members note the content of the report and formulate a response to be presented to the Finance and Policy Committee on 13<sup>th</sup> October 2014 as part of the Council's overall budget considerations for 2015/16.

## 9. STAFF CONSIDERATIONS

9.1 Initially informal communication will be undertaken with Trade Unions and staff regarding the staffing implications as a consequence of these proposals being accepted. Formal consultation with staff and Unions in line with Council policies.

## 10. CONTRACT OFFICER

Denise Ogden  
 Director of Regeneration and Neighbourhoods  
 Level 3  
 Civic Centre  
 Hartlepool  
 TS24 8AY

Tel: (01429) 523301  
 E-mail: denise.ogden@hartlepool.gov.uk

Damien Wilson  
 Assistant Director (Regeneration)  
 Level 3  
 Civic Centre  
 Hartlepool  
 TS24 8AY

Tel: (01429) 523400  
 E-mail: damien.wilson@hartlepool.gov.uk

## APPENDIX A

## Impact Assessment Form

Department	Division	Section	Owner/Officer
Regeneration and Neighbourhoods	Regeneration	All	Damien Wilson
Service, policy, practice being reviewed/changed or planned	<ul style="list-style-type: none"> <li>• Planning Services</li> <li>• Heritage and Countryside</li> <li>• Economic Regeneration Working Solutions</li> <li>• Housing Services</li> <li>• Estates &amp; Regeneration</li> <li>• Adult Education-Learning and Skills</li> <li>• Building Control</li> <li>• Culture and Information</li> </ul>		
Why are you making the change?	The need to change is partly financially driven but also to respond to changes in demands from customers and at the same time provide services in a more efficient manner including income generation to support service delivery.		
How might this impact (positively/negatively) on people who share protected characteristics?			
Please tick		POSITIVELY	NEGATIVELY
Age		✓	
Housing will be providing a broader service including enhanced IAG for disadvantaged residents. There are no significant negative impacts on Culture and information clients.			
Disability		✓	
Housing will be providing a broader service including enhanced IAG for disadvantaged residents. There are no significant negative impacts on Culture and information clients.			
Gender Re-assignment		✓	
Housing will be providing a broader service including enhanced IAG for disadvantaged residents. There are no significant negative impacts on Culture and information clients.			
Race		✓	
Housing will be providing a broader service including enhanced IAG for disadvantaged residents. There are no significant negative impacts on Culture and information clients.			
Religion		✓	
Housing will be providing a broader service including enhanced IAG for disadvantaged residents. There are no significant negative impacts on Culture and information clients.			

<i>Please describe...</i>	
<b>Gender</b>	✓
<i>Housing will be providing a broader service including enhanced IAG for disadvantaged residents. There are no significant negative impacts on Culture and information clients</i>	
<b>Sexual Orientation</b>	✓
<i>Housing will be providing a broader service including enhanced IAG for disadvantaged residents.</i>	
<b>Marriage &amp; Civil Partnership</b>	✓
<i>Housing will be providing a broader service including enhanced IAG for disadvantaged residents. There are no significant negative impacts on Culture and information clients.</i>	
<b>Pregnancy &amp; Maternity</b>	✓
<i>Housing will be providing a broader service including enhanced IAG for disadvantaged residents.  There are no significant negative impacts on Culture and information clients.</i>	
Has there been consultation /is consultation planned with people who will be affected by this policy? How has this affected your decision making?	<p>A broad range of consultation has taken place with service users, community and voluntary sector groups, local organisations, schools, Housing partners, community and voluntary sector groups, resident groups and end users etc.</p> <p>In addition socio economic data has been analysed for potential future trends and includes the Tees Valley statistical information, Economic Regeneration Quarterly Performance Indicators and various strategies including the Master Plan, Economic Regeneration Strategy and the Housing Strategy.</p>
As a result of your decision how can you mitigate negative/maximise positive outcomes and foster good relationships?	<p>In terms of Housing, the proposals will not adversely affect customers and the development of a rental stream will actually support Housing to provide a broader range of services including advice and guidance for disadvantaged residents of all characteristics.</p> <p>The services provided by libraries and community centres will be streamlined but will provide a full range of services during the periods of most demand. In addition income generation from activities such as room hire and provision of refreshments will assist in running a comprehensive service.</p>
Describe how you will address and monitor the impact	<p><b>1. No Impact - No Major Change</b></p> <p>Whilst it is anticipated that there will be a positive impact for Housing and a largely neutral impact for Culture and Information the effects the proposed changes will have will be monitored by the appropriate managers and front line staff in conjunction with partners and service users and where necessary service adjustments will be introduced. The impact on staff will also be monitored and adjustments introduced if appropriate.</p>



		2. Adjust/Change Policy	
		n/a	
		3. Adverse Impact but Continue as is	
		n/a	
		4. Stop/Remove Policy/Proposal	
		n/a	
Initial Assessment	1/06/2015	Reviewed	6/7/2015
Completed	17/06/2015	Published	TBC

# REGENERATION COMMITTEE

Friday 28<sup>th</sup> August 2015



**Report of:** Director of Public Health

**Subject:** SAVINGS PROGRAMME 2016/17 – PUBLIC HEALTH DEPARTMENT

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## 1. TYPE OF DECISION/APPLICABLE CATEGORY

Budget and Policy Framework.

## 2. PURPOSE OF REPORT

- 2.1 The purpose of this report is to identify proposals for the delivery of savings in relation to Public Health core revenue funded services for consideration as part of the 2016/17 budget process.

## 3. BACKGROUND

- 3.1 An initial update of the Medium Term Financial Strategy (MTFS) 2016/17 to 2018/19 was considered by the Finance and Policy Committee on 29<sup>th</sup> June 2015. This report highlighted the key issues impacting on the development of the budget for 2016/17 and future years, which reflects the following key issues:

- The scale of the Government grant cuts implemented over the lifetime of the previous Parliament. These reductions had a disproportionate impact on Council's serving more deprived communities and in 2015/16 the Council's Government grant was £30.4m less than it was in 2010/11, which is a reduction of 39%;
- Continuing significant Government grant cuts in 2016/17 and future years. It is currently forecast that further budget cuts of £14m will need to be made over the next three years, although the actual cuts may be higher if the actual Government grant cuts exceed current forecasts;
- The impact of financial risks transferred to Local Authorities from April 2013 arising from the implementation of the Business Rates Retention

system and the transfer of responsibility for the Local Council Tax Support Scheme;

- The impact of demand led pressures – particularly in relation to Older People demographic pressures and increased demand for children's social care services.
- Continued restriction of Council Tax increases.

3.3 In addition to the above financial challenges, a separate report was presented to the Finance and Policy Committee on 1<sup>st</sup> June 2015 to provide details of the outcome of the Power Station's Rateable Value appeal. The Valuation Office Agency, the organisation responsible for determining Rateable Values, has determined to reduce the Power Station Rateable Value by 48%. As a result of this reduction the Council's share of Business Rates income from the Power Station will reduce by £3.9m on a permanent basis. The Finance and Policy Committee will receive a further report on the strategy for addressing this issue. A meeting with the Local Government Minister has been requested to express the Council's concern at the impact of this reduction and to seek Government support to manage this significant reduction in Business Rates income.

3.4 There are two core revenue grant funded services in Public Health - Sport and Recreation and Public Protection. These services contribute to the Council's strategic aims to protect and improve the health of the population. These two service areas are detailed below and it is from these areas that savings proposals for 2016/17 have been developed as outlined in section 4 of the report.

3.5 ***Sport and Recreation services include:***

- Mill House Leisure Centre
- Brierton Community Sports Centre
- Headland Sports Hall /Borough Hall
- Summerhill Outdoor Centre and Country Park
- Carlton Outdoor Education Centre (leased from Carlton Trustees)
- Grayfields Pavilion and Recreation Ground.

Within the service structure, there is also a Learn to Swim Team, GP Referral Team and Sport and Physical Activity Team. In addition, the service also manages sports pitch bookings at all Council sites and has a strategic role around sports provision in general across the Borough and works in partnership with clubs, national governing bodies of sport and national agencies such as Sport England to ensure that the town has the relevant local offer. It is also responsible for delivery on regional and national priorities for sport.

- 3.6 Users of Sport and Recreation services - The people who use the Sport and Recreation services are members of the public both in Hartlepool and out of area. Competitive sports and clubs participating in official leagues play at the sites as well general members of the public wishing to access the services to improve health and well being. National governing bodies of sport also use the sites to run club and coaching workshops. Other people may use the services for formal events or recreational activities such as those hosted at the Borough Hall.
- 3.7 The services are non-statutory but are key contributors to the delivery of the Council's strategic priorities concerning Public Health and the improvement of health and well-being across the Borough. In this respect, the contribution and impact the services have had has already been recognised by their transfer into the newly formed Public Health Department in January 2014.
- 3.8 As a result of partnership working with national agencies, the service also contributes to the regeneration of the town by obtaining grant funding for new and / or improved sports facilities as well as new programmes of physical activity intervention. Over the past 10 years, approximately £10.25m grant funding has been secured.
- 3.9 The outputs and outcomes 2014/15 for the Sport and Recreation Service areas are as follows in table below:

Leisure Centre attendances	338,504
Summerhill attendances	92,615
Attendance at sport & physical activity programmed sessions	37,975
Carlton residential attendances	9,422
Carlton day visits	867
Borough Hall attendances	41,786
GP Referral Programme – participants continuing with sport & physical activity 6 months after referral	77%
Primary School swimming – 25m attainment from HBC programme	32%
Number of volunteers actively engaged for one hour per week on sport & physical activity delivery	524
Level of external partnership funding attracted to deliver new initiatives/commissioned work in sport & physical activity	£188,060
Capital Project delivery	Completion and opening in August 2014 of the 3G Pitch at Brierton Sports Centre
Service Accreditation	Achieved again across all areas e.g. Quest, AALA. LOtC, Green Flag etc.

- 3.10 The Sport and Recreation Service budgets for 2015/16 and in comparison to those for 2014/15 are as follows:-

	2014/15	2015/16	Difference
	£	£	£
Gross Budget	2.914m	2.878m	- 36,000
Income Target	1.545m	1.715m	+ 170,000
Overall Net Budget & cost to HBC	1.369m	1.163m	- 206,000

These figures include all centralised premises costs.

### 3.11 **Public Protection Services**

Public Protection services are regulatory and statutory and include:

- Commercial services including environmental health, food inspections, water testing, animal welfare, health and safety.
- Environmental protection including noise, pollution, air quality and pest control
- Trading standards including weights and measures, licensing and retail inspections and product safety.

- 3.12 Users of Public Protection services – There are a range of users of public protection services including the general public in relation to complaints and environmental issues. Other users of the service include businesses and people who are self employed.

- 3.13 The outputs and outcomes for the Public Protection Service are:

- 1695 programmed interventions including 100% of all food premises in accordance with risk rating & 100% of prescribed processes.
- Outcome 96.1% food businesses broadly compliant.
- 488 Smoke free visits
- 600 Samples taken
- 2699 service requests responded to
- 1264 licenses processed
- 87.5% customer's satisfaction result up from 85% previous year.

- 3.14 The Public Protection service budgets are:

Environmental protection	£ 2,446
Consumer services	£ 611,957
Environmental standards	£ 184,251
Outdoor markets	£ (89,227)
Licensing Act 2003	£ (126,936)
Total	£ 582,491

- 3.15 As both Sport and Recreation and Public Protection are public facing front line services they engage with those who use the services on a regular basis. They do this through feedback questionnaires, satisfaction surveys, meeting users of the service directly to deal with any issues raised
- 3.16 The savings target for Public Health in 2015/16 is £59k. The report identifies areas where savings might be achieved, the risks associated with achievement of savings and the financial considerations which have been taken into account in developing the proposals.
- 3.17 For the Sport and Recreation service, it is essential that the requirement to achieve further savings for 2016/17 is considered against the likelihood of the current savings target for 2015/16 being achieved.

#### 4. PROPOSALS FOR 2016/17 SAVINGS

##### 4.1 **Proposal 1 - Proposal to re-organise and re-align the Sport and Recreation Service.**

Increasing income and becoming more commercially competitive is the primary focus of the Sport and Recreation Service. However, it is questionable as to whether the current service configuration is optimum and whether there are the necessary skills within the current service to achieve this. Therefore it is proposed to re-organise and realign the service, resulting in senior management staffing savings.

- 4.2 It is proposed to realign the Sport and Physical Activity Team and sport development function with the health improvement function in the Public Health Department to enable a better strategic fit. This will create the capacity within the health improvement function to deliver integrated health and well being service.
- 4.3 It is also proposed that the remaining services including leisure centres (Mill House, Brierton and Headland) and the Borough Hall are consolidated into a commercially focused leisure service that will require commercially driven leadership. The business case for this was first established last year, when it was decided that there needed to be a new style of direction and leadership to making the services more commercially driven.
- 4.4 It is proposed therefore that interim (18 months -2 years) leadership arrangements are put in place. During this time a thorough assessment of the current facility stock and the Council's ability in the longer term to invest

in the capital and revenue requirement must be considered. As part of this work, alternative management arrangements for leisure services will also be revisited and considered as an option for the longer term sustainability of services. This is linked into possible savings scenario for 2017/18 and beyond where alternative management arrangements for some elements of the service may still need to be considered, if the in-house team were unsuccessful in bridging the financial gap, which is already proving highly challenging.

- 4.5 As a consequence of re-organising and re-aligning the Sport and Recreation Service, there will be senior management staffing efficiencies achieved that will contribute to the required savings for 2016/17. It is anticipated that this can be achieved through voluntary redundancy.

4.6 **Proposal 2 – Cease Provision of Out of Hours Noise Service.**

- 4.7 This service has operated since 2010. During the summer months the service is well used and the majority of calls tend to be about loud music and disturbances from parties, generally being held in the gardens of residential properties.

- 4.8 The out-of-hours noise service is being considered, due to the non-statutory nature of this service. The service was established some 6 years ago and is provided by staff who work overtime on Friday and Saturday nights, starting work at 10pm and finishing at 4am the following morning. This is voluntary and for safety reasons, the service is provided by 2 staff, one of whom, the lead officer, is an experienced and suitably qualified officer; the other, the support officer, does not require the same level of technical knowledge.

- 4.9 The service is able to add value to the nightly work routine, by preparing a rota of premises to check compliance with various other conditions, such as licensing closing times for take-aways, pubs, clubs; specific conditions on premises in relation to noise levels coming from them; other potential breaches of notices/ agreements in relation to enforceable conditions, for example dust containment at the port.

- 4.10 Out of Hours complaints would still need to be investigated and this work would be undertaken under normal overtime arrangements.

4.11 **Proposal 3 – General budget savings**

- 4.12 A number of non pay budget savings across in the Public Health Budget will be made that will not impact on service delivery.

4.13 **Proposal 4 – Contribution to Tees Valley Environmental Protection Group**

The Tees Valley Environmental Protection Group comprises representatives from the five Tees Valley Councils along with a representative from the Environment Agency. The Group currently consists

of a members group consisting of 3 elected members from each constituent Authority plus an invited representative from the Environment Agency and an officer group.

- 4.14 Since 1995 when the group was established the council has made a financial contribution to the coordination to this group. It is proposed to review this financial contribution. It is recommended to dissolve the member group and to operate the TVEPG as an officer liaison group in line with the other officer liaison groups within the Tees Valley co-ordinated by whichever authority that holds the secretariat for the group. The secretariat rotates biannually. Any decisions that are required would be brought before the Regeneration Services Committee for decision and other general liaison arrangements will be put into place.

## 5. RISK IMPLICATIONS

- 5.1 The risk of realising savings in 2016/17 in relation to the Environmental co-ordinators post is the reliance on the other Local Authorities to ensure they proceed with this efficiently.
- 5.2 The loss of a senior management post from the Sport and Recreation service, however this can be mitigated for due to the specific areas of expertise and experience that exists within the team as a whole.

## 6. FINANCIAL CONSIDERATIONS

- 6.1 The table below illustrates the financial implications of the two savings proposals:

Service Area	Proposed Saving	Amount
Sport and Recreation	<ul style="list-style-type: none"> <li>Senior management restructure</li> </ul>	£60,000
Public Protection	<ul style="list-style-type: none"> <li>Out of hours noise service</li> <li>Environmental Protection members group</li> <li>General budget savings</li> </ul>	£13,000 £3,680 £2,320
<b>Total</b>		<b>£79,000</b>



**7. EQUALITY CONSIDERATIONS**

- 7.1 Equality impact assessments are attached.

**8. STAFF CONSIDERATIONS**

- 8.1 Proposal 1- Voluntary redundancy.
- 8.2 Proposal 4 – There may be staffing implications relating to the potential disbanding of the Tees Valley Environmental Protection members group.

**9. RECOMMENDATIONS**

- 9.1 That Members of the Committee note the content of the report and formulate a response to be presented to Finance and Policy Committee on

**10. REASONS FOR RECOMMENDATIONS**

- 10.1 To ensure Members are fully aware of the proposed core revenue grant funded Public Health Department savings proposals.

**11. BACKGROUND PAPERS**

- 11.1 Regeneration Committee – Sport and Recreation Service – Options Appraisal Update – 8<sup>th</sup> May 2014.
- 11.2 Regeneration Committee –Savings Proposals 2016-17 Public Health Department - Thursday 24<sup>th</sup> July 2014.
- 11.3 Regeneration Committee – Savings Programme 2015/2016– Sport and Recreation – Public Health Department - Thursday 18<sup>th</sup> September 2014

**12. CONTACT OFFICER**

Louise Wallace  
Director of Public Health  
Hartlepool Borough Council  
Level 4 Civic Centre  
Hartlepool  
TS24 8AY  
Tel 01429 523773  
Email: [louise.wallace@hartlepool.gov.uk](mailto:louise.wallace@hartlepool.gov.uk)

## Impact Assessment Form

## 4.1

Department	Division	Section	Owner/Officer
Public Health		Sport & Recreation	Louise Wallace, Director - Public Health
Service, policy, practice being reviewed/changed or planned	<p>Sport &amp; Recreation consists of the following core services:-</p> <ul style="list-style-type: none"> <li>• Mill House Leisure Centre</li> <li>• Brierton Community Sports Centre</li> <li>• Headland Sports Hall /Borough Hall</li> <li>• Summerhill Outdoor Centre and Country Park</li> <li>• Carlton Outdoor Education Centre (leased from Carlton Trustees)</li> <li>• Grayfields Pavilion and Recreation Ground</li> </ul> <p>Within the service structure, there is also a Learn to Swim Team, GP Referral Team and Sport and Physical Activity Team. In addition, the service also manages sports pitch bookings at all Council sites and has a strategic role around sports provision in general across the Borough and works in partnership with clubs, national governing bodies of sport and national agencies such as Sport England to ensure that the town has the relevant local offer. It is also responsible for delivery on regional and national priorities for sport.</p> <p>The service is managed by a senior team and it is the roles and responsibilities of these individuals that are being reviewed.</p>		
Why are you making the change?	<p><i>The review will result in a proposal to deliver cost savings as part of the 2016/17 financial strategy for the Council. This is linked to overall service provision and future development and delivery of facilities and services for the Borough.</i></p>		
How might this impact (positively/negatively) on people who share protected characteristics?			
		Please tick	
		POSITIVELY	NEGATIVELY
Age			
No impact			
Disability			
No impact			
Gender Re-assignment			
No impact			
Race			
No impact			
Religion			
No impact			
Gender			

<i>No impact</i>			
<b>Sexual Orientation</b>			
<i>No impact</i>			
<b>Marriage &amp; Civil Partnership</b>			
<i>No impact</i>			
<b>Pregnancy &amp; Maternity</b>			
<i>No impact</i>			
Has there been consultation /is consultation planned with people who will be affected by this policy? How has this affected your decision making?		<p><i>Whilst there will not be a direct impact on service users, there is likely to be a direct impact on the senior management team for the service. This will be as a consequence of a realignment of roles and responsibilities.</i></p> <p><i>Consultation will be carried out with those concerned in line with agreed HR policies and procedures and the savings are to be achieved as a result of a voluntary redundancy.</i></p>	
As a result of your decision how can you mitigate negative/maximise positive outcomes and foster good relationships?		<p><i>Staff will be offered the opportunity to consider and comment on the proposals and put forward alternative suggestions.</i></p>	
Describe how you will address and monitor the impact		<b>1. No Impact - No Major Change</b> <i>Please Detail</i>	
		<b>2. Adjust/Change Policy</b> <i>N/A</i>	
		<b>3. Adverse Impact but Continue as is</b> <i>N/A</i>	
		<b>4. Stop/Remove Policy/Proposal</b> <i>N/A</i>	
Initial Assessment	22/07/15	Reviewed	00/00/00
Completed	29/07/15	Published	00/00/00

## Impact Assessment Form

## 4.1

Department	Division	Section	Owner/Officer
Public Health		Public Protection	Sylvia Pinkney
Service, policy, practice being reviewed/changed or planned	Out of hours noise service operating in June, July & August		
Why are you making the change?	Budget savings		
How might this impact (positively/negatively) on people who share protected characteristics?			
	Please tick	POSITIVELY	NEGATIVELY
Age			
Please describe...No impact			
Disability			
Please describe...No impact			
Gender Re-assignment			
Please describe...No impact			
Race			
Please describe...No impact			
Religion			
Please describe...No impact			
Gender			
Please describe...No impact			
Sexual Orientation			
Please describe...No impact			
Marriage & Civil Partnership			
Please describe...No impact			
Pregnancy & Maternity			
Please describe...No impact			
Has there been consultation /is consultation planned with people who will be affected by this policy? How has this affected your decision making?	There has been no consultation and none is planned		
As a result of your decision how can you mitigate negative/maximise positive outcomes and foster good relationships?	We will deal with out of hour's noise complaints in the same way as we currently deal with them in the months when this service currently does not operate. There will therefore be no impact on service users		
Describe how you will address and monitor the impact	<b>1. No Impact - No Major Change</b> The withdrawal of this service will have no impact. Out of hours complaints will still be investigated.		
	<b>2. Adjust/Change Policy</b>		

		<i>Please Detail</i>	
		<b>3. Adverse Impact but Continue as is</b>	
		<i>Please Detail</i>	
		<b>4. Stop/Remove Policy/Proposal</b>	
		<i>Please Detail</i>	
Initial Assessment	03/08/15	Reviewed	00/00/00
Completed	00/00/00	Published	00/00/00

**FORECAST CAPITAL RESOURCES AND EXPENDITURE COMMITMENTS 2016/17 TO 2018/19**

TABLE 1 - FORECAST CAPITAL RESOURCES

	Forecast Resources 2016/2017 (Provisional)				Forecast Resources 2017/2018 (Provisional)				Forecast Resources 2018/2019 (Provisional)			
	Prudential Borrowing	Other Capital Funding	Capital Grants	Total	Prudential Borrowing	Other Capital Funding	Capital Grants	Total	Prudential Borrowing	Other Capital Funding	Capital Grants	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b><u>Service Specific Capital Grants</u></b>												
Adult Social Services (Better Care Fund) *	0	0	279	279	0	0	279	279	0	0	279	279
Devolved Formula Capital (Schools) **	0	0	148	148	0	0	148	148	0	0	148	148
Disabled Facilities Grant (Better Care Fund) *	0	0	546	546	0	0	546	546	0	0	546	546
Local Transport Plan	0	0	1,805	1,805	0	0	1,805	1,805	0	0	1,805	1,805
Schools Capital Programme #	0	0	842	842	0	0	2,832	2,832	0	0	705	705
	0	0	3,620	3,620	0	0	5,610	5,610	0	0	3,483	3,483
<b><u>Departmental Prudential Borrowing - Funded from Specific Business Cases</u></b>												
Replacement Wheelie Bins	60	0	0	60	60	0	0	60	60	0	0	60
Waste Transfer Station Recycling Capacity	250	0	0	250	0	0	0	0	0	0	0	0
Vehicle Procurement (Table 2 - 4)	1,268	0	0	1,268	1,027	0	0	1,027	788	0	0	788
	1,578	0	0	1,578	1,087	0	0	1,087	848	0	0	848
<b><u>Useable Capital Receipts and RCCO</u></b>												
Schools Capital Programme (Dedicated Schools Grant) ##	0	628	0	628	0	628	0	628	0	628	0	628
	0	628	0	628	0	628	0	628	0	628	0	628
<b><u>Schemes Funded from new Capital Receipts target</u></b>												
Other Council Priorities, including match funding	0	400	0	400	0	0	0	0	0	0	0	0
Council Capital Fund	0	600	0	600	0	0	0	0	0	0	0	0
	0	1,000	0	1,000	0	0	0	0	0	0	0	0
<b>Total Forecast Resources</b>	<b>1,578</b>	<b>1,628</b>	<b>3,620</b>	<b>6,826</b>	<b>1,087</b>	<b>628</b>	<b>5,610</b>	<b>7,325</b>	<b>848</b>	<b>628</b>	<b>3,483</b>	<b>4,959</b>

\* Better Care Fund is continuing in 2016/17, however detailed allocations have yet to be announced by the Government. Estimates are based on 2015/16 allocations and an assumption that the Better Care Fund will continue in future years.

\*\* Devolved Formula Capital allocation for Schools is an estimate based on the 2015/16 allocation which the Government has stated is indicative of future allocations.

# Schools Capital Programme includes an estimate of £705k Schools Condition Grant for 2016/17 and future years as actual allocations have yet to be announced by the Government. This is based on the 2015/16 allocation which the Government has stated is indicative of future allocations. In addition the Council has received a Basic Need funding allocation for 2016/17 and 2017/18, this is reflected in the above figures.

## In previous years part of the Dedicated Schools Grant has been allocated to provide additional capital funding for the Schools Capital Programme. This is subject to annual approval by Schools' Forum and £628k is an indicative figure based on the current contribution to the capital programme.

TABLE 2 - 2016/17 VEHICLE REPLACEMENT PROGRAMME

Type	Quantity	Service Area	Financed by Borrowing £'000	Business Case (Note 1) £'000	Total £'000
17 Seat Minibus	2	Carlton Outdoor Centre		50	50
Canoe Trailers	2	Carlton Outdoor Centre	10		10
Sweeper	1	Cleansing	50		50
Van Tows	3	Cleansing	14		14
Cabin Van	1	Building Cleaning	21		21
Small Panel Van	1	Community Safety		12	12
17 Seat Minibus	1	Pupil Referral Unit		25	25
17 Seat Minibus	1	Havelock Day centre	25		25
Ride on Mowers	4	Horticulture	68		68
2.5 Tonne Tipping Trailer	1	Horticulture	10		10
16 Seat Welfare Busses	5	Passenger Transport	375		375
17 Seat Minibus	1	Sports Development		25	25
Large Panel Van	1	Sports Development		18	18
Waste Bin Motors	4	Waste Management	515		515
Price Variation Contingency*			50		50
			<b>1,138</b>	<b>130</b>	<b>1,268</b>

TABLE 3 2017/18 VEHICLE REPLACEMENT PROGRAMME

Type	Quantity	Service Area	Financed by Borrowing £'000	Business Case (Note 1) £'000	Total £'000
Medium sweeper	1	Cleansing	120		120
Sweepers	8	Cleansing	571		571
Medium Panel Van	1	Parks & Countryside	14		14
9 Seat Cabin Van	1	Parks & Countryside	25		25
Large 360° excavator	1	Waste Management	180		180
Civic Car	1	Corporate	20		20
Medium Panel Van	1	Workshop	12		12
Mobile Education Unit	1	Youth Service		85	85
Price Variation Contingency*			50		50
			<b>942</b>	<b>85</b>	<b>1,027</b>

TABLE 4 2018/19 VEHICLE REPLACEMENT PROGRAMME

Type	Quantity	Service Area	Financed by Borrowing £'000	Business Case (Note 1) £'000	Total £'000
Van	1	Car parking	11		11
Transit Tipper	3	Cleansing	61		61
10 Tonne Tipping Trailer	1	Cleansing	20		20
Medium Panel Van - Refrigerated	1	Facilities Management	25		25
Base Panel Van	1	Fleet	19		19
18,000kg Chassis Cab & Body Demount System	1	Highways	85		85
7.5 Tonne Tipper with Lorry Loader	1	Highways	55		55
Trailer	1	Highways	4		4
Ride on Mower	2	Horticulture	78		78
Ride on Mower	4	Horticulture	68		68
Grillo FD2200	1	Horticulture	25		25
Tractor Mount Flail	1	Horticulture	10		10
Ride-on Brushcutter	1	Horticulture	6		6
Pedestrian flail	1	Horticulture	4		4
Transit Tipper	2	Horticulture	42		42
13 Tonne Vertical Tipping Trailer	1	Horticulture	20		20
5 Tonne Hydraulic Tipping Trailer	1	Horticulture	10		10
Low Roof Van	2	Mechanical & Electrical	26		26
6,500kg Dropside	1	Mechanical & Electrical	50		50
Jet Ski & Trailer	1	Parks & Countryside	8		8
Transit Low Roof Van	1	Public Buildings	13		13
Transit Tipper	1	Public Buildings	21		21
Transit Van	1	Public Buildings	22		22
Medium Roof Van	1	Public Buildings	14		14
Long Wheel Base High Roof Van	2	Small Works	76		76
Cabin Van	1	Youth Offending		15	15
Price Variation Contingency*			50		50
			<b>773</b>	<b>15</b>	<b>788</b>

**Note 1**

Vehicles which were not previously funded by prudential borrowing, but typically grant funding. These will only be replaced if supported by a detailed business case and provided costs can be met from service revenue budgets.

\* To allow for differences compared to the estimates used in the above tables in relation to the final purchase price of vehicles.

# FINANCE AND POLICY COMMITTEE

28<sup>th</sup> August 2015



**Report of:** Director of Public Health

**Subject:** SAVINGS PROGRAMME 2015/16 and 16/17–  
PUBLIC HEALTH DEPARTMENT

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## 1. TYPE OF DECISION/APPLICABLE CATEGORY

Budget and Policy Framework.

## 2. PURPOSE OF REPORT

- 2.1 The purpose of this report is to identify proposals for the delivery savings in relation to public health grant funded services. These savings proposals are for consideration as part of the 2015/16 budget management process and budget setting process for 2016/17.

## 3. BACKGROUND

- 3.1 In April 2013, local authorities assumed statutory responsibility for improving and protecting the health and well being of their local population. These new duties came under the Health and Social Care Act 2012. In order to discharge these new responsibilities for public health, the Government made funding available through a ring fenced public health grant. This funding is separate from NHS resources for public health services discharged through NHS England such as for screening and immunisations.
- 3.2 The ring fenced public health grant has been allocated for 3 years covering financial years 2013/14, 2014/15 and 2015/16. The ring-fenced allocation for Hartlepool Borough Council was £8.255 million for 2013/14 and £8.486 million for 2014/15 and 2015/16. An additional in year allocation of £761,000 has been added to the grant as the Local Authority becomes the commissioner of 0-5 children's health visiting services from 1<sup>st</sup> October 2015.
- 3.3 On 4<sup>th</sup> June 2015, the Chancellor of the Exchequer, George Osborne, announced that the £2.8 billion ring fenced public health budget was to be reduced in year and on a recurring basis by £200 million. This represents a circa 7.4% cut in funding. On this assumption, for Hartlepool, this equates to approximately a £630,000 (excluding 0-5 services) budget cut in year in 2015/16 and on a recurring basis from 2016/17 and beyond. However, it



must be noted that there are no details of how the cut of £200 million nationally will be distributed so it may be more than 7.4% for Hartlepool.

- 3.4 The risk to the public health budget is not limited to this £200 million reduction. Previous guidance indicates that there is likely to be future reductions in the public health grant funding, to bring the allocation in line with the target spend per head of population. The current spend is £91 per head, with target of £75 per head. The pace of change to target spend per head is currently unclear, but must be borne in mind as part of the wider Medium Term Financial Strategy (MTFS). If public health funding was moved to the target allocation this would mean the grant would reduce from £8.4 million to £6.9 million (circa £1.5 million reduction) on a recurring basis before considering the implication of the in year and recurring assumed £629,000 reduction in grant. If the pace of change happened and the target allocation was set it would mean another recurring reduction of circa £800,000 in addition to the £630,000.
- 3.5 The ring fenced public health grant is deemed as non NHS Departmental spend. The Department of Health has commenced a national consultation regarding the in year and recurring budget cut of £200 million nationally. Therefore until this consultation is completed we will not know the exact reduction in budget. For planning purposes however we have assumed 7.4% reduction in funding.
- 3.6 It is important to put this grant reduction in the context of the wider Council financial position. An initial update of the Medium Term Financial Strategy (MTFS) 2016/17 to 2018/19 was considered by the Finance and Policy Committee on 29<sup>th</sup> June 2015. This report highlighted the key issues impacting on the development of the budget for 2016/17 and future years, which reflects the following key issues:
- The scale of the Government grant cuts implemented over the lifetime of the previous Parliament. These reductions had a disproportionate impact on Council's serving more deprived communities and in 2015/16 the Council's Government grant was £30.4m less than it was in 2010/11, which is a reduction of 39%;
  - Continuing significant Government grant cuts in 2016/17 and future years. It is currently forecast that further budget cuts of £14m will need to be made over the next three years, although the level of cuts may be higher if the actual Government grant cuts exceed current forecasts;
  - The impact of financial risks transferred to Local Authorities from April 2013 arising from the implementation of the Business Rates Retention system and the transfer of responsibility for the Local Council Tax Support Scheme;
  - The impact of demand led pressures – particularly in relation to Older People demographic pressures and increased demand for children's social care services.
  - Continued restriction of Council Tax increases.

- 3.7 In addition, to the above financial challenges, a separate report was presented to the Finance and Policy Committee on 1<sup>st</sup> June 2015 to provide details of the outcome of the Power Station's Rateable Value appeal. The Valuation Office Agency, the organisation responsible for determining Rateable Values, has determined to reduce the Power Station Rateable Value by 48%. As a result of this reduction the Council's share of Business Rates income from the Power Station will reduce by £3.9m on a permanent basis. The Finance and Policy Committee will receive a further report on the strategy for addressing this issue. A meeting with the Local Government Minister has been requested to express the Council's concern at the impact of this reduction and to seek Government support to manage this significant reduction in Business Rates income.

#### 4. EXISTING COMMITMENTS AND USE OF PUBLIC HEALTH GRANT

- 4.1 The letter from Jeremy Hunt, Secretary of State for Health and Duncan Selbie, Chief Executive of Public Health England to local authorities on the 10th January 2013, outlined the services and eligible spend of the ring fenced public health grant. There are mandatory services expected to be delivered using the ring fenced grant and they include:

- *appropriate access to sexual health services;*
- *steps to be taken to protect the health of the population, in particular, giving the Director of Public Health a duty to ensure there are plans in place to protect the health of the population;*
- *ensuring NHS commissioners receive the public health advice they need;*
- *the National Child Measurement Programme;*
- *NHS Health Check assessment;*

The letter clearly states that:

‘In giving funding for public health to Local Authorities, it remains important that funds are only spent on activities whose main or primary purpose is to improve the health and wellbeing of local populations (including restoring or protecting their health where appropriate) and reducing health inequalities’

- 4.2 The aim of the remaining discretionary investment should be focused on ensuring local authorities have the local flexibility to commission the other critical services to help people live longer, healthier and more fulfilling lives, and to improve the health of the most vulnerable fastest. It should be noted that services that are not mandatory but already have substantial existing financial commitments and contracts are services relating to drug and alcohol use, children and young people's well being service (school nursing), smoking services etc.
- 4.3 Investment of the grant should be based on a robust Joint Strategic Needs Assessment (JSNA), Joint Health and Well being Strategy (JHWS) and Public Health Outcomes Framework. It is expected that the grant will be

used for improving health and well being; carrying out health protection functions delegated from Secretary of State; reducing inequalities and ensuring the provision of population healthcare advice.

## 5. PROPOSALS

5.1 The following section outlines 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
- Health Improvement Services
- Sport and Recreation
- Public Protection
- Commissioning and Clinical Quality

For each proposal there is a brief description of what the service is that is proposed to be ceased, scaled back or delivered in an alternative way. It is noteworthy that these proposals will mean the loss of service provision and preventative activity in Hartlepool, but have been put forward as proposals as they are deemed 'discretionary' to be funded from the ring fenced grant.

### 5.2 Drug and Alcohol Services

#### Proposal 1 - £100,000

- Reduce the budget for tier 4 treatment services including medically assisted detoxification and residential rehabilitation services.
- Increase efficiencies in non pay budgets drug and alcohol budget.

### 5.3 Health Improvement

#### Proposal 2 - £195,500

- 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.

## 5.4 Sport and Recreation

### Proposal 3 - £125,000

- Reduce the range of physical activities initiatives on offer.

## 5.5 Public Protection

### Proposal 4 - £95,000

- Review capacity to deliver environmental Health 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).

## 5.6 Commissioning and Clinical Quality

### Proposal 5 - £125,000

- 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

The outcome of any negotiations may not be the same for each public health commissioned service, with individual providers having their own unique set of circumstances and differing contract values to consider. A universal 7.4% cut to existing funding arrangements could therefore have a variety of different outcome ranging from; providers acceptance of the cuts through introduction of non pay efficiencies, a reduction in overall service provision and potential loss of jobs which would require renegotiation of individual contracts payments or the need to consider decommissioning services in their entirety if the provider states efficiencies cannot be realised.

## 6. RISK

- 6.1 There is a risk that the overall health and well being of the population and the health of specific groups within the population will not improve and the gap in inequalities may widen.

## 7. FINANCIAL IMPLICATIONS

- 7.1 The proposals deliver the following proposed savings against an anticipated recurring budget reduction of £630,000:=-.

<b>Service</b>	<b>Proposed Savings (£)</b>
Drug and Alcohol Services	£100,000
Health Improvement	£195,500
Sport and Recreation	£125,000
Public Protection	£95,000
Commissioning and Clinical Quality	£125,000
<b>Total Savings</b>	<b>£640,500</b>

## **8. EQUALITY CONSIDERATIONS**

- 8.1 Equality Impact Assessments attached for each service area.

## **9. STAFF CONSIDERATIONS**

- 9.1 The proposals do not include any compulsory or voluntary redundancies for HBC staff.
- 9.2 There will inevitably be staffing consequences to provider organisations who employ staff who are not HBC employed if the proposals in section 4 are implemented. It is impossible to determine what those implications will be at this time.

## **10. LEGAL CONSIDERATIONS**

- 10.1 Contracts are legally binding and therefore careful consideration is required with regard to negotiating any contract variations or providing notice of termination. Communicating any intention to vary or terminate existing contracts should be carefully considered and managed as relationships will need to be maintained with the existing service providers during any notice period in order to ensure and maintain the quality of service.
- 10.2 Each individual contract will need to be checked to confirm the existence and length of individual termination clauses, failure to adhere to these clauses could result in a breach of contract claim from the existing provider.
- 10.3 All Public Health contracts issued since 2014 have termination clauses and notice periods within them. In the absence of any formal arrangements, in older contracts, English Law requires that 'reasonable' notice is given to terminate a contract. What is reasonable will depend on the specific circumstances of the relationship, including:
- the length of our relationship with the provider
  - how much our business contributes to the overall business of the provider
  - how quickly the provider may be able to replace our business
  - The original intention of both parties when we entered into the relationship.

## **11. RECOMMENDATIONS**

- 11.1 That Members of the Committee note the content of the report and formulate a response to be presented to Finance and Policy Committee on 19<sup>th</sup> October 2015.
- 11.2 That members note the £630,000 reduction in public health grant funding in 15/16 and on a recurring basis.
- 11.3 That members note the possibility of a further reduction of an additional circa £800,000 in public health grant funding if pace of change is applied and Hartlepool is moved to target allocation of £6.9 million.

## **12. REASONS FOR RECOMMENDATIONS**

- 12.1 To ensure Members are fully aware of the proposed public health grant funded Public Health Department savings proposals in year in 2015/16 and 2016/17. The savings are necessary in the light of the cut to non departmental NHS spend implications on the ring fenced public health grant. The proposals are made against the backdrop of the ongoing core revenue grant funded savings proposals as part of the Council's wider Medium Term Financial Strategy (MTFS).

## **13. BACKGROUND PAPERS**

- 13.1 Ring-fenced Public Health Grant -Local Authority Circular (LAC (DH) (2013)1 – gateway reference 18552)
- Annex B comprises the grant determination and conditions, which set out the detailed arrangements for administering the grant.
  - Annex C lists the categories of public health spend against which local authorities will need to report to the Department.
  - Annex D is the statement local authority Chief Executives will need to send back confirming that the grant has been used in accordance with the conditions.
- 13.2 Cabinet Report of 18<sup>th</sup> March 2013 - Joint Report of the Director of Public Health and Chief Finance Officer - Ring fenced Public Health Grant.

## **14. CONTACT OFFICER**

Louise Wallace  
Director of Public Health  
Hartlepool Borough Council  
Level 4 Civic Centre  
Hartlepool. TS24 8AY  
Tel 01429 523773  
Email: [louise.wallace@hartlepool.gov.uk](mailto:louise.wallace@hartlepool.gov.uk)

## Impact Assessment Form

Department	Division	Section	Owner/Officer
Public Health		Substance Misuse	Karen Clark
Service, policy, practice being reviewed/changed or planned	Tier 4 provision. Detox and Rehabilitation		
Why are you making the change?	Cuts to the Public Health Grant		
How might this impact (positively/negatively) on people who share protected characteristics?			
		Please tick	
		POSITIVELY	NEGATIVELY
Age			✓
This decision affects the whole community. Any reduction in the opportunities available to our client group and their families to recover in a safe environment could result in increased criminal activity, higher levels of deprivation, increased substance Misuse related deaths, increased hospital admissions and possible increase in child in need and child protection cases.			
Disability			✓
As Above			
Gender Re-assignment			✓
As Above			
Race			✓
As Above			
Religion			✓
As Above			
Gender			✓
As Above			
Sexual Orientation			✓
As Above			
Marriage & Civil Partnership			✓
As Above			
Pregnancy & Maternity			✓
As Above			

Has there been consultation /is consultation planned with people who will be affected by this policy? How has this affected your decision making?		Planned Consultation	
As a result of your decision how can you mitigate negative/maximise positive outcomes and foster good relationships?		We will focus on trying to mitigate against the damage by bolstering the opportunities to replicate some of the interventions within the community but there will always be a need to assist those in need who can not recover in their own community.	
Describe how you will address and monitor the impact		1. No Impact - No Major Change N/A	
		2. Adjust/Change Policy N/A	
		3. Adverse Impact but Continue as is If there are risks identified to an individual, family or the community. And where these risks make it unsafe for the individual to further attempt to recover locally that the opportunity to fund a placement remains. We will constantly monitor need and availability.	
		4. Stop/Remove Policy/Proposal N/A	
Initial Assessment	05/08/15	Reviewed	00/00/00
Completed	05/08/15	Published	00/00/00



## Impact Assessment Form

<b>Department</b>	<b>Division</b>	<b>Section</b>	<b>Owner/Officer</b>
Public Health		Health Improvement	Carole Johnson
<b>Service, policy, practice being reviewed/changed or planned</b>	Reviewing and reducing the level of provision of a range of health improvement initiatives		
<b>Why are you making the change?</b>	Budget savings due to grant cut.		
<b>How might this impact (positively/negatively) on people who share protected characteristics?</b>			
		<i>Please tick</i>	
		<b>POSITIVELY</b>	<b>NEGATIVELY</b>
<b>Age</b>			✓
Please describe... One service to be reviewed is the activity of 50+ Forum.			
<b>Disability</b>			
Please describe...			
<b>Gender Re-assignment</b>			
Please describe...			
<b>Race</b>			
Please describe...			
<b>Religion</b>			
Please describe...			
<b>Gender</b>			
Please describe...			
<b>Sexual Orientation</b>			
Please describe...			
<b>Marriage &amp; Civil Partnership</b>			
Please describe...			
<b>Pregnancy &amp; Maternity</b>			
Please describe...			
<b>Has there been consultation /is consultation planned with people who will be affected by this policy? How has this affected your decision making?</b>	No there has been no consultation and none is planned. Currently the role is vacant - out to advert but the contract is due to end on 31 <sup>st</sup> March 2016 with no expectation of it being renewed.		
<b>As a result of your decision how can you mitigate negative/maximise positive outcomes and foster good relationships?</b>	A member of staff from Healthwatch is currently picking up aspects of the work. It may be possible for this to be formalised.		
<b>Describe how you will address</b>	1. No Impact - No Major Change		

and monitor the impact		<i>Please Detail Not expected to have a major impact</i>	
		<b>2. Adjust/Change Policy</b>	
		<i>Please Detail</i>	
		<b>3. Adverse Impact but Continue as is</b>	
		<i>Please Detail</i>	
		<b>4. Stop/Remove Policy/Proposal</b>	
		<i>Please Detail</i>	
Initial Assessment	04/08/15	Reviewed	00/00/00
Completed	00/00/00	Published	00/00/00

## Impact Assessment Form

Department	Division	Section	Owner/Officer
Public Health		Sport & Recreation	Louise Wallace, Director - Public Health
Service, policy, practice being reviewed/changed or planned	<p>Sport &amp; Recreation consists of the following core services:-</p> <ul style="list-style-type: none"> <li>• Mill House Leisure Centre</li> <li>• Brierton Community Sports Centre</li> <li>• Headland Sports Hall /Borough Hall</li> <li>• Summerhill Outdoor Centre and Country Park</li> <li>• Carlton Outdoor Education Centre (leased from Carlton Trustees)</li> <li>• Grayfields Pavilion and Recreation Ground</li> </ul> <p>Within the service structure, there is also a Learn to Swim Team, GP Referral Team and Sport and Physical Activity Team. In addition, the service also manages sports pitch bookings at all Council sites and has a strategic role around sports provision in general across the Borough and works in partnership with clubs, national governing bodies of sport and national agencies such as Sport England to ensure that the town has the relevant local offer. It is also responsible for delivery on regional and national priorities for sport.</p> <p>The service has received some additional funding for the last three financial years from the Public Health grant to enable additional sport and physical activity initiatives to be delivered to adults and young people (2013/14, 2014/15, 2015/16) across the services. This has been over and above what is already provided for services funded by the Council's core revenue funding.</p>		
Why are you making the change?	<p><i>The review will result in a proposal to deliver cost savings as part of the 2016/17 financial strategy for the Council. This is linked to overall service provision and future development and delivery of facilities and services for the Borough.</i></p>		
How might this impact (positively/negatively) on people who share protected characteristics?			
		Please tick	
		POSITIVELY	NEGATIVELY
Age			
<p><i>Whilst a good range of activities will still be available for adults and young people, some of the more bespoke programmes that are offered as a consequence of this funding will have to cease. Some examples of these are as follows:-</i></p> <ul style="list-style-type: none"> <li>• Support of our 'Looked after children' where currently free activities are made available to them.</li> <li>• £1.00 promotional swim initiative</li> <li>• Coach Leadership training programme</li> <li>• Conservation programme supporting work of volunteers</li> <li>• Pre-school adventure play</li> <li>• Community Activities Network grant funding programme to clubs and</li> </ul>			

<i>organisations for new physical activity initiatives</i>			
<b>Disability</b>			
<i>Whilst no specific data is recorded, it is likely that some users may be affected</i>			
<b>Gender Re-assignment</b>			
<i>No impact</i>			
<b>Race</b>			
<b>Religion</b>			
<i>No impact</i>			
<b>Gender</b>			
<i>No impact</i>			
<b>Sexual Orientation</b>			
<i>No impact</i>			
<b>Marriage &amp; Civil Partnership</b>			
<i>No impact</i>			
<b>Pregnancy &amp; Maternity</b>			
<i>No impact</i>			
<b>Has there been consultation /is consultation planned with people who will be affected by this policy? How has this affected your decision making?</b>		<i>Where there is likely to be a direct impact on service users who can access a specific targeted intervention (for example with our Looked after Children), consultation will be undertaken in conjunction with colleagues from the Child &amp; Adult Department.</i>	
<b>As a result of your decision how can you mitigate negative/maximise positive outcomes and foster good relationships?</b>		<i>We will still be able to offer an inclusive programme of activities to all service users as a result of the Council's core funding support. We will also continue to seek external funding support to supplement our "offer".</i>	
<b>Describe how you will address and monitor the impact</b>		<b>1. No Impact - No Major Change</b> N/A	
		<b>2. Adjust/Change Policy</b> N/A	
		<b>3. Adverse Impact but Continue as is</b> <i>We will continue to offer alternative service options from our balanced programme of activities. We will also continue to seek alternative sources of funding to support additional activity provision.</i>	
		<b>4. Stop/Remove Policy/Proposal</b> N/A	
<b>Initial Assessment</b>	22/07/15	<b>Reviewed</b>	00/00/00
<b>Completed</b>	29/07/15	<b>Published</b>	00/00/00

## 4.4 Appendix F

**2016/17 FINANCIAL RISK MANAGEMENT****Risk Rating**

A simplified version of the Risk Assessment criteria used in the Council's Risk Management Strategy has been used to rank budget risks. This assessment rates risk using the convention of green/amber/red, as defined below, although different levels of risk within each category have not been defined. The risk assessment helps inform the Council's budget monitoring process as it identifies areas that need to be monitored more closely than other budgets. These procedures help ensure that departments can manage budgets and services within the overall departmental resource allocation and the Council's overall financial management framework, which enable departments to establish reserves for significant risks and to carry forward under and over spends between financial years.

The value of expenditure/income on individual areas, together with the percentage of the authority's net budget, are shown in the table below to highlight the potential impact on the Council's overall financial position.

Green - these are unlikely events which would have a low financial impact.

Amber - these are possible events which would have a noticeable financial impact.

Red - these are almost certain to occur and would have a very significant impact. Provision would need to be made for such events in the budgets.

**CORPORATE RISKS**

Financial Risk	Risk Rating	2016/17 Base Budget £'000	Budget as %age net budget	Description of Risk and Summary of Risk Management Arrangements
Pay	Amber	54,718	69%	The MTFS includes provision for a 1% pay award from 1st April 2016 which is the level of the Government Public Sector pay cap. In the unlikely event the actual pay award exceed 1% there would be an additional budget pressure.
Higher costs of borrowing and/ or lower investment returns	Green	5,311	7%	<p>This budget covers annual principal repayments and net interest on the Council's borrowings and investments. Interest payable on Council's borrowings or interest earned on investments could be higher or lower than forecast.</p> <p>The Treasury Management Strategy details how these risks will be managed and establishes an appropriate framework of controls for managing these risks. This strategy is based upon the CFO's assessment of future interest rates, which is itself supported by the detailed interest rate forecasts and market intelligence provided by the Council's Treasury Management Advisors.</p> <p>The unprecedented low levels of interest rates have resulted in a significant reduction in investment income this change has not had a significant impact on the MTFS as the MTFS takes a prudent approach and only includes investment income on an annual basis.</p>
Planned Maintenance Budget	Amber	221	0.3%	<p>Much of the Council's building stock is in poor condition and the Corporate Risk Register identifies this as a "red" risk. From 2002/03 the Council provided 2.5% real term growth for this budget to start addressing these issues. It was recognised that this would not be sufficient and at some point significant resources would need to be allocated to address these issues.</p> <p>The Revenue Budget Strategy includes £0.6m provision to support Prudential Borrowing.</p>
Schools Buy-Back Income	Amber	1,433	1.8%	Buy back income underpins a range of services provided by the Council. This income budget is reliant on the Schools continuing to buy back the services. This excludes the services provided by Neighbourhood Services trading operations.
Education Services Grant	Red	271	0.3%	The grant is distributed between LA's and Academies pro-rata to the number of pupils for whom each is responsible. As schools in Hartlepool convert to Academy status in the future then the funding for education services received by the LA will reduce which could impact on service delivery.
Failure to comply with relevant local authority financial legislation/regulations, NI and taxation regulations.	Amber	0	N/A	The Council will take appropriate steps to ensure it keeps up to date with changing legislation and regulations. There is nothing to indicate that the Council faces any specific material risk in these areas.

## CHILD &amp; ADULT SERVICES

Financial Risk	Risk Rating	2016/17 Base Budget £'000	Budget as %age net budget	Description of Risk and Summary of Risk Management Arrangements
Increased Demand for Looked After Children Placements	Red	5,412	6.8%	There is a national trend of increasing numbers and increased costs for the placement of children looked after. This particular area is highly volatile and potentially subject to unexpected increases in the numbers of children. This area includes in-house foster placements, independent foster placements with an agency, special guardianship, residence order and leaving care allowances as well as residential placements.
Dedicated Schools Grant - High Needs Block	Amber	9,510	11.9%	This funding has been cash limited at 2012/13 levels. Schools are required to fund the first £6k of costs from their own budget and post-16 funding for all high needs students aged 0-25 years. There is a risk that insufficient funding exists to meet the needs of all high needs pupils.
Dedicated Schools Grant - De-Delegated Services	Amber	595	0.7%	There are a number of services provided by the LA which are funded from retained DSG. The LA delegates this funding into school budgets and then requesting approval from Schools Forum to de-delegate these budgets back to the LA for all non-Academy schools. Academy schools retain this funding although they would have the opportunity to 'buy-back' these services from the LA. As schools in Hartlepool convert to Academy status in the future then there is the potential for funding to be reduced which could impact on service delivery.
Demographic changes in Older People	Red	9,920	12.4%	Increasing number of elderly people, high percentage of chronic health problems and market pressures on price, including the National Living Wage. The individual nature of contribution towards social care provision is such that the financial circumstances of each individual can differ substantially. The level of the value of people's assets and savings can differ significantly and demographic changes can impact on levels of contribution. Increased pressure on intermediate care services and ensuring discharge from hospital is not delayed. Older people needs becoming more complex due to increased life expectancy.
Demographic changes in Working Age Adults	Red	8,000	10.0%	Increasing numbers of people with learning disabilities surviving into adulthood with increasingly complex needs. The changes reflect the increased demand from those moving from children's services through the transition process.
Better Care Fund	Red	6,651	8.3%	The Better Care Fund consists of revenue funding and capital funding (not shown) totalling £7.476m in 2015/16. The Pooled Budget Partnership Board and Health and Wellbeing Board approve schemes and monitor BCF expenditure. The risks include BCF grant funding not continuing in future years, funding being reduced and the performance related element not being achieved.
Non-achievement of income targets - CCG contributions towards Joint Packages.	Amber	3,167	4.0%	CCG (Clinical Commissioning Group) income is received to contribute to cover the costs of packages for individuals with social care needs.  Risks exist for joint packages whereby an individuals circumstances can change and the level at which the CCG are liable to contribute can decrease.

REGENERATION & NEIGHBOURHOODS

Financial Risk	Risk Rating	2016/17 Base Budget £'000	Budget as %age net budget	Description of Risk and Summary of Risk Management Arrangements
Car Parking	Amber	1,460	1.8%	Budget forecasts are based on revised charges and actual income achieved in previous years. There is a risk that the planned level of income may not be achieved as car parking income is falling nationally.
Fee Income - Planning & Building Control	Amber	730	0.9%	The fee income target must be achieved to fund part of the department's expenditure budget. This income cannot be controlled or easily estimated. Achieving the target depends on sufficient numbers/size of applications being received, national economic conditions such as interest rates being sufficiently favourable to encourage development and, in the case of Building Control, the section being able to successfully compete with the private sector. A specific reserve has been earmarked to address an anticipated shortfall in this income in 2013/14.
Highways Maintenance	Amber	1,540	1.9%	A lack of major investment from Central Government is leading to a deterioration in the network. This is a national position and funding is needed to raise conditions generally. Maintenance budgets are under pressure as a result and the position will be closely monitored each month. Conditions surveys will be used to support the Highways Five Year Maintenance Programme and Capital and Revenue budgets will be applied accordingly.
Non-achievement of income targets - Community Services	Amber	1,600	2.0%	The nature of Cultural Services budgets are such that the majority of income is generated through admissions/usage of the services on offer. If this usage falls below targets then income will be reduced. Budget Forecasts are based on revised charges and trends from previous years. The actual position against budget will be monitored closely throughout the year.
Home to School Transport Costs	Amber	1,470	1.8%	The Department's home to school transport contracts are regularly reviewed to ensure competitive prices and best value. Provision of transport is determined by the HTS Transport policy but costs are directly influenced by the needs of pupils which vary from term to term. The highest area of spending relates to the requirement to transport special needs pupils which is demand led, invariably requires escorts and is difficult to control other than to ensure all individual arrangements are procured as economically as possible by the Integrated Transport Unit (ITU).
Trading Accounts	Amber	28,000	35.0%	The department has a wide range of trading operations which generate income by charging clients both internal and external to the Council. This includes services such as school catering, highways, building maintenance, garage, passenger transport as well as professional fees which funds the salaries of staff in property and engineering related services. This income is not certain and depends on local and national economic conditions and can be volatile in response to reductions in client budgets and the Councils capital programme.

PUBLIC HEALTH

Financial Risk	Risk Rating	2016/17 Base Budget £'000	Budget as %age net budget	Description of Risk and Summary of Risk Management Arrangements
Non-achievement of income targets - Markets and Licensing	Amber	460	0.6%	Budget forecasts are based on historical charges with inflation applied. There is an expectation that this level of income may not be achieved particularly the income in relation to Markets. A report has been presented to Committee highlighting this issue and the position will continue to be monitored throughout the year.
Non-achievement of income targets - Sport, Leisure and Recreation	Amber	1,600	2.0%	The nature of Sport, Leisure and Recreation budgets are such that the majority of income is generated through admissions/usage of the services on offer. If this usage falls below targets then income will be reduced. Budget Forecasts are based on revised charges and trends from previous years which indicate the budget should be achievable. Position will be monitored closely throughout the year.

**SUMMARY OF KEY FINANCIAL ASSUMPTIONS UNDERPINNING THE BUDGET**

Budget Assumption	Financial Standing and Management
The treatment of inflation and interest rates	<p>The proposed resource allocations for 2016/17 include 2.5% for anticipated general inflation on non pay expenditure and 1% for pay expenditure. In addition, where it is anticipated that costs will increase by more than inflation these issues have been specifically reflected in the pressures included within the budget requirement.</p> <p>Interest exposure is managed through the Treasury Management Strategy.</p>
The treatment of demand led pressures	Individual Policy Chairs and Directors are responsible for managing services within the limit of resource allocations and departmental Risk and Strategic Change Provisions. If these resources are inadequate the Council's Managed Under/Overspends Policy provides flexibility to manage the change over more than one financial year.
The treatment of planned efficiency savings/productivity gains	All Directors have a responsibility to deliver services within the approved resource allocations. Where departmental efficiencies are planned it is the individual Directors responsibility to ensure they are implemented. Any under achievement would be dealt with on a temporary basis through the managed overspend rules until a permanent efficiency is achieved. The main areas of efficiencies in 2016/17 are departmental savings. Work undertaken during 2015/16 to deliver these savings in advance makes the 2016/17 budget position more robust and sustainable.
The availability of other funding to deal with major contingencies and the adequacy of provisions	<p>The Council's approved Managed Underspend and Strategic Risk and Change initiatives are well understood and provide departments with financial flexibility to manage services more effectively. These arrangements help to avoid calls on the Council's corporate reserves.</p> <p>The Council's insurance arrangements are a balance between external insurance premiums and internal self insurance. The value of the Council's insurance fund has been assessed and is adequate to meet known reserves on outstanding claims.</p>
The strength of financial reporting arrangements and the Authority's track record of budget monitoring	The Council's financial reporting arrangements include the identification of forecast outturns for both revenue and capital areas. These arrangements ensure problems are identified and corrective action taken before the year end, either at departmental or corporate level. These arrangements have worked well and have enabled the Council to strengthen the Balance Sheet over the last few years.
Equal Pay / Equal Value Claims	<p>The Council has completed the detailed evaluation of all jobs and developed a new pay and grading structure, which was implemented with effect from 1<sup>st</sup> April 2007. The Council has completed Job Evaluation Appeals.</p> <p>The Council is also facing the risk of Equal Value Pay Claims. Accordingly, the Council has set up a Single Risk Reserve to fund such risks.</p>



# **BUDGET CONSULTATION MEETING WITH TRADE UNION REPRESENTATIVES - Minutes of Meeting held on 12 October 2015**

**Present:**        ***Hartlepool Borough Council Officers***  
Councillor Christopher Akers-Belcher, Leader of the Council  
Chris Little, Chief Finance Officer  
Damien Wilson, Assistant Director Regeneration  
Councillor Kevin Cranney

***Trade Union Representatives***  
Edwin Jeffries  
Steve Williams  
Tony Watson  
Derek Wardle

**Apologies:**  
Gill Alexander, Chief Executive  
Andrew Atkin, Assistant Chief Executive  
Sally Robinson, Director of Child & Adult Services  
Denise Ogden, Director of Regeneration and Neighbourhoods  
Louise Wallace, Director of Public Health  
Councillor Chris Simmons  
Councillor Carl Richardson  
Councillor Marjorie James

*Sam Durham, PA to CEMT (Minutes)*

<b>1.</b>	<b>Presentation</b>
<p>Councillor Christopher Akers-Belcher welcomed the group and provided a brief update on</p> <ul style="list-style-type: none"><li>- Proposals for Living Wage in Hartlepool</li><li>- LCTS 2016/17</li><li>- Council Tax 2016/17</li></ul> <p>Chris Little reported on Hartlepool's financial position for 2016/17 – 2018/19 and provided a brief summary of the Reserves Review and the updated MTFS Savings proposals submitted to Finance &amp; Policy Committee on the 29<sup>th</sup> June 2015.</p>	

#### 4.4 APPENDIX H

Comments Made	Response
The Trade Unions queried the setting of business rates and stressed the need to attract SME's to help fund business rates.	<p>Chris explained that detailed information has not yet been provided by the Government to assess the impact of the Chancellors recent announcement.</p> <p>The Leader informed that the support from SME's is increasing.</p> <p>The Leader explained that there is still a cap on Council tax due to the Referendum approach.</p>
TU recognise the difficulty and understand the position HBC face. However concern was raised regarding the funding of the out of hours services e.g. noise.	<p>The Leader noted concern raised and explained that the all departmental services need to be reviewed.</p> <p>The Finance and Policy Committee will be reviewing the impact of the potential loss of this service as part of the final MTFS.</p>

## BUDGET CONSULTATION MEETING WITH BUSINESS SECTOR REPRESENTATIVES - Minutes of Meeting held on 16 October 2015

**Present:**        ***Hartlepool Borough Council Officers***  
 Councillor Christopher Akers-Belcher, Leader of the Council  
 Councillor Kevin Cranney, Chair Regeneration Committee  
 Chris Little, Chief Finance Officer  
 Andrew Atkin, Assistant Chief Executive  
 Denise Ogden, Director of Regeneration and Neighbourhoods

***Business Partners***

Peter Olsen  
 Ben Powick  
 Colin Griffiths

***Apologies:***

Gill Alexander, Chief Executive  
 Sally Robinson, Director of Child & Adult Services  
 Louise Wallace, Director of Public Health  
 Councillor Chris Simmons  
 Councillor Carl Richardson  
 Councillor Marjorie James  
 Adrian Liddell

<b>1.</b>	<b>Presentation</b>
<p>Councillor Christopher Akers-Belcher welcomed the group and provided a brief update on</p> <ul style="list-style-type: none"> <li>- Proposals for Living Wage in Hartlepool</li> <li>- LCTS 2016/17</li> <li>- Council Tax 2016/17</li> </ul> <p>Chris Little reported on Hartlepool's financial position for 2016/17 – 2018/19 and provided a brief summary of the Reserves Review and the updated MTFS Savings proposals submitted to Finance &amp; Policy Committee on the 29<sup>th</sup> June 2015.</p>	

## 4.4 APPENDIX H

Comments Made by Business Sector	Response
Can the Council challenge the Rateable Value reduction for the Power Station?	No. However, the Council has raised concerns regarding the Rateable Value reduction with the Department for Communities and Local Government (DCLG) and has met with DCLG officials to discuss this issue and to seek financial support. We are still awaiting a response from DCLG.
Are there any plans for a replacement Power Station?	The Council understands that there are plans to replace the existing Power Station, although the decision will be made at a national level. There will be a considerable lead time between a decision to replace and a new Power Station becoming operational. Officers and Business Sector representatives agreed that the Power Station plans a major part in the viability of the local economy.
Does the Council still lose Business Rates income if there is a temporary shut-down of the Power Station?	Yes, this is an ongoing financial risk to the Council and the Government only provide additional support if a 'safety net threshold' is exceeded. The Council has pursued the Valuation Office Agency to ensure the application for the temporary rates reduction for the summer 2014 outage is resolved before the end of the current year to ensure 'safety net' grant is received in 2015/16. The Council has brokered a meeting between the Valuation Office Agency and the Power Station Rating Agents to ensure this issue is resolved as soon as possible. It is currently anticipated that the outcome of this issue will be determined on 25 <sup>th</sup> November 2015.
Representatives indicated that they hope the Council will be able to protect economic development funding in 2016/17 and asked if a second consultation meeting will be arranged.	Comments noted and a provisional date for a second meeting will be arranged early in the new year.

**NORTH AND COASTAL NEIGHBOURHOOD FORUM**  
**- Minutes of Meeting held on**  
**7 October 2015**

**Present:        *Hartlepool Borough Council Officers***

Councillor Paul Beck (*Chair*)  
Councillor Rob Cook  
Councillor Jim Ainslie  
Councillor Mary Fleet  
Councillor Jean Robinson  
Councillor Sylvia Tempest  
Councillor Steve Thomas  
Councillor Paul Thompson  
Councillor Christopher Akers-Belcher  
Councillor Ged Hall  
Councillor Marjorie James  
Councillor John Lauderdale  
Councillor Carl Richardson

Peter Devlin, Chief Solicitor  
Clare Clark, Community Safety and Engagement Manager  
Joan Stevens, Scrutiny Manager  
Phil Hepburn, Parking Services Manager  
Sue McBride, Neighbourhood Development Officer (North and Coastal Area)  
Tracy Rowe, Community Regeneration Officer  
Jo Stubbs, Democratic Services Officer

17 Public Attendance

**Comments:-**

- i) It was noted that over the last 15 years (2000/01 to 2014/15) around 3400 band D houses had been added to the Council Tax base – an average around 220 per year. With a continuing commitment to continue to realise opportunities through house building to increase the Council Tax base), concern was expressed regarding the importance of ensuring that the appropriate infrastructure (education, etc) is in place to support growing communities. Particular concern was expressed regarding Bishop Cuthbert and the potential impact of a potential 500 houses.
- ii) In relation to Government funding settlements, attention was drawn to the allocation formula and the negative impact the new formula has on the Council. Assurances were given that the Council had lobbied Central Government for a fairer allocation of resources, which recognises the true impact of deprivation.
- iii) The Forum acknowledged that the Council had managed its financial situation very well in terms of retaining services and protecting the

working poor and vulnerable. It was, however, recognised that this could not continue indefinitely and that hard decisions would need to be made in the future. It was noted that the freezing of Council Tax over 5 years had set up a future budget pressure and decisions might soon be needed whether it would be preferable to retain services by increasing council tax or vice versa.

### **South and Central Neighbourhood Forum – 7 October 2015**

#### **Comments:-**

- i) The potential to increase Council Tax to safeguard services was suggested by a resident. It was also noted that whilst even those in low incomes are required to pay a nominal fee, the Local Council Tax Support Scheme (LCTSS) reduces the impact. However, whilst the current LCTSS restricts the required payment to 12%, it was recognised that this may need to increase in the future.

A resident suggested that if Council Tax was to continue to be frozen by the Council then the police should either follow suit or ensure that increases are utilised to provide additional officers in Hartlepool. These comments were to be passed on to the Police and Crime Commissioner at the Face the Public event.

- ii) It was suggested that in future, the building of larger houses be included as part of future planning developments in order to encourage more affluent people to come to Hartlepool. It was confirmed that the Planning Committee took all decisions relating to planning developments and attention drawn to guidelines stating that 44 of every 100 homes built should be affordable houses. It was, however, noted that this is difficult to achieve, and could be a potential barrier to developers. As such, a common sense approach needed to be taken to the make-up on any housing mix as part of developments.
- iii) Attention was drawn to the importance of tourism and a number of techniques to encourage tourism including transport timetables at the Marina and a park and ride service. It was highlighted that free buses were provided during the Summer months and it was recognised that improved transport links would be essential following April 2016 when Hartlepool became the host town for the National Museum of the Royal Navy.
- iv) Attention was drawn to the identification of £196,000 to fund two enforcement officers over a two year period.

## **BUDGET CONSULTATION FEEDBACK FROM YOUTH COUNCIL**

### **General Comments**

- To Consider the Savings Programme Proposals as detailed in each departments Committee reports and give our opinions on the savings;
- This was difficult as we are not experts in each area and had limited knowledge of each departments functions with a tight timescale to prepare our findings.
- The reports have told us what is proposed to being cut but not what is being left alone. So without further information it is difficult to say whether these are the right cuts.
- We also felt that each department were experts in their own area and they seem to have explored many of the options and ideas we came up with.
- We found Children's Services and Adult Services the most difficult areas to consider cutting as this would directly affect vulnerable people.
- That said, we have a few suggestions for each area that might be considered in the coming years.

### **Comments on Children's Services Budget Proposals**

- Consider reducing the amount of youth club buildings and encourage more extra curricular activities and youth clubs to be setup in schools during evenings.
- Fewer cleaners - possibly cleaning every other night rather than cleaning every night. One suggestion is to possibly get members of staff to help clean.
- Better promoted and marketed adoption schemes – this would save money on children's services related to foster care, social workers, etc.
- Reform Early intervention activities – e.g. More work done to stop young people turning to crime, as well as helping families earlier so children do not have to go into care.
- Neglect is a big issue, so more emphasis on life skills and parenting in schools through a *Curriculum for Life, which the United Kingdom Youth Parliament is campaigning for.*
- The financial support given to voluntary and community organisations needs to be tightly regulated so the council can ensure value for money and that they are making a difference to the numbers of children going into care.

### **Comments on Regeneration Services Committee Report**

- Only have one central library and make more awareness of mobile provision.
- Museums and gallery charge a small entry fee, or income generate through school education programmes.
- Combine community centres with youth centres; too many that don't get used or not enough. One main building to unite people from the town together and include intergenerational work.
- Closing un-used or least used buildings.

- Less cleaners and caretakers in buildings
- More volunteers, create an incentive to volunteer e.g. free passes to tourist sites.
- Housing; Incentives / community competitions to help people to look after their own area surrounding their house, repairs etc.

### **Comments on Neighbourhood Services Committee Report**

- Devolve CCTV on private land to businesses
- The Police take on the monitoring of other CCTV in the town
- Work with the police to set up community groups to maintain parks and other open spaces. In turn, this may allow the amount of park wardens and groundsmen to be reviewed
- More dog litter bins in parks to cut down on park wardens
- Initiate litter picking programs using retired volunteers or community service users. Vouchers could be offered for various shops as an incentive to sign up (Like York Council)
- Reduce grass cutting and spending on flower beds on roundabouts and go for cheaper, easier to maintain decorative solutions such as slate as in other local authority areas.
- Solar powered street lights?
- Dim the streetlights or turn off for a time in quiet hours or low crime areas.
- Cut the amount of road resurfacing, especially when there isn't in urgent need of resurfacing.
- Reform use and number of council vehicles, establish community trust vehicle ? – is there a need for a Mayoral car?

### **Comments on Adult Services Committee Report**

- Pick up equipment that has been borrowed from occupational health – Money is potentially wasted by leaving equipment in people's homes who no longer require it.
- Encourage more volunteers to work in adult services, help out elderly neighbours so they are able to stay in their homes for longer.
- Don't put a cap on personal contributions to care bills in later life on the grounds that HBC is having to make deep cuts to public services
- Reconsider the care bursary – help people to seek alternative care solutions earlier, so as to not go into a care home and eventually rely on the council to pay for their care.
- To avoid those service users who are dependent upon drug and alcohol services, seek to work with education and public health on educating people at an early age about the risks and promoting better communities.

### **Comments on Public Health Committee Report**

- Review the new school nurse service as we are still unaware of its function. Challenge the stigma about seeing the school nurse. Is this health bus part of this department? If so, do we need both?



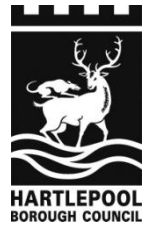
- Early education of drug / alcohol / smoking awareness in primary schools (year 6), which will help reduce need for tier 4 treatment services in the future, better and safer communities.
- Drug / Alcohol / Smoking mentors or champions in secondary schools, working with school nurses, tied in with the *Curriculum for Life*
- Review charging levels for gym, swimming, football, Carlton Camp. Encourage more galas and sporting events.
- Are the free swims over the summer good value for money? Could this be a cost saving.
- Carlton Camp to work with schools and youth clubs to promote and do fundraising for the camp
- Look at funding options to complement existing funding – ESF, lottery, other grants;
- Scrutinise health promotion programmes and resources for their effectiveness and value for money including commissioned services, for example the bereavement service
- Thirteen housing group or police take on out of hours noise control, and report back to the council in office hours reducing the need for overtime.

### Other Thoughts and Conclusions

- No Voluntary redundancies next year, but would that not have been a logical place to start? Could people work part time and have incentives for that? Job share etc. This would produce savings and remaining staff could share roles or take on additional responsibilities.
- Is there duplication in departments, are there two people being paid to do a similar job?
- Some Councils have set up 'arms-length' bodies or asked voluntary sector to take over certain services e.g. Middlesbrough Leisure services are now being run by a trust.
- Work with other local councils - sharing resources
- Management savings, review of senior roles?
- We think, earlier support and communities working together to help one another would reduce reliance on council services on the future.

# Finance & Policy Committee

23<sup>rd</sup> November 2015



**Report of:** Chief Finance Officer

**Subject:** **IRRECOVERABLE DEBTS - SUNDRY DEBTS  
and HOUSING BENEFIT OVERPAYMENTS**

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## **1. TYPE OF DECISION / APPLICABLE CATEGORY**

1.1 Non key decision.

## **2. PURPOSE OF REPORT**

2.1 The report seeks member approval to write out a number of debts considered irrecoverable. 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

## **3. BACKGROUND**

### **Sundry Debt**

3.1 The Council each year bills about £23m of sundry debts. The Council's performance in collecting these debts is positive with 95% of debts collected within the year they are billed. The level of outstanding debt more than 3 months old is a key measure of the effectiveness of recovery arrangements. The Council continues to sustain a high level of recovery performance with the level of sundry debt arrears over 3 months old being maintained at about £650,000. Furthermore, longer term collection of sundry debt continues to be very positive, with over 99% of sundry debts raised being fully recovered within 2 years.

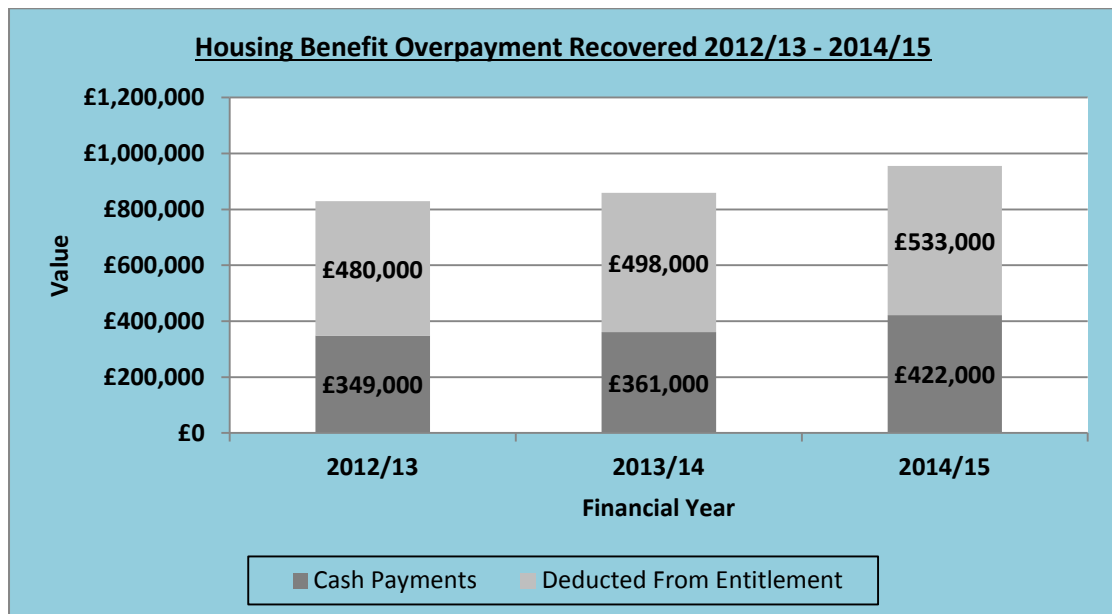
3.2. Whilst the Council continues to vigorously pursue recovery there are some sundry debts that become irrecoverable and this report seeks approval to their write out.

### **Housing Benefit Overpayments**

3.3. The Council administers Housing Benefit on behalf of the Department for Work and Pensions and each year makes awards totalling about £47m to about 11,500 households in the Borough. Housing Benefit is a complex means tested type of financial support that relies on the claimant informing the Council as their personal circumstances change so that the value of their awards can be adjusted. Sometimes there are

delays in the Council receiving and validating information resulting in historical overpaid benefit.

- 3.4. Where Housing Benefit awards are reduced, the level of any overpayment of benefit is calculated which is recoverable from the claimant. The Council continues to collect significant amounts of housing benefit overpayments via cash payments or deductions from ongoing benefit entitlements as shown below:



Where the claimant continues to be in receipt of Housing Benefit, recovery is generally made from ongoing benefit at a standard rate as advised by the DWP, currently £11.10 per week or £18.50 per week for proven fraud overpayment cases. For those claimants no longer in receipt of benefit, they are invoiced and subject to the same recovery arrangements as sundry debts.

- 3.5. By their nature, recovery of housing benefit overpayment debts is challenging. The Council continues to pursue recovery in a firm but fair manner and will seek to avoid hardship by negotiating realistic and affordable repayment arrangements. Repayment in some instances will take a number of years which increases the risk of non collection. This report seeks approval to write out of the Council's financial accounts a number of housing benefit overpayments for the reasons set out in section 5.

#### 4. RISK IMPLICATIONS

- 4.1 As part of the process of compiling the annual statement of accounts, a detailed review is made of all sundry debtor and housing benefit overpayment debts and accounting provisions are established against which any debts considered to be non collectable can be written off. These risk management arrangements are consistent with statutory requirements and good practice.

## 5. FINANCIAL CONSIDERATIONS

- 5.1 In terms of the value of sundry debts raised (£23m) and housing benefit overpayments created (£1.6m) in 2014/15, the amount proposed for write out in this report continues to be very low. Whilst robust procedures are in place to recover debts there will be situation where amounts cannot be recovered. To address this situation the Council has earmarked resources to manage this situation and avoid any impact on services. The debts proposed for write out within this report can be covered by the existing provisions.
- 5.2. All debts submitted for write out from the accounting records have been comprehensively scrutinised by officers. The following debts are now considered irrecoverable and are recommended for write out for the reasons set out:

**Housing Benefit Overpayments** – absconder / deceased / miscellaneous – Appendix A £48,560.79 \*\*.

**Sundry Debts** – deceased / bankrupt - Appendix B - £41,638.23 \*\*.

**\*\* Appendices A and B 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.**

## 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     Housing Benefit Overpayments write outs £48,560.79

Appendix B     Sundry Debt write outs £41,638.23

## **12. RECOMMENDATION**

12.1 That Members agree to write out irrecoverable Sundry Debt and Housing Benefit Overpayment debt totalling £90,199.02.

## **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  
01429 523093  
[John.morton@hartlepool.gov.uk](mailto:John.morton@hartlepool.gov.uk)

**FINANCE AND POLICY COMMITTEE****23<sup>rd</sup> November 2015**

**Report of:** Director of Regeneration and Neighbourhoods

**Subject:** **NORTH EAST RAIL MANAGEMENT UNIT  
COLLABORATION AGREEMENT**

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**1. TYPE OF DECISION/APPLICABLE CATEGORY**

1.1 Non-key.

**2. PURPOSE OF REPORT**

2.1 This report updates Members on progress made in improving vital local rail services. Through membership of Rail North, Hartlepool Borough Council has helped to secure significant investment in the next Northern Rail franchise, including a requirement for the creation of a specific North East management unit. It is now proposed that Hartlepool Borough Council, alongside its regional neighbours in the Tees Valley and the North East Combined Authority, collaborate formally to create a local franchise management body. This body, the 'North East Rail Management Unit', would be nested within the wider Rail North/DfT Partnership structure. Through this vehicle, the region can lay the groundwork for continued local rail improvements and alignment with wider local transport policy.

**3. BACKGROUND**

3.1 Northern Rail provide local rail services across the North of England under a franchise agreement with the Department for Transport (DfT). Northern Rail's services in the North East are geographically distinct from the remainder of the franchise. Operating from Heaton depot in Newcastle, services cover the entire NECA and Tees Valley geographies with some overlap into Cumbria via the Tyne Valley line, and North Yorkshire via the Esk Valley line. These services provide vital intra-regional connectivity, serving the major towns and cities within the region.

3.2 Despite their important role providing access to employment, education, healthcare and leisure facilities throughout the area and the wider North East region, these services are currently characterised by poor quality rolling stock, low frequencies, inconsistent station facilities and poor

journey times. Satisfaction with the service amongst passengers reflects the current standard of service, remaining below the national average according to Transport Focus' most recent National Rail Passenger Survey.

- 3.3 With the current franchise due to expire at the end of March 2016, Local Transport Authorities (hereafter LTAs) have taken a positive role in shaping the future of local rail services across Northern England. Through the Rail North consortium, vital investment has been secured which will deliver a transformational improvement in services during the next franchise period.
- 3.4 However, this investment only represents the starting point if services in the North East are to be truly reinvigorated. Greater local influence over the delivery and strategic direction of the franchise will be required if services are to better reflect local economic and social needs.

### **Rail North**

- 3.5 The issues faced by local rail services in the North East, described above, are symptomatic of a general lack of rail investment across the North of England. The current Northern Rail franchise was let based upon an inaccurate assumption that there would be no growth in patronage over the course of the franchise term, an assumption which has led to stagnation of services and quality, as well as overcrowding in many areas.
- 3.6 In response to a 2012 DfT consultation on rail decentralisation, LTAs across the North of England formed the Rail North organisation, and submitted a proposal to the Secretary of State for the full devolution of services operated by the Northern and TransPennine Express franchises commencing from their renewal in 2016.
- 3.7 The proposal reflected Rail North's overarching objectives for rail services in the North of England which seek to address the issues currently faced:
- delivering more rail capacity and greater rail connectivity,
  - improving the quality of railways with a better offer to passengers to encourage more growth, and;
  - to deliver a more efficient railway to secure greater value for money from the support from the public purse.
- 3.8 To underpin the proposition, Rail North commissioned, for the first time, the development of a Long Term Rail Strategy for the North of England. Whilst devolution primarily focuses on the Northern and TransPennine passenger rail franchises, the long term strategy covers all operators as well as freight services.
- 3.9 The strategy was approved by Rail North's Leaders Committee, on which the Tees Valley local authorities are represented by Councillor Bill Dixon of Darlington Borough Council in 2014. A copy can be found at

[www.railnorth.org/strategy](http://www.railnorth.org/strategy). The strategy places economic growth at its heart and has the following priorities for enhancing rail across the north:

- Connectivity
- Capacity
- Coherence
- Cost effectiveness

3.10 In his November 2013 response to Rail North's proposition, the Secretary of State stated that although he supported the principle of devolution, he wished to see a lower risk, more evolutionary approach with the establishment of a partnership structure between DfT and Rail North.

3.11 Rail North Leaders endorsed this approach in January 2014, along with the following set of shared objectives that underpin the partnership:

- growing the railway to maximise the benefits of infrastructure investment and linking this to railway efficiencies;
- having a platform for determining investment priorities within the Partnership;
- risk and reward sharing between members of the partnership, including the potential for revenue or profit-sharing mechanisms that could allow reinvestment into rail services; and,
- a partnership structure that allows the balance of risk to change over time

3.12 Since that time, Rail North has worked jointly and collaboratively with DfT during the design and procurement phase of the new franchises, and has entered into a formal Partnership Agreement to underpin a joint approach to franchise management. This Agreement will see the new franchises managed from the North of England for the first time once they commence in April 2016, with Rail North-appointed officers populating the executive structure.

3.13 In parallel, Rail North has taken steps to evolve from an informal grouping of LTAs to a formalised organisation with a robust governance structure. A local government association, the 'Association of Rail North Partner Authorities', and a company limited by guarantee, 'Rail North Limited', have both been established. In October 2014, Finance and Policy Committee authorised the necessary arrangements to permit Hartlepool Borough Council's membership of both organisations, and supported the nomination of Stockton Borough Council's, Councillor Bob Cook to represent the Tees Valley authorities on the Leadership Association and Councillor Bill Dixon of Darlington Borough Council to represent

3.14 all five Tees valley Authorities on the Board of Rail North Ltd.

### **Northern Rail Franchise ITT**

3.15 The Invitation to Tender (ITT) for the next Northern franchise was published by the DfT in February 2015. Throughout the design phase, Rail



North officers, working jointly and collaboratively with DfT, made the case for significant improvements in line with the Long Term Rail Strategy.

- 3.16 The published ITT reflected these efforts, with a number of improvements being secured within the minimum specification. Included in these improvements are the removal of the much-maligned and outdated 'Pacer' vehicles, the procurement of at least 120 new vehicles, more services to operate on certain routes, and the successful bidder will have to invest significant sums in station facilities and wifi provision.
- 3.17 Regionally, these improvements were complimented by a requirement for bidders to provide for a North East management unit within their structure, focused solely on routes within this region. As well as creating this unit, the next franchisee will be required to work alongside local authorities to improve passenger information, marketing & branding and service development.
- 3.18 The deadline for bid submissions passed on 24<sup>th</sup> June, and Hartlepool Borough Council and other Tees Valley officers engaged in constructive dialogue with prospective bidders prior to the deadline, advocating further investment in the North East beyond the minimum requirements. A successful bidder is expected to be announced later in 2015.
- 3.19 These requirements will deliver a long-overdue improvement in local rail services in the North East. However, it is important that the service continues to improve and develop over the coming years to underpin economic development and social cohesion across the region, and to provide a viable alternative to road-based transportation.

### **Rail North/DfT Partnership Agreement & Franchise Management Structure**

- 3.20 As well as working jointly with DfT during the franchise design phase, Rail North has developed a structure which will deliver a joint approach to franchise management.
- 3.21 Currently, the Northern Rail franchise is managed from the DfT's offices in Westminster. The five North of England PTEs, including Nexus in the North East, are co-signatories to the Franchise Agreement and undertake some limited franchise management duties within their respective areas. PTEs currently receive funding in the form of a Rail Administration Grant to cover the cost of these activities.
- 3.22 In March 2015, the Rail North Ltd Board agreed that the company should enter into a formal Partnership Agreement with DfT (hereafter the 'Partnership'), which defines this joint approach to franchise management. Under the Agreement, the next franchises will be managed from the North of England for the first time. It has since been agreed that the Partnership's officers will be based in Leeds.
- 3.23 The Partnership will have a joint executive structure, comprising a Strategic Board with an Independent Chair, and a Management Team

consisting of the contract and commercial managers responsible for the day-to-day management of the franchises. An organisational chart is attached as **Appendix A**. The senior officers nominated to sit on the Strategic Board are accountable to the Board of Rail North Ltd and the Leaders Committee of the Association.

- 3.24 These arrangements will ensure that local rail service providers are far more accountable to the communities and economy they serve. They will also provide the North of England with a combined voice when inputting into wider industry processes, such as those determining the scope and scale of future investment.
- 3.25 However, the North East must not lose its ability to speak as a region with a unique set of requirements, which often differ substantially from those of major city regions dominated by urban commuter travel. The Management Team of the Partnership will be required to cover a large geography, and will naturally not be able to focus solely on the needs of any one particular region.

### **North East Rail Management Unit**

- 3.26 The new North East management unit, to be created within the next Northern franchise in accordance provides an opportunity to create a complimentary regional franchise management body within the wider Rail North structure. This body – the North East Rail Management Unit ('NERMU'), would comprise the NECA, along with the five Tees Valley LTAs, North Yorkshire and Cumbria County Councils – the entire geography of the North East's Northern Rail services.
- 3.27 To define this unit, a Collaboration Agreement has been drafted which would legally underpin the arrangement. This draft Agreement between the LTAs is attached to this report as **Appendix B**.
- 3.28 It is proposed that the NERMU would have two principal objectives:
- To deliver local influence over the delivery of rail services in North East England.
  - To develop rail services to facilitate and stimulate economic growth and support the social cohesion of the North East, delivering high quality, integrated local services in line with the vision established by the Rail North Long Term Rail Strategy and the North East Rail Statement.
- 3.29 The NERMU would progress these objectives through an annual Business Plan, supported by a Budget. A fundamental requirement of each Business Plan will be securing the delegation and retention of franchise management duties from the Partnership Management Team. Once the NERMU has been established, an early task will be to submit a proposal to the Partnership Strategic Board to secure these powers. Such a proposal would require the support of the Rail North Ltd Board.

- 3.30 A new NERMU Board would be created to oversee the delivery of the Business Plan. It is proposed that the NECA, Tees Valley, North Yorkshire and Cumbria are all represented on the NERMU Board, with appropriate voting share arrangements.
- 3.31 It is proposed that Councillor Bill Dixon of Darlington Borough Council representing the Tees Valley Authorities is nominated as the LTA representative on the NERMU Board. Such a nomination would provide a useful link between the local NERMU arrangements and the wider Rail North organisation. This appointment would facilitate strong support for a delegation proposal on the Rail North Ltd Board.
- 3.32 Beneath the NERMU Board, a Steering Group of officers drawn from across the North East geography will provide regular progress updates to the Board and provide local advice to inform the execution of the Business Plan. It is proposed that the Steering Group is drawn from the existing Rail Officers Working Group arrangements. The organisational structure illustrated in **Appendix A** has been amended to include this new North East regional structure, and is attached to this report separately as **Appendix C**.
- 3.33 It is proposed that Nexus utilises its Rail Administration Grant on behalf of the NECA, to fund the resource required to deliver the Business Plan. It is assumed that one full time officer will be required, although this assumption will be tested prior to the establishment of the NERMU. Any officers appointed would become employees of Nexus but with responsibility to act on behalf of the NERMU parties.

#### **4. PROPOSALS**

- 4.1 To note the proposed arrangements for a North East Rail Management Unit (NERMU); to authorise appropriate arrangements to enable Hartlepool Borough Council to enter into the Collaboration Agreement and to appoint Councillor Bill Dixon of Darlington Borough Council to represent the Tees Valley Authorities on the NERMU Board.

#### **5. RISK IMPLICATIONS**

- 5.1 In terms of risk to the Authority, this is mitigated by the appropriate exit mechanisms of the Agreement.

#### **6. FINANCIAL CONSIDERATIONS**

- 6.1 It is not expected that any further funding will be required to deliver the initial Business Plan, and therefore no financial contributions. However, should the parties agree at any time that the NERMU should be utilised to deliver a more expansive set of tasks, the Business Plan and Budget setting process will facilitate further financial contributions from the parties.

## **7. LEGAL CONSIDERATIONS**

- 7.1 **Association of Rail North Partner Authorities** - A Members Agreement and constitution has been agreed that sets out the legal implications of Rail North. This has been agreed by Hartlepool Borough Council.

## **8. CHILD AND FAMILY POVERTY**

- 8.1 There are no child and family poverty implications relating to this report).

## **9. EQUALITY AND DIVERSITY CONSIDERATIONS**

- 9.1 This report is not subject to an Equalities Impact Assessment because the Council and its partners in Rail North share common objectives. The Rail North Long Term Rail Strategy, if delivered would improve connectivity and capacity on the North's railways, providing Communities with improved access to employment, education, healthcare and leisure facilities. It would also improve the accessibility of the rail network, building a more inclusive public transport network.

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

- 10.1 There are no Section 17 considerations relating to this report.

## **11. STAFF CONSIDERATIONS**

- 11.1 There are no staff considerations relating to this report.

## **12. ASSET MANAGEMENT CONSIDERATIONS**

- 12.1 There are no asset management considerations relating to this report.

## **13. RECOMMENDATIONS**

- 13.1 Members are asked to:
- i) To note the proposed arrangements for a North East Rail Management Unit ("NEMU"), to be nested within the wider Partnership arrangements between Rail North and the Department for Transport.
  - ii) To authorise appropriate arrangements to enable Hartlepool Borough Council to enter into the Collaboration Agreement, appended to this

report, which defines the NERMU governance and operational structure.

- iii) To approve the appointment of Councillor Bill Dixon from Darlington Borough Council to represent the Tees Valley Authorities on the NERMU Board.

#### **14. REASONS FOR RECOMMENDATIONS**

- 14.1 To ensure the enhancement of a Tees Valley involvement in the wider context of Rail North arrangements with the Department for Transport (DfT).

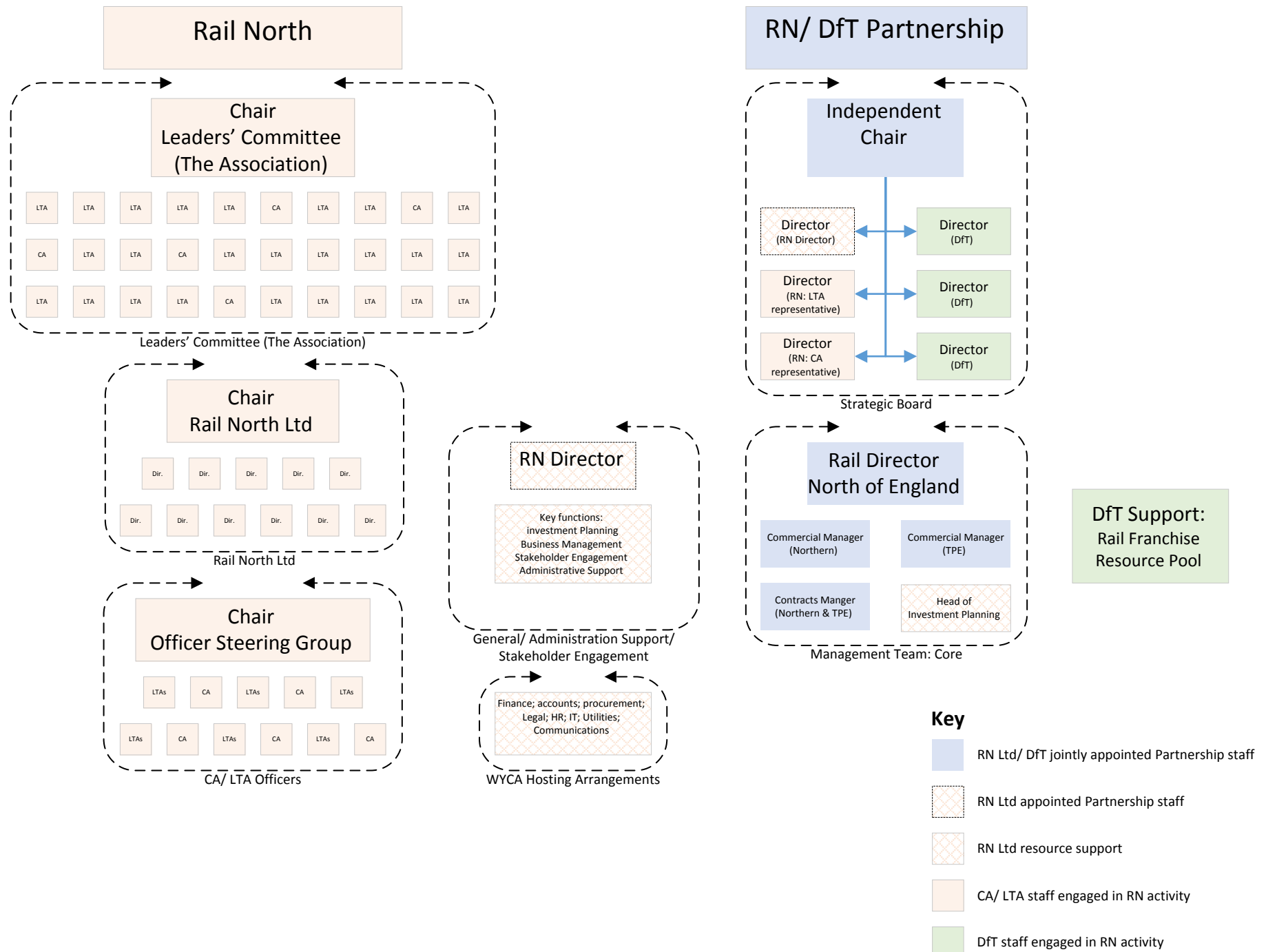
#### **15. BACKGROUND PAPERS**

- 15.1 Report to Finance and Policy Committee on 24<sup>th</sup> November 2014: Rail Devolution & Rail North: Influencing the Future of Northern and TransPennine Rail Services.

#### **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](mailto:denise.ogden@hartlepool.gov.uk)  
Tel: 01429 523301

Alastair Smith  
Assistant Director (Neighbourhoods)  
Civic Centre  
Victoria Road  
Hartlepool  
TS24 8AY  
Email [alastair.smith@hartlepool.gov.uk](mailto:alastair.smith@hartlepool.gov.uk)  
Tel: 01429 523802



**Dated** \_\_\_\_\_ **2015**

**Cumbria County Council  
Darlington Borough Council  
Hartlepool Borough Council  
Middlesbrough Borough Council  
The North East Combined Authority  
North Yorkshire County Council  
Redcar and Cleveland Borough Council  
and  
Stockton-on-Tees Borough Council**

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**North East Rail Management Unit  
Collaboration Agreement**

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DRAFT

**This Agreement** is dated                      day of                      2015

**Between**

- (1) Cumbria County Council, The Courts, Carlisle, Cumbria, CA3 8NA ("**Cumbria CC**");
- (2) Darlington Borough Council, Town Hall, Feethams, Darlington, County Durham, DL1 5QT ("**Darlington BC**");
- (3) Hartlepool Borough Council, Civic Centre, Victoria Road, Hartlepool, Cleveland, TS24 8AY ("**Hartlepool BC**");
- (4) Middlesbrough Borough Council, Town Hall, Middlesbrough, Cleveland, TS1 2QQ ("**Middlesbrough**");
- (5) The North East Combined Authority, Quadrant, The Silverlink North, Cobalt Business Park, North Tyneside, NE27 0BY ("**NECA**");
- (6) North Yorkshire County Council, County Hall, Northallerton, North Yorkshire, DL7 8AD ("**North Yorkshire CC**");
- (7) Redcar & Cleveland Borough Council, Redcar and Cleveland House, Kirkleatham Street, Redcar, Yorkshire, TS10 1RT ("**Redcar & Cleveland BC**"); and
- (8) The Council of the Borough of Stockton-on-Tees of Municipal Buildings, Church Road, Stockton-on-Tees, Cleveland, TS18 1LD ("**Stockton BC**").

Together, ("**the Parties**")

[DN: The Agreement will need to accommodate the creation of a Tees Valley Combined Authority – potentially through Cl.16 Variations]

**Background**

- (A) On 22 November 2013 the Secretary of State for the Department for Transport ("**Secretary of State**") and Rail North Limited issued a statement on how they would take forward their proposals to devolve decision-making on rail services across the North of England.
- (B) In 2014, each of the Parties formally agreed to become members of the Association of Rail North Partner Authorities and Rail North Limited.
- (C) The Parties are local transport authorities in the North of England and they agreed to establish and manage Rail North Limited, a company limited by guarantee which was incorporated under the Companies Act 2006 on 22 September 2014 for the purposes of, inter alia, promoting and improving rail services and managing the Franchise Agreements. The Parties each nominated a director to represent them on the Rail North Limited Board.
- (D) On 20 March 2015 the Secretary of State and Rail North Limited entered into an agreement which sets out the arrangements as to how Rail North Limited will manage the Franchise Agreements and how the Secretary of State and Rail North Limited will work together to transition further devolution in the future ("**Partnership Agreement**").

- (E) The Partnership Agreement outlines the management structure of the Partnership, and requires the creation of a joint Strategic Board and a Management Team, populated by Rail North and Department for Transport representatives. Pursuant to the Partnership Agreement, the Strategic Board will be responsible for the day to day management of the Franchise Agreements
- (F) The Partnership Agreement allows for the delegation of activities undertaken by the Management Team to Regional Business Units – which are defined as a group of two or more Rail North Limited parties formed to jointly oversee rail matters in their geographic areas.
- (G) [DN once drafted and agreed, insert some background here regarding RN Members Agreement].
- (H) The local rail network within the scope of this Agreement is as follows:
- i. The 'Durham Coast' route – between Middlesbrough and Newcastle via Hartlepool, Sunderland and east Durham;
  - ii. The 'Tyne Valley' route – between Carlisle and Newcastle via west Northumberland;
  - iii. Newcastle to Chathill via the East Coast Mainline (most services terminate at Morpeth currently);
  - iv. Darlington to Saltburn via Thornaby, Middlesbrough and Redcar;
  - v. Middlesbrough to Whitby;
  - vi. Bishop Auckland to Darlington; and
  - vii. Peak services between Saltburn and Newcastle via Darlington and Durham.
- (I) The Parties are seeking to establish a single consolidated resource base through which the parties can progress the delivery of their strategic rail objectives, known as the North East Rail Management Unit ("**the NERMU**") as more fully described in the NERMU Business Plan as defined below.
- (J) The NERMU is a Regional Business Unit as defined in the Partnership Agreement between Rail North Limited and the Secretary of State for Transport.
- (K) In order to establish and implement the NERMU, the Parties are entering this Collaboration Agreement to mutually commit resource and funding to the NERMU and set out the terms which are to govern the relationship between each of them in relation to the NERMU.
- (L) Each of the Parties has powers of general competence under the Localism Act 2011 (to be exercised having regard to their sustainable community strategy) or in the case of the NECA under s99 Local Transport Act 2008.
- (M) Nexus, as a body corporate by statute, has powers delegated to it under the Transport Act 1968 (as amended). Nexus is also an executive body of the NECA for the purposes of Part 5 of the Local Transport Act 2008 and Part 6 of the Local Democracy, Economic Development and Construction Act 2009. Nexus has power to discharge any function that is the subject of arrangements entered into

with the NECA. In the application of section 101 of the Local Government Act 1972 (arrangements for the discharge of functions), Nexus is to be treated as if it was an officer of the NECA.

- (N) Under s99 of Local Transport Act 2008 the NECA may delegate its wellbeing functions to Nexus. Under s10 Transport Act 1968, Nexus has the power to do all things which are in its opinion necessary to facilitate the proper carrying out of its business.

In consideration of the grant finance that may be provided by each of the Parties towards the NERMU and the mutual benefit to the Parties of the NERMU, **it is now agreed as follows:-**

# 1. **Interpretation**

## 1.1. The definitions and rules of interpretation in this clause apply in this Agreement.

"Administrator"	means the person nominated by the NECA under paragraph 3.4 of Schedule 2;
"Attendee"	Any person who is attendant at Board or Steering Group meetings but is not a Representative;
"-Board"	means the Board constituted with representatives of the Parties which represents (or together represent) or acts as a decision making forum for the Parties;
"Contributions"	means the sums set out in Schedule 3;
"Commencement Date"	means [DN to be advised] or if later the date of this Agreement;
"DPA"	means the Data Protection Act 1998 as amended or any re-enactment thereof;
"EIR"	means the Environmental Information Regulations 2004;
"Financial Year"	means the period from 1 April to 31 March inclusive;
"FOIA"	means the Freedom of Information Act 2000;
"Force Majeure"	means any cause materially affecting the performance by a Party of its obligations under this Agreement arising from any act beyond its reasonable control and affecting any Party, including without limitation: acts of God, war, industrial action and protests by persons other than the Parties' personnel or contractors, fire, flood, storm, tempest, epidemic, explosion, acts of terrorism, national emergencies or the failure of a third party supplier to the NERMU;
"Franchise Agreement"	means the Northern Franchise Agreement and

		the Transpennine Express Franchise Agreement, and " <b>Franchise Agreement</b> " shall be construed accordingly;
"Head of Paid Service"		means the Chief Executive as Head of Paid Service of each Party or such other officer discharging that role;
"Local Transport Authority"		has the meaning given to it in Section 108(4) of the Transport Act 2000;
"NERMU Business Plan"		means the NERMU business plan as detailed at Schedule 3;
"Nexus"		is the trading name of the Tyne and Wear Passenger Transport Executive, a body corporate by statute, whose principal place of business is Nexus House, St James' Boulevard, Newcastle upon Tyne, NE1 4AX;
"Nexus Management Team"	Corporate	means the team of senior employees who are responsible for the corporate management of Nexus;
"Nominated Proxy"		means a person from a Party who votes at either a Board meeting or Steering Group meeting on behalf of an absentee Representative and who is of equivalent standing to that of the absentee, as set out in paragraph 4.2.7 of Schedule 1;
"North East"		means the area described in paragraph 4.4 of Schedule 3 of this Agreement;
"Objectives"		means the objectives of the NERMU as set out in the NERMU Business Plan in Schedule 3;
"Principles of Co-operation"		means the principles set out in Schedule 5;
"Quarterly"		means a period of three (3) months starting on 1 April, 1 July, 1 October and 1 January;
"Rail Administration Grant"		means the funding received annually by Nexus from the Department for Transport that is to be spent on rail administration;
"Rail North Limited"		means a company registered in England and Wales (company number 09229441) whose registered office is at Transport for Greater Manchester, 2 Piccadilly Place, Manchester, M1 3BG;
"Rail North Agreement"	Members	means the agreement entered into on [TBC—];
"Representative"		means a Party's or Parties' representative appointed to the Board or Steering Group;

"Steering Group"	means the group established under clause 3;
"Tees Valley Authorities"	means Darlington BC, Hartlepool BC, Middlesbrough, Redcar & Cleveland BC and Stockton-on-Tees BC;
"Term"	means the period determined in accordance with clause 2.1; and
"Working Days"	means a day (other than a Saturday or Sunday) on which banks are open for domestic business in the City of London.

- 1.2. Clause, Schedule and paragraph headings shall not affect the interpretation of this Agreement.
- 1.3. A person includes a natural person, corporate or unincorporated body (whether or not having a separate legal personality) and that person's legal and personal representatives, successors and permitted assigns.
- 1.4. The Schedules form part of this Agreement and shall have effect as if set out in full in the body of this Agreement. Any reference to this Agreement includes the Schedules.
- 1.5. A reference to a company shall include any company, corporation or other body corporate, wherever and however incorporated or established.
- 1.6. Words in the singular include the plural and vice versa.
- 1.7. A reference to one gender shall include a reference to the other genders.
- 1.8. A reference to a statute or statutory provision is a reference to it as it is in force for the time being, taking account of any amendment, extension or re-enactment and includes any subordinate legislation for the time being in force made under it.
- 1.9. A reference to writing or written includes faxes but not email.
- 1.10. Documents in agreed form are documents in the form agreed by the Parties and initialled by them for identification.
- 1.11. References to clauses and Schedules are to the clauses and Schedules of this Agreement; references to paragraphs are to a paragraph of the relevant Schedule.
- 1.12. Where the words include(s), including or in particular are used in this Agreement, they are deemed to have the words "without limitation" following them and, where the context permits, the words other and otherwise are illustrative and shall not limit the sense of the words preceding them.
- 1.13. Any obligation in this Agreement on a person not to do something includes an obligation not to agree that thing to be done.

## 2. **Commencement and Duration**

- 2.1. This Agreement shall begin on the Commencement Date and shall continue on the terms of this Agreement.

- 2.2. This Agreement wholly supersedes all earlier agreements, arrangements or understandings relating to the NERMU between the Parties and each of the Parties mutually releases and discharges the others from all future claims, demands, actions and proceedings in respect of such agreements or arrangements but without prejudice to any antecedent liabilities.

### 3. **Vires and Governance**

- 3.1. In order to ensure that the NERMU Business Plan is implemented and managed in an efficient manner the Parties agree to establish the Board on the Commencement Date and the Parties acknowledge and agree that the Board shall be responsible for and shall be entitled to allocate and amend from time to time functions and responsibilities as set out in Schedule 6.
- 3.2. The Board shall be constituted and governed by the provisions of Schedule 1.
- 3.3. In order that the Board ensures that the NERMU Business Plan is implemented and managed in an efficient manner the Parties agree to establish the Steering Group. The Parties acknowledge and agree that the Steering Group shall be responsible for those responsibilities as set out in Schedule 4.
- 3.4. The Steering Group shall be constituted and governed by the provisions of Schedule 1.
- 3.5. Each Party represents and warrants to each of the other Parties that it has the power to enter into this Agreement and has the powers required to execute the NERMU Business Plan, including establishing the single consolidated resource, the NERMU, through which the parties can progress the delivery of their strategic rail objectives.
- 3.6. Each Party separately represents and warrants to the other Parties that it has the power to enter into this Agreement and has and will properly delegate its authority for the matters which are the subject matter of Schedule 1 to the Representatives who will sit on the Steering Group and agrees that decisions of the Board in accordance with this Agreement and of the Steering Group made in accordance with the provisions of Schedule 1 will be binding upon it.
- 3.7. The Steering Group shall as soon as practicable and in any event within three (3) calendar months of the Commencement Date submit to the Board for its approval cost estimates and project plans for the NERMU which shall, in such form as may be approved by that Board, then become part of the NERMU Business Plan.
- 3.8. The NECA is authorised to delegate the implementation of the NERMU to Nexus so far as it is legally able to do so.

### 4. **The Objectives**

- 4.1. Each of the Parties acknowledges that the purpose and objectives of the NERMU consist of the following:
- 4.1.1. Deliver meaningful local influence over the delivery of rail services within North East England.
  - 4.1.2. Develop rail services to facilitate and stimulate economic growth and support the social cohesion of the North East, delivering high quality,

integrated local services in line with the vision established by the Rail North Long Term Rail Strategy and the North East Rail Statement.

## 5. **Finance**

- 5.1. Each Party will make the Contributions to the NERMU in the amounts set out opposite their names in Schedule 2 but shall not be obliged to make any further or other commitment of funds or resources to the NERMU save as set out in this Agreement.
- 5.2. Each Party may make Contributions over and above those listed at the Commencement Date in Schedule 2 if agreed pursuant to the annual NERMU Business Plan and NERMU Budget setting process defined in clause 6 of this Agreement.
- 5.3. Each Party will ensure that its Contribution is paid to Nexus and irrevocably committed to the NERMU on or before the Commencement Date and on or before the start of each subsequent Financial Year.
- 5.4. The Contributions shall be maintained by Nexus who shall ultimately apply the Contributions only in accordance with the NERMU Business Plan.
- 5.5. Nexus shall, subject to the other Parties complying with their obligations under this clause, apply the Contributions solely towards the NERMU Business Plan.
- 5.6. Title to the assets and software licences acquired using the Contributions shall be held by the NECA (or as it may direct Nexus on its behalf).
- 5.7. This Agreement may be terminated prior to the expiry of the Term only on the recommendation of the Board and with the written agreement of a majority of the Parties and in that event any unused Contributions shall be returned to the Parties in proportion to the Contributions made by them subject to deduction of any sums liable to be payable under any outstanding contractual or other obligation which has arisen under the NERMU.

## 6. **NERMU Business Plan**

- 6.1. The Parties shall produce and seek the ratification of a NERMU Business Plan annually.
- 6.2. The Parties acknowledge and agree that each NERMU Business Plan shall include:
  - 6.2.1. the NERMU Budget;
  - 6.2.2. the Contributions required by the NERMU Budget;
  - 6.2.3. details of resourcing for the forthcoming Financial Year; and
  - 6.2.4. outline details of any Further Devolution Proposal, Service Quality Programmes, or Franchise Output Adjustments required to deliver the NERMU Business Plan.
- 6.3. The Parties agree that the process for agreeing the NERMU Business Plan in respect of each Financial Year shall be as follows:



- 6.3.1. not less than six (6) months prior to the end of each Financial Year, NECA shall prepare a draft NERMU Business Plan, including draft proposals for the matters set out in clause 6.1;
- 6.3.2. where the draft NERMU Budget would require Contributions above the value of those set out in Schedule 2 of this Agreement, the NERMU Budget shall clearly identify the proposed funding sources for such Contributions.
- 6.3.3. NECA shall issue the draft NERMU Business Plan prepared pursuant to clause 6.3.1 to all Parties not less than six (6) months before the end of each Financial Year.
- 6.3.4. Parties shall be entitled to comment to NECA on the draft NERMU Business Plan, provided that such comments are provided not less than four (4) months prior to the end of each Financial Year.
- 6.3.5. NECA shall take into account comments received by Parties pursuant to clause 6.3.4 and shall prepare a revised version of the NERMU Business Plan and shall issue this revised version to all Parties as soon as reasonably practicable, but in any event not less than three (3) months prior to the end of each Financial Year;
- 6.4. The Board shall vote to approve the NERMU Business Plan not less than two (2) months prior to the start date of the next Financial Year.
- 6.5. If the NERMU Business Plan is not approved pursuant to clause 6.4 as a result of the requirement for Contributions, NECA shall amend the NERMU Budget to include only Contributions which have been agreed by those Parties that have agreed to pay Contributions and amend the NERMU Business Plan accordingly, and shall inform the Parties promptly of any decision.
- 6.6. The Interim NERMU Business Plan, for the remainder of the 2015-2016 Financial Year, is detailed in Schedule 3. By entering into this Agreement, the Parties acknowledge and agree to the Interim Business Plan.

## 7. **Operations**

- 7.1. The NECA:
  - 7.1.1. is authorised to act on behalf of the Steering Group in executing the NERMU Business Plan and delivery of the Steering Group Responsibilities, as defined in Schedule 4;
  - 7.1.2. is authorised to delegate that Nexus shall act as project manager for the NERMU and shall not be liable for the acts or omissions of Nexus in relation to the implementation of the NERMU;
  - 7.1.3. subject to it complying with its other obligations under this Agreement shall not be liable to reimburse any Party in respect of any claw back which may be imposed in respect of the Contributions; and
  - 7.1.4. without prejudice to clause 22 shall not be responsible to the Local Authorities for any loss or damage, claw back or other loss of use which arises from any act of Force Majeure.

- 7.2. Each of the Parties agrees to abide by the Principles of Co-operation.
- 7.3. The NECA and Nexus shall keep all written records and accounts relating to the NERMU for at least seven (7) years and shall make them available for inspection by any of the Local Authorities or their auditors at any reasonable time on reasonable notice.

## 8. **Procurement**

- 8.1. The NECA, acting as lead authority, warrants that the implementation of the NERMU will comply with all relevant procurement rules and regulations which are in force at the Commencement Date or which come into force during the Term.
- 8.2. Regarding those activities and projects listed in the NERMU Business Plan, the Parties agree that the NECA shall act as the lead authority and shall procure them on behalf of the Parties.

## 9. **Variations to this Agreement**

- 9.1. No variation of this Agreement shall be effective unless it is in writing and signed by the Parties (or their authorised representatives).

## 10. **Termination and withdrawal**

- 10.1. Any Party will cease to be a Party to this Agreement with effect from the date that it is no longer a Local Transport Authority.
- 10.2. Should any Party withdraw from Rail North Limited under the mechanism set out in the Rail North Members Agreement, then it shall immediately withdraw from this Agreement.
- 10.3. Subject to clause 10.4, a Party shall be entitled to give notice of its voluntary withdrawal from this Agreement:
  - 10.3.1. Twelve (12) months prior to the end of the next Franchise Agreement renewal; or
  - 10.3.2. Eighteen (18) months before the start of a Financial Year;
 such notice to be provided to each Party ("**Withdrawal Notice**").
- 10.4. The NECA may give notice at any time prior to the start of a Financial Year of its voluntary withdrawal from the Agreement for that Financial Year in the event that it will not receive the Rail Administration Grant in its entirety, or it receives an amount of Rail Administration Grant that it deems is insufficient.
- 10.5. Where a Party has issued a Withdrawal Notice pursuant to clause 10.3, the Board shall meet within thirty (30) Working Days of such notice to discuss the Withdrawal Notice, and may agree to terminate this Agreement or continue with this Agreement without the relevant Party.

## 11. **Liability and indemnity**

- 11.1. Nothing in this Collaboration Agreement shall limit or exclude a Party's liability:

- 11.1.1. for death or personal injury caused by its negligence, or that of its employees, agents or sub-contractors;
  - 11.1.2. for fraud or fraudulent misrepresentation;
  - 11.1.3. for breach of any obligation as to title or quiet possession implied by statute; or
  - 11.1.4. for any other act, omission, or liability which may not be limited or excluded by law.
- 11.2. Subject to clause 11.3, any Party who is in material breach of any of the provisions of this Agreement shall indemnify and keep indemnified the other Parties from and against all losses, liabilities, expenses and payments resulting from that breach, without prejudice to any other right or remedy of the other Parties howsoever arising PROVIDED that the limit of each Party's total liability in this regard shall be the amount of its Contribution in that Financial Year.
- 11.3. No Party shall be liable to any other in contract, tort (including negligence or breach of statutory duty), misrepresentation or otherwise under or in connection with this Agreement for any of the following losses or damages, whether direct or indirect, and even if such losses and/or damages were foreseeable or known, or the relevant Party was advised of the possibility of them in advance:
- 11.3.1. loss of actual or anticipated profits;
  - 11.3.2. loss of business opportunity;
  - 11.3.3. loss of anticipated savings;
  - 11.3.4. loss of goodwill;
  - 11.3.5. loss of data; or
  - 11.3.6. any indirect, special, future or consequential loss or damage howsoever caused.

## 12. **Notices**

- 12.1. Any notice required by this Agreement to be given by any Party to any other shall be in writing and shall be served personally, by email or by sending it by registered post or recorded delivery to the appropriate address or email address notified to each of the others (and to the Administrator) for such purposes and the address for postal or personal service shall be as set out in clause 12.3.
- 12.2. Any notice served personally will be deemed to have been served on the day of delivery; any notice sent by post will be deemed to have been served 48 (forty eight) hours after it was posted; and any notice sent by email will be deemed to have been served immediately upon receipt.
- 12.3. The address to be used for the purposes of a notice served under the provisions of clause 12.1 above shall be the address listed in in this Agreement against that Party or such other address as shall be notified by that Party to all of the other Parties in accordance with clause 12.1.

### 13. **Relationship of Parties**

- 13.1. Nothing in this Agreement, and no action taken by the Parties pursuant to this Agreement, shall constitute, or be deemed to constitute, a partnership between the Parties, or shall constitute any Party as the agent, employee or representative of the other.

### 14. **Entire Agreement**

- 14.1. This Agreement constitutes the entire agreement between the Parties relating to the subject matter of the NERMU. This Agreement supersedes all prior negotiations, representations and undertakings, whether written or oral, except that this clause 14 shall not exclude liability in respect of any fraudulent misrepresentation.

### 15. **Publicity**

- 15.1. Without prejudice to the Parties' obligations under the FOIA or EIR, none of the Parties shall make any press announcements or publicise the NERMU or any part thereof in any way, except with the written consent of the Board (such consent not to be unreasonably withheld or delayed).
- 15.2. The Parties shall take all reasonable steps to ensure the observance of the provisions of this clause by all of their servants, employees, sub-contractors, agents, professional advisers and consultants.

### 16. **Data Protection**

- 16.1. Each Party shall (and any of its employees, servants or agents, involved in the provision of the NERMU shall) comply with any requirements under the DPA.

### 17. **Freedom of Information**

- 17.1. The Parties are each subject to the FOIA and the EIR ("the Acts and Regulations"). As part of each Party's duties under the Acts and Regulations, they may be required to disclose information forming part of this Agreement to anyone who makes a reasonable request. Each Party has absolute discretion to apply or not to apply any exemptions under the Acts and Regulations.
- 17.2. Each of the Parties shall assist and cooperate with each other to enable any Party to comply with the information disclosure requirements under the Acts and Regulations and in so doing will comply with any timescale notified to it by the Party subject to the request.

### 18. **Quality and Delivery**

- 18.1. Each Party is required to collaborate with the other Parties during the term of this Agreement to achieve continuous improvement in the quality and delivery of the NERMU in accordance with each Party's 'best value' obligations under Part I of the Local Government Act 1999.

### 19. **Variation**

- 19.1. No variation or modification to the Agreement is valid unless it is in writing and signed by each of the Parties.

20. **Third Party Rights**

- 20.1. This Agreement is enforceable by the original Parties to it, by their successors in title and permitted assignees. Any rights of any other person to enforce the terms of this Agreement pursuant to The Contracts (Rights of Third Parties) Act 1999 are excluded.

21. **Waiver**

- 21.1. Failure by any Party at any time to enforce any one or more of the provisions of this Agreement or to require performance by the other Parties of any of the provisions shall not constitute or be construed as a waiver of the provision or of the right at any time subsequently to enforce all terms and conditions of this Agreement nor affect the validity of the Agreement or any part of it or the right of the Parties to enforce any provision in accordance with its terms.
- 21.2. No waiver of any of the provisions of this Agreement shall be effective unless it is expressed to be a waiver in writing and communicated in accordance with clause 12.

22. **Force Majeure**

- 22.1. No Party shall be liable for failure to perform its obligations under this Agreement if such failure results from Force Majeure.

23. **Severance**

- 23.1. If any provision of this Agreement shall become or shall be declared by any court of competent jurisdiction to be invalid or unenforceable in any way, such invalidity shall not impair or affect any other provision all of which shall remain in full force and effect.

24. **Costs and Expenses**

- 24.1. Each of the Parties will pay their own costs and expenses incurred in connection with the negotiation, preparation, execution, completion and implementation of this Agreement.

25. **Law and Jurisdiction**

- 25.1. This Agreement and any dispute or claim arising out of or in connection with it or its subject matter or formation (including non-contractual disputes or claims) shall be governed by and construed in accordance with the laws of England and Wales.

26. **Counterparts**

- 26.1. This Agreement may be executed in any number of counterparts each of which shall be an original, but the counterparts shall together constitute one and the same Agreement.

This Agreement has been signed by the Parties and takes effect on the Commencement Date.

## **Schedule 1- Governance**

### **1. Structure of the Board**

- 1.1. Each Party agrees that the Board shall consist of:
  - 1.1.1. one (1) elected member from the NECA;
  - 1.1.2. one (1) elected member from the Tees Valley Authorities;
  - 1.1.3. one (1) elected member from North Yorkshire CC; and
  - 1.1.4. one (1) elected member from Cumbria CC.
- 1.2. Each Party shall inform the Administrator of the identity and contact details for its Representative, any Attendees, and any changes from time to time.

### **2. Structure of the Steering Group**

- 2.1. Each Party agrees that the Steering Group shall consist of:
  - 2.1.1. seven (7) senior officers from the NECA;
  - 2.1.2. five (5) senior officers from the Tees Valley Authorities;
  - 2.1.3. one (1) senior officer from North Yorkshire CC; and
  - 2.1.4. one (1) senior officer from Cumbria CC.
- 2.2. Each Party shall inform the Administrator of the identity and contact details for its Representatives, any Attendees, and any changes from time to time.

### **3. Delivery**

- 3.1. The NECA shall:
  - 3.1.1. act as the lead authority in delivering the NERMU Business Plan; and
  - 3.1.2. take the fullest account of any decisions by the Steering Group as to the preferred or recommended method of implementation of the NERMU Business Plan; and
  - 3.1.3. so far as it is legally able to do so engage Nexus to implement the NERMU Business Plan.
- 3.2. The Steering Group shall act as an advisory and consultative body to the Board in implementing the NERMU Business Plan and will oversee the delivery of the NERMU Business Plan by NECA.
- 3.3. The Steering Group may at any time submit a report to the Board on any aspect of the NERMU Business Plan which it considers it appropriate for the Board to be aware of.
- 3.4. The NECA shall arrange to provide necessary services to support meetings of the Steering Group (and shall nominate an Administrator to co-ordinate such support)

the reasonable costs of which (as agreed by the Steering Group) shall be met by the NERMU Budget.

4. **Meetings and voting of the Board**

- 4.1. Meetings of the Board shall be held Quarterly, or more frequently if agreed by the Board members.
- 4.2. Every meeting of the Board that is convened more frequently than Quarterly shall be governed by the following provisions:
  - 4.2.1. a meeting may be called by any two (2) Board Representatives notifying the Administrator;
  - 4.2.2. a meeting may be held at such time and place convenient to the Parties as the Board Representatives calling the meeting think fit and notify to the Administrator;
  - 4.2.3. a notice of meeting specifying the place, day and time of the meeting and containing a statement of the matters to be discussed and Attendees present at the meeting, shall be served by the Administrator on all of the Board Representatives;
  - 4.2.4. except in the case of an emergency, not fewer than 10 (ten) Working Days' notice of a meeting shall be given to all Board Representatives, provided that shorter notice shall be valid if all the Board Representatives attend the meeting or if it is ratified by the majority of Board Representatives at a subsequent Board meeting. If not sent with the notice of meeting, any report for the meeting shall so far as practicable be provided to each Board Representative no later than two Working Days before the Board meeting;
- 4.3. The NECA and Tees Valley Representative shall serve as the Chair of the meeting on a rotational basis;
- 4.4. Each Board Representative shall be entitled to one (1) vote with votes being weighted as follows:
  - 4.4.1. The Representative from NECA's vote shall be worth 49%;
  - 4.4.2. The Representative of the Tees Valley Authorities' vote shall be worth 37%;
  - 4.4.3. The Representative of North Yorkshire County Council's vote shall be worth 7%; and
  - 4.4.4. The Representative of Cumbria County Council's vote shall be worth 7%.
- 4.5. The quorum for a Board Meeting is four (4) Board Representatives attending in person or by a Nominated Proxy present in person or by telephone or by video-link.
- 4.6. Where the quorum is not present within fifteen (15) minutes of the start time stated in the notice of the meeting the meeting shall be adjourned to a date not less than two Working Days later provided that any resolution passed at a meeting which is

not quorate shall be deemed to have been passed if it is ratified later by the required majority in attendance at a subsequent duly convened quorate meeting;

- 4.7. Minutes shall be prepared of all meetings and shall be approved by a meeting and signed by the Chair of the meeting as evidence of the proceedings and the contents of the duly signed minutes shall be evidence of the proceedings and may be relied upon as authority for the matters set out therein until amended by any subsequent meetings or resolution of the Board.
- 4.8. A Board Representative may, in writing, appoint another Board Representative or a single named individual to be his/her Nominated Proxy with the right to attend and vote on his behalf at any meeting of the Representatives. Any named individual shall be nominated to hold the position for not less than three calendar months and such Nominated Proxy shall also be sent any papers which are sent to the Board Representative at the same time as they are sent to the Board Representative.
- 4.9. Where a matter requires the decision of the Board Representatives under this Agreement, such matter shall be determined by the Board Representatives by simple majority vote (subject to paragraph 4.2.6) at a duly convened meeting.
- 4.10. A written resolution signed by all the Board Representatives (or their Nominated Proxies) shall be valid as if it had been passed at a meeting of the Board Representatives.
- 4.11. The Nominated Proxy of a Representative may:
  - 4.11.1. exercise that Representative's powers; and
  - 4.11.2. carry out that Representative's responsibilities
 in the absence of the Representative.
- 4.12. Any Nominated Proxy, appointed in accordance with this Schedule shall be counted in the quorum for the meeting.

## 5. **Reporting**

- 5.1. Following each Board meeting, the Chair of the Board shall within 20 Working Days of the meeting ensure that a copy of the minutes of such meeting is submitted to the Representative of each Party.
- 5.2. The Chair of the Board shall also procure that there is issued to each Representative and to each Head of Paid Service in advance of each Quarterly meeting of the Board a written statement on the progress of the NERMU Business Plan setting out progress towards the Objectives which shall include at least the following:
  - 5.2.1. a summary of the progress against the NERMU Business Plan to date;
  - 5.2.2. a summary of the current NERMU Budget;
  - 5.2.3. a summary of the expenditure committed to the NERMU and the funds available;



- 5.2.4. any other issues which are considered, by the Chair or the Board relevant for inclusion in the report; and
- 5.2.5. the report ("**the Monitoring Report**") shall be issued by the Chair of the NECA but with the endorsement of the Board not more than 20 Working Days after the expiry of the relevant 6 month period.

## 6. **Meetings and voting of the Steering Group**

- 6.1. Meetings of the Steering Group shall be held as often as the Representatives deem appropriate but in any event an ordinary meeting of the Steering Group shall be convened at least once in every alternate calendar month by the Administrator.
- 6.2. Every meeting of the Steering Group that is convened will be governed by the following provisions:
  - 6.2.1. a meeting may be called by any two (2) Steering Group Representatives notifying the Administrator;
  - 6.2.2. a meeting may be held at such time and place convenient to the Parties as the Steering Group Representatives calling the meeting think fit and notify to the Administrator;
  - 6.2.3. a notice of meeting specifying the place, day and time of the meeting and containing a statement of the matters to be discussed and Attendees present at the meeting, shall be served by the Administrator on all of the Steering Group Representatives;
  - 6.2.4. except in the case of an emergency, not fewer than 10 (ten) Working Days' notice of a meeting shall be given to all Steering Group Representatives, provided that shorter notice shall be valid if all the Steering Group Representatives attend the meeting or if it is ratified by the majority of Steering Group Representatives at a subsequent Steering Group meeting. If not sent with the notice of meeting, any report for the meeting shall so far as practicable be provided to each Steering Group Representative no later than two Working Days before the Steering Group meeting;
  - 6.2.5. a Steering Group Representative shall serve as the Chair of the meeting;
  - 6.2.6. the NECA and Tees Valley Representative shall serve as the Chair of the meeting on a rotational basis;
  - 6.2.7. each Steering Group Representative shall be entitled to one (1) vote, with the Chair having a casting vote in the event of a tie;
  - 6.2.8. each Steering Group Representative shall be entitled to 1 (one) vote and;
    - 6.2.8.1. the quorum for a meeting is that number of Steering Group Representatives attending in person or by a Nominated Proxy present in person or by telephone or by video-link;

- 6.2.8.2. where the quorum is not present within 15 (fifteen) minutes of the start time stated in the notice of the meeting the meeting shall be adjourned to a date not less than two Working Days later provided that any resolution passed at a meeting which is not quorate shall be deemed to have been passed if it is ratified later by the required majority in attendance at a subsequent duly convened quorate meeting;
- 6.2.8.3. minutes shall be prepared of all meetings and shall be approved by a meeting and signed by the Chair of the meeting as evidence of the proceedings and the contents of the duly signed minutes shall be evidence of the proceedings and may be relied upon as authority for the matters set out therein until amended by any subsequent meetings or resolution of the Steering Group.
- 6.2.9. a Steering Group Representative may, in writing, appoint another Steering Group Representative or a single named individual to be his Nominated Proxy with the right to attend and vote on his behalf at any meeting of the Representatives. Any named individual shall be nominated to hold the position for not less than three calendar months and such Nominated Proxy shall also be sent any papers which are sent to the Board Representative at the same time as they are sent to the Steering Group Representative.
- 6.2.10. Where a matter requires the decision of the Steering Group Representatives under this Agreement, such matter shall be determined by the Steering Group Representatives by simple majority vote (subject to paragraph 6.2.6) at a duly convened meeting.
- 6.3. A written resolution signed by all the Steering Group Representatives (or their Nominated Proxies) shall be valid as if it had been passed at a meeting of the Steering Group Representatives.
- 6.4. The Nominated Proxy of a Representative may:
  - 6.4.1. exercise that Representative's powers; and
  - 6.4.2. carry out that Representative's responsibilities
 in the absence of the Representative.
- 6.5. Any Nominated Proxy, appointed in accordance with this Schedule shall be counted in the quorum for the meeting.

## **Schedule 2- Contributions**

### **1. Party Contributions**

1.1. The Parties agree to provide the following Contributions at the start of each Financial Year beginning with the 2016-2017 Financial Year. Parties may provide Contributions above the amount listed in this Schedule pursuant to clause 5.2 of this Agreement.

Cumbria County Council	£nil
Darlington Borough Council	£nil
Hartlepool Borough Council	£nil
Middlesbrough Council	£nil
North East Combined Authority	£TBC
North Yorkshire County Council	£nil
Redcar and Cleveland Borough Council	£nil
Stockton on Tees Borough Council	£nil

### **Schedule 3 - Interim NERMU Business Plan**

#### **1. Purpose**

1.1. This Interim NERMU Business Plan sets out the process through which the Parties will establish a functioning management unit during the remainder of the 2015-2016 Financial Year. The to deliver meaningful local influence over the delivery of North East rail services and achievement of the North East Rail Statement and Rail North Long Term Rail Strategy. These processes will describe how the North East Rail Management Unit will function within the Rail North Partnership, clearly identifying the allocation of tasks between both organisations.

#### **2. Timescale**

2.1. This plan shall commence from [01 September 2015] and extend until the commencement of the new Northern and TransPennine Express rail franchises, expected to be 01 April 2016. It is expected that a revised Business Plan will be produced to commence from 01 April 2016.

#### **3. Objectives**

3.1. The North East Rail Management Unit has two primary Objectives:

3.1.1. Deliver meaningful local influence over the delivery of rail services within North East England.

3.1.2. Develop rail services to facilitate and stimulate economic growth and support the social cohesion of the North East, delivering high quality, integrated local services in line with the vision established by the Rail North Long Term Rail Strategy and the North East Rail Statement.

3.2. Neither of the two primary Objectives set out at paragraph 3.1 of this Schedule will be achieved in their entirety before the commencement of the new Northern and TransPennine Express rail franchises. In particular, the second primary objective will require several years of co-ordinated engagement and investment, through national rail industry processes and local investment channels.

3.3. This NERMU Business Plan will set out a series of specific tasks to be achieved during the remainder of the 2015/16 financial year ('**Year 0**') which will create a platform on which the Parties can base progress towards the realisation of the primary Objectives in subsequent years. It is recommended that a full Business Plan for Year 1 onwards, which reflects on progress made during Year 0, is agreed prior to 01 April 2016.

#### **4. Context: North East Rail Services**

4.1. Passenger rail services in North East England are delivered through a combination of long distance, inter-regional and local operators. In Tyne and Wear, this mix is complemented by the Tyne and Wear Metro.

4.2. Long distance and inter-regional services serve the North East through its principal north-south infrastructure, the East Coast Main Line, either directly or via secondary routes into key regional centres such as Middlesbrough and Sunderland. These long distance and inter-regional services provide vital connectivity between North East England and key markets throughout the rest of

the UK – in London, Scotland, Yorkshire & Humber, the North West and the Midlands. These services also have an important function in providing local connectivity, principally between centres located along the East Coast Main Line corridor, and connecting centres in the Tees Valley and along the Durham Coast route.

4.3. Whilst some improvements to long-distance and inter-regional services have been secured through refranchising, journey times are still lengthy and infrastructure capacity risks limiting future enhancements if not addressed – this could yield overcrowding, stifle demand, and lead to unpalatable choices between services

4.4. Away from the principal routes, the rail geography within the North East is relatively self-contained. As the local operator, Northern Rail currently provides services between the main centres and smaller communities across the North East, with limited direct connectivity into neighbouring areas. The local North East routes currently encompass:

- The Durham Coast – between Middlesbrough and Newcastle via Hartlepool, Sunderland and east Durham;
- The Tyne Valley – between Carlisle and Newcastle via west Northumberland;
- Newcastle to Chathill via the East Coast Mainline (most services terminate at Morpeth currently);
- Darlington to Saltburn via Thornaby, Middlesbrough and Redcar;
- Middlesbrough to Whitby;
- Bishop Auckland to Darlington; and
- Peak services between Saltburn and Newcastle via Darlington and Durham.

Heaton traction maintenance depot in Newcastle provides the majority of the rolling stock fleet which operate on these routes. These local routes comprise the primary focus on the NERMU.

4.5. Although there have been minor improvements in some areas, local services are characterised by low frequencies, poor quality rolling stock, slow journey times and inconsistent station facilities – all symptomatic of a historic lack of investment in services and infrastructure.

4.6. Alongside the passenger services described above, the North East rail infrastructure provides freight access to international gateways including the key ports of Teesport and Port of Tyne. Via the region's principal routes, freight services can access national distribution hubs and key consumers such as power stations.

4.7. The Nexus-owned Metro infrastructure is contained solely within Tyne and Wear, with dual-running operations on infrastructure with Network Rail between Pelaw junction and Sunderland. Rolling stock is stabled and maintained at South Gosforth depot.

- 4.8. Improvements to services and infrastructure throughout North East England will be required if rail is to adequately support and stimulate economic growth. The Parties endorse the Rail North Long Term Rail Strategy, which sets out a series of recommendations to improve rail in the North of England. In a sub-regional context, the Parties endorse the North East Rail Statement, produced in 2014 to articulate a series of short, medium and long term improvements required to develop rail within the North East.

## **5. Context: Current Rail Management Arrangements**

- 5.1. Since the creation of the NECA on 15 April 2014, Nexus has functioned as an executive delivery body of the NECA within Tyne and Wear, with Durham and Northumberland County Councils acting as delivery agents in their respective areas. The five Parties within the Tees Valley are consulting over a proposal to form a Combined Authority.
- 5.2. Local (Northern) rail services are currently operated under a Franchise Agreement between the Department for Transport and the Operator. Nexus, along with the other four former PTEs in the North of England, are co-signatories to this Agreement. Co-signatory status grants Nexus certain limited rights and influence over the delivery of services within Tyne and Wear.
- 5.3. The other Parties to the NERMU Collaboration Agreement currently have no contractual influence over the current Franchise Agreement, but interact with the Operator as local authority stakeholders.
- 5.4. In 2014, each of the Parties formally joined the Association of Rail North Partner Authorities, and nominated a representative to the Leaders' Committee. The Parties also nominated four Directors to the Board of Rail North Limited – representing the geographic areas of NECA, Tees Valley, North Yorkshire and Cumbria (the latter through the Director representing the Lancashire and Cumbria region, including Blackpool and Blackburn with Darwen).
- 5.5. At its first formal meeting on 19 March 2015, the Board of Rail North Ltd agreed that the company should enter into a formal Partnership Agreement with the Secretary of State for Transport, to oversee the management of the new Northern and TransPennine Express rail franchises, which are expected to commence on 01 April 2016.
- 5.6. The Partnership Agreement outlines the management structure of the Partnership, requiring the creation of a joint Strategic Board and a Management Team, populated by Rail North and Department for Transport representatives.
- 5.7. The Partnership Agreement allows for the delegation of activities undertaken by the Management Team to Regional Business Units – which is defined as a group of two or more Rail North Parties formed to jointly oversee rail matters in their geographic areas.

## **6. Achieving the Objectives – Year 0 Plan**

- 6.1. This Plan will define the milestones during Year 0 which should be achieved to realise meaningful progress towards the primary Objectives. Many of these milestones will represent the completion of 'one-off' tasks, necessary to establish the steady-state processes which will define how the NERMU functions from Year 1 onwards. By doing so, a package of tasks will be identified which can be assessed for their resource, and subsequently funding, requirements. The Year 0

Plan will group milestones under each of the primary Objectives. A summary Year 0 programme accompanies the Year 0 Plan.

## **7. Deliver meaningful local influence over the delivery of rail services within North East England.**

7.1. Establishing the governance and management processes for the NERMU will be a crucial task in Year 0. The body must have a full and clear understanding of its delegated responsibilities, carried out on behalf of the Rail North Partnership. To define these, a proposal should be put forward to the Strategic Board as early as possible. Locally, the Parties must populate the governance and management structures described within the Collaboration Agreement, and ensure any necessary dedicated resource is identified as soon as possible. Interim milestones for the achievement of this task are set out below:

### **7.2. Establishing the NERMU Board [October 15]**

7.2.1. The Parties should nominate representatives and deputies to the NERMU Board at the earliest opportunity, ideally prior to the production of the proposal to the Rail North Partnership Strategic Board, but by no later than [September 2015].

### **7.3. Establishing the NERMU Steering Group [October 15]**

7.3.1. Similar to the above, the Parties should nominate representatives and deputies to the NERMU Steering Group. This should be achieved prior to the submission of the NERMU proposal to the Strategic Board to ensure the proposal has been robustly consulted and agreed by all Parties.

7.3.2. In the interim, it is recommended that officers drawn from the Rail Officer's Working Group and/or the Virtual Secretariat Group form the NERMU Steering Group in shadow form until the Collaboration Agreement has been entered into by all Parties

### **7.4. Agreeing the NERMU 'Delegated Tasks' [October 15]**

7.4.1. The Rail North Partnership Strategic Board must allocate activities to the North East 'Regional Business Unit' prior to the start date of the new Northern and TransPennine Express rail franchises. These activities are not defined within the Partnership Agreement. It is suggested that, at the earliest opportunity, a proposal is presented to the Strategic Board setting out the activities which the NERMU believes it should oversee to achieve its primary objective. These activities will need to be agreed by the Parties through the NERMU Steering Group, but may contain the following:

7.4.1.1. Acting as the key interface between the Parties and the Rail North Partnership, and the interface between the Parties and the Northern operator;

7.4.1.2. Visibility of performance data and reports to the level of detail required to manage performance;

7.4.1.3. Ability to liaise locally with the Operator to solve minor issues and discuss performance;

7.4.1.4. Ability to escalate contractual concerns to the Partnership Management Team;

7.4.1.5. Possess a clear mechanism to exercise the Rail North right of audit over service quality regime results;

7.4.1.6. Ability to develop local schemes (at either NERMU or local authority level) feeding in to the Partnership where appropriate;

7.4.1.7. Continuation of Nexus' formal consultee status for track access consultations and other industry processes, and the co-ordination of responses to other Rail North consultations on behalf of the Parties;

7.4.1.8. Ability to oversee the delivery of franchise Committed Obligations where they affect the North East rail geography; and/or

7.4.1.9. Be considered a single 'consultee' on Rail North Matters to the extent that they affect the Northern franchise within the North East rail geography.

7.4.2. It should be noted here that the Northern franchise invitation to tender contains a requirement for bidders to create a North East management unit within their structure. It is hoped that the successful bidder will commit to a series of North East-specific outputs, such as marketing and branding. The NERMU should directly oversee the delivery of any such commitments, working alongside the new franchisee's North East unit. However, it is not expected that these commitments will be known before December 2015. It is suggested therefore that a second proposal is taken to the Strategic Board following the announcement of the successful bidder. A placeholder should feature in the first proposal to identify this objective.

## 7.5. Defining relationship with CRPs [March 2016]

7.5.1. Several Parties have existing relationships with the Community Rail Partnerships within the North East, Cumbria and North Yorkshire. These organisations represent an important link between rail services and the communities they serve, and provide a useful source of information on service delivery and performance.

7.5.2. Whilst a formal relationship between the NERMU and the CRPs may be difficult to achieve, not least because the next Northern franchise is expected to create a Community Rail Business Unit, it would be useful for the NERMU to create and maintain strong links.

7.5.3. Once the full delegated tasks are understood, it is recommended that consideration is given for how these organisations could add value to the processes.

7.5.4. This should not fetter the ability of any Community Rail Partnership to carry out their usual functions, including the provision of services or the specification of fares.

## 7.6. Nominated contact with other TOC/FOCs [October 15]

7.6.1. As set out earlier in this Plan, long distance passenger and freight services provide vital connectivity to and from the North East. Whilst the Parties will



have no direct contractual influence over these Operators, it may be useful to establish (or maintain where this exists currently) regular contact with representatives of the Operators.

#### 7.7. Nominated contact with Network Rail [October 2015]

- 7.7.1. The NERMU should establish its key points of contact within Network Rail, providing an interface through which to discuss infrastructure performance and future planning. It will be important to co-ordinate this function with the Operators to provide optimum value.

### 8. **Development of local rail services to facilitate and stimulate economic growth and to support the social cohesion of the North East. This should deliver high quality, integrated local services in line with the vision established by the Rail North Long Term Rail Strategy and the North East Rail Statement.**

- 8.1. The Rail North Long Term Rail Strategy provides a strong vision for a transformed rail network in the North of England, supporting on-going economic growth throughout the region. The strategy provides a detailed list of outputs which should be delivered throughout the North to achieve this vision. On a sub-regional level, the North East Rail Statement identifies specific interventions necessary to support economic growth in the North East.

- 8.2. To provide a robust foundation on which to base future development work, it is recommended that a report is produced, identifying gaps against the LTRS outputs for local services and the specific objectives of the NERS. This study would then inform development work by the Parties in subsequent years. Ideally, the study should be delivered entirely during Year 0.

#### 8.3. Brief for a Gap Analysis Study [October 15]

- 8.3.1. To deliver the study by the end of Year 0, it is recommended that a brief be produced and agreed by the NERMU Steering Group at the earliest opportunity.
- 8.3.2. The brief will need to recognise the achievements of the past 12-18 months, and provide an understanding of the emerging NERMU structure to prospective bidders.
- 8.3.3. The Strategic Economic Plans published by the Local Enterprise Partnerships will provide a useful understanding of future land use patterns and employment projections throughout the geography, and should be noted as a vital aspect of the baseline evidence provided to consultants.

#### 8.4. Nomination of a project manager and establishment of project governance structure [October 2015]

- 8.4.1. Based on previous experience, it is likely that the study will require substantial project management time from within the NERMU, and a governance structure agreed that will facilitate consultation with the wider stakeholder community.
- 8.4.2. This task should be completed prior to the tendering of the brief for the study.

### 9. **Resourcing**

- 9.1. Based on the tasks above, it is likely that a full-time resource will be required to deliver the Year 0 plan. Whilst this assumption will need to be tested in due course, 1 FTE will be assumed to be required for the purposes of this Plan.

## **10. Funding**

- 10.1. Nexus will receive Rail Administration Grant funding during Year 0 (2015/16), due to its co-signatory status to the current Northern rail franchise agreement. Nexus is willing to allocate a portion of this grant to fund the required resource until the end of Year 0.
- 10.2. Any persons employed to carry out this Plan would be appointed under Nexus' terms of employment and approved by the Nexus Corporate Management Team, with the necessary line management, accommodation and support functions (such as ICT, payroll, HR) being provided by Nexus.
- 10.3. The continuation of these arrangements beyond the end of Year 0 is dependent on the continuation, and value of, Rail Administration Grant. Once the status of this Grant in subsequent years becomes clear, a NERMU funding arrangement can be proposed. It is recommended that this forms part of the Year 1 business plan.
- 10.4. Funding for the Gap Analysis Study proposed in the Business Plan would be funded from existing funds within the Parties' contributions towards the NESTI scheme.

## **Schedule 4- Board and Steering Group Responsibilities**

### **1. Board Responsibilities**

#### 1.1 The responsibilities of the Board shall include:

- Making changes to the NERMU Collaboration Agreement, name, material changes to the scope of NERMU, changes to the Objectives;
- Approving the annual NERMU Business Plan and NERMU Budget
- Endorsing key appointments;
- Withdrawal Notices and Termination;
- Approving documents deemed of strategic importance towards the achievement of the Objectives;
- Settling indemnity;
- Approving Regional Business Unit proposals to the Rail North Partnership Strategic Board; and
- Providing a feedback loop between the NERMU and the Rail North Ltd Board.

### **2. Steering Group Responsibilities**

#### 2.1 The responsibilities of the Steering Group shall include:

- Giving peer support to the resource appointed to execute the NERMU Business Plan;
- Providing an update report on progress towards the achievement of the NERMU Business Plan to each Board meeting;
- Preparing update/decision papers and recommendations to the Board;
- Providing [local] advice to inform the execution of the NERMU Business Plan;
- Consolidating [local] advice to inform responses to consultations; and
- Overseeing the selection and recommendation of appointments\*.

### **Schedule 5- Principles of Cooperation**

1. The NECA shall be the lead authority and the accountable body for delivery of the NERMU Business Plan and the NECA agrees to use its reasonable endeavours, working in conjunction with the Steering Group to work towards achieving the Objectives set out in the NERMU Business Plan.
2. Each Party agrees and acknowledges that the NECA shall be free to refuse to implement any recommendation of the Steering Group which would result in any action which would be ultra vires, in breach of any grant conditions imposed upon it in relation to the NERMU or which it otherwise considers would be inconsistent with the efficient or effective implementation of the NERMU Objectives.
3. Each Party is obliged and has a duty to co-operate to:
  - 3.1 use its reasonable skills and endeavours to promote and carry on the NERMU for the benefit of the Parties, and conduct itself in a proper and responsible manner, and devote such time and attention as is necessary for the proper performance of its duties under this Agreement;
  - 3.2 identify both its own particular needs in relation to the NERMU and the key issues for the NERMU and promptly to communicate these needs and issues to the Board and the Steering Group; and
  - 3.3 take reasonable steps to ensure that the Board and the Steering Group understands the needs and issues which have been communicated to the Board and the Steering Group.
4. Following communications from each Party in accordance with sub paragraph 3.2 above, the Board in liaison with the Steering Group shall:
  - 4.1 decide whether the identified needs and/or key issues can be met and if so, decide how the needs will be met; and
  - 4.2 in circumstances where the identified needs and/or key issues cannot be met, set out the options and decide on the most appropriate course of action.
5. The Steering Group, the Board and the other Parties shall work together to resolve problems through active co-operation in order to achieve so far as possible the Objectives of the NERMU Business Plan.

This document has been signed by the Parties and takes effect on the date stated at the beginning of it.

Signed by **Cumbria County Council** in .....  
the presence of:

.....

Authorised Signatory Of Cumbria  
County Council

*Signature Of Witness*

.....

.....

Printed Name of Signatory

.....

.....

*Name and Address Of Witness*

Position of Signatory

Signed by **Darlington Borough Council** in the presence of: .....

.....

Authorised Signatory Of Darlington  
Borough Council

*Signature Of Witness*

.....

.....

Printed Name of Signatory

.....

.....

*Name and Address Of Witness*

Position of Signatory

Signed by **Hartlepool Borough Council** in the presence of: .....

.....

Authorised Signatory Of Hartlepool  
Borough Council

*Signature Of Witness*

.....

.....

Printed Name of Signatory

.....

.....

*Name and Address Of Witness*

Position of Signatory

Signed by **Middlesbrough Council** in .....  
the presence of:

.....

Authorised Signatory Of Middlesbrough  
Council

Signature Of Witness .....

..... Printed Name of Signatory

.....

*Name and Address Of Witness* Position of Signatory

Signed by **the North East Combined Authority** in the presence of: .....

..... Authorised Signatory Of the North East Combined Authority

*Signature Of Witness* .....

..... Printed Name of Signatory

.....

*Name and Address Of Witness* Position of Signatory

Signed by **North Yorkshire County Council** in the presence of: .....

..... Authorised Signatory Of North Yorkshire County Council

*Signature Of Witness* .....

..... Printed Name of Signatory

.....

*Name and Address Of Witness* Position of Signatory

Signed by **Redcar and Cleveland Borough Council** in the presence of: .....

..... Authorised Signatory Of Redcar and Cleveland Borough Council

*Signature Of Witness* .....

..... Printed Name of Signatory

.....

*Name and Address Of Witness* Position of Signatory

Signed by **Stockton on Tees Borough** .....

**Council** in the presence of:

.....

Authorised Signatory Of Stockton on  
Tees Borough Council

*Signature Of Witness*

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Printed Name of Signatory

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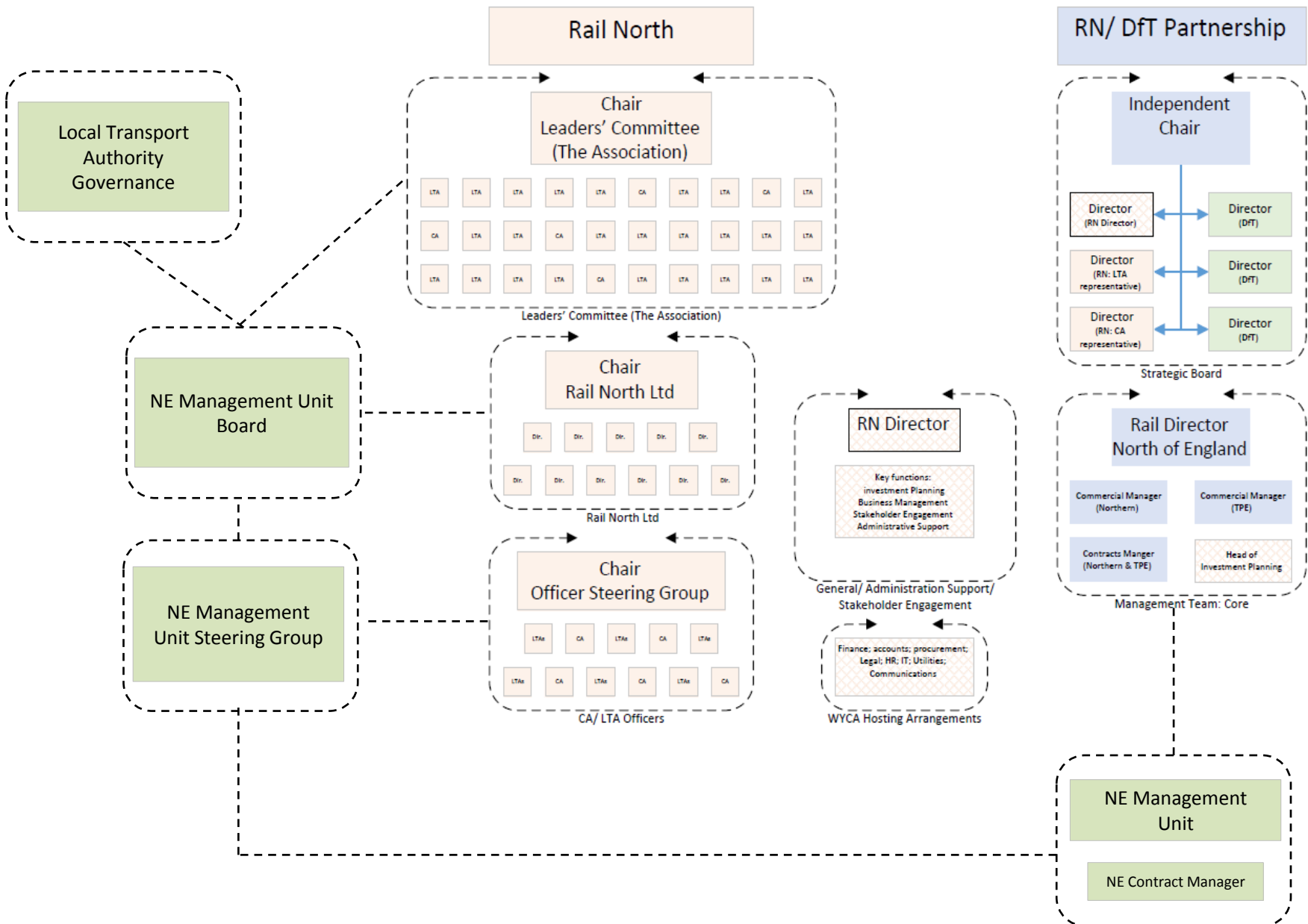
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*Name and Address Of Witness*

Position of Signatory

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# FINANCE AND POLICY COMMITTEE

23<sup>rd</sup> November 2015



**Report of:** Assistant Chief Executive

**Subject:** EMPLOYEE SICKNESS ABSENCE 2<sup>nd</sup> QUARTER  
2015/16

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**1. TYPE OF DECISION/APPLICABLE CATEGORY**

The report is for information.

**2. PURPOSE OF REPORT**

- 2.1 To update the Committee on the Council's performance, in relation to employee sickness absence, for the second quarter of 2015/16.

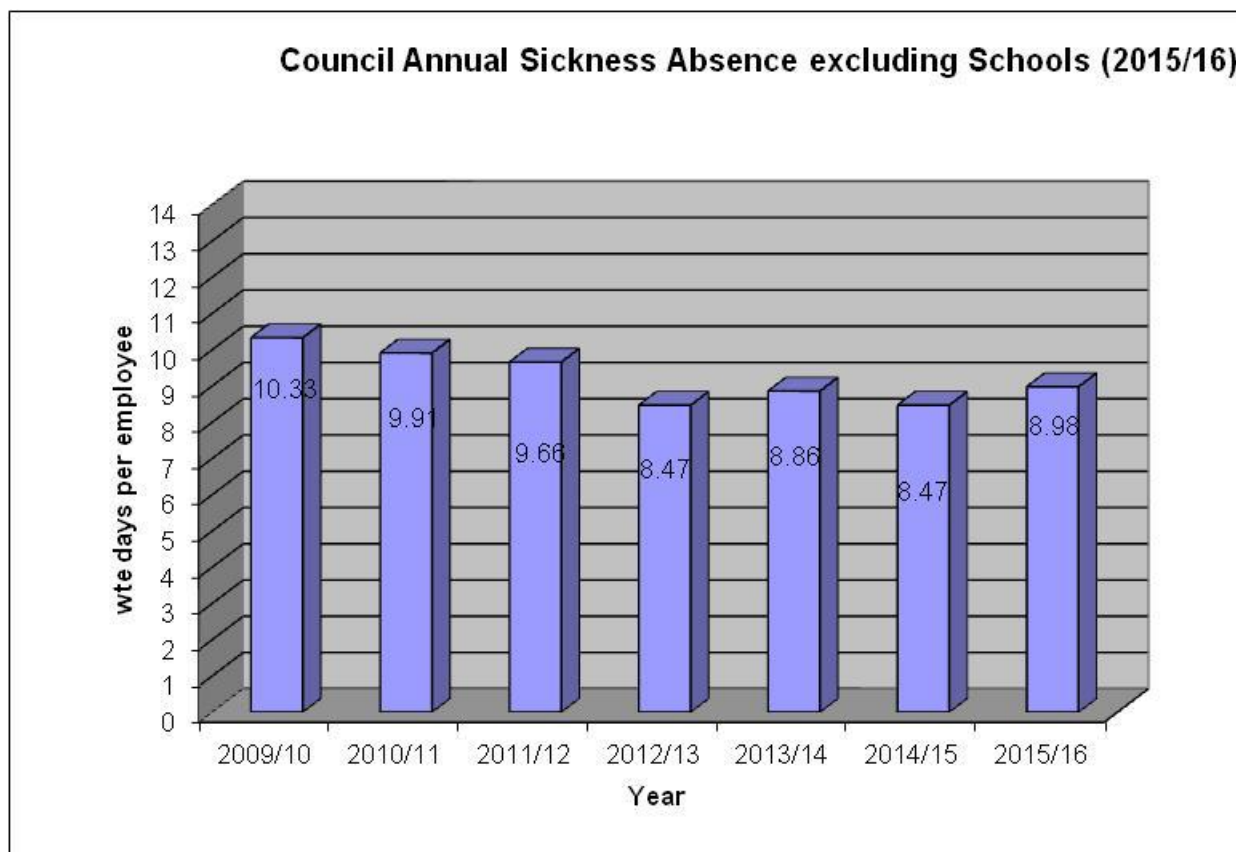
**3. BACKGROUND**

- 3.1 The extent to which employees are absent from work due to illness has a direct impact on the quality, level and cost of the provision of services. As such the Council have included this as a Local Performance Indicator (HRPI 5A) – The number of working days/shifts lost due to sickness absence in its group of Corporate Health Performance Indicators.

#### 4. SICKNESS ABSENCE PERFORMANCE

##### 4.1 THE COUNCIL'S PERFORMANCE EXCLUDING UP TO THE 2<sup>nd</sup> QUARTER OF 2015/16

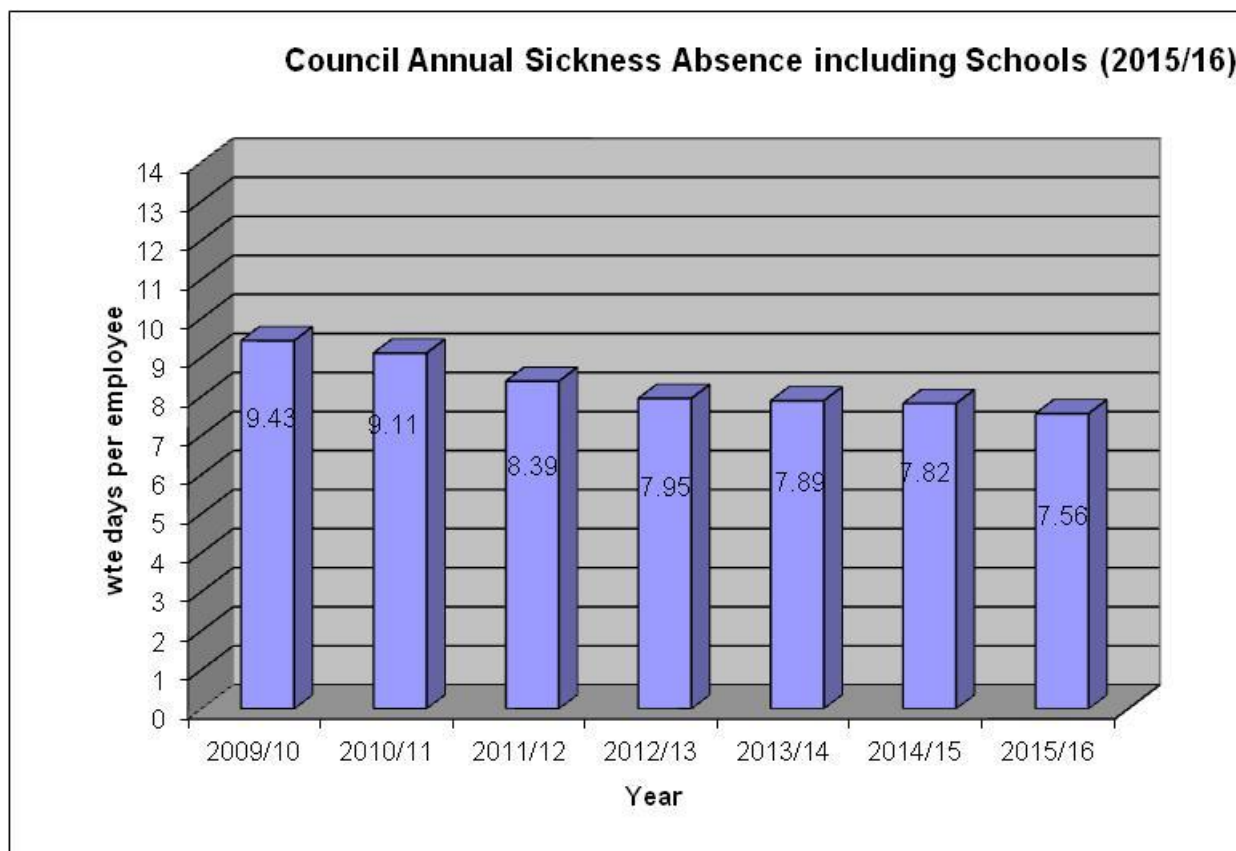
Figure 1



The target figure for the Council excluding Schools is 8.2 wte (whole time equivalent) days absence per employee. The actual sickness rate at the end of the 2<sup>nd</sup> quarter shows the Council's performance is 8.98 wte per employee per annum, as illustrated in Figure 1 above. These levels have declined since the first quarter as the number of long term cases has been managed but still remain over target. The Council will continue to focus on sickness absence management to try and achieve its 8.20 wte average sickness per employee target at the end of the reporting year.

#### 4.2 THE COUNCIL'S PERFORMANCE INCLUDING SCHOOLS UP TO THE 2nd QUARTER OF 2015/16

Figure 2



The target figure for 2015/16 for the Council including Schools is 7.30 days absence per wte employee (whole time equivalent). The actual sickness rate at the end of the 2<sup>nd</sup> quarter shows the Council's at 7.56 days per wte per employee per annum as illustrated in Figure 2 above. The overall figures currently demonstrate a year on year improvement for the Council including schools.

### 4.3 ACTUAL PERFORMANCE BY DEPARTMENT AND SCHOOLS

Figure 3

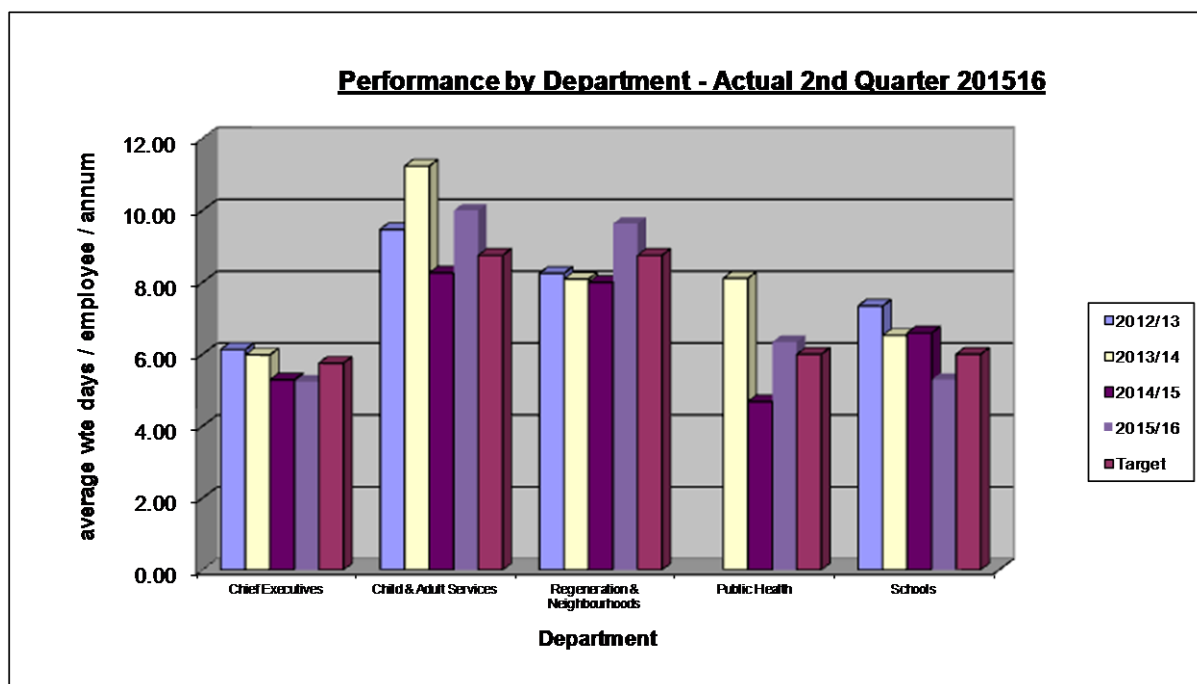


Figure 3 above illustrates the actual performance for each Department and Schools as at 30<sup>th</sup> September 2015. This can be compared to performance over the previous three years (except Public Health which only has two years historical data). The final column shows the 2015/16 annual target set by each Department and Schools.

The figure identifies that there is an increase in sickness absence rates across Child & Adult, Regeneration & Neighbourhoods and Public Health Departments compared with the last three years. There is a slight decrease in rates in the Chief Executives Department and a larger decrease to date for Schools.

#### 4.4 PREDICTED PERFORMANCE BY DEPARTMENT AND SCHOOLS

Figure 4

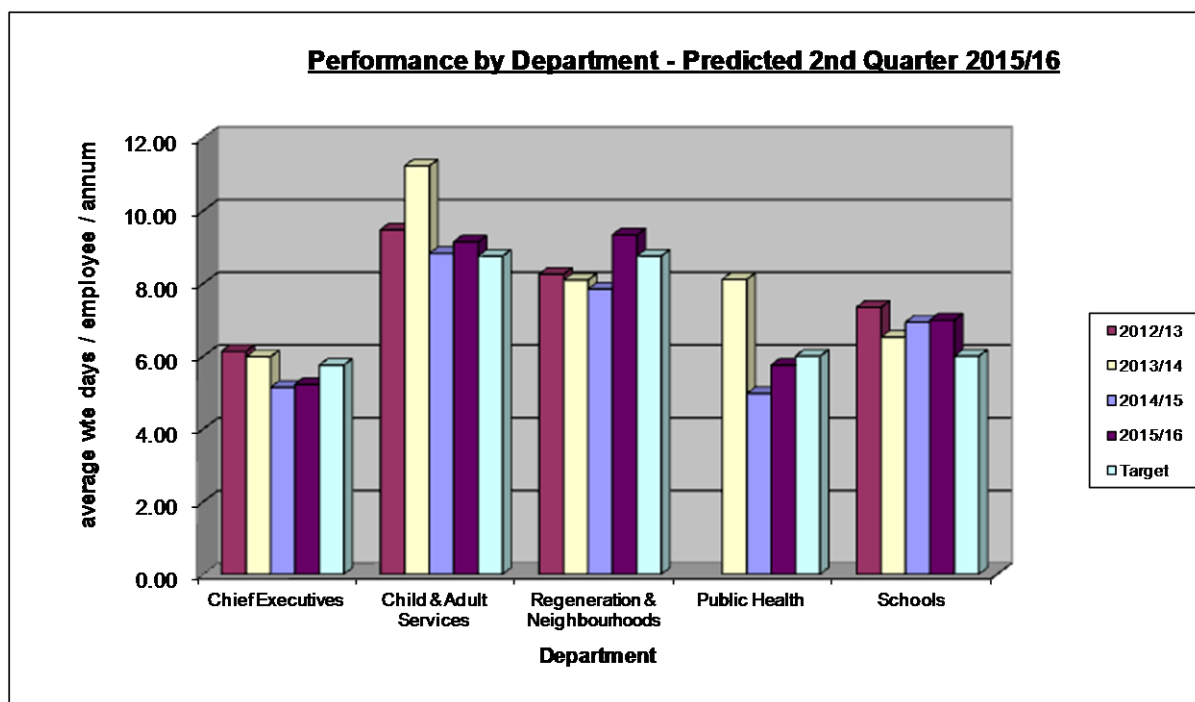
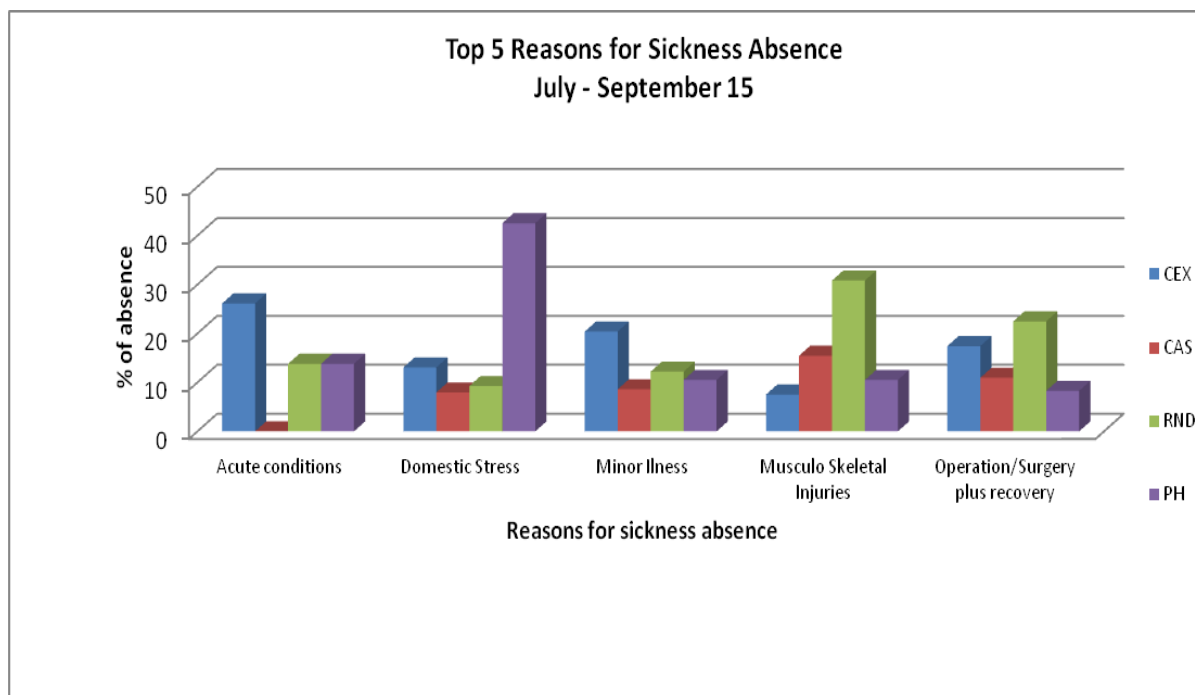


Figure 4 above identifies the end of year predicted figures (forecast for the annual year 2015/16) for each Department and Schools as at 30<sup>th</sup> September 2015. This can be compared to the actual performance over the previous three years. The final column shows the approved 2015/16 annual target for each Department and Schools. These figures illustrate that Chief Executives and Public Health are expected to meet their targets. However, based on the last 12 months data, Child & Adult Services, Regeneration & Neighbourhoods and Schools are not as likely to meet their target.

## 4.5 REASONS FOR SICKNESS

Figure 5 below identifies the rates for the top 5 reasons for sickness for each Department.



The top 5 reasons for sickness absence within the Council are acute conditions, domestic stress, minor illnesses, musculo-skeletal injuries and operation/surgery plus recovery.

The most common cause of absence within Regeneration and Neighbourhoods and Child & Adult Services is 'musculo skeletal injuries'. With Regeneration and Neighbourhoods having 31% and Child and Adult Services having 15% of the departmental actual sickness absence rates attributable to this. The Council has a number of proactive strategies it adopts to manage musculo skeletal injuries such as regular refresher training on manual handling, hand arm vibration awareness, and personal protective equipment and referrals to Physiotherapy services.

Within the Chief Executives Department the most common cause of absence is 'acute conditions' with 26% of departmental actual sickness absence rates attributable to this. When a member of staff is absent on long term sick leave, referrals are made to the Council's Occupational Health Service to determine what support can be provided to the employee to assist them in returning back to work for example; phased returns, amended duties, altered hours.

For Public Health the most common cause of absence is 'domestic stress' with 43% of absences attributable to this. When a member of staff is absent due to domestic stress, referrals are made to the Council's Counselling Service Hartlepool MIND as a supportive mechanism to assist the employee.

#### 4.6 LONG, MEDIUM AND SHORT TERM SICKNESS ABSENCE ANALYSIS

Long = 20+ days / Medium = 5 to 20 days / Short = under 5 days

**Figure 7** Council Long Medium and Short Terms Sickness 2<sup>nd</sup> Quarter Analysis 2015/16

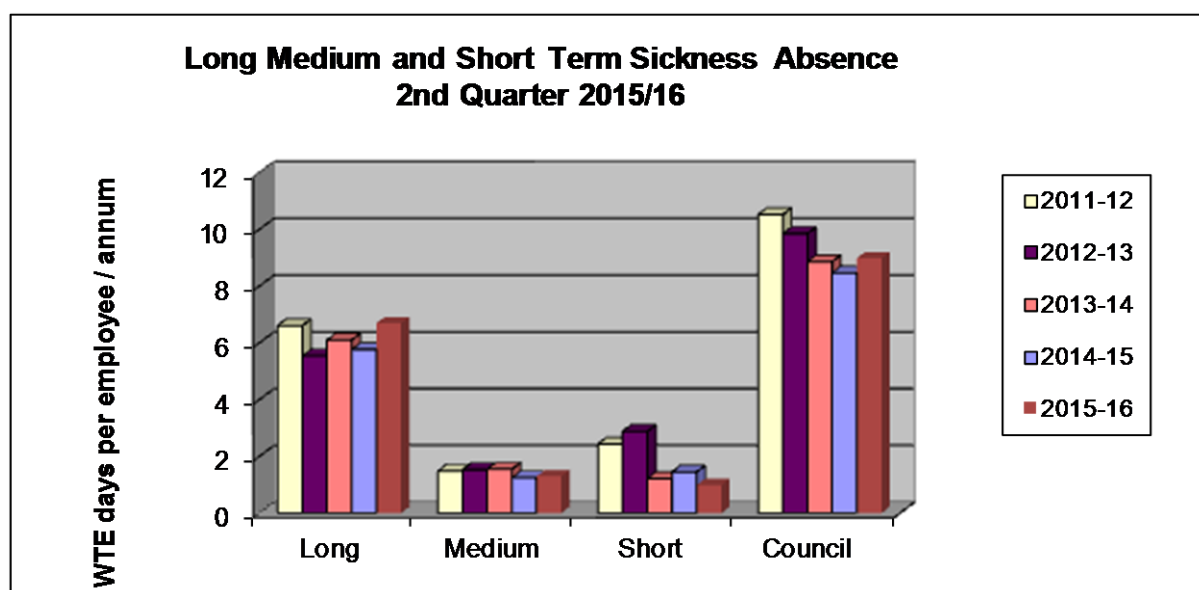


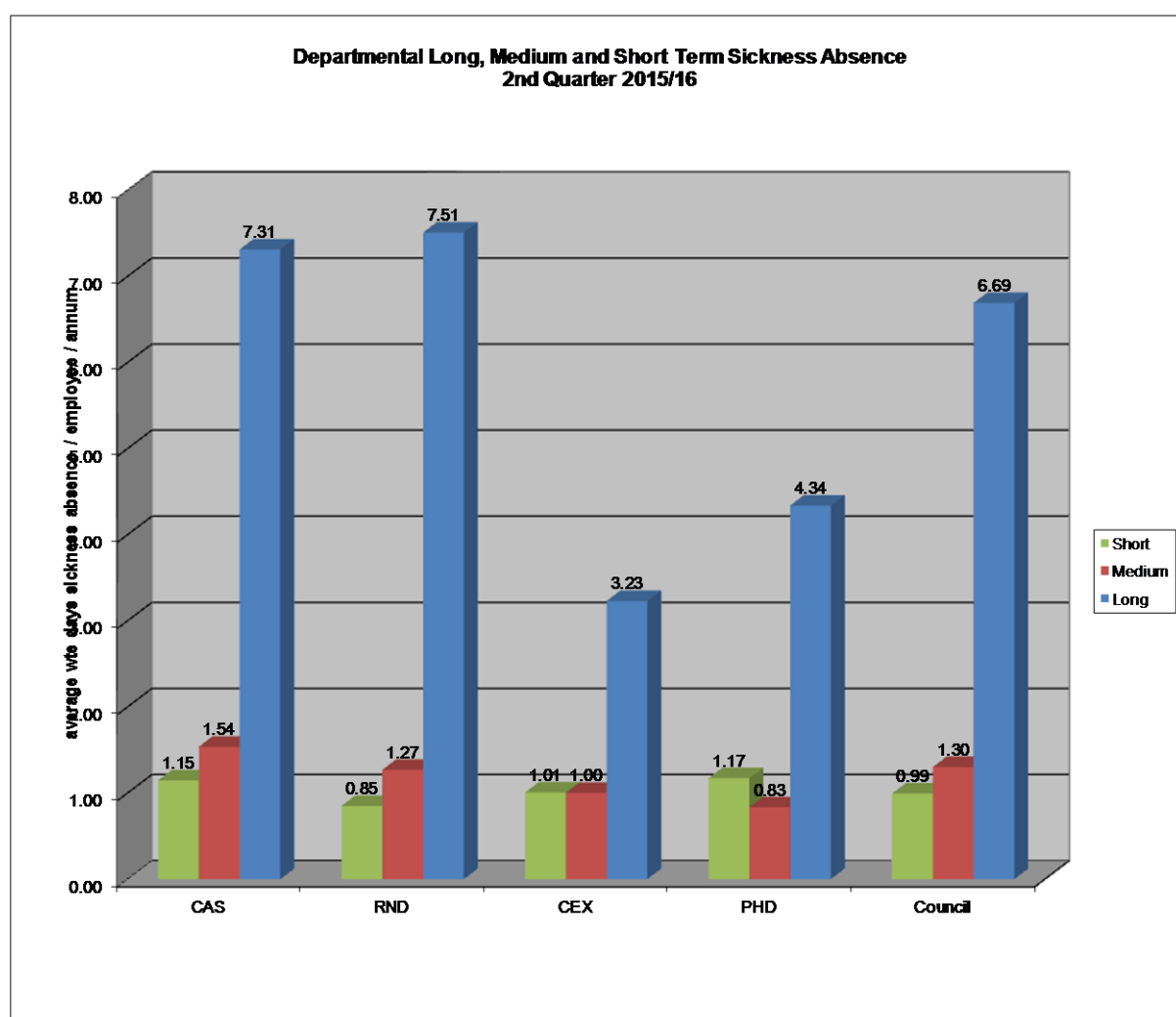
Figure 7 above shows a breakdown of long, medium and short term sickness absence in the Council for the past 3 years and up to 30<sup>th</sup> September for the 2015/16 year. The final block shows the impact this had on the overall Council sickness absence figure.

In the 2<sup>nd</sup> quarter there is an increase in the long term rates which has reduced in the 2<sup>nd</sup> quarter. There is a smaller increase in medium term rates but again this has reduced over the 2<sup>nd</sup> quarter. There is decline in short term sickness. Overall for the Council there is an increase in sickness for the Council which is currently being managed to bring these rates down over the next 6 months. The Council continues to ensure it targets resources to the management of long term sickness absence cases which accounts for the majority of sickness.

At the last meeting the Chair requested that a number of the actions taken to address the sickness absence were identified in this report. There are a number of actions that are being taken to manage long term sickness absence. These include:

- Early intervention and contact with employees when they report sickness including home visits where necessary
- Early referrals to Occupational Health or other wellbeing services to try and assist the employee back to work quickly
- Consideration of any adjustments that can be made to assist a return to work
- Regular contact with the employee to monitor health
- Identification of cases where a return to work is unlikely and early discussions on possible options

Figure 8: Departmental Long, Medium and Short Term Sickness 2015/16 (April to September 2015 figures)



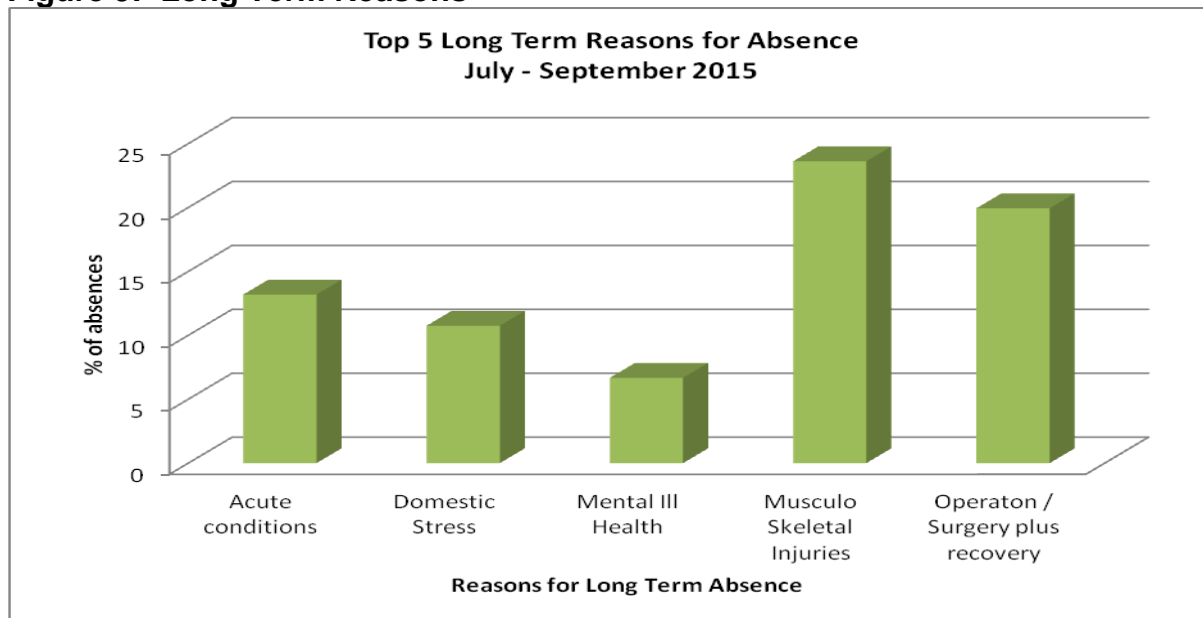
As we can see from the information in Figure 8 above, long term sickness absence continues to account for the majority of the Council's sickness absence. The Council is focusing resources to support managers on the long term cases through individual case management and early intervention to support employees to return to work as quickly as possible.



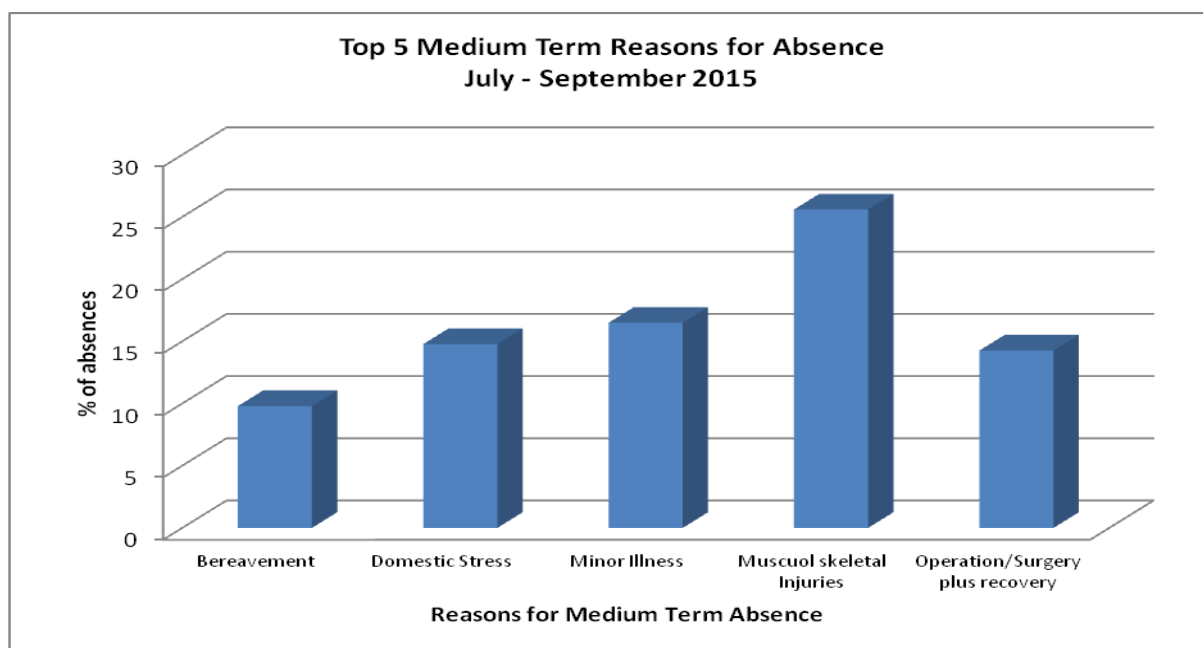
Reasons for Sickness Absence split by long, medium and short term

Figures 9, 10 and 11 below identify the rates for the top 5 reasons for long, medium and short term sickness across the Council.

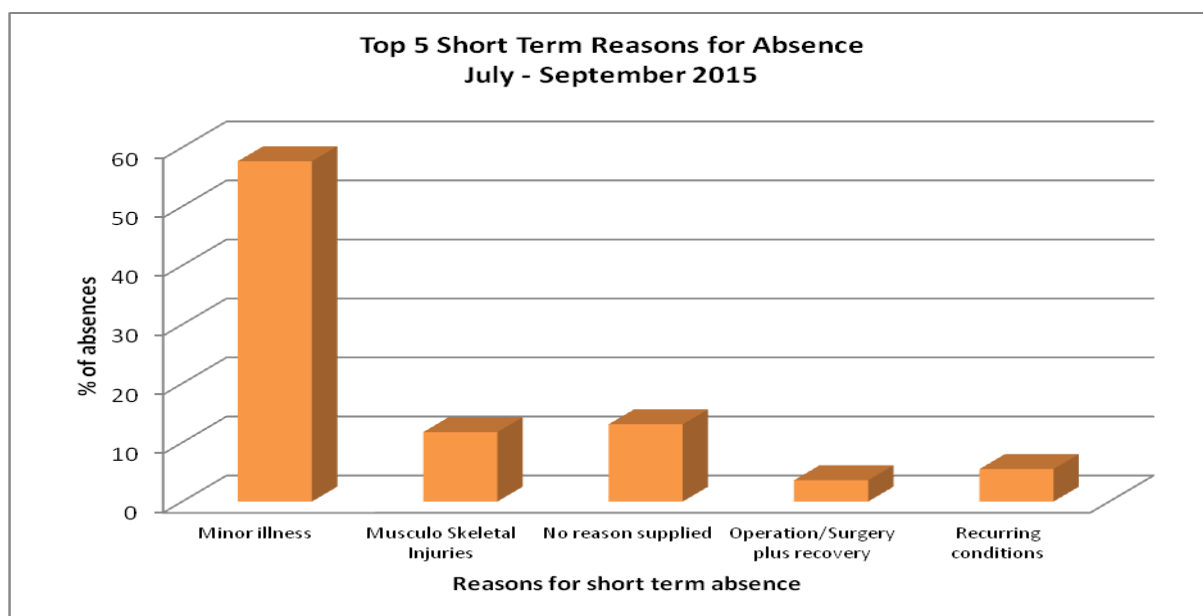
**Figure 9: Long Term Reasons**



The top cause of long term absence in the Council is Musculo Skeletal Injuries, with 24% of all long term absences attributable to this. As identified above the Council has a number of proactive strategies to assist an employee when they are absent due to musculo skeletal injuries. Two of the Departments, Child & Adult Services and Regeneration & Neighbourhoods have this as their top reason for sickness absence.

**Figure 10: Medium Term Reasons**

The top cause for medium term absence in the Council is Musculo skeletal injuries with 26% of medium term absence attributable to this.

**Figure 11: Short Term Reasons**

The top cause of short term absence in the Council is minor illness with 58% of short term absences attributable to this.

**5.0 RISK IMPLICATIONS**

There are no specific risk implications from this report

**6.0 FINANCIAL CONSIDERATIONS**

There are no specific financial considerations from this report

**7.0 LEGAL CONSIDERATIONS**

There are no specific legal considerations from this report

**8.0 CHILD/FAMILY POVERTY CONSIDERATIONS**

There are no specific child / family poverty considerations from this report

**9.0 EQUALITY AND DIVERSITY CONSIDERATIONS**

There are no specific equality / diversity considerations from this report

**10.0 STAFF CONSIDERATIONS**

There are no specific staffing considerations from this report other than those highlighted in the body of the report

**11.0 ASSET MANAGEMENT CONSIDERATIONS**

There are no specific asset management considerations from this report

**12.0 RECOMMENDATIONS**

- 12.1 That employee sickness absence rates for the second quarter of 2015/16 are noted.

**13.0 REASONS FOR RECOMMENDATIONS**

- 13.1 To advise the Committee of the current performance in respect of sickness levels.

**14. BACKGROUND PAPERS**

- 14.1 None

**15. CONTACT OFFICERS**

Andrew Atkin  
Assistant Chief Executive  
Tel: 01429 523002  
Email: [andrew.atkin@hartlepool.gov.uk](mailto:andrew.atkin@hartlepool.gov.uk)

Rachel Clark  
HR Business Partner  
Tel: 01429 284346  
Email: [rachel.clark@hartlepool.gov.uk](mailto:rachel.clark@hartlepool.gov.uk)