FINANCE AND POLICY COMMITTEE

MINUTES AND DECISION RECORD

23 NOVEMBER 2015

The meeting commenced at 2.10 pm in the Civic Centre, Hartlepool

Present:

Councillor Christopher Akers Belcher (In the Chair)

Councillors: Allan Barclay, Kevin Cranney, Marjorie James, Brenda Loynes, Carl Richardson, Chris Simmons, Kaylee Sirs, George Springer and Paul Thompson.

Also Present: Councillor Jim Lindridge.

Officers: Gill Alexander, Chief Executive
Chris Little, Chief Finance Officer
John Morton, Assistant Chief Finance Officer
Sandra Shears, Head of Finance (Corporate and Schools)
Peter Devlin, Chief Solicitor
Denise Ogden, Director of Regeneration and Neighbourhoods
Alastair Rae, Public Relations Manager
David Cosgrove, Democratic Services Team

115. Apologies for Absence

None.

116. Declarations of Interest

None.

117. Minutes of the meeting held on 6 November, 2015

Confirmed.

118. Minutes of the meeting of the Health and Wellbeing Board held on 11 September 2015

Received.

119. Minutes of the meeting of the Safer Hartlepool Partnership held on 4 September, 2015.

Received.

120. Hartlepool Living Wage and Related Issues (*Assistant Chief Executive and Chief Finance Officer*)

Type of decision

Budget and Policy Framework.

Purpose of report

The purposes of the report were 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.

Issue(s) for consideration

The Chief Finance Officer reported the implementation of a Hartlepool Living Wage had been 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. 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 would not be achieved.

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 would 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.

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 provide 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 was needed.

The Chief Finance Officer indicated that the report outlined proposals to implement a Hartlepool Living Wage of £7.88 from 1st December 2015 and to implement annual increases from 1st April each year, commencing 1st April 2016.

The Chancellor's July 2015 Budget included proposals for a 1% cap for Public Sector workers commencing in April 2016. On 26th 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."

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.

In relation to the statutory national living wage, the Chief Finance Officer reported that this was 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 would have significant implications for the Council's existing pay and grading structure and the costs of contracted services in certain areas.

The 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 1st April 2016 and increasing this to 60% of median income by 1st 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. 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.

The Council's proposed 1st December Living Wage is £7.88, which will increase from 1st 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.

On the basis of the forecast it was anticipated that by 1st 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. The report showed 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 would exceed the National Living Wage until 1st April 2019.

The Chief Finance Officer also indicated that the implementation of the National Living Wage would 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 had 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 were set out in the report.

The Chief Finance Officer stated that based on the assessments of the impacts of the two issues it was currently anticipated that the Council would face significant additional budget pressures. The forecast budget pressures excluded the potential impact of cost pressures on the existing Pay and Grading structure arising from the erosion of existing pay differentials. Further work was planned to assess these issues and to develop a strategy for managing this position and details would be reported to a future meeting of the Committee. The Chief Finance Officer indicated that the financial forecast will be updated on an annual basis to reflect the actual level of the National Minimum Wage.

A Member expressed concern that while the Committee was, rightly, being asked to agree a process to mitigate the full impacts of the new statutory living wage, was there potential for other authorities who did not make similar arrangements to benefit from additional government funding to assist in compliance with the new wage level in the run up to the next election in 2020. The Chief Finance Officer indicated that there were no guarantees as to what the government may decide in the future or how they would calculate any such monies. However, it was unlikely that the

Government would implement a funding change which would disadvantage the Council.

The Chair expressed his concerns in relation to the effects of the statutory living wage on the care system in particular and considered that the potential 2% social care council tax levy being promoted by government may be their means of addressing the cost rises. Members were concerned that the government were not assisting local authorities implement their living wage. The Chief Finance Officer commented that there were no indications that there would be additional funding for this purpose.

The Chair of the Hartlepool Joint Trade Unions Committee commented that trade unions were very concerned with the government's proposals on the living wage due to the impacts of the costs that could be passed on from the private sector. The pay award cap was also seen as being a major issue for employees' living standards going forward to 2020.

The following recommendations were agreed unanimously by the Committee.

Decision

1. That the implementation of a Hartlepool Living Wage of £7.88 from 1st December 2015 be approved. The Committee noted that payment in December 2015 would be subject to Council approving this proposal on 10th December 2015 as part of the 2016/17 MTFS proposals.

2. That the proposal that the Hartlepool Living Wage of £7.88 be increased on an annual basis, commencing from 1st April 2016, be approved in line with cost of living pay award for Local Authority employees until such time as this was less than the National Living Wage, at which stage the National Living Wage would apply. The Committee noted that indicative forecasts were detailed in table 1 paragraph 4.11 of the report;

3. That the funding strategy for implementing the Hartlepool Living Wage as detailed in Appendix A to the report be approved;

4. The Committee noted the additional budget pressure forecast in 2017/18 and future years and also noted that these forecasts would need to be updated on an annual basis to reflect actual Local Government cost of living pay awards and actual National Living Wage levels.

5. That a change to the Council's pay and grading structure be approved effective from 1st December 2015. The bottom point of the pay and grading structure would move from pay point 10 to pay point 11 and therefore Band 4 would change to become a single point Band at pay point 12 and that additional work was 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.

121. Capital Receipts Targets (*Corporate Management Team*)

Type of decision

Budget and Policy Framework.

Purpose of report

The purposes of the report were 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.

Issue(s) for consideration

The Chief Finance Officer reported that as part of the Council's strategy to address the withdrawal of Government Funding for Housing Market Renewal (HMR) schemes a capital receipts target of £4.5m was set as part of the 2012/13 MTFS approved by Council on 9 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. On 14 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.

The report set out a detailed update on the capital receipts strategy and the various schemes involved, including the Carr/Hopps Streets scheme. A new capital receipts target for 20115/16 to 2018/19 was now proposed that 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.

The Chief Finance Officer indicated that the setting of a new capital receipts target and strategy also needed to take account of the Council's reducing financial ability to manage any delays in achieving the new target, owing to the impact of ongoing Government grant cuts. The risks needed to be managed by not committing forecast capital receipts until the monies had either actually been received, or were certain to be received.

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.

With regard to potential options for using future forecast capital receipts the following proposals have been identified (further detail was set out in the report) –

Option 1 – Use to finance the Council Capital Fund
Option 2 – Use to repay existing debt
Option 3 – Use to fund new projects which provide an income stream
Option 4 – Use to fund new projects not covered by Options 1 and 3

For 2016/17 it was recommended that the target capital receipts of £1m were 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;

A Member suggested that having as low a target as possible for capital receipts would be prudent so that the council could 'hold out' on certain sites for the best possible valuation. Hartlepool currently had significant amounts of housing approved through a number of large planning applications and holding back some sites until some of the major aspects of the Regeneration Masterplan were delivered may be prudent.

Decision

The Committee noted that the following recommendations were also included in the Medium Term Financial Strategy report considered later in the minutes: -

1. The Committee noted that achieving the previous capital receipts target of £6.5m had been extremely challenging and it had taken longer to achieve these receipts than originally forecast. The Committee noted that the remaining capital receipts of £2.544m to achieve the existing target would not be achieved before the 31st March 2016, although the target should be achieved early in 2016/17;

2. That the capital receipts targets for 2016/17 to 2018/19 of between £3.520m and £4.620m be approved as detailed in table 3 (paragraph 5.2 of the report) and the schedule of land sales detailed in Appendix A to the report;

3. The Committee noted that the capital receipts target included the Briarfields site and the Brierton site capital receipt arising from the disposal of the un-earmarked part of this site;

4. That a new capital receipts target for 2016/17 of £1m be approved and the allocation of these resources to fund the following priorities:-
   - £0.6m for Council Capital Fund Priorities – detailed proposals for allocating these resources would 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 would be reported to a future Finance and Policy Committee for consideration and approval;

5. That 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 of the report be approved;

6. That the proposal not to dispose of the items detailed in Appendix B of the report be approved;

7. That 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.

122. Local Council Tax Support 2016/17 (*Chief Finance Officer*)

Type of decision

Budget and Policy Framework.

Purpose of report

The purposes of the report were to:

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

Issue(s) for consideration

The Assistant Chief Finance Officer reported on the background to the changes made by central government to council tax support. 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 had been able to 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.

The Assistant Chief Finance Officer commented that despite becoming liable for a level of council tax, the collection rate from LCTS claimants had been encouragingly high with 93% being collected to date.

The report set out in detail the modelling behind the proposals for the continuation of a LCTS scheme at 12% and the financial risks and impacts that the Council would face from such a proposal.

On the basis, of sustaining a 12% LCTS cut for 2016/17, the Council's locally approved LCTS scheme would 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:

<u>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).</u>

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

Members welcomed the report and the Chair expressed his thanks to the officers involved in the preparation of the proposals and the longer term financial planning that had been undertaken to support the retention of the 12% LCTS level.

Decision

That the following proposals are referred to Council on 10th December 2015:

1. That the LCTS scheme financial modelling which indicates that maintaining a LCTS cut at 12% for 2016/17 is financially viable be noted;

2. That 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 be noted;

3. That a LCTS scheme for 2016/17 involving sustaining a 12% cut be approved.

4. That the continuation of the existing scheme principles as set out at section 6 of the report be approved.

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

Type of decision

Budget and Policy Framework.

Purpose of report

The purposes of the report were to:-

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

Issue(s) for consideration

The Chief Finance Officer outlined the detailed background to the Council's recent budgetary pressures and the impacts of the government's spending power cuts over the last five years, which resulted in spending power cuts per Hartlepool resident of £391, more than twice the national average of £131.

The report updated Members on the recent policy announcements from government particularly around the statutory living wage and the increase in employers National insurance contributions which will increase the budget deficits as the Government will not be providing additional grant funding.

A comprehensive update on the impact of the 48% reduction in the rateable value for the Hartlepool Power Station was provided. The report reminded Members that this risk has originally been identified in 2012 and one off resources earmarked to help mitigate this risk. The report set out a detailed strategy for the management of the permanent reduction in the Business Rate income received by the Council from the power station of £3.9 million. This strategy minimises the impact on the current MTFS report. The report confirmed that detailed discussion have been held with Government officials over the summer and they seeking to arrange the meeting with the Local Government Minister requested by the Leader. rateable valuation

The report referred to the recent detailed review of the Council's reserves and the General Fund forecast outturn which earmarks these resources to manage the impact of a higher actual Government grant cut than forecast. The report also referred to the Local Council Tax Support Scheme approved by Members earlier in the meeting.

In relation to the 2016/17 General Fund Budget, the report set out in detail the issues and impacts of the following key areas/matters –

Government Grant Funding
Council Tax Level 2016/17
Council Tax Base
New Homes Bonus
Business rates 2016/17
Council Tax Collection Fund 2015/16
An updated forecast for 2016/17 to 2018/19.

In relation to the detailed budget proposals for 2016/17, the Chief Finance Officer stated that the Council faced a gross forecast budget deficit of £9.417m. After reflecting the permanent corporate savings, forecast housing growth, income from a council tax freeze grant/council tax increase and use of the Budget Support Fund which could be taken into account in 2016/17, the forecast deficit had been reduced to £4.179m. At this stage the savings proposals do not require any compulsory redundancies as 33 applications for voluntary redundancy have been received.

Detailed proposals for addressing the net forecast 2016/17 deficit were considered by individual Policy Committees over the summer and these reports were detailed at Appendices C1 to C6 of the report. The savings proposals were supported by individual Policy Committees, albeit reluctantly. Members requested additional information on a small number of items and these details were set out in the report.

The Chief Finance Officer outlined the main aspects of the Capital Programme for 2016/17 to 2018/19, and the proposals for managing the cut in Public Health Funding of 7.4% announced in the summer. The Chief

Finance Officer also highlighted the section of the report setting out his professional advice on the robustness of the budget forecasts and the adequacy of the proposed level of reserves.

A Member commented that within the report the proposals for ward member budgets for 2016/17 were listed as a budgetary pressure and the Members suggested that in light of the Council's financial position, the ward budgets had to be seen as a luxury the Council could no longer support. The Chair sought an indication from the Committee, by show of hands, on whether the Ward Member Budgets should be removed from the budget proposals and the vote was lost by 9 votes to 1 with 1 abstention.

The recommendations as set out below, to be referred to Council on 10 December, were supported unanimously.

Decision

That the following detailed recommendations be referred to Council for approval: -

Implementation of Hartlepool Living Wage and National Living Wage

1. That the implementation of a Hartlepool Living Wage of £7.88 from 1st December 2015 be approved. The Committee noted that payment in December 2015 would be subject to Council approving this proposal on 10th December 2015 as part of the 2016/17 MTFS proposals.

2. That the proposal that the Hartlepool Living Wage of £7.88 be increased on an annual basis be approved, 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 would apply.

3 That the funding strategy for implementing the Hartlepool Living Wage as detailed in Appendix A to the report be approved.

4 The Committee noted that the forecast additional budget pressures in 2017/18 and 2018/19 had been included in the MTFS and noted that these forecasts would need to be updated on an annual basis to reflect actual Local Government cost of living pay awards and actual National Living Wage levels.

Strategy for Managing Power Station Rateable Value Reduction

5. The Committee noted that the Valuation Office Agency had 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.

6. That approval is given to 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 of the report), 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).

7. 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 be approved as detailed in table 6, paragraph 5.29 of the report.

8 The Committee noted that recommendations 6 and 7 avoided increasing the budget deficits for 2015/16 to 2017/18 and this was only possible as a result of beginning to plan for this situation in 2012/13. The Committee also noted 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. It this is not possible the 2018/19 budget deficit would increase by this amount.

9. The Committee noted that recommendations 6 and 7 did not provide a permanent solution to fully address the permanent reduction in the Power Station Rateable Value of £3.790m and there would be a forecast net income shortfall in 2019/20 of £1.5m;

10. The Committee noted 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.

Reserves Review and General Fund 2015/16 Forecast Outturn

11. That the allocation of £0.5m from the Reserves Review to establish a Child and Family Poverty Reserve, which will include arrangements for the providing advice and guidance services during 2016/17, be approved and authority delegated to the Finance and Policy Committee to develop and approve a strategy for using these resources.

12 That the allocation of the following forecast amounts to manage the potential impact of a higher actual 2016/17 grant cut than forecast be approved:

	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

13. The Committee noted 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.

Local Council Tax Support Scheme 2014/15 Forecast Outturn.

14 The Committee noted the detailed Local Council Tax Support (LCTS) scheme report to be referred to Council on 10th December 2015 will recommend that a 12% LCTS scheme is retained for 2016/17.

2016/17 to 2018/19 General Fund Budget

15. The Committee noted 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.

16. The Committee noted that after reflecting the proposals detailed in table 8, paragraph 9.6 of the report, which included forecast housing growth and the use of the Budget Support Fund, the gross deficit of £24.811m should reduce to £14.192m and would result in the following annual forecast deficits:

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

17. That the phased use of the Budget Support Fund be approved as follows and the Committee noted that this phasing was reflected in the forecasts net annual deficits detailed in recommendation 16:

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

18. That the use of Departmental Reserves of £1.091m and implementation of Budget Reductions/increased income/grant regimes of £3.088m be approved to address the 2016/17 net budget deficit of £4.179m as summarised below and detailed in Appendices C1 to C6 of the report.

	Use of Departmental Reserves £'000	Budget Reductions/ Increased income/ Grant regimes £'000	Budget reductions Increased income/ Grant regimes as a percentage of 2015/16 budget
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%
Total	**1,091**	**3,088**	**4.2%**

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

20. The Committee noted 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.

Capital Programme 2016/17

21. The Committee noted 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.

22. That the use Prudential Borrowing for the replacement of Operational Equipment be approved as detailed in Appendix D of the report and the Committee noted 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.

23. That, 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 be approved and the Committee noted the annual repayment costs of £15,000 will be funded from savings generated in the Waste Disposal Budget.

24. 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;

25. The Committee noted 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 6th 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.

Public Health Funding

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

Robustness of Budget Forecasts

27. The Committee noted the detailed advice provided by the Chief Finance Officer and Corporate Management Team in section 13 of the report.

124. Irrecoverable Debts - Sundry Debts and Housing Benefit Overpayments (*Chief Finance Officer*)

Type of decision

Non-key Decision.

Purpose of report

The report sought 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.

Issue(s) for consideration

The Assistant Chief Finance Officer reported that 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 three 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 two years. Whilst the Council continues to vigorously pursue recovery there are some sundry debts that become irrecoverable and the report sought approval to their write out.

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. 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 sought approval to write out of the Council's financial accounts a number of housing benefit overpayments for the reasons set out in the report.

All debts submitted for write out from the accounting records had been comprehensively scrutinised by officers. The following debts were now considered irrecoverable and are recommended for write out for the reasons set out:

Housing Benefit Overpayments – absconder / deceased / miscellaneous – (Appendix A of the report) £48,560.79 **.

Sundry Debts – deceased / bankrupt – (Appendix B of the report) £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.

Members were concerned that some of the debts for social care contributions and Housing Benefit overpayments had reached quite significant levels and questioned how that had occurred. The Assistant Chief Finance Officer stated that, in some instances, there may have been changes in circumstances within a household over a number of years which the benefit claimant hadn't informed the Council of which contributed to a high level of overpayments needing to be recovered.

Another Member was concerned with the operators of businesses that had gone bankrupt leaving debts then claiming from the council; could the business debts be recovered from the individual. The Assistant Chief Finance Officer stated that they could not, the business debts liability remained with the company.

Members noted that some of the housing benefit debts related to addresses that were in locations where they were likely only to be Band A properties, yet the debt was sizeable. The Chief Finance Officer stated that his staff did work closely with the DWP on housing benefits and other debts in general to ensure problems were picked up quite quickly. However, such issues were not always within the Council's control. Some of the debts listed were historic and the Chief Finance Officer advised Members that the new systems in place should enable these issues to be identified early and therefore reduce the scale of future write offs, although there will still be some historic cases within the system.

Decision

That approval be given to write out irrecoverable Sundry Debt and Housing Benefit Overpayment debt totalling £90,199.02.

125. North East Rail Management Unit Collaboration Agreement (*Director of Regeneration and Neighbourhoods*)

Type of decision

Non-key Decision.

Purpose of report

The report updated 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.

Issue(s) for consideration

The Director of Regeneration and Neighbourhoods reported that 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.

The report set out in detail the background to the commissioning of the new rail franchise in collaboration with the DfT and the development of the new North East management unit, to be created within the next Northern franchise provided 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. 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 the report as Appendix B.

Members queried what support there was for Councillor Dixon to undertake this role on behalf of the Tees Valley. The Director commented that regular update reports were considered by the Tees Valley Leaders/Mayors Group and the Local Enterprise Partnership. Members expressed concerned that there didn't appear to be any rail user representation on the Board.

The lack of capacity was often cited as being a major issue and it was questioned as to whether the new franchise would bring new rolling stock onto the system or second-hand equipment from other regions. The Director stated that the discussions with the operators that had submitted bids for the franchise centred around the provision of new rolling stock and increased capacity. Members were concerned that the increased capacity did not rely on two Pacer units operating together as they had significant disadvantages.

It was suggested that the minutes of the new Board could be referred to Council for information to keep Members appraised of developments.

Decision

1. The Committee noted the proposed arrangements for a North East Rail Management Unit ("NERMU"), to be nested within the wider Partnership arrangements between Rail North and the Department for Transport.

2. That 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 be approved.

3. That the appointment of Councillor Bill Dixon from Darlington Borough Council to represent the Tees Valley Authorities on the NERMU Board be approved.

4. That the minutes of the NERMU Board be referred to Council for information on a regular basis.

126. Employee Sickness Absence 2nd Quarter 2015/16

(*Assistant Chief Executive*)

Type of decision

For information.

Purpose of report

The report updated the Committee on the Council's performance, in relation to employee sickness absence, for the second quarter of 2015/16.

Issue(s) for consideration

The Chief Executive reported on the Council's employee sickness absence performance for the second quarter of 2015/16. The statistics provided detailed performance for individual departments, schools and a breakdown of the reasons for sickness.

Decision

That the report be noted.

The meeting concluded at 3.25 pm.

P J DEVLIN

CHIEF SOLICITOR

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