FINANCE AND POLICY COMMITTEE AGENDA

HARTLEPOOL
BOROUGH COUNCIL

Monday 29 June, 2015

at 9.30 am

in the Council Chamber,
Civic Centre, Hartlepool.

MEMBERS: FINANCE AND POLICY COMMITTEE

Councillors C Akers-Belcher, Barclay, Cranney, James, Loynes, Richardson, Riddle, Simmons, Sirs, Thompson, plus one vacancy.

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 1 June, 2015 *(previously published and circulated)*

4. BUDGET AND POLICY FRAMEWORK ITEMS

4.1 Medium Term Financial Strategy (MTFS) 2016/17 to 2018/19 – *Corporate Management Team*

5. KEY DECISIONS

5.1 Acquisition of Assets - Anderson's Bakery Ashgrove Avenue - *Director of Regeneration and Neighbourhoods*

6. OTHER ITEMS REQUIRING DECISION

None.

7. ITEMS FOR INFORMATION

None.

8. ANY OTHER BUSINESS WHICH THE CHAIR CONSIDERS URGENT

9. LOCAL GOVERNMENT (ACCESS TO INFORMATION) (VARIATION) ORDER 2006

EXEMPT ITEMS

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

10. ITEMS FOR DECISION

10.1 West Hartlepool Rugby Football Club (WHRFC) – *Chief Finance Officer (Para. 3)*

FOR INFORMATION:

Date of next meeting – Monday 27 July, 2015 at 9.30 am in the Civic Centre, Hartlepool.

FINANCE AND POLICY COMMITTEE

MINUTES AND DECISION RECORD

1 JUNE 2015

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

Present:

Councillor Christopher Akers-Belcher (In the Chair)

Councillors: Marjorie James, Carl Richardson, David Riddle, Chris Simmons and Paul Thompson.

Also Present: Councillor Jim Lindridge as substitute for Councillor Kevin Cranney in accordance with Council procedure Rule 5.2.

Officers: Gill Alexander, Chief Executive
Andrew Atkin, Assistant Chief Executive
Chris Little, Chief Finance Officer
Peter Devlin, Chief Solicitor
Denise Ogden, Director of Regeneration and Neighbourhoods
Alastair Rae, Public Relations Manager
David Cosgrove, Democratic Services Team

1. Apologies for Absence

Councillors Barclay, Cranney, Loynes and Sirs.

2. Declarations of Interest

Councillors Simmons and Thompson declared personal interests in relation to Minute No. 10.
Councillor C Akers-Belcher declared a personal interest in Minute No. 6.

3. Minutes of the meeting held on 23 March, 2015

Confirmed.

4. Minutes of the meeting of the Safer Hartlepool Partnership held on 20 March 2015

Received.

5. Business Rates Update (*Chief Finance Officer*)

Type of decision

Budget and Policy Framework.

Purpose of report

The report provided an update on the Business Rates Retention system, including the outcome of the Power Station Business Rates Appeals and the ongoing impact on the Medium Term Financial Strategy.

Issue(s) for consideration

The Chief Finance Officer reported that Business Rates Retention system was implemented on 1st April 2013 with Business Rates collected by individual Councils being allocated on the following basis:

- 50% paid to the Government and then allocated to partly fund the Revenue Support Grant system;
- 49% retained by individual Councils;
- 1% paid to Fire Authorities.

The Government's stated objectives of the Business Rates Retention system were to reduce dependency of Local Authorities on Revenue Support Grant; and to reward Councils for promoting business by allowing Councils to share the benefits of increasing the Business Rates base.

The Chief Finance Officer briefly outlined the operation of the retention system, the safeguards in place and the issues that were of concern to Hartlepool, principally due to the power station.

The Business Rate system is based on 'rateable values' as at 1st April 2008, which determined the Business Rates payable from 1st April 2010, so have now been in place for 5 years. At a national level significant appeals against the rateable values determined by the Valuation Office Agency (part of HMRC) were lodged and remained outstanding at 1st April 2013 when the Business Rate Retention system was implemented. The situation in relation to outstanding appeals for Hartlepool was set out in the report.

At the start of April 2015, the Valuation Office unexpectedly indicated that negotiations with the Power Station were nearing completion and should be concluded within 4 to 6 weeks. The Valuation Office indicated that a significant reduction in the Rateable Value would be agreed, although they did not provide any indication of the amount, or define what they meant by 'significant' as negotiations were still ongoing.

On the 1st May 2015 the Valuation Office indicated that a formal proposal had been put forward to the Power Station. On 5th May 2015 we received notification that the revised Rateable Value had been accepted by the Power Station. The revised Rateable Value determined by the Valuation

Office for the Power Station is back dated to 1st April 2010 and reduced the previous Rateable Value (which was also determined by the Valuation Office) from £33.6 million to £17.5 million. This was a reduction of £16.1 million, which equated to a 48% reduction.

When account was taken of the current rate poundage of 49.3 pence, the 2015/16 Business Rates bill for the Power Station reduced by approximately £7.9m (i.e. £16.1m multiplied by 49.3 pence).

The report indicated that the Council's share of this reduction is 49% i.e. £3.889m. The Council would receive some Government support for this loss as this reduction exceeded the 'safety net' threshold. It had previously been anticipated that the 'safety net' grant for 2015/16 would be approximately £1.9m. However, following an assessment of the latest Government guidance, the estimated 'safety net' grant was only £0.875m. The reduction owing to adjustments to the 'safety net' threshold to reflect the impact of section 31 grants paid to compensate Councils for below inflationary increases in the Business Rate poundage, the extension of small business rates relief and any local growth in the Business Rate base. The Council, therefore, faced a net income loss for 2015/16 of £3.014m. The net loss in 2015/16 would continue in future years. In addition, there would be a back dated impact for 2013/14 and 2014/15 as the Council would retrospectively be pushed into 'safety net' for these years.

The Chief Finance Officer stated that this risk was first recognised within the outturn strategy for 2012/13 when an initial risk reserve of £1m was established. This position reflected the understanding of the proposed Business Rates Retention system, which was subsequently implemented from 1st April 2013. The financial position had been reviewed regularly and as part of the development of budgets and outturn strategies for 2013/14 and 2014/15 further one-off resources had been earmarked to manage these financial risks. At 31st March 2015 the total value of available one-off resources earmarked to manage these risks was £4.775m.

In terms of partly mitigating the permanent reduction in Business Rates income the following ongoing resources are available:

- Risk provision included within the MTFS £0.586m 2015/16 (£0.486m 2016/17 onwards);
- Increase in 2015/16 Council Tax base £0.350m 2015/16 onwards;
- Enterprise Zone Business Rates growth £90,000 2015/16 onwards.

After reflecting the above permanent resources the Council still faces a net permanent reduction in income of £1.988m in 2015/16 and £2.088m in 2016/17 and future years.

Moving forward the net annual shortfall of £2.088m would need to be addressed on a permanent basis from a combination:

(i) Achieving higher growth in the Council Tax base than already forecast

within in the MTFS;
(ii) Achieving growth in the Business Rates base;
(iii) Making additional budgets cuts;

In 2015/16 and 2016/17 items (i) and (ii) would not provide additional funding towards the net Business Rates income shortfall as growth in these income streams will take a number of years to achieve. Therefore, to avoid the need for in-year budget cuts in 2015/16 and a higher deficit in 2016/17 the Chief Finance Officer recommended that the shortfalls in these years were funded from the Business Rates Risk Reserve. This recommendation would commit the majority of the Business Rates Risk Reserve. It was recommended that the residual balance was not committed as this may be needed for other potential Business Rates risks, or to partly offset the ongoing income shortfall in 2017/18.

Members were concerned at the potential impact of the decision being backdated to 2010 on the power station revaluation. The Chief Finance officer stated that the increase in rateable value implemented in 2010 had been phased in and it would depend on how that would 'unwind'. This was one of a number of issues that were still being explored by officers.

Members were also concerned at the level of the revaluation and how it could be so large. The Chief Finance Officer did consider that this was an issue that Members may wish to discuss further with the Minister. The valuation had returned to a level similar to that before the revaluation but the Chief Finance Officer indicated that it was considered that the previous valuation had been artificially low. Officers were also enquiring as to the comparison with other power stations.

Members commented that the power station appeared to be both a blessing and a curse in relation to its rateable income. The loss of income when the station was offline was also a matter that concerned Members; it was the only business with this advantage. The Chief Finance Officer indicated that the power station owners also had an appeal submitted to the Valuation Office in relation to the recent lengthy outage when works were being undertaken to extend the life of the plant.

After discussing the issues raised by the report, the Chair thanked the Chief Finance Officer for bringing the report forward at relatively short notice as the Council had only been informed of the decision on 5 May.

Decision

1. That the report and the gross income reduction in the Council's share of Business Rates income from the Power Station of £3.889m be noted.

2. That the gross income reduction will be partly mitigated from the receipt of Safety Net grant and local resources, which reduced the net annual income reduction to £2.088m, be noted.

3. That the strategy for funding the net annual Business Rate reductions in 2015/16 (£1.988m) and 2016/17 (£2.088m) from the one-off Business Rates Risk Reserve be approved.

4. The Committee noted that the above strategy commits £4.076m of the available one-off funding in 2015/16 and 2016/17 leaving an uncommitted balance of £1.049m to potentially support the 2017/18 income loss.

5. The Committee noted that the above strategy did not provide a permanent solution to the net income loss of £2.088m and that additional permanent budget cuts would be needed in 2017/18, or 2018/19, unless the Government recognised the position and provided financial support.

6. That the above recommendations be included in the 2016/17 MTFS proposals to be referred to Council in February 2016.

7. Members confirmed that they would wish to request a meeting with the Local Government Minister for the Leader, Chief Executive and Chief Finance Officer to present the Council's case to fully compensate the Council for the ongoing impact of the Power Station rateable value reduction.

6. Final Outturn 2014/15 (*Corporate Management Team*)

Type of decision

Budget and Policy Framework.

Purpose of report

To provide details of the final outturns for 2014/15 and to recommend a strategy for the use of the uncommitted resources.

Issue(s) for consideration

The Chief Finance Officer reported that the detailed outturn strategy for 2014/15 had been approved as part of the MTFS proposals referred to full Council in February 2015. The approved strategy advised Members that the final outturn for a range of budgets would depend on the impact of seasonal and demand factors in the final three months of the financial year. As a range of factors remained uncertain the approved strategy identified a potential uncommitted outturn of £188,000.

The actual uncommitted outturn is £450,000, which is £262,000 higher than forecast. The increase reflects a range of factors, including continued robust budget management in the final three months of the financial year and the impact of seasonal/demand factors. The final outturn also included the removal of the potential commitment of £25,000 for part year loan repayment costs in 2015/16 which may have arisen from the use of Prudential Borrowing to repay the Jacksons Landing interest free loan. This amount would not be needed in 2015/16 as an extension of the interest free loan is being negotiated for repayment in October 2017.

The Chief Financial Officer indicated that before Members considered allocating the whole of the uncommitted outturn they may wish to consider alternative priorities for using part of these resources. The Corporate Management Team would not recommend a significant reduction in the resources allocated to cash back the Jacksons Landing interest free loan until the MFTS is rolled forward and an updated assessment has been made of the following key factors:

- The General Election result and the impact this will have on future public spending priorities and funding cuts;
- The impact of Business Rates appeals, including the Power Station, are known;
- A review of Reserves held at 31st March 2015 has been completed; and
- The forecast outturn position for 2015/16 is known.

On this basis it was suggested that Members may wish to only allocate £500,000 of the available £596,000 outturn to cash back the Jacksons Landing interest free loan, which when added to existing funding would provide total cash backing of 90%. This proposal would then enable £96,000 to be allocated for other priorities, which may include consideration of funding for HVDA as suggested at Council on 26 March 2015 and Moneywise Community banking (Hartlepool Credit Union) as the Chief Executive had received a request for financial support.

The Council had a capital receipts target of £6.5m and these resources were committed to funding capital expenditure commitments previously approved by the Council. It was anticipated that the remaining capital receipts target would be achieved in 2015/16. As stated in the MTFS report capital receipts were earmarked to fund the Housing Market Renewal capital scheme and development of the former Brierton School site. The available capital receipts at the 31st March 2015 were not sufficient to fund capital expenditure incurred at this date and there was a temporary shortfall of £556,000. In accordance with the strategy approved within the MTFS this shortfall had been funded from temporary Prudential Borrowing. The equivalent level of temporary Prudential Borrowing at the 31st March 2014 was £1.128m.

The report also an update on the Local Council Tax Support (LCTS) scheme which supports around 14,000 low income households (including approximately 5,900 low income pensioner households) and in 2014/15 provided support of £11.5m. The Chief Finance Officer indicated that the actual cost of the LCTS in 2014/15 was £160,000 less than forecast, which was owing to changes in the overall caseload, changes in the entitlement of individual claimants reflecting changes in employment status/hours worked and collection levels for LCTS cases being better than forecast. The 2014/15 under spend had been transferred to the LCTS Reserve and would assist with the development of a LCTS scheme for 2016/17.

Members questioned the future of Jackson's Landing and the extension to the interest free loan. The Director of Regeneration and Neighbourhoods reported that the current loan expired on 7 October, 2015. A number of other Regional Growth Fund schemes had had their interest free loans extended and negotiations with Tees Valley Unlimited had commenced on the potential to extend the loan for Jackson's Landing. The Chair added that the Regeneration Services Committee would be considering a report on the future of the building and the site early in the municipal year.

The Committee also briefly discussed the potential funding for HVDA and the invitation of the manager to the next meeting of the Committee.

The following recommendations were agreed unanimously.

Decision

1. That the report be noted.

2. That consideration of the use of the uncommitted revenue outturn (including House Sale income) of £596,000 be deferred until an update of the 2016/17 to 2018/19 MTFS is presented to the Committee, which will enable a strategy to be developed which addresses the significant financial challenges facing the Council, including the impact of the Power Station rateable value reduction.

3. That progress in achieving the Capital Receipts target be noted.

4. That the Seaton Carew capital receipts and expenditure commitments be noted and that the costs of purchasing the Longscar Hall site were anticipated to be less than forecast also be noted. In addition, the funding allocated for the provision of community facilities will be reviewed. Therefore, in accordance with the Council resolution on 5th September 2013, a further report would be submit to a future meeting when the position is more certain to enable the Committee to make recommendations to Council to use the uncommitted resources to:

   - Fully cash the Jacksons Landing interest free loan (the amount of funding required will depend on decisions made on the use of the uncommitted final outturn when the 2016/17 to 2018/19 MTFS update is considered by the Committee);
   - Provide additional one off funding to offset the impact of the Power Station Business Rates Appeal outcome;
   - Provide one off funding for other priorities, such as Enforcement Officers.

v) That the Local Council Tax Support Scheme (LCTS) outturn be noted and that the 2014/15 outturn of £160,000 be transferred to the LCTS reserve and that this amount would be taken into account when developing options for the 2016/17 LCTS scheme for consideration by the Committee.

7. Future Location of Hartlepool Community Monitoring Service (*Director of Regeneration and Neighbourhoods*)

Type of decision

Key Decision test (i) and (ii) apply. Forward Plan Reference no. RN 02/15.

Purpose of report

To consider the future location and delivery of the Council's CCTV monitoring service.

Issue(s) for consideration

The Director of Regeneration and Neighbourhoods reported that as agreed by the Committee further investigations had been undertaken in relation to the additional options, and these were included for the Committee's consideration as an attachment to the report. The report also outlined the proposal to relocate the CCTV service to the Civic Centre with the service being delivered in-house in the future to provide an expanded CCTV service and achieve the £50,000 CCTV savings agreed as part of the 2015/16 savings programme. The Director also indicated that it was intended that the Car Parking Section also relocates to the Civic Centre at the same time.

The Director stated that the Civic Centre was the only option available which would provide the required £50,000 per annum ongoing savings. There were, however, some additional one-off capital costs amounting to £400,000, £100,000 of which related to additional works required to the Civic Centre to make the location of the control centre independently accessible at all times. The other costs related to the transfer of the necessary equipment, purchase of new equipment and the associated IT and cabling. These were, however, currently only estimated costs. £400,000 has been set aside as part of the Council's Medium Term Financial Strategy to contribute towards the cost of relocating the service. If additional resources were required these would need to be identified from existing in year Departmental budgets. The Director also highlighted that some of the existing staff at Thirteen would be transferred under TUPE regulations.

The Committee discussed the move of the CCTV Monitoring Centre and the renewal of the monitoring equipment. Concern was expressed by Members that the cameras were not also being upgraded. The Director indicated that the new equipment in the control centre would provide enhanced monitoring and recording facilities which would provide a significant improvement. The Director cautioned against reviewing the camera installations as this would trigger a review under RIPA (Regulation of Investigatory Powers Act 2000) regulations.

Members suggested that, taking into account the capital costs of relocating the monitoring centre, there should be no consideration of a further relocation for at least eight years. The Director stated that the £300,000 of new capital equipment could be relocated should it be decided to move the monitoring centre in the future. The Chair suggested that if Members supported the proposed relocation to the Civic Centre, then the decision should include reference to the monitoring centre not being considered for relocation for at least four years subject to an appropriately robust business case.

Decision

1. That the relocation of the Council's CCTV monitoring service to the Civic Centre be approved and that once transferred, the monitoring centre remain within the civic Centre for a period of no less than four years before any further relocation would be considered, unless an appropriate robust business case can be made for a move at an earlier date.

2. That the CCTV service be brought 'in house' and operated on a 24/7 basis to secure a local sustainable CCTV service.

3. That it is noted this option would achieve a general fund saving of £50,000 p.a and this had been reflected in the Regeneration and Neighbourhoods 2015/16 savings programme.

4. That the one-off cost associated with relocating the service be noted and that it be funded from the existing capital budget of £400,000.

8. Consultation on the Proposed Changes to Cleveland Fire Authority (*Author*)

Type of decision

Non key decision.

Purpose of report

Following their meeting on the 27th March, 2015, the Cleveland Fire Authority seeks the view of the four constituent Borough Councils on proposed changes as more specifically outlined within this report. The closing date for submission of representations is no later than Friday 26th June, 2015 and the Committee is requested to formulate recommendations for the consideration of Council at their scheduled meeting on the 25th June, so allowing a response to be made before the conclusion of this particular consultation exercise.

Issue(s) for consideration

The Chief Solicitor reported that Cleveland Fire Authority (CFA) considered five options covering the potential composition of a future Fire Authority. Those proposals ranged from a Fire Authority of 12 members to options comprising up to 16 members. Consideration was also given to proposed changes in the committee structure of the Authority which essentially moved away from a standing committee dealing with 'overview and scrutiny', which was not a statutory requirement for an Authority established as a 'stand alone' Fire Service under a Combination Scheme Order. The Authority would be underpinned by two committees, namely the Executive Committee and an Audit and Governance Committee. There would also still be provision within the constitutional arrangements of the Fire Authority for an 'Appeals Committee' in association with applicable Brigade policies, and a 'Joint Consultative (informal) Committee' operating on an ad hoc basis and being advisory in nature. The Fire Authority's contract procedure rules also allowed for the convening of a Tender Committee, as and when required in compliance with those particular procedure rules.

The following proposals were approved by the Cleveland Fire Authority and upon which the present consultation exercise relates, namely;

- The number of elected members on Cleveland Fire Authority will be 12. Based on the proportionate number of Local Government electors this would entail 2 members representing Hartlepool Borough Council, 3 for Middlesbrough and Redcar and Cleveland Council and 4 appointments through Stockton Borough Council.
- The Fire Authority will be underpinned by 2 Committees: an Executive Committee and an Audit and Governance Committee.
- The number of Elected Members on the Executive Committee will be 5 comprising 1 Member from each of the constituent Authorities and also the Chair of the Fire Authority.
- The number of Elected members on the Audit and Governance Committee will be 7 (plus the 2 Independent Persons when dealing with standards functions),
- The level of delegation/ decision making in respect to the Executive and Audit and Governance Committees will be increased (see appended 'Indicative Terms of Reference'),
- The appointment of Chair and Vice Chair will remain the same with a rotation across the Constituent Authorities on a 2 yearly basis.

The Chief Solicitor also highlighted the reference surrounding the 'four year term of office' of members of the Fire Authority and whether representatives should be appointed by their respective Borough Councils' for a 4 year term in unison with the present governance arrangements operated by Stockton Borough Council. Although, the other Borough Councils' appoint annually, it was requested that 'explorations to be undertaken to establish the appetite of Hartlepool, Middlesbrough and Redcar and Cleveland Borough

Councils to extend the term of office for Elected Members of their Authorities in line with that of Stockton Borough Council (i.e. 4 years) and that these explorations take place during the consultation phase of the review'.

The anticipated savings arising from the implementation of the Fire Authority's preferred option to move to a composition of 12 members (set against the Authority's Community Integrated Risk Management Plan) are anticipated to be in the region of £40,000.

Comments upon this consultation were requested to be received no later than Friday 26th June, 2015. The Chief Solicitor therefore requested that this Committee consider the proposals emanating from the Fire Authority, formulate recommendations for the consideration of Council at its meeting on 25th June 2015.

Councillor James, one the Council's appointed representatives to the CFA, stated that she had not attended the meeting in March when these proposals had been formulated and therefore made it known to the Committee that she had no vested interest in the report as submitted to Members. Councillor James stated that she was opposed to the proposal as she considered that an authority of 12 members was too small. Councillor James also stated that she had strong misgivings about the split between the Executive Committee and Audit and Governance Committee as it was stated in the consultation document as an Executive of 7 members could never be in the position of being overruled. Clarity on what the arrangements were was needed as it was not totally clear whether the consultation was on an Executive of 5 or 7 members.

There were views expressed by other Members in support and opposition to the CFA proposals. Members did feel that the savings identified could not be fully met through the reduction in Members alone and any savings on allowances could be eradicated should there be a review of Member allowances following the changes. The Chief Finance Officer stated that some of the savings were being met through back-office savings.

Members were also concerned that these arrangements were a precursor to a move towards mutualisation, which if the balance of executive/audit and governance was as stated in the consultation document, could be difficult to resist. Members considered that political accountability was something worth paying for and voiced their resistance to the move to mutualisation which would only protect services for nine years before they could be subject to commercial take-over.

Following a discussion Members were clear that there were still questions that needed to be asked of the CFA before the Council could formalise its response. The Chair suggested that a letter be sent to the CFA following this meeting seeking clarification on the issues of the executive/audit and governance split and how the savings were to be achieved. The draft letter would be circulated to Members before being forwarded to the CFA. Any response from the CFA would be included in the report to Council.

Decision

1. That the proposals as to the future composition and governance of the Cleveland Fire Authority be referred to Council at the meeting scheduled 25th June, 2015.

2. That in advance of consideration by Council, the Chair sends a letter to the Cleveland Fire Authority outlining that the Committee cannot support an Executive that was the majority of the body and seek further clarification as to the proposed balance between the Executive Committee and the Audit and Governance Committee along with details of how the proposed savings were to be achieved and that this letter be circulated to all Members.

9. Quarter 4 – Council Overview of Performance and Risk 2014/15 (*Assistant Chief Executive*)

Type of decision

Non-key decision.

Purpose of report

To inform Finance and Policy Committee of the progress made against the 2014/15 Council Plan, for the period ending 31 March 2015.

Finance and Policy Committee were also asked to agree the updated Data Quality Policy and Risk Management Framework and the proposal that these be reviewed by Committee on a three yearly basis unless any major amendments are required in the interim, as agreed by Audit and Governance Committee.

Issue(s) for consideration

The Assistant Chief Executive reported that the Council Plan included 214 actions and 162 performance indicators (PIs) to deliver and measure improvements across key priority areas (outcomes) identified in the Community Strategy and Council Plan. Of the 162 indicators, 86 were for monitoring purposes only and a further 14 PIs were collected on an annual basis. Updates had been provided for 66 targeted indicators, though 2014/15 year end data was not yet available for the remaining indicators. The report highlighted the key information for each of the three council departments.

The Assistant Chief Executive also indicated that the Council's Data Quality Policy had been reviewed and updated and a copy was submitted with the report for Members consideration. Currently the Policy was reviewed and agreed by Members on an annual basis. However, this policy was now well developed and embedded within all departments and the annual review for the past few years has only suggested minor amendments. Therefore, it was proposed that the Data Quality Policy be reviewed by Committee on a 3 yearly basis. On an annual basis the policy would be reviewed and approved by the Assistant Chief Executive and if during these annual reviews any major amendments were required it will be brought back to Committee for approval. The updated Data Quality Policy had been considered by Audit and Governance Committee on 5th March 2015 when the Committee noted the updated Policy and agreed the change to the review process.

The Assistant Chief Executive also submitted an updated copy of the Council's Risk Management Framework for approval. The framework followed a similar process to the Data Quality Policy and it was also proposed that the framework move to a three-yearly review period. The updated Risk Management Framework was also considered by Audit and Governance Committee on 5th March 2015 when the Committee noted the updated Framework and agreed the change to the review process.

Decision

1. That the current position with regard to performance be noted.

2. That the changes in risk ratings as identified within report be noted.

3. That the date change for action RND 14/15 EN13 to July 2015 as set out in the report be approved.

4. That the updated Data Quality Policy and Risk Management Framework be approved and that the proposal that these be reviewed by Committee on a three yearly basis unless any major amendments were required in the interim also be approved.

10. Assisting Eligible Hartlepool VCS Organisations with their Utility Costs (*Director of Regeneration and Neighbourhoods*)

Type of decision

Non-key decision.

Purpose of report

The report informed Members of the opportunity to support Hartlepool based Voluntary and Community Sector (VCS) organisations in relation to their electricity and gas related costs and to seek their permission to roll out the scheme to eligible Hartlepool based VCS organisations.

Issue(s) for consideration

The Director of Regeneration and Neighbourhoods reported on a proposal that had the opportunity to benefit a large number of voluntary and community groups in the town through the utilisation of the Council's procurement arrangement with NEPO (North East Procurement Organisation) for the procurement of both its Gas and Electricity supplies through the utility supply contracts.

Currently a significant number of Hartlepool schools make use of the attractive contract pricing through a service level agreement (SLA) with the Council. Schools pay a fee to the Council in return for a number of energy based services; this fee includes arranging access to and billing services in relation to the NEPO utility supply contracts.

A variation to the above arrangement was also in place for a few local VCS organisations, although they were not subject to a SLA with the Council. The following VCS premises currently benefitted from access to the NEPO utility supply contracts:

- Jutland Road Community Centre
- West View Community Centre & Library
- HVDA – Rockhaven

The above arrangements differed from the school SLA arrangements in that there was no charge levied on these organisations, although there was a relatively small overhead on the Council's Energy Manager relating to the management of invoices and payments.

The Director stated that she was confident that the NEPO utility supply contracts provided a value for money solution and the Council's Energy Manager has advised that typical savings over a standard supply arrangement were in the order of 25%. Clearly savings of this magnitude could be financially significant for those VCS organisations which meet the criteria to access this opportunity.

Members supported the principle of the proposal but were cautious to protect the Council from groups or organisations that may fold and leave the Council with a charge liability. The meeting discussed options around alleviating this scenario through the use of deposits, payments ahead and administration fees. The Chair suggested that the proposal could be supported on the basis that there was an appropriate administration fee, to be determined by the Director of Regeneration and Neighbourhoods and payments one month in advance. The Director indicated that she would produce a revised scheme based on those proposals and circulate that to members. The Chair put the proposal to the vote.

Decision

1. That the proposal to offer eligible VCS organisations access to the NEPO utility contracts as reported be approved subject to the instigation of an appropriate administration charge and with payments being made on a one month in advance basis.

2. That the proposed criteria for eligible organisations as reported be approved.

3. That the highlighted risks and suggested approaches to mitigation be noted.

Councillor James requested that her abstention to the above decisions be recorded.

11. Any Other Items which the Chairman Considers are Urgent

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

New Chief Executive

The Chair welcomed Gill Alexander to her first Committee meeting as Chief Executive.

12. Local Government (Access to Information) (Variation Order) 2006

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

Minute 13 – Cleveland College of Art and Design (CCAD) – Phase 1 Development – This item contains exempt information under Schedule 12A Local Government Act 1972 as amended by the Local Government (Access to Information) (Variation) Order 2006 namely (para 3) information relating to the financial or business affairs of any particular person (including the authority holding that information).

13. Cleveland College of Art and Design (CCAD) – Phase 1 Development

(*Corporate Management Team*) This item contains exempt information under Schedule 12A Local Government Act 1972 as amended by the Local Government (Access to Information) (Variation) Order 2006 namely (para 3)

Type of decision

Key Decision test (i) applies.

Purpose of report

The purpose of the report is to update Members on a recent Government funding announcement in relation to the ‘Local Growth Fund’, the impact this will have on the CCAD project and to recommend a strategy for dealing with this issue.

Issue(s) for consideration

Details are set out in the exempt section of the minutes

Decision

The decision is set out in the exempt section of the minutes.

The meeting concluded at 11.47 am

P J DEVLIN

CHIEF SOLICITOR

PUBLICATION DATE: 11 June 2015

FINANCE AND POLICY COMMITTEE

29 June 2015

HARTLEPOOL BOROUGH COUNCIL

Report of: Corporate Management Team

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

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 Members on the Council's financial position and the budget deficits forecast for 2016/17 to 2018/19;

ii) To enable Members to approve the recommended approach to be adopted for managing the budget deficits for 2016/17 to 2018/19;

iii) To enable Members to approve the proposed budget timetable; and

iv) To enable Members to reconsider a strategy for using the uncommitted 2014/15 outturn.

3. BACKGROUND

3.1 This is the first of a series of detailed budget reports which will be submitted to this Committee during the current financial year to enable Members to develop and approve the final 2016/17 budget proposals to be referred to full Council. Following the process adopted over the last two years this report is being referred to Members at this early stage owing to the scale of the forecast budget deficit over the next three years as a result of the continuing Government grant cuts.

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 Older People demographic pressures and increases in Looked After Children;

- 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. On the one had this is exactly what you would expect responsible Councils to deliver, but the downside is a perception that Councils can continue to manage significant ongoing Government grant cuts without impacting on services.

3.4 Clearly this is not the case and it needs to be recognised that the Council's ability to manage the impact of significant Government grant cuts over the last four 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 the 2016/17 budget and 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 either need to be scaled back or stopped completely.

3.5 The Council is not in a unique position and a report from the Local Government Association (LGA) report – *"Under pressure – How Councils are planning cuts"* highlighted the financial challenges Councils faced 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";

- The LGA report indicated 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;

- In relation to other risks the LGA report identified business rate appeals, welfare reform (including the benefit cap and Universal Credit) and potential changes to interest rates.

3.6 Members will recognise these issues from previous MTFS reports and in particular the continued disproportionate impact of Government grant cuts on Councils (including Hartlepool) with the greatest dependency on Government funding and those suffering from high levels of deprivation.

3.7 This report therefore begins the process of developing a detailed financial strategy for 2016/17 and beyond. These plans will need to be updated to reflect the outcome of the new Government's 'Emergency Budget' on 8th July and subsequent announcement of detailed funding allocations for individual Government Departments. It is unlikely that details of grant allocations for individual Councils will be made until late in 2015 (probably just before Christmas) and whether this will be a single, or multi-year financial settlement. This makes financial planning extremely challenging. However, it is essential that the Council begins to plan for this situation and future reports will enable a longer term strategy to be developed.

3.8 At this stage the forecasts included in this report have not been updated to reflect the impact of the significant reduction in the rateable value of the Power Station.

3.9 As reported to the Committee on 1st June 2015 an initial assessment of the impact this will have on the Council's retained Business Rates income has been completed. This assessment indicates there will be a significant ongoing reduction in Business Rates income and therefore an increase in the budget deficits. An initial strategy has been recommended which will use the one-off Business Rates Risks Reserve to offset the income reduction in the short-term which will provide a longer lead time to develop a permanent solution. However, this approach will only provide a temporary solution and at some stage there will be an increase the forecast budget deficit. Further analysis is being completed and an updated assessment will be reported to Members when this work has been completed.

4. 2016/17 to 2018/19 Budget Forecasts

4.1 An initial assessment of the forecast budget deficits for 2016/17 to 2017/18 was reported in the previous MTFS report and indicated the following annual budget deficits:

2016/17	£5.051m
2017/18	£5.084m
2018/19	£4.503m
Total	£14.638m

4.2 The above forecasts were based on the following key planning assumptions, which will need to be reviewed when more information becomes available:

i) **Government Funding Reductions**
The Government previously provided a two year funding settlement for Councils covering 2014/15 and 2015/16. In the run up to the General Election the Institute of Fiscal Studies commented on the lack of detailed spending plans put forward by all political parties, which

highlighted the challenges for individual Councils preparing their own financial plans.

The Council's current MTFS forecasts are based on reductions in Government funding of 10% in 2016/17, 2017/18 and 2018/19. This headline figure reflects annual cuts in Revenue Support Grant of 15%, which will partly be offset by forecast increases in Top Up grant and continuation of New Homes Bonus Payments.

The forecast 10% annual funding reductions would reduce Government financial support to the Council by a further 30% over a 3 year period. This compares to a 39% reduction over the 5 years 2011/12 to 2015/16.

Some commentators suggest that the actual cuts in funding over the next three years will be higher than the cuts implemented over the last Parliament.

At this stage it is recommended that Members note the risk that the actual grant cuts for 2016/17 to 2018/19 may be higher than forecast, which would require an even more fundamental review of services and greater level of budget cuts.

ii) Business Rates income

The MTFS forecasts anticipated no net change in Business Rates income over the period 2016/17 to 2018/19. This position reflected the impact of successful Rateable Value appeals permanently reducing Business Rates income and exceeding any local Business Rates growth which may be achieved. These forecasts effectively mean the Council will not benefit from the introduction of the Business Retention system in April 2013.

As reported to the Committee on 1st June 2015 the outcome of the Power Station Rateable Value appeal has resulted in a 48% reduction in the Rateable Value. As a result the level of Business Rates income retained by the Council will be significantly less than forecast before this appeal outcome was determined. Therefore, the Council faces a net reduction in ongoing resources of £2m. The report on 1st June 2015 recommended that the reductions in funding in 2015/16 and 2016/17 should be funded from the Business Rates Risk Reserve. This will commit £4m of this one off reserves and leave £1m to partly offset the ongoing Business Rates loss in 2017/18.

The report indicated that the recommended strategy does not provide a permanent funding solution and is designed to provide a longer lead time to address this issues, including seeking Government support. The strategy also anticipates reviewing the position to reflect additional one off resources which may be available from achieving a managed under spend in 2015/16 and reviewing existing reserves.

iii) Council Tax income

The MTFS forecast included increased Council Tax income arising from growth in the number of houses within the Borough. These forecasts will be updated later in the year to reflect actual housing developments which have been completed since the initial forecasts were prepared and the latest information available from the planners. It should be noted that a significant additional increase has already been reflected in the strategy for addressing the impact of the Power Station Rateable Value appeal. Therefore, it is unlikely that there will be any significant additional financial benefit for 2016/17, above the existing growth forecast.

The MTFS forecasts were also based on indicative annual Council Tax increases of 1.9% from 2016/17. This position needs reviewing on an annual basis to reflect the Government's Council Tax referendum limits and arrangements for freezing Council Tax (assuming these continue for 2016/17). The annual review also needs to assess the linkages between the actual grant cuts for 2016/17, the MTFS and Local Council Tax Support scheme.

It is recommended that an initial review of the proposed Council Tax level for 2016/17 is considered as part of the development of the 2016/17 Local Council Tax Support scheme, which will be reported to this Committee on 27th July 2015.

A final review will then need to be completed once details of the 2016/17 Council Tax referendum thresholds and Council Tax freeze arrangements are provided by the Government. This will then enable a final recommendation to be referred to Council.

4.3 There are a number of planning assumptions which still need reviewing for 2016/17 and details will be reported to a future meeting. These issues are summarised below:

- 2015/16 Forecast Outturn and Reserves Review as at 31.03.15
- Ward Member budgets
- Council Capital Fund

4.4 In relation to the above issues the following are highlighted for Members information:

i) 2015/16 Forecast Outturn and Reserves Review as at 31.03.15

In view of the ongoing financial challenges and risks facing the Council the achievement of one off resources from managing the 2015/16 budget and reviewing reserves will help the Council manage these issues.

The Corporate Management Team will continue to adopt robust budget management arrangements during 2015/16 with the aim of delivering a managed budget under-spend by holding posts vacant and avoiding spending where this is possible and does not have an adverse impact on services. The management of vacant posts will again help to facilitate service reconfiguration/staff redeployment and help reduce the number of compulsory redundancies required as part of the 2016/17 budget.

The review of reserves is unlikely to provide the same benefits as in previous years as existing reserves are aligned to specific risks or supporting the MTFS and Local Council Tax Support scheme. However, it is good financial practice to review reserves on an annual basis, as this demonstrates the purposes each reserve is held for and when it is planned the resources will be used.

ii) Ward Member Budgets

There is currently no provision within the 2016/17 forecast deficit for the continuation of this budget. An alternative funding option is being explored to enable this initiative to be funded on an ongoing basis outside the General Fund budget and details will be reported to a future meeting.

If this alternative option is not viable Members will need to determine whether this is a continuing priority and the impact this will have on the MTFS.

iii) Council Capital Fund

In previous years Prudential Borrowing has been used to finance the Capital Fund which enables the Council to address local capital priorities which cannot be funded from other sources. This includes capital investment in the Council's operational properties to ensure these assets remain fit for purpose. In the longer term this proactive approach is more cost effective as it avoids delaying investment until such time as more major remedial works are required.

There is currently no provision within the 2016/17 base budget for the continuation of a Council Capital Fund of £0.6m. In previous years this has been funded using Prudential Borrowing and the revenue repayment costs of £50,000 recognised as a budget pressures.

In view of the continuing financial deficits facing the Council this position needs to be reviewed to determine if this spending can be funded from future capital receipts. This option will only be viable once the existing Capital Receipts target has been achieved and further potential capital receipts have been identified and can be relied upon. Further work is needed to assess this position and details will be reported to a future meeting. If using future capital receipts is not viable Members will need to consider whether the use of Prudential Borrowing is a priority and recognise this will increase the budget deficit in 2016/17.

Once a funding strategy is in place details of the priorities to be funded from this budget will be reported to a future meeting for Members consideration.

In addition, a review of the detailed schemes approved for funding from the 2015/16 Council Capital Fund will also be completed to determine if these issues remain a priority.

4.5 **Update of Budget Forecast 2016/17 to 2018/19**

4.6 An assessment of a range of factors has been completed to update the budget forecasts reported in February 2015 as detailed in the following paragraphs.

4.7 **Forecast Corporate Budget Reductions**

4.8 An updated assessment of the corporate budgets for Loan Repayment costs and ICT contract payments has been completed to identify potential reductions to help reduce the forecast budget deficits. In relation to Loan Repayment costs significant budget reductions have already been reflected in the base budget in previous years. This reflected the reductions in the overall level of debt as the Government replaced new supported borrowing approvals with capital grants. The remaining Loan Repayment budget is therefore needed to fund interest and annual loan repayments of historic capital expenditure.

4.9 Following approval of the MTFS in February 2015 action was taken to lock into historically low long term interest rates before these interest rates increased. This action secured fixed interest rates for £15m of the Council's borrowing at an average interest rate of 1.7% for 7 years. Interest rates for 7 year loans were 3% in March 2014 and 2.5% in December 2014. This action provides certainty of interest cost for the period up to 2021/22 and avoids increasing costs in future years when it is anticipated interest rates will be higher.

4.10 This borrowing has been achieved at a lower interest rate than anticipated, which will provide an ongoing saving from 2017/18. To enable this saving to be taken into account in 2016/17 it will be necessary to use part of the Interest Rate Risk Reserve in 2016/17. Further work needs to be completed to assess the impact of interest rates risks on the Council in 2017/18 and this will be completed over the next few months. This analysis will determine if the residual balance of this risk reserve can be released as part of the overall Reserves Review.

4.11 Negotiations have also recently been concluded with the ICT provider to compensate the Council for the IT outage last year. The compensation arrangement provides the Council with a permanent reduction in the annual contract payment, which helps reduce the budget deficit in 2016/17.

4.12 The measure detailed in the previous paragraphs will provide an overall annual budget saving of £0.5m.

4.13 The forecast 2016/17 cost of living pay award provision has also been reviewed to reflect continued downward pressure on public sector pay awards and it is recommended that this provision can be reduced from 2.5% to 1.5%, a reduction of £0.4m. Reflecting this reduction at this early stage is not completely without risk. However, this risk is mitigated by maintaining the April 2017 cost of living pay award provision at 2.5%, which effectively builds 4% into the base budget over 2016/17 and 2017/18.

4.14 There is also a small benefit, £16,000, from the ongoing final 2015/16 grant allocation.

4.15 Forecast Budget Pressures

4.16 The following pressures will be funded from existing risk reserves over the period 2015/16 to 2017/18. This strategy avoids increasing the budget deficits in these years.

- Deprivation of Liberty Safeguards - £0.270m;
- Looked After Children – Social Work capacity - £0.175m;
- Looked After Children pressure - £0.200m.

4.17 However, this strategy is not sustainable as the Risk Reserves will be used up. Therefore these issues need to be included as budget pressures in 2018/19. At this stage an initial pressure of £375k is included for these items. This pressure will need to be updated to reflect the ongoing action to manage and reduce caseloads.

4.18 Impact of Corporate Savings and Budget Pressures

4.19 In overall terms the net impact of these issues is a reduction in the forecast budget deficit for the period 2016/17 to 2018/19 from £14.638m to £13.997m, as summarised below:

	£'000	£'000
Initial Deficit reported in February 2015		14,638
Interest and ICT Savings	(500)	
Reduction in April 2016 pay award provision	(400)	
Uncommitted 2015/16 Revenue Support Grant	(16)	
Total Budget savings/ reductions		(916)
Add Budget Pressures		375
Less Deficit deferred to 2019/20 by using Budget Support Fund in 2018/19		(100)
Revised Forecast Deficit 2016/17 to 2018/19 #		**13,997**

Actual deficit for 2016/17 to 2018/19 will depend on actual grant cuts. This figure also excludes the impact of the Power Station Rateable Value reductions, as detailed in section 4.2

4.20 The annual deficit figures reported in February 2015 were after applying the available Budget Support Fund of £4.731m over the period 2016/17 to

2018/19. The initial recommended phasing for using the Budget Support Fund was designed to:

- Smooth the annual budget deficits, as this is more manageable; and
- Avoid a financial 'cliff edge' when this one-off funding is fully used and needs replacing with permanent savings.

4.21 The above objectives remain appropriate. However, the reduction in the overall forecast budget deficit provides the opportunity to revise the phasing for using the Budget Support Fund. The following revised phasing is therefore recommended:

Phased use of Budget Support Fund

Initial phasing December 2014 £'000		Revised recommended phasing £'000
1,116	2015/16 #	887
2,700	2016/17	2,620
915	2017/18	1,124
0	2018/19	100
4,731	Total	4,731

2015/16 approved use of Budget Support Fund is £0.887m and the reduction from December 2015 forecast reflected actual 2015/16 Grant settlement.

4.22 Based on the revised recommended Budget Support Fund phasing the level of saving which needs to be achieved in 2016/17 can be reduced. This provides a slightly longer lead time to identify ongoing budget reductions and the revised forecast annual budget deficits are as follows:

Revised Forecast Annual Budget Deficits

Initial Forecast January 2015 £'000		Revised Forecast £'000
5,051	2016/17	4,135
5,084	2017/18	4,954
4,503	2018/19	4,908
14,638	Total #	13,997

Actual deficits for 2016/17 to 2018/19 will depend on actual grant cuts. This figure also excludes the impact of the Power Station Rateable Value reductions, as detailed in section 4.2.

5. Budget Timetable 2016/17

5.1 The budget timetable will need to cover the following issues:

- Detailed consideration of key corporate issues by the Finance and Policy Committee regarding the overall budget position, proposed savings and review of reserves;
- Referral of specific savings proposal to individual service Committees for detailed consideration;
- Public Consultation;
- The timetable for completing the statutory process for setting the overall budget, consulting employees/Trade Unions where cuts impact on staff and any other necessary consultation/legal process to implement cuts.

5.2 Prior to 2015/16 the budget process was not completed until February when the final budget proposals, including budget cuts and the level of Council tax were approved. The main drawbacks to this 'traditional timescale' is impact this had on the implementation of the full year savings from 1st April and the prolonged period of uncertainty for staff potentially affected by redundancies.

5.3 In 2015/16 these issues were addressed by splitting the budget decisions into two components, as detailed below and this approach is again recommended for 2016/17:

- Budget Decisions – this would require Finance and Policy Committee and full Council to approve all the detailed measures underpinning the 2016/17 budget on the basis of the forecast 2016/17 Grant Settlement. This would include approving the detailed 2016/17 savings proposals, the indicative 2016/17 Council Tax level, the 2016/17 Local Council Tax Support Scheme, the 2016/17 Capital programme and confirming the amount of reserves to be used to support the 2016/17 budget.

  If the actual grant cut for 2016/17 is higher than anticipated an additional report will be submitted to the Committee to enable Members to approve proposals for setting a balanced budget.

- Council Tax Decisions - Statutory Calculations - these cannot be completed until the final 2016/17 Local Government Finance Settlement is issued and the Police and Fire precepts have been set. Therefore, this technical report would still be submitted to Finance and Policy Committee and the full Council in late January/early February 2016.

5.4 Following on from arrangements adopted last year the recommended timetable for 2016/17 has been developed which will maximise the time available at the start of the process for the development of detailed Departmental savings proposals and consideration of these proposals by individual Policy Committees. This recognises that these tasks are critical to the delivery of sustainable savings and needs an appropriate timeframe for completion.

5.5 The draft budget timetable is set out below, which includes when reports on the 2016/17 Local Council Tax Support Scheme will be considered by Members (shaded text), as this issue needs considering at broadly the same time as the budget.

Proposed Budget Timetable

Description of Activity	**Timetable**
Budget Decisions	
Update of MTFS	Finance and Policy Committee - 29.06.15
Development of the 2015/16 Local Council Tax Support scheme	Finance and Policy Committee - 27.07.15
Consideration of detailed Departmental savings reports by individual Policy Committees (special meeting for each Committee)	July to August 2015
Review Reserves held at 31.03.14	Finance and Policy Committee – 19.10.15
Consideration of feedback from individual Policy Committees on budget proposals and update of MTFS and update on proposed 2015/16 Local Council Tax Support scheme.	Finance and Policy Committee – 19.10.15
Finalise 2015/16 budget proposals to be referred to Council and proposed 2015/16 Local Council Tax Support scheme	Finance and Policy Committee – 16.11.15
Consider Finance and Policy Committees' 2015/16 budget proposals and proposed 2015/16 Local Council Tax Support scheme.	Council – 10.12.15
Council Tax Decisions – Statutory Calculations	
Finalise Council Tax proposals to be referred to full Council	Finance and Policy Committee – 11.01.16
Consider and approve Council Tax statutory calculations for HBC	Council – 21.01.16
Approve Council Tax statutory calculations including precepts set by Police and Fire.	Council – 25.02.16

6. STRATEGY FOR USE OF 2014/15 OUTTURN

6.1 The 2014/15 Final Outturn report on 1st June 2015 advised Members that the uncommitted outturn is £596,000 (£450,000 General Fund Outturn plus £146,000 house sales income).

6.2 Members have previously indicated that they would wish to fully cash back the Jacksons Landing interest free loan when resources are available. As detailed in the Final Outturn report an extension of the loan free period is being negotiated, with a view to repayment being extended until October 2017. This will provide a longer lead time to secure the development, or sale of this site. It is anticipated that a decision on the application to extend the interest free loan will be made before the Committee meets and a verbal update will be provided at the meeting.

6.3 Allocating the 2014/15 uncommitted outturn of £596,000 would increase the resource allocated to cash back the potential loan repayment to around 95%, which would effectively remove the financial risk of a development not being achieved until after October 2017.

6.4 Before Members allocate the whole of the uncommitted outturn they may wish to consider alternative priorities for using part of these resources. The Corporate Management Team would not recommend a significant reduction in the resources allocated to cash back the Jacksons Landing interest free loan until the MFTS is rolled forward and an updated assessment has been made of the following key factors:

- The General Election result and the impact this will have on future public spending priorities and funding cuts;
- The impact of Business Rates appeals, including the Power Station, are known;
- A review of Reserves held at 31st March 2015 has been completed; and
- The forecast outturn position for 2015/16 is known.

6.5 The outturn report suggested that Members may wish to only allocate part of outturn to cash back the Jacksons Landing interest free loan, say £500,000, which when added to existing funding would provide total cash backing of 90%. As an alternative to this proposal Members may wish to cash back 80% of the interest free loan, which would commit £400,000 of the available outturn. Reducing the value of the interest free loan which is cash backed to either 80% or 90% would not result in a significant financial risk to the Council, particularly if the repayment period is extended until October 2017.

6.6 The proposal to cash back 80% of the interest free loan would then enable £196,000 (£96,000 if cash backed at 90%) to be allocated for other priorities, which may include consideration of the following issues:

- **HVDA Funding** (Hartlepool Voluntary Development Agency) – at Council on 26th March 2015 it was resolved “that consideration of any support for HVDA from any favourable outturn from the 2014/15 budget be referred to the Finance and Policy Committee and that the Manager of HVDA be invited to the meeting to present the up-to-date financial position of the organisation”.

- **Moneywise Community banking** – The Chair of Hartlepool Credit Union has written to the Chief Executive requesting financial support from the Council.

The Council has provided significant financial support over a number of years including a Community Pool grant of £35,000 in 2014/15 (£75,000 in 2012/13 and 2013/14). There is no ongoing support in 2015/16 owing to the impact of Government grant cuts. A 5 year interest free loan of £12,000 was provided in October 2011 and is due for repayment in October 2016.

Members need to determine if they wish to provide any one-off funding from the uncommitted 2014/15 final outturn to support the Credit Union. This support could include converting the interest free loan into a grant, which would remove the repayment liability.

- **Enforcement Officers** – The proposal would provide additional capacity to address issues across the town and provide time to develop a sustainable business case for the permanent employment of additional Enforcement Officers.

6.7 The recommendations enable Members to consider and determine a strategy for using the 2014/15 final uncommitted outturn.

7. CONCLUSION

7.1 As detailed in previous MTFS reports funding for Local Authorities was cut significantly over the last Parliament. These reductions had a disproportionate impact on Councils serving more deprived communities, with higher demands for services and less ability to fund services locally from Council Tax.

7.2 In addition significant new financial risks were transferred to Councils following the introduction of the Business Rates Retention system and the localisation of Council Tax support. In relation to the impact of the Business Rates Retention system the biggest risk for the Council has now happened as the Power Station Rateable Value has been reduced significantly. Details of the impact on the Council and a strategy for managing this position were reported to this Committee on 1st June 2015.

7.3 In relation to the Council's revenue budgets for 2016/17 this will be prepared against the background of:

- the significant grant cuts implemented over the last Parliament which meant that in 2015/16 the Council's grant was approximately £30.6m lower than it was in 2010/11, which was a cumulative cut of 39%;
- the actions taken over the period 2011/12 to 2015/16 to manage the annual reduction in Government funding, many of which cannot be repeated, such as reducing management posts, retendering the ICT contract and significant interest cost savings;
- forecast additional Government funding cuts over the period 2016/17 to 2018/19;

7.4 Based on current grant forecasts the Council faces significant budget deficits over the period 2016/17 to 2018/19. The initial budget forecasts reported in February 2015 have been updated to reflect corporate budget savings and budget pressures. The overall forecast deficit has reduced from £14.638m to £13.997m, based on forecasts grant cuts. There is a risk that the actual grant cuts exceed the planning forecast which would increase the forecast deficits.

7.5 In addition, these figures do not yet include the impact of the significant reduction in Business Rates paid by the Power Station following the outcome of the Rateable Value Appeal as the 2016/17 income reduction will be funded from one off resources. This strategy will provide a longer lead time to potentially address this issue, although there is a risk that the loss of this income will increase the budget deficit in either 2017/18 or 2018/19 by £2.1m. An update on this position will be included in a future MTFS report.

7.6 The use of the Budget Support Fund has been reviewed and revised phasing is recommended to help smooth the annual budget reductions and to provide a longer lead time to make permanent budget savings. On this basis the resulting annual budget deficits are as follows:

Initial Forecast January 2015 £'000		Revised Forecast £'000
5,051	2015/16	4,135
5,084	2016/17	4,954
4,503	2017/18	4,908
14,638	Total #	13,997

Actual deficits for 2016/17 to 2018/19 will depend on actual grant cuts. This figure also excludes the impact of the Power Station Rateable Value reductions, as detailed in section 4.2.

7.7 Addressing the budget deficits in 2016/17 and future years will be extremely challenging as the Council is cutting from a lower base and has already made significant cuts over the last five years which cannot be repeated. The cuts required in 2016/17 will increasingly have a more visible impact and require Members to make difficult decisions. The timetable for preparing the 2016/17 budget is designed to provide time to make these decisions and enable savings proposals to be implemented from 1st April 2016.

7.8 The budget forecasts will be updated when more information is provided by the Government. However, it needs to be recognised that the actual grant cuts for 2016/17 will not be known until the 2016/17 Local Government Finance Settlement is issued, which will probably be issued just before Christmas 2015. If the actual grant cuts are higher than forecast this timeframe will mean there is only limited time to identify additional budget cuts if this is necessary. It is hoped that the Government will provide earlier announcements of funding allocations for 2016/17 and Members will be updated when more information becomes available, which will enable the Council's strategy to be updated. In the meantime the Government have recently made a number of announcements which provide an indication of the likely future direction for public spending, as summarised in the following parararagraphs.

7.9 The Chancellor has announced that there will be an additional Budget on 8th July 2015 and details will be reported to a future meeting. Members may recall that following the General Election in May 2010 the Coalition Government completed an emergency budget which resulted in the implementation of in-year cuts, including cuts to the Working Neighbourhoods Fund.

7.10 It is anticipated the July 2015 budget will confirm how the Government plan to achieve additional in-year savings of 5% from unprotected departments in 2015/16, with a target of achieving an additional £3 billion worth of savings. Whilst it would be difficult for the Government to reopen the Local Government settlement this is still a potential risk. However, a greater risk is that the additional 2015/16 savings of 5% are built into the baseline used for the 2016/17 settlement before any 2016/17 reduction is applied.

7.11 On the 6th June 2015 the Government stated they will be consulting on an in-year (and recurrent) cut in Local Authority Public Health funding of £200 million in 2015/16. This equates to a reduction of 7.4% in the national ring fenced Public Health grant. The impact on individual Councils in 2015/16 is unclear. However, assuming there is a flat rate reduction across all Councils, which may be optimistic, the Council would face a grant reduction of £600,000 in 2015/16. The Director of Public of Public Health has began examining the impact of such a reduction. Further details will be reported to a future meeting when the local grant cut is known and the impact on services has been assessed.

7.12 The scale and the pace of the cut in Public Health funding provides an indication of the significant financial challenges facing Councils in future years, as whilst this is an ‘unprotected’ area, these services compliment and underpin the NHS – which is a ‘protected’ service.

7.13 The recent Government announcements confirm that public sector expenditure will continue to be reduced, both through the implementation of in-year cuts and ongoing reductions in future years. As an ‘unprotected’ area Local Authorities will face ongoing funding cuts and there is a significant probability that the actual grant cuts for the next three years will exceed the forecast currently underpinning the MTFS.

8. RECOMMENDATIONS

8.1 It is recommended that Members

i) Note the report;

ii) Note further information on the issues detailed in paragraph 4.4 will be reported to a future meeting;

iii) Approve the recommended Corporate Savings and Budget Pressures summarised in paragraph 4.19, which reduce the 2016/17 to 2018/19 forecast deficit from £14.638m to £13.997m;

iv) Note the risk that the actual budget deficits may be higher if actual Government grant cuts are higher than forecast and/or additional funding cannot be achieved to offset the Power Station Business Rates reduction;

v) Approve the recommended phasing for the use of the Budget Support Fund, which is designed to smooth the annual budget reductions and provide a longer lead time to make permanent savings, as detailed in paragraph 4.21;

vi) Note the revised annual deficits, after reflecting recommendations (iii) and (v), detailed in paragraph 4.22;

vii) Approve the budget timetable detailed in paragraph 5, which will enable budget decisions to be considered and approved by Council in December 2015 and Council Tax setting to be completed in February 2016.

viii) Consider and approve one of the following options in relation to the use of the final uncommitted 2014/15 outturn:

- Option 1 - Allocate the full uncommitted revenue outturn of £596,000 towards cash backing the Jacksons Landing interest free loan, which will provide cash backing of 95%; OR

- Option 2 - Allocate £500,000 of the uncommitted revenue outturn towards cash backing the Jacksons Landing interest free loan, which will provide cash backing of 90% and enable £96,000 to be allocated towards other priorities; OR

- Option 3 - Allocate £400,000 of the uncommitted revenue outturn towards cash backing the Jacksons Landing interest free loan, which will provide cash backing of 80% and enable £196,000 to be allocated towards other priorities;

ix) If either option 2 or 3 is approved to consider the funding to be allocated to the individual issues detailed in paragraph 6.6 in relation to HVDA, Moneywise Community Banking and Enforcement Officers.

x) To note that a review of the approved 2015/16 Council Capital Fund will be completed and details reported to a future meeting.

9. REASON FOR RECOMMENDATIONS

9.1 To enable the Finance and Policy Committee to commence the 2015/16 budget process and approve those issues which need to be referred to Council for approval.

10. BACKGROUND PAPERS

- Medium Term Financial Strategy 2016/17 to 2018/19 report to Finance and Policy Committee on 30th January 2015.
- Final Outturn 2014/15 report to Finance and Policy Committee on 1st June 2015.
- Business Rates Update report to Finance and Policy Committee on 1st June 2015.

11. CONTACT OFFICER

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FINANCE AND POLICY COMMITTEE

29th June 2015

HARTLEPOOL BOROUGH COUNCIL

Report of: Director of Regeneration and Neighbourhoods

Subject: ACQUISITION OF ASSETS - ANDERSON'S BAKERY ASHGROVE AVENUE

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1. TYPE OF DECISION/APPLICABLE CATEGORY

1.1 Key Decision (test (i)) Forward Plan Reference RN98/11.

2. PURPOSE OF REPORT

2.1 To set out information relating to the opportunity in relation to the former Anderson's Bakery property in Ashgrove Avenue.

3. BACKGROUND

3.1 The property known as Anderson's Bakery comprises an interwar built end terrace originally constructed as 2 houses. It was converted into and used as a baker's shop with upper floor living accommodation for many years. More recently the business was closed and the property was sold to Developing Initiatives for Support in the Community (DISC) who purchased with a view to converting the property into residential use. The property is shown hatched on the plan at **APPENDIX 1.**

3.2 Following their purchase in March 2014 DISC applied for planning permission in October for conversion of the property into 4 no. 1 bedroom flats together with a communal lounge for residents. The flats were intended for general needs social housing, for which DISC have funding. The application was refused in February of this year. The Council's Planning Service Manager has now received notification that DISC will appeal against the decision.

3.3 Due to the level of public concern raised by the DISC planning application, consideration is being given to acquiring the property by agreement from DISC in order to convert the property back into 2 houses as part of the Empty Homes Programme.

3.4 Following an instruction from the Housing Services Manager, the property has been inspected and valued and a schedule of costs for converting the property back into 2 houses has been prepared by the Consultancy Group. The financial considerations are set out in **CONFIDENTIAL APPENDIX 2 This item contains exempt information under Schedule 12A Local Government Act 1972 (as amended by the Local Government (Access to Information) (Variation) Order 2006) namely, (para 3) information relating to the financial or business affairs of any particular person (including the authority holding that information.**

3.5 The property is currently stripped out internally (this was carried out by DISC in preparation for the conversion they proposed) and thus requires a full scheme of renovation. Conversion into 2 houses also necessitates the installation of separate utilities, new internal walls and a staircase as well as general re-fitting, repairs and refurbishment. Local needs in the area indicate 2 bedroom houses would be popular

3.6 The Business Case for the Empty Home Programme (EHP) has a cash budget per housing unit produced in order to ensure that there are adequate funds to acquire and refurbish the target number of units. The existing EHP budget per housing unit is based on the standard costs of buying and refurbishing vacant houses where the level of refurbishment work is relatively low and covers issues such as the installation of a new heating system, rewiring, kitchen, bathroom and redecoration. In some instances more extensive structure works may be undertaken, although this relates to houses purchased at a lower costs, which means the total costs can be managed within the overall budget per housing unit.

3.7 The existing EHP has been used as a baseline financial model for the potential acquisition and refurbishment of Anderson's Bakery. However, it needs to be recognised that owing to the former use of his property and the current condition of this building that this conversion is not a typical EHP project. The conversion of this property will require a significantly more extensive range of structural works than a normal EHP scheme. Therefore, whilst the objective of this scheme will be to provide afforded housing, the costs of this project will exceed the normal EHP unit cost budget. Further details are given in **CONFIDENTIAL APPENDIX 2 This item contains exempt information under Schedule 12A Local Government Act 1972 (as amended by the Local Government (Access to Information) (Variation) Order 2006) namely, (para 3) information relating to the financial or business affairs of any particular person (including the authority holding that information.**

3.7 Given the anticipated costs it will not be possible to purchase and refurbish the property within the Empty Property Programme the normal unit cost for an EHP unit.. Given that the end use will be for general needs social housing, there is scope to use Section 106 funds. This refers to cash contributions made by developers for various facilities to be provided on sites other than the development itself in order to make the development acceptable in planning terms. The Council has a fund derived from Section

106 contributions intended for social housing and thus potentially some of this could be used to meet the cost of acquiring, converting and renovating Anderson's Bakery.

3.8 Options for taking this matter forward are set out below.

4. OPTIONS

4.1 Proceed as soon as possible with a purchase by agreement from DISC. This will involve:

a. Purchasing at a purchase price equivalent to DISC's acquisition price and costs to date on the project.

b. Obtaining planning permission and Building Regulation consent for a scheme of conversion of the property into 2 houses.

c. Completing the renovation and conversion work with an estimated cost as outlined in **CONFIDENTIAL APPENDIX 2 This item contains exempt information under Schedule 12A Local Government Act 1972 (as amended by the Local Government (Access to Information) (Variation) Order 2006) namely, (para 3) information relating to the financial or business affairs of any particular person (including the authority holding that information.**

The successful implementation of this option does depend on the continued willingness of DISC to sell, clearly planning consent is required and it will be necessary to commit to funding the acquisition and building works cost from both the Empty Homes Programme and other sources.

4.2 Await the outcome of the planning appeal and then have a further discussion with DISC as to their views and intentions at that time, with a view to either:

a. pursuing a purchase as in 4.1 above or

b. attempting to agree a more acceptable form of development with DISC which DISC then carry out or

c. taking no further action dependent on the outcome of the appeal.

4.3 Take no further action in relation to a purchase in view of the considerable cost of conversion and renovation work, but work with DISC on a lettings panel approach, similar to other property schemes owned and managed by Registered Providers operating in Hartlepool.

5. FINANCIAL CONSIDERATIONS

5.1 As outlined above, the existing unit cost budget for a normal EHP have been used as a baseline for this project. However, owing to the specific nature of this property and the works required the actual unit costs will be higher than a normal EHP unit. The only way to enable this scheme to proceed would be to allocate additional one off funding towards this project, such as uncommitted outturn, or additional borrowing. However as Members have already committed the 2014/15 outturn and additional borrowing would result in uncommitted borrowing cost. Therefore in this instance it is proposed to allocate Section 106 monies towards this property recognising this should not be seen as a precedent.

5.2 It needs to be recognised that as the cost of this scheme is higher than a normal EHP schemes that the Council will achieve two housing units instead of four from using the section 106 monies to support this scheme.

5.3 There are no significant financial considerations to the other options outlined above.

6. LEGAL CONSIDERATIONS

6.1 The Chief Solicitor will undertake any works associated with the legal transfer of the property should the acquisition proceed.

7. EQUALITY AND DIVERSITY CONSIDERATIONS

7.1 There are no equality and diversity considerations in this instance.

8. STAFF CONSIDERATIONS

8.1 There are no staff considerations in relation to this matter.

9. ASSET MANAGEMENT CONSIDERATIONS

9.1 The acquisition of the property would add 2 additional units to the Empty Homes Programme from its target of 60 units. However, the significantly higher costs per unit would require additional subsidy.

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

10.1 The re-use of empty property generally contributes to reducing the risk and incidence of anti-social behaviour, vandalism and break-ins in relation to both the property itself and near neighbours. The renovation and reoccupation of this property should therefore contribute to social well-being in the vicinity.

11. RECOMMENDATIONS

11.1 Committee is recommended to:

i) Note that the conversion of the Anderson's Bakery building into 2 housing units is not a normal EHP schemes owing to the former use and current condition of the building, which means that the cost of the scheme exceed the normal unit cost budget, as detailed in Appendix A;

ii) Determine whether they wish to proceed with this scheme and supplement the normal EHP unit cost budget with section 106 resources;

iii) To note that if section 106 resources are allocated for this scheme these resources will not be available for other projects and the housing outputs achieved will be 2 less than if these resources had been allocated to a normal EHP scheme.

12. BACKGROUND PAPERS

12.1 There are no Background Papers in this instance.

13. CONTACT OFFICER

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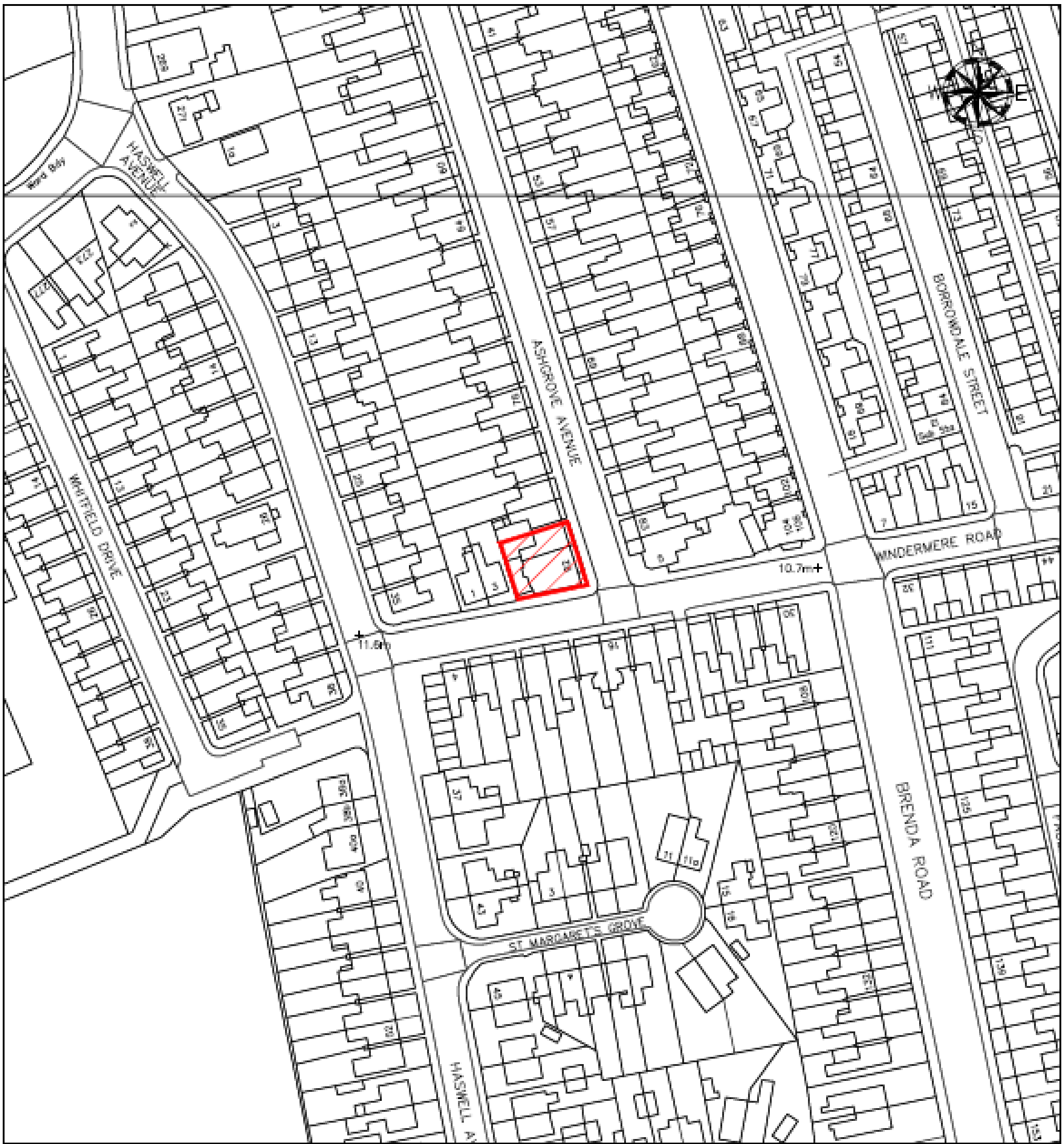

LOCATION	90-92 Ashgrove Avenue, Hartlepool	DRAWN BY CT	DATE 26/05/15
		SCALE 1:1250	
DEED PACKET -	OS MAP NZ 5030NE	DRWG NO E/G/765	

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