

FINANCE AND POLICY COMMITTEE

AGENDA



Monday 3 September 2018

at 10.00 am

**in the Committee Room B,
Civic Centre, Hartlepool.**

MEMBERS: FINANCE AND POLICY COMMITTEE

Councillors C Akers-Belcher, S Akers-Belcher, Brown, Cassidy, Cranney, Harrison, Marshall, Moore, Smith, Thomas and 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 30 July 2018.
- 3.2 To receive the minutes of the meeting of the Safer Hartlepool Partnership held on 22 June 2018.

4. BUDGET AND POLICY FRAMEWORK ITEMS

- 4.1 Medium Term Financial Strategy (MTFS) 2019/20 and Financial Outlook from 2020/21 – *Director of Finance and Policy*

5. KEY DECISIONS

No items.

6. OTHER ITEMS REQUIRING DECISION

No items.



7. ITEMS FOR INFORMATION

- 7.1 Strategic Financial Management Report – as at 31 July 2018 – *Corporate Management Team*

8. ANY OTHER BUSINESS WHICH THE CHAIR CONSIDERS URGENT

FOR INFORMATION

Future meeting dates –

Monday 8 October 2018 at 10.00 am
Monday 29 October 2018 at 10.00 am
Monday 26 November 2018 at 10.00 am
Monday 17 December 2018 at 10.00 am
Monday 14 January 2019 at 10.00 am
Monday 28 January 2019 at 10.00 am
Monday 11 March 2019 at 10.00 am



FINANCE AND POLICY COMMITTEE

MINUTES AND DECISION RECORD

30 JULY 2018

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

Present:

Councillor Christopher Akers Belcher (In the Chair)

Councillors: Stephen Akers-Belcher, Paddy Brown, Tom Cassidy, Kevin Cranney, Brenda Harrison, Ann Marshall, Shane Moore, Leisa Smith and Stephen Thomas.

Also Present: Chief Inspector Nigel Burnell, Cleveland Police

Officers: Hayley Martin, Interim Chief Solicitor
Chris Little, Director of Finance and Policy
Denise Ogden, Director of Regeneration and Neighbourhoods
Chris Parkin, Head of Finance, Regeneration and Neighbourhoods
Laura Stones, Scrutiny and Legal Support Officer
Steve Hilton, Public Relations Officer
David Cosgrove, Democratic Services Team

23. Apologies for Absence

None.

24. Declarations of Interest

None.

25. Minutes of the meeting held on 9 July 2018

Confirmed.

26. Final Outturn 2017/18 *(Corporate Management Team)*

Type of decision

Budget and Policy Framework.

Purpose of report

To provide details of the final outturns for 2017/18 and to approve the

strategy for funding the final 2017/18 General Fund overspend of £0.109m.

Issue(s) for consideration

The Director of Finance and Policy reported that on the basis of the actual expenditure at 31st December 2017 and forecasts for the final three months of the financial year an overspend of £0.124m was forecast. This forecast anticipated departmental budget overspends being partly offset by Corporate budget under spends and the use of departmental reserves. The actual outturn is a net overall overspend of £0.109m which reflected an overspend on departmental budgets which, owing to continued demand led pressures and an underspend on corporate budgets, was not sustainable as recurring corporate savings had been built into the MTFS and the use of departmental reserves.

The Director highlighted that the outturn position for Children's Services was a net overspend of £2.610m. The majority of the overspend relates to continuing costs in relation to Looked After Children (LAC). These pressures were expected to continue into 2018/19. To address the financial impact of these pressures the MTFS is predicated on using the one-off LAC reserve with the aim of providing a longer lead time to either manage demand and/or determine a longer term funding strategy. The overall outturn position, therefore, had to be seen in light of the significant pressures in this area and the use of £1.4m of the LAC reserve in 2017/18.

The Director reported that collection rates for Business rates stood at 98.9% in 2017/18, an improvement of 0.5% on 2016/17. The national average for unitary and metropolitan councils in 2017/18 was 97.9%. Furthermore, long term collection rates for Business Rates were being sustained with 99.6% of Business rates being collected after 5 years.

The collection rate for Council Tax was 95.7% for 2017/18, an improvement of 0.4% on 2016/17. The Hartlepool collection level was still slightly lower than the 2017/18 national average for unitary and metropolitan councils of 96.1%.

The report also gave details of the Capital Budget Outturn and an update on the Capital receipts Target. Detailed appendices set out the budget outturn for individual departments.

The Director responded to a number of questions clarifying government funding and the future of the Youth Service. The Chair of the Children's Services Committee informed the Committee that she was due to meet with the town's Member of Parliament to look towards improving the funding for SEND children in Hartlepool which could potentially have a consequent benefit to the Children's Services budget.

The Chair also reported that he was working with the Director of Finance and Policy on an open letter to government highlighting the impact of the crisis in social care funding in Hartlepool. The Chair undertook to circulate

a copy of the letter to Members once it had been sent.

Decision

1. The Committee noted the final 2017/18 overspend of £0.109m which had been funded from the General Fund Reserve. This position reflected the continued pressure on services and the Council's overall financial position.
2. The Committee noted that as at 31st March 2018 capital receipts of £2.648m still remained to be achieved from future planned land sales.

27. Integrated Working – Neighbourhood Safety Group Update *(Director of Regeneration and Neighbourhoods)*

Type of decision

Non-Key Decision.

Purpose of report

To receive a progress update in relation to implementation of the integrated place based community safety model agreed by the Finance and Policy Committee in October 2017.

Issue(s) for consideration

The Director of Regeneration and Neighbourhoods submitted a review covering the first three months of operation following the official launch of the integrated place based community safety model at the Safer Hartlepool Partnership Face the Public Event on 26 February 2018. The review identified that the model approved by the Finance and Policy Committee in October 2017 had largely been implemented as intended and within the anticipated timescale. It captured some early benefits whilst also identifying areas for improvement/further development.

Decision

1. The Committee noted the contents of the 'interim review' into the 'integrated place based community safety model.'
2. The Committee noted that the Safer Hartlepool Partnership's Neighbourhood Safety Group would continue to oversee the development of the model in line with the recommendations outlined in the review.
3. That the Finance and Policy Committee receive the outcome of a full review into the place based integrated community safety model to take place in 2019/20 with a completion date of December 2020.

28. Data Protection – Update and Policy *(Interim Chief Solicitor)*

Type of decision

Non-key decision.

Purpose of report

The purpose of the report was to outline the changes that the Council had undertaken to ensure compliance with the General Data Protection Regulation (GDPR) and the Data Protection Act 2018; and to seek agreement to the Data Protection Policy (attached as an appendix to the report).

Issue(s) for consideration

The Interim Chief Solicitor reported that GDPR was the biggest change to data protection law in over 20 years. The regulation is EU law and came into force on 25 May 2018. The UK had repealed the Data Protection 1998 and replaced it with the Data Protection Act 2018. Both pieces of legislation strengthen data rights. The Council had and continued to implement GDPR compliant measures, and an update on the work that had been completed and which continues to be a priority was set out within the report.

The Interim Chief Solicitor highlighted that throughout May and the beginning of June, staff were requested to attend GDPR training; this training had been mandatory and approximately 1100 people attended the training. Blue collar workers would also receive a GDPR Briefing Sheet, detailing the changes and how to keep data safe. A GDPR Members' Seminar had also been held.

Decision

That the report be noted and the Hartlepool Borough Council Data Protection Policy approved.

29. Corporate Procurement Quarterly Report on Contracts *(Director of Finance and Policy)*

Type of decision

For information.

Purpose of report

To satisfy the requirements of the Council's Contract Procedure Rules with regard to the Finance and Policy Committee receiving and examining quarterly reports on the outcome of contract letting procedures including those where the lowest/highest price is not payable/receivable; and receiving and examining reports on any exemptions granted in respect of

the Council's Contract Procedure Rules.

Issue(s) for consideration

The Director of Finance and Policy reported that alongside the detailed tender information set out in the appendices to the report, additional related information showing details of exemptions granted to the Contract Procedure Rules were also included in the quarterly report.

Decision

That the report be noted.

30. Any Other Items which the Chairman Considers are Urgent

None.

The Committee noted that the next meeting would be held on Monday 3 September 2018 commencing at 10.00 am in the Civic Centre.

The meeting concluded at 10.10 am.

H MARTIN

INTERIM CHIEF SOLICITOR

PUBLICATION DATE: 2 AUGUST 2018

SAFER HARTLEPOOL PARTNERSHIP

MINUTES AND DECISION RECORD

22 JUNE 2018

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

Present:

Councillor Christopher Akers-Belcher (In the Chair)

Councillor Jim Lindridge.

Also present: Denise Ogden, Director of Regeneration and Neighbourhoods,
Hartlepool Borough Council
Clare Clark, Head of Community Safety and Engagement, Hartlepool
Borough Council
Chief Superintendent Alastair Simpson, Neighbourhood Partnership and
Policing Command, Cleveland Police
Chief Inspector Nigel Burnell, Chair of Youth Offending Board
Ian Armstrong, Durham Tees Valley Community Rehabilitation
Company
Ian Dixon, Cleveland Fire Authority
John Bentley, Voluntary and Community Sector Representative, Chief
Executive, Safe in Tees Valley
Libby Griffiths, Thirteen Group
A Peavor, Hartlepool and Stockton on Tees Clinical Commissioning
Group
Sally Robinson, Director of Children's and Joint Commissioning Services,
Hartlepool Borough Council

Jill Harrison, Director of Adult and Community Based Services
Martin Booth, Justice First

Officers: Rachel Parker, Community Safety Team Leader
David Cosgrove, Democratic Services Team

1. Apologies for Absence

Gill Alexander, Chief Executive, Hartlepool Borough Council
Peter Brambleby, Interim Director of Public Health, Hartlepool Borough
Council
Barry Coppinger, Office of Police and Crime Commissioner for Cleveland
John Graham, Director of Operations, Durham Tees Valley Community
Rehabilitation Company
Simon Weastell, District Manager, Cleveland Fire Authority

Chris Joynes, Director of Customer Support, Thirteen Group
Jean Golightly, Director of Nursing and Quality, Hartlepool and Stockton on
Tees Clinical Commissioning Group

2. Declarations of Interest

None.

3. Retirement of Clare Clark

The Chair indicated that this meeting would be the final meeting attended by Clare Clark, Head of Community Safety and Engagement within Borough Council before her retirement at the end of the month. The Chair wished to record his thanks for all the support he had received from Ms Clark during his time as Chair of the Partnership. Members echoed the Chair's sentiments.

4. Minutes of the meeting held on 13 April, 2018

Confirmed.

5. Justice First – (*Justice First Manager*)

Purpose of report

To receive a presentation from Justice First on their work with refugees and asylum seekers.

Issue(s) for consideration

Martin Booth, Fundraising Assistant with Justice First, gave a presentation to the Partnership outlining the work it undertook in Hartlepool in coordination with the Mary Thompson Fund and Tees Valley of Sanctuary. The presentation outlined the following key points: -

According to Article 1 of the 1951 United Nations Convention Relating to the Status of Refugees, a refugee is "someone who has a well-founded fear of being persecuted for reasons of race, nationality, religious belief, political opinion or membership of a particular social group; is outside the country of his or her nationality and is unable, or owing to such fear, is unwilling to avail himself of the protection of that country."

An asylum seeker is someone who has applied to be recognised as a refugee and is waiting for a decision. The right to seek asylum is enshrined in international law. It is recognised that using false documents is sometimes necessary to flee a country. There is no such thing as an

“illegal” asylum seeker.

A Migrant is someone who crosses a border voluntarily for reasons like employment or education. Should a migrant elect to return home they would continue to receive the protection of their government.

An Immigrant is someone who chooses to leave voluntarily, to live elsewhere – usually permanently.

An Illegal immigrant is someone who crosses a border and intentionally avoids informing the authorities.

Asylum seekers and refugees came from all walks of life and may be fleeing their home country due to war, conflict, political, religious and sexual discrimination.

The situation of asylum seekers on the Mediterranean island of Chios was highlighted showing the different countries they were fleeing. This was an island that Mr Booth had worked as an aid worker.

Those asylum seekers that reached Britain still faced many obstacles such as language barriers. Many were educated and qualified people but those qualifications may not be recognised in the UK. Most will have been working before they left their home and didn't want to be on benefits.

World-wide 65.3 million people have been forced to flee their homes and are either refugees, asylum seekers or internally displaced persons; 5 million of those in 2016 alone. Developing countries now host over 86% of all the refugees (70% 10 years ago) and an average of 42,500 persons were forced to flee their homes every day in 2014.

There were just under 32,500 claims for asylum in the UK last year; compared to Germany (442,000), Sweden (156,000), and France (74,000). Most refugees were in countries that neighbour conflict countries: Turkey, Pakistan, Lebanon, Iran, Ethiopia, Jordan and now Bangladesh. 86% of refugees are hosted by the poorest countries, leaving just 14% across the rest of the world. Only 0.32% of UK population were refugees.

The major source countries of refugees across the world were Syria, Afghanistan, Somalia, South Sudan, Sudan, DRC and now Myanmar.

People Seeking Asylum in Teesside in 2017 - Stockton: 892; Redcar and Cleveland: 44; Middlesbrough: 600; and Hartlepool: 188.

Justice First staff and volunteers help asylum seekers to assess their own case and if they have reasonable prospect of mounting an appeal they are helped to collect the evidence that they need. If an appeal is accepted legal aid and state assistance is re-instated and they are supported emotionally and practically.

The Mary Thompson Fund was a hardship fund established in 2001 for asylum/sanctuary seekers and to help settle refugees. The fund provided weekly cash and food from base in Stockton with funds coming mostly from donations from local people and organisations; around £30,000 - £40,000 each year. The fund aimed to be flexible and provide a quick response. The fund applied for small grants to cover admin costs, so that every penny donated goes to people in need.

Justice First helped people refused asylum to re-engage with the legal process and also emotional and practical support. It would refer people to other agencies who can help and provided an outreach venue for the Red Cross, the Mary Thompson Fund, and local immigration solicitors. Justice First also undertook awareness raising and lobbying and worked in partnership with other organisations supporting asylum seekers.

In Hartlepool, Justice First had worked with a total number of 42 clients plus 19 dependants supported over the last three years. Currently the group was engaged with 20 clients and 19 dependants. All of these clients were supported by the Home Office. Four of these clients were successfully referred to a solicitor and were represented by them. The presentation also outlined a case study of a family in Hartlepool and the work of a volunteer with the group.

Justice First promoted the work of Tees Valley of Sanctuary in Hartlepool among twenty three other partner organisations and High Tunstall School were working to be recognised as a School of Sanctuary.

Mr Booth thanked the Council for its contribution of £5000 to support the fund over each of the next two years. This, together with support from other local authorities was valuable contribution to the organisation.

The Chair thanked Mr Booth for the presentation and stated that he and the Partnership respected the work undertaken by Justice First in supporting those asylum seekers and refugees that were now making Hartlepool their home.

Decision

That the presentation be noted.

6. Safer Hartlepool Partnership Terms of Reference – Membership Refresh *(Director of Regeneration and Neighbourhoods)*

Purpose of report

To consider a refresh of the Safer Hartlepool Partnership Terms of Reference to reflect changes in membership.

Issue(s) for consideration

The Head of Community Safety and Engagement reported that following discussion at the Safer Hartlepool Partnership development day held in 2017 the refreshed Terms of Reference also now includes Hartlepool Borough Councils Director of Adult and Community Based Services and the Assistant Director, Environment and Neighbourhood Services as additional members. It was proposed that reference to the Chair of the bench of Hartlepool Magistrates be removed following the closure of Hartlepool Magistrates Court.

In the Terms of Reference the Leader of the Council is the Chair of the Safer Hartlepool Partnership with the Vice Chair of the Partnership being agreed on an annual basis who must be from one of the responsible authorities other than the Council.

Decision

1. That the Partnership approves the refresh of the Terms of Reference in order to reflect changes to the Safer Hartlepool Partnership Membership as outlined in Appendix A to the report.
2. That the Partnership approves the inclusion of the Borough Council's Director of Adult and Community Based Services and the Assistant Director, Environment and Neighbourhood Services as new members to the Partnership
3. That the Partnership agrees not to invite a representative from Teesside Magistrates to become a member of the Partnership.
4. That the Partnership approves the Chief Superintendent of Neighbourhoods and Partnerships continuing in the role of Vice Chair for the new municipal year.

7. Community Safety Plan 2017-20 (Year 2) *(Director of Regeneration and Neighbourhoods)***Purpose of report**

To consider the annual refresh (Year 2) of the 2017-20 Safer Hartlepool Partnership Community Safety Plan.

Issue(s) for consideration

The Director of Regeneration and Neighbourhoods reported that following

presentation and discussion of the key findings within the annual strategic assessment to the Safer Hartlepool Partnership in April 2018 a draft version of the refreshed Community Safety Plan (Year 2) was submitted for the Partnership's consideration. Subject to approval the Community Safety Plan would be considered by the Council's Finance and Policy Committee prior to being considered for adoption by full Council.

The Chair highlighted that Substance Misuse Policy was to be considered by the Health and Wellbeing Board as a priority area this year. Further reports would, therefore, come back to the Partnership as appropriate.

The following recommendations were approved unanimously.

Decision

1. That the Partnership approves the draft Community Safety Plan 2017-20 (Year 2).
2. That the Partnership approves the Task/Sub Group reporting timetable.
3. That the Borough Council's Director of Children's and Joint Commissioning Services be appointed as Chair of the Domestic Abuse Group.

8. Acquisitive Crime Task Group Update (*Durham Tees Valley Community Rehabilitation Company*)

Purpose of report

To receive an update report on the work of the Acquisitive Crime Task Group.

Issue(s) for consideration

The Head of Community Safety and Engagement reported that following the establishment of the Task Group in March 2018 the group had investigated the potential impact of the government's welfare reforms and the implementation of Universal Credit on acquisitive crime. The detailed update report was submitted for the Partnership's consideration.

Chief Superintendent Simpson asked if the further work being undertaken by the Task Group would be reported back to the Partnership. The Chair requested that any important additional information be circulated directly to Partners when/if available.

Decision

1. That the report be noted; and
2. That any significant additional information from the Task Group be circulated to the Partnership as and when appropriate.

9. Safer Hartlepool Partnership Performance *(Director of Regeneration and Neighbourhoods)***Purpose of report**

To provide an overview of Safer Hartlepool Partnership performance for Quarter 4 – January 2018 – March 2018 (inclusive).

Issue(s) for consideration

The Community Safety Team Leader commented on the detailed statistics included with the report which showed that all recorded crime, except vehicle crime, had shown an increase over the quarter. This was, however, the lowest increase over the four Police Districts. Bicycle and vehicle crime had reduced significantly following a campaign around garden crime encouraging households to ensure sheds and gardens were locked. While no targeting bicycle crime specifically, most bicycle thefts were from homes.

There had been a reduction in recorded anti-social behaviour of around 17% with a significant reduction in nuisance anti-social behaviour. There had also been a reduction in the numbers of deliberately set fires, though this was partially attributed to the very wet weather earlier in the year.

The Community Safety Team Leader also highlighted that the number of first time entrants to the criminal justice system had also reduced significantly with only three new entrants to the system in the quarter.

The Chair commented that while there was an overall increase in recorded crime there were a number of positives that should be focussed on. It was suggested that to assist further the good work that had been done on bicycle crime, some work with schools encouraging school children to lock their bikes particularly during the school holidays. In relation to the deliberate fires it was questioned as to whether the recent high profile fires were due to accidents or arson. Chief Inspector Burnell commented that suggestion to work with schools would be taken forward. Much of the success in the bicycle crime figures had been due to reuniting stolen bikes with their owners. There was a sub group working on deliberately set fires which was also working with owners of vulnerable buildings to ensure the Police and Fire Brigade had up-to-date key holder information. The Fire Brigade representative indicated that officers were working with the Police

in investigating deliberately set fires.

The Chair considered that the new integrated community safety team was proving its worth and indicated that he would like to include some of the positive news in his next Leader's Bulletin.

It was questioned as how the work with troubled families was impacting on crime figures. The Chair suggested that a report on this important area of work would be helpful for a future meeting.

The repeat incidents of domestic violence was raised with concern expressed at the potential increase in incidents during the world cup. Chief Superintendent Simpson stated that there was additional provision and support for victims for domestic abuse, which was unfortunately a part of police officers regular business.

A member referred to the public perception around acquisitive crime where people often feel the police were not doing enough. The success around bicycle crime for example needed to be better communicated with the public, particularly through social media. The Chair agreed and suggested that some additional work through the Communications Team should be undertaken.

The issue of the nuisance caused by off-road motor cycles was raised. The Police representatives indicated that Operation Endurance was continuing to tackle this issue but there were difficulties in identifying bikes and riders. The operation was as much about education as it was seizing bikes and Hartlepool did have fewer reports of these incidents than the other districts. The Police did require as much intelligence as they could get from the public and they would take reports through social media as well. It was a misconception that officers should chase after those causing a nuisance; it was much better to focus on where the bikes were kept. The Chair commented that it would be useful to have a link from the Council's own website and social media to the Police to help in improving reporting.

The issue of Community Payback by offenders was discussed with concern being expressed at the lack of visibility of the 'pay-back'. The public needed to see that this was happening to alley the perception that it was a soft option. The Durham Tees Valley Community Rehabilitation Company representative agreed that much of their work was poorly advertised. The Chair agreed that there were similar anxieties expressed in his ward and requested that the Durham Tees Valley Community Rehabilitation Company should give a presentation to the Partnership outlining the work done and also to allow a discussion on how to better integrate some of the 'pay-back' work with Neighbourhood Services and how to improve the information sharing with the public.

The Durham Tees Valley Community Rehabilitation Company representative was asked if it was correct that Hartlepool offenders were often transferred to 'pay-back' schemes outside of Hartlepool. The

representative stated that this did happen at times to allow work to be managed appropriately but for no other reason than that. There were also a number of placements in local charity shops so offenders were paying back in Hartlepool.

Decision

1. That the report be noted.
2. That a report be submitted to a future meeting outlining the work undertaken with troubled families in Hartlepool and the consequent affect on crime.
3. That a report / presentation be received from the Durham Tees Valley Community Rehabilitation Company on the Community Payback Scheme's operation in Hartlepool.

10. Any Other Items which the Chairman Considers are Urgent

None.

The meeting noted that the next meeting would be held on Friday 3 August 2018 at 10.00 am in the Civic Centre, Hartlepool.

The meeting concluded at 11.00 am.

CHAIR

FINANCE AND POLICY COMMITTEE

3 September 2018



Report of: DIRECTOR OF FINANCE AND POLICY

Subject: MEDIUM TERM FINANCIAL STRATEGY (MTFS)
2019/20 AND FINANCIAL OUTLOOK FROM 2020/21

1.0 TYPE OF DECISION/APPLICABLE CATEGORY

1.1 Budget and Policy Framework.

2.0 PURPOSE OF REPORT

2.1 The purpose of this report is to update the MTFS for 2019/20 to reflect known financial issues, to enable Members to approve the 2019/20 budget timetable and to provide an overview of the financial outlook from 2020/21.

3.0 BACKGROUND

3.1 The Government previously invited Local Authorities to apply for a four year settlement covering the financial years 2016/17 to 2019/20. Ninety seven percent of authorities, including Hartlepool, applied for and were granted a four year settlement by the Government.

3.2 Whilst, the four year settlement provides funding certainty, it also confirmed funding cuts until 2019/20. This means that by 2019/20 local authorities will have faced nine successive years of cuts in funding provided by the Government.

3.3 In 2019/20 Hartlepool will receive core Government funding (Revenue Support Grant and Top up grant) of approximately **£25.5m**, compared to **£46.4m** in 2013/14, which is a reduction of **£20.9m** i.e. a reduction of 45%.

3.4 The reductions in Government funding and other changes introduced by the Government, including the introduction of the Adult Social Care precept, have shifted the burden of funding local authority services from national tax payers on to Council Tax, as summarised in the following table:

Change in National funding 2015/16 to 2019/20

	2015/16	2019/20	Increase/ (decrease) in overall funding
Settlement Funding Assessment #	48.0%	32.4%	(15.6%)
Council Tax	49.3%	61.5%	12.2%
Other Grants ##	2.7%	6.1%	3.4%
	100.0%	100.0%	

consists of Revenue Support Grant, Top-up Grant and Business Rates income.

consists of Improved Better Care Fund, New Homes Bonus & Rural Services Delivery Grant

- 3.5 The national funding cuts and funding changes implemented over the last nine years by the Government have had a fundamental impact on Hartlepool. As reported previously Hartlepool has suffered disproportionate cuts in Government funding over the last nine years.
- 3.6 The Council has not been able to offset these funding cuts to the same extent as other authorities by increasing Council Tax, as Hartlepool has a low Council Tax base. This means each 1% Council Tax increase raises significantly less income in Hartlepool than it does in more affluent areas. Therefore, the Council has had to make significant budget cuts.
- 3.7 However, despite the cuts in funding implemented over the nine years up to 2019/20 Hartlepool will in 2019/20:
- still be more reliant on Government funding than more affluent areas; and
 - raise a lower proportion of total recurring funding from Council Tax.
- 3.8 These points confirm that Hartlepool, and other councils serving more deprived communities with a low Council Tax base, face higher financial risks from the Government's proposed reform of the Local Government Finance system in 2020/21. This position underlines the importance of the Government's funding reforms addressing both the service needs of individual local authorities and their ability to partly fund these services locally from Council Tax.
- 3.9 Further information is provided later in the report and the following table highlights the differences between the make-up of Hartlepool's recurring funding and the national make-up of recurring funding for 2019/20.

Comparison of 2019/20 Recurring Funding

	Hartlepool Percentage	National Percentage
Settlement Funding Assessment	42.4%	32.4%
Council Tax	49.8%	61.5%
Other Grants	7.8%	6.1%
Total Recurring Funding	100.0%	100%

4.0 NATIONAL CONTEXT

- 4.1 Previous MTFS reports have highlighted the financial challenges the Council has faced since austerity commenced in 2010/11, the continuing challenges from proposed changes to the local government funding system from 2019/20 and the future green paper on Adult Social Care funding.
- 4.2 Over the last few months there is increasing evidence from independent sources in relation to the financial sustainability and resilience of local authorities, as detailed in paragraphs 4.3 to 4.11. These reports highlight the financial challenges facing all authorities, in particular areas like Hartlepool with a low Council Tax base/Business Rates base and continued dependency on the outcome of the Fair Funding Review and future Government decisions on the total funding pot for local authorities.
- 4.3 **House of Commons Committee of Public Accounts – Financial sustainability of local authorities report**
- 4.4 The above report was published on 4 July and the recommendations made are summarised in **Appendix A**. The report summary is detailed below and provides a concise overview of the issues affecting local authorities:

Extract from Financial sustainability of local authorities report

“After seven years of government funding reductions totalling nearly 50% and rising demand for services, local authorities are under real strain. Key services that support vulnerable people, such as social care and housing, are now under enormous pressure. Other important local services in areas such as planning, transport, and cultural services have seen spending cut by between a third and a half. Local authorities face an estimated funding gap of over £5 billion by the end of the decade. The harsh reality is that more and more local authorities are now showing signs of financial stress such as overspending on services. They now face a period of greater uncertainty as their funding framework beyond 2019–20 is unclear.

The Ministry of Housing, Communities and Local Government (the Department) has not yet developed a plan to secure their long-term financial future. It is not transparent enough about its understanding of the pressures faced by local authorities, meaning Parliament and the taxpayer cannot be sure that it genuinely understands or is addressing the issue. The Department is overly reliant on a favourable outcome from the 2019 Spending Review to address authorities' financial issues. This is particularly complacent given that the previous Spending Review settlement resulted in many local authorities having to rely on reserves to fill the gaps in funding. This is an unsustainable situation. The recent announcement about additional money for the NHS did not include anything for social care. Given that social care is the other half of the equation, it is vital that there is a long-term solution."

4.5 **CIPFA – proposed local authority financial resilience index**

4.6 CIPFA (Chartered Institute of Public Finance and Accountancy) issued consultation proposals in July in relation to the development of a local authority financial resilience index.

4.7 In the foreword to the document the CIPFA Chief Executive (a former local authority Chief Executive and section 151 officer) stated that

- “ the recent National Audit Office report on financial sustainability in local authorities, published following the crisis at Northamptonshire County Council, indicates that there is heightened risk of more councils over the next four years falling into special financial measure as a result of unrelenting pressure on budgets. There are a number of tools already available to assist councils in recognising and dealing with an approaching serious financial situation including the section 114 statement and CIPFA believes that timely use of these statements will be more effective in stabilising councils before they go over the cliff edge. Such use would hopefully avoid the type of failure we have seen in Northamptonshire County Council, where it is clear from the independent inspector's report that too little action was taken too late”.

4.8 CIPFA's consultation proposals were issued before Northamptonshire County Council held an extraordinary Council meeting on 1st August to consider a second section 114 statement.

4.9 CIPFA's consultation proposals are based on developing an overall index score to show each council its own score and a tool to enable comparison to be made with other authorities.

4.10 CIPFA's proposed overall index score is based on assessing six key areas:

Indicator	Weight
Level of Reserves	0.25
Change in reserves	0.25
Grants to expenditure ratio	0.10
Social care and debt financing ratio	0.15
Ofsted inspection score	0.15
Auditor's VFM judgement	0.10

4.11 CIPFA's consultation closed on 24 August 2018 and details of the actual financial resilience index they implement will be reported to a future meeting.

4.12 **National Tax Forecasts 2016/17 TO 2022/23**

4.13 The Chancellor's November 2017 budget detailed the Government's forecast tax receipts for the financial years 2016/17 to 2022/23. The following table summarises changes in forecast income generated from different taxes over this period.

Forecast increase in National Tax income 2016/17 to 2022/23
(source – HM Treasury – November 2017 budget)

	2016/17	2022/23	Forecast increase between 16/17 and 22/23		Percentage increase in tax yield to raise £7.9 billion to avoid Council Tax increases
	£'billion	£'billion	£'billion		
Income Tax	177.2	214.3	37.1	20.9%	4.5%
National Insurance	125.9	153.2	27.3	21.7%	6.3%
Value Added Tax	135.4	163.1	27.7	20.5%	5.8%
Corporation Tax	54.1	57.2	3.1	5.7%	14.6%
Council Tax	30.4	38.3	7.9	26.0%	
Business Rates	29.2	33.6	4.4	15.1%	27.1%
Fuel Duty	27.9	30.6	2.7	9.7%	28.3%
Sub Total - top 7 taxes	580.1	690.3	110.2	19.0%	1.4%
Other Taxes	92.6	120.7	28.1	30.3%	8.5%
Total All Taxes	672.7	811.0	138.3	20.6%	1.2%

National Council Tax as a % age of all taxes	4.5%	4.7%
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- 4.14 The Government's forecasts reflect a combination of forecast economic growth, which increases tax revenues, and Government policy changes, for example the introduction of the Adult Social Care precept and higher Council Tax referendum limits for 2018/19 and 2019/20.
- 4.15 The above table shows the forecast changes in the top 7 taxes, which in 2022/23 are forecast to make-up 85% of all taxes. The table also shows that by 2022/23 the Government is forecasting that national Council Tax income will be **26%** higher than in 2016/17; this is the highest percentage increase for the top seven taxes. These forecasts continue to shift the burden for funding local authority services from national taxes on to Council Tax. The Government's Council Tax forecasts are based on the following planning assumptions:
- local authorities will implement the maximum Social Care precepts by 2019/20;
 - local authorities will implement annual increases in the core Council Tax level (excluding the Adult Social Care precept) up to the level of the Government's Council Tax referendum limits; and
 - forecast national housing growth will be achieved.
- 4.16 At an individual authority level the ability to achieve local housing growth in line with the national forecast will depend on local circumstances. More importantly, even if all authorities implement Council Tax increases in line with Government referendum limits this would have a greater financial benefit for more affluent areas with a higher Council Tax base. Therefore, unless the Government addresses this issue as part of the new funding system for 2020/21, by restoring the 'resource equalisation' mechanism, the 'post code lottery' in funding available for local services will continue to be exacerbated.
- 4.17 The 2019/20 Local Government Finance Settlement – Technical Consultation**
- 4.18 Whilst the Government issued a four year settlement covering 2016/17 to 2019/20 the current legislative framework requires annual settlements to be approved by Parliament. As part of this process the Government issued the above consultation on 24th July 2018 and consultation closes on 18th September.
- 4.19 The consultation covers five specific questions and a draft response is provided at **Appendix B** for Members consideration.
- 4.20 The consultation document does not ask a specific question in relation to the 2019/20 New Homes Bonus (NHB). Since 2015/16 significant changes have been made to the NHB regime. These changes have reduced the period NHB is paid from 6 to 4 years. By 2019/20 NHB will be allocating £900 million, compared to £1.2 billion in 2015/16 - a national reduction of £300 million (25%).

- 4.21 In 2019/20 the Council is forecast to receive **£1.631m**, compared to £2.590m in 2017/18, the final year covered by a 6 year NHB allocation. This is a local reduction of £0.959m (37%).
- 4.22 The current consultation document indicates that owing to the continued upward trend for house building the Government expects the baseline (set at 0.4% in 2018/19) to increase in 2019/20. This would reduce the amount of NHB received by councils as a higher baseline sets a higher threshold for determining NHB payments.
- 4.23 The Government will detail any changes intended for the baseline in 2019/20 in the provisional settlement. As the provisional settlement is unlikely to be issued until late December this will provide only limited time to address any reduction in forecast NHB income.
- 4.24 2019/20 is the final year of funding agreed through the Spending Review 2015 for NHB. It is the Government's intention to explore how to incentivise housing growth most effectively, for example by using Housing Delivery Test results to reward delivery or incentivising plans that meet or exceed local housing need. This may include retention of NHB. The Government has indicated they will consult widely on any proposed changes prior to implementation.

5.0 2019/20 BUDGET POSITION

- 5.1 The Council had previously developed a four financial strategy covering the period up to 2019/20. A budget deficit of £1.363m was previously forecast for 2019/20, which reflected planned savings and a Council Tax increase in line with the provisional referendum limit set by the Government.
- 5.2 As reported in February 2018 the forecast budget deficit for 2019/20 increased significantly owing to the impact of the national pay award and continuing Looked after Children (LAC) pressures.
- 5.3 The recurring cost in 2019/20 of the 2018 and 2019 national pay awards to the Council is £2.150m. The Government will not be providing additional funding to meet all, or part of this cost, despite the fact that this will lead to higher income tax and national insurance contributions (both employers and employees) being received by the Government.
- 5.4 The February MTFS report indicated that recurring LAC pressures were anticipated to be in the order of £2.5m. This forecast was predicated on reducing demand from the actual level in 2017/18 and no increase in the number of high cost placements impacting on the Council.
- 5.5 The latest position indicates that LAC numbers and costs will be higher in 2018/19 than forecast and this trend is likely to continue in 2019/20. Therefore, based on existing caseloads and known changes during 2018/19, it is anticipated that the budget pressure for 2019/20 will increase from £2.5m to £3.5m.

- 5.6 Officers will seek to reduce this additional pressure. However, as the increased costs relate to existing care packages, it is unlikely that any significant reduction can be made in 2019/20. Therefore, the Council will need to factor these additional costs into the financial plan for 2019/20.
- 5.7 The position for 2020/21 is uncertain at this stage and will be critically dependent on the impact of national funding changes proposed by the Government. Further updates will be provided when more information is available.
- 5.8 These issues are not unique to Hartlepool and funding for Children's Services continues to be one of the biggest financial concerns (if not the biggest financial concern) for most authorities with this responsibility. However, Hartlepool faces significantly greater challenges than many other councils. Nationally the Local Government Association has identified a funding shortfall for Children's Services of £2 billion. There is increasing evidence that if the Government does not address this issue in the forthcoming Spending Review and the funding allocations for Councils from 2020/21.
- 5.9 Further work has been completed to review 2019/20 planning assumptions to reflect changing circumstances. As detailed in **Appendix C** these measures reduce the 2019/20 budget deficit by **£371,000**. An increase in forecast growth in the Council Tax base from 290 to 390 Band D equivalent properties reduces the deficit by a further £170,000.
- 5.10 The 2019/20 budget forecast has also been updated to reflect guidance from Members to remove the following initial 2019/20 savings approved in February 2018:

- Removal of planned Youth Service saving of £296,000;

This saving was predicated on moving to the development of a Youth Mutual. Members are committed to maintaining a Youth Service delivered by the Council. Therefore, this saving cannot be achieved as the budget is required to continue to deliver youth services through the early help offer.

- Removal of Environment Services savings of £160,000;

Alternative funding of £200,000 has been identified for this service for five years from income received from Thirteen Group from the sale of former council houses. This income will avoid these cuts and provide £40,000 to enhance this service, with further investment of £60,000 being achieved from vehicle savings.

5.11 Housing Growth 2019/20 to 2021/22

- 5.12 A review of housing growth (i.e. change in Band D Council Tax base) achieved over the period 2004/05 to 2018/19 has been completed. This analysis shows that over the last five years average annual growth has increased owing to impact of housing growth and a reduction in Local

Council Tax Support claimants. As summarised in the table below average growth for the last five years was significantly higher than in the previous eight years:

Housing Growth (increase in Band D Council Tax base)

	Annual Average Growth
2004/05 to 2012/13 (pre Local Council Tax Support scheme)	141
2013/14 to 2018/19 (post Local Council Tax Support scheme)	424
Average annual growth 2004/05 to 2018/19	282

- 5.13 Housing growth over the period 2004/05 to 2018/19 has resulted in a reduction in the proportion of houses in Council Tax Bands A to C and an increase in houses in Bands E to H. This change reflects the benefits of attracting more 'executive' housing developments to the town. In financial terms the increase in Band E to H properties over this period provides additional recurring Council Tax income in 2018/19 of £1.9m. Without this additional income the Council would have faced even higher budget deficits.

Change in Council Tax Base 2004/05 to 2018/19

Property Band	2004/05	2018/19	Change 2004/05 to 2018/19
A to C	81.6%	78.3%	4.2% decrease
D	9.1%	9.8%	7.7% increase
E to H	9.3%	11.9%	28% increase
Total	100.0%	100.0%	

- 5.14 A comparison of housing growth achieved across the five Tees Valley authorities over the period 2014/15 to 2018/19 shows that Hartlepool has achieved the highest housing growth of 9.7%. This compares to an average for the other four authorities of 7.25% (average of 7.75% if Hartlepool is included).
- 5.15 In terms of forecast housing growth for 2019/20 to 2021/22 a careful assessment of potential growth has been made. This assessment reflects known local factors, such as the approval of the Local Plan and work officers have completed to understanding the timing of developments proposed by house builders. The assessment has also considered national factors, the most significant of which is the potential economic impact of the final Brexit arrangements.
- 5.16 On the basis of this assessment the MTFS forecasts for 2019/20 to 2020/21 anticipate a total increase in the Council Tax base equivalent to 1,190 Band D properties, an average of approximately 400 per annum. By 2020/21 this increase is forecast to achieve additional recurring income of £2m.

5.17 Revised 2019/20 Budget Deficit

5.18 After reflecting the issues detailed in the previous paragraphs the Council faces a 2019/20 budget deficit of **£5.987m** as detailed in the following table:

Summary of revised 2019/20 net budget deficit of £5.987m

	Initial Forecast £'m	Current Forecast £'m	
Core Deficit (impact of grant cut and inflation)	3.891	3.891	
Pay Cap removed for 2018 and 2019	0.000	2.150	
Looked After Children Pressures – recurring pressure	0.000	2.500	(a)
Gross Deficit	3.891	8.541	
Less – Use Reserves/Collection Fund surplus	(0.384)	(0.384)	
Less – Savings approved February 2017	(0.785)	(0.785)	
Less – Savings approved December 2017	(0.135)	(0.135)	
Less - Growth in Council Tax base (290 Band D equivalent properties)	(0.488)	(0.488)	(b)
Less - Council Tax increase of 1.9% (before change in national referendum limits)	(0.736)	(0.736)	(c)
Net budget deficit report February 2018	1.363	6.013	
<u>Changes since February</u>			
Add - Looked After Children Pressures – increase in pressure	0.000	1.000	(a)
Add - Removal of proposed Youth Service saving	0.000	0.296	(d)
Add - Removal of proposed Environmental Services saving	0.000	0.160	(e)
Add - Environmental Services pressures	0.000	0.040	(e)
Less - Income from previous Council House sales	0.000	(0.200)	(e)
Less - Additional forecast Council Tax base growth (100 Band D equivalent properties)	(0.170)	(0.170)	(b)
Less - Additional Council Tax income from moving from 1.9% to 3.9% (includes 1% Adult Social Care precept and national change in referendum limits)	(0.781)	(0.781)	(c)
Less - Update of planning assumptions as detailed in Appendix C.	(0.371)	(0.371)	
Revised 2019/20 Budget Deficit	0.041	5.987	

(a) Total 2019/20 LAC pressure £3.5m.

(b) Total forecast recurring income from growth in Council Tax base is £0.658m (£0.488 plus £0.170m).

(c) Forecast recurring income from Council Tax increase up to referendum limit of 3.9% is £1.517m. (i.e. £0.736 plus £0.781m)

(d) Saving had already been included in the base budget and as it will not be achieved needs to added back.

(e) Removal of savings offset by replacement income stream.

- 5.19 The above table shows that if Council had not faced unfunded additional budget pressures in relation to the removal of the national public sector pay cap and increased Looked after Children costs the planned strategy, plus the benefits of the higher Council Tax referendum limit, the 2019/20 budget would have been broadly balanced.
- 5.20 However, the removal of the national public sector pay cap and increased Looked after Children costs means this is not the case and the Council now faces a 2019/20 deficit of **£5.987m**. The development of a strategy to address the 2019/20 deficit needs to consider the financial outlook for 2020/21 as it is expected further budget deficits will occur in 2020/21 and 2021/22. This issue is considered in the next section.

6.0 FINANCIAL OUTLOOK 2020/21 AND BEYOND

- 6.1 Despite the cuts in Government funding over the last four years local authorities have had a degree of financial certainty owing to the four year settlement; albeit over a significantly reduced level of funding.
- 6.2 The position in relation to 2020/21 and beyond is extremely uncertain. However, it is clear, owing to the impact of funding cuts implemented up to 2019/20, that Local Authorities face even greater financial challenges beyond 2020/21 balancing budgets and sustaining services. The reality of the situation is that the current range and level of services is not sustainable without a significant increase in funding.
- 6.3 At the start of August 2018 the Government stated that indicative funding allocations for 2020/21 will be issued in mid 2019. This is an extremely challenging timescale owing to the range and complexity of the proposed changes. Furthermore, this timescale may not fit with the timing of the next Comprehensive Spending Review, or decisions in relation to the delayed Adult Social Care Green paper which will be critical to determining the overall funding position for local authorities. Final funding allocations will then be confirmed in time for the 2020/21 provisional local government finance settlement, which in recent years has been released in December.
- 6.4 At this stage it is extremely difficult to forecast resources in 2020/21 and future years as fundamental changes are proposed by the Government to the funding arrangements for local authorities. These changes cover a broad range of issues as detailed below:-

- **Fair Funding Review and implementation of 75% Business Rates**

The Government has indicated that these changes will include Revenue Support Grant and Public Health grants being replaced by an increase in the proportion of Business Rates income retained by local authorities from 50% to 75%.

There is currently uncertainty in relation to the arrangements the Government will adopt for removing the ring fenced Public Health grant and transferring this grant to the new funding system. Under one scenario the Government may apply a revised ACRA (Advisory Committee on Resource Allocation) formula before removing the ring fence. This would result in re-distribution of funding, with most North East councils, including Hartlepool, facing a significant funding reduction. Alternatively, the existing (i.e. 2019/20) Public Health allocations may be transferred into the new funding system. This is the planning scenario reflected in the MTFS for 2020/21 and 2021/22.

The Fair Funding Review includes future funding arrangements for Children's services, including Looked after Children.

These proposed changes are a significant risk to Hartlepool as the amount received in Revenue Support Grant and Public Health Grant in 2019/20 will exceed the increased Business Rates income from increasing retention from 50% to 75% by approximately **£8.7m**, as summarised below. It will be essential that the new funding system addresses this issue.

	2019/20 Allocations £'m
Revenue Support Grant	7.780
Public Health Grant	8.533
Less increase in locally retained Business Rates income from increasing retention from 50% to 75%	(7.587)
Potential Shortfall to be addressed by FFR	8.726

The increase in Business Rates retention from 50% to 75% will also increase risk in relation to the Power Station, as 75% of any Business Rates reduction will be borne by the Council. This makes it even more important that the Government either transfers power stations to the 'central list' so that this risk is managed nationally, which continues to be the Council's preferred option, or implements improved safety net arrangements.

- **Adult Social Care funding arrangements**

To date the Government has addressed Adult Social Care pressures through a combination of the Better Care Fund and the Adult Social Care precept. The Adult Social Care precept provides a greater financial benefit for more affluent areas, as each 1% Council Tax increase raises more recurring income in these areas. The Government sought to address this issue by targeting Better Care Funding to areas with a lower Tax Council base.

Whilst, these measures have helped authorities in the period up to 2019/20, they do not provide a permanent funding solution. Therefore, it is essential that the Government's promised green paper provides a sustainable funding basis for Adult Social Care for all areas from 2020/21.

- **Council Tax regime**

Over the period 2016/17 to 2019/20 the Government's Council Tax Referendum regime will shift a greater proportion of the cost of funding local authority services onto Council Tax.

An analysis of Government forecast for tax revenues for 2020/21 to 2022/23 suggests that the Government will revert to 2% Council Tax referendum limits for these years. However, Council Tax referendum limits for these years will not be determined by the Government until late 2019 and may only cover 2020/21. The Government may determine to continue with higher Council Tax referendum limits than 2% in 2020/21 and future years.

6.5 **Potential Impact of Government changes to the local government funding system**

6.6 The decisions the Government make in relation to the above issues will have a critical impact on Hartlepool as in 2019/20 Revenue Support Grant, Top up grant and Business rates income will account for approximately **48% (£35.8m)** of the Council's core resources. Council Tax accounts for remaining **52% (£38.9m)** of core resources.

6.7 Comparative information has been provided by seven North East councils and is summarised in the following table, which shows four out of the eight authorities are more dependent on RSG, Top – up grant and Business Rates income than Hartlepool:

North East Comparisons

Authority	Forecast RSG, Top – up grant and Business Rates income	Forecast Council Tax income
1	56.0%	44.0%
2	54.5%	45.5%
3	53.7%	46.3%
4	53.6%	46.4%
5 (Hartlepool)	47.9%	52.1%
6	44.2%	55.8%
7	44.2%	55.8%
8	37.4%	62.6%

- 6.8 In more affluent areas the financial risks in 2020/21 are lower as they raise a higher proportion of resources from Council Tax.

6.9 **Other Grant Funding**

- 6.10 Councils also receive a range of specific revenue grants reflecting Government priorities. The level of these grants beyond 2019/20 will depend on decision made in the Government's next spending review. If these grants are reduced individual councils will need to manage the impact at a local level.

- 6.11 In addition to managing resource uncertainties in 2020/21 and 2021/22 the Council also faces continuing expenditure pressures in relation to:

- **Inflation, cost of pay living increases and National Living Wage (NLW) increases**

It is currently anticipated that these pressures will remain relatively low. However, even annual increases of 2% on the base budget and forecast phased increases in the NLW result in an annual pressure of approximately £1.8m. To put this into context a 1% Council Tax increase equates to approximately £0.4m;

- **Service Demand pressures**

The Council may face continuing pressures in relation to Looked after Children and Adult Social Care. It is unclear if these issues will be addressed by the new funding system. At this stage no provision is made for additional Adult Social Care pressures. For planning purposes it is anticipated that pressure in relation to Looked after Children costs will continue at £3m in the 2020/21 and 2021/22, compared to a forecast of £3.5m in 2019/20.

The Council will also face local pressures in relation to the growth of the town, such as increased waste collection and disposal costs. Further work is needed to assess these issues. If these increased requirements cannot be funded from existing budgets they may need to be funded as a budget pressure, which will effectively commit part of the increased Council Tax income arising from housing growth.

- 6.12 Assessing the impact of proposed changes to the Local Government funding system on the Council is extremely difficult at this stage. However, the Council needs to plan beyond 2019/20. Therefore, for planning purposes the following financial assumptions have been modelled:

- Pay and non pay inflation costs in 2020/21 and 2021/22 will be 2% per annum, which equates to an annual budget pressure of approximately £1.8m just to maintain existing services;
- Looked after Children pressures continuing at £3.0m in 2020/21 and 2021/22;

- National Council Tax referendum limits are set at 2%, which at best will keep pace with inflation;
- Council Tax growth of 400 Band D equivalent properties is achieved per year.

6.13 In addition two options for Government funding levels have been modelled:

- 2020/21 and 2021/22 Government funding frozen at 2019/20 level;
- 2020/21 and 2021/22 annual reduction of 2% in Government funding.

6.14 On the basis of the above forecasts the Council may face further deficits in 2020/21 and 2021/22, in addition to the known 2019/20 deficit.

2019/20 Known deficit and potential deficits 2020/21 and 2021/22

Grant funding scenario for 2020/21 and 2021/22	2019/20 Known Deficit £'000	2020/21 Forecast Deficit £'000	2021/22 Forecast Deficit £'000	Total 2019/20 to 2021/22 £'000
Cash freeze 20/21 and 21/22	5.987	0.983	0.832	7.802
2% funding cut 20/21 and 21/22	5.987	1.877	1.709	9.573
Additional deficit of moving from a cash freeze to a 2% grant cut	0	0.894	0.877	1.771

- 6.15 The options modelled in the above table highlight the impact of further funding cuts beyond 2019/20 as moving from a cash freeze in 2020/21 and 2021/22 to a 2% reduction increases the total budget deficit by £1.771m. Clearly, if grant cuts are higher than 2% the deficits in 2020/21 and 2021/22 would increase.
- 6.16 To put the 2020/21 and 2021/22 deficits into context the Council would need to achieve housing growth in 2020/21 and 2021/22 of between 1,830 and 2,850 to eliminate the forecast deficits, compared to annual forecast growth for these two year of 800. The higher required housing growth figures are not achievable in the current economic environment, or in the context of historic growth of the town. This underlines the continuing financial challenges facing the Council in 2020/21 and 2021/22.

6.17 Strategy for managing 2019/20 to 2021/22 budget deficits

6.18 The immediate challenge facing the Council is the identification of detailed budget cuts to address the 2019/20 budget deficit of **£5.987**. This amount includes:

- £3.5m in relation to recurring Looked after Children pressures; and
- £2.150m for the recurring impact of the unfunded 2018 and 2019 national local government pay awards.

6.19 The 2019/20 deficit of **£5.987m** equates to a cut to the overall net General Fund budget of approximately **7%**.

6.20 An initial analysis of the current net budget has been completed to identify mandatory and discretionary services as summarised below.

	£'m	Percentage of 2018/19 net budget
Mandatory Services which cannot be stopped, but may be able to be deliver more efficiently	77.594	88%
Discretionary Services which could be stopped but would be contentious	10.500	12%
Total 2018/19 net budget	88.094	100%

6.21 The above figures indicate that the 2019/20 budget deficit cannot be addressed solely by reducing discretionary services, which only account for 12% of total spending. Therefore, budget savings will need to be made from all areas and this will require a fundamental review.

6.22 Addressing a deficit £5.987m will be extremely challenging to achieve in one year. Therefore, it may be appropriate to address part of the 2019/20 deficit by using the Council's reserves. This strategy would provide a slightly longer lead time to identify permanent budget reductions.

6.23 This strategy is not without risk as it simply defers the budget cuts to 2020/21 and reserves can only be used once. Therefore using reserves to support the 2019/20 budget would reduce the one off funding available to manage financial risks in 2020/21 and future years, including:

- The actual level of Government funding cut implemented in 2020/21 and future years;
- Increased income risks from Business Rates retention increasing from 50% to 75%;
- Increased income risks from Business Rates revaluation moving to every three years from 2021, again particularly in relation to the Power Station;

- Achievement of housing growth targets included in the MTFS;
- Inflation or pay awards in 2020/21 and 2021/22 being higher than forecast.

6.24 An assessment of these risks will be reported to a future meeting alongside the outcome of the reserves review to enable Members to develop a detailed strategy.

7. LEGAL CONSIDERATIONS

7.1 At this stage there are no specific legal considerations as the report is designed to commence the budget process. However, the finalisation of the 2019/20 budget proposals in late December 2019/early 2020 will need to comply with the Local Government Finance Act 1992 which requires local authorities to set a balanced budget. There may be specific legal consideration to address as details savings proposals are developed and these will be addressed in future reports.

8.0 CHILD AND FAMILY POVERTY

8.1 There are no specific child and family poverty considerations relating to this report. Issues may arise as detailed MTFS proposals are developed and will be reported to a future meeting.

9.0 STAFF CONSIDERATIONS

9.1 An assessment of the potential staffing impact 2019/20 savings proposals will be completed when details saving proposals are know and details will be reported to a future meeting.

10.0 ASSET MANAGEMENT CONSIDERATIONS

10.1 There are no specific asset management considerations relating to this report. Issues may arise as detailed MTFS proposals are developed and will be reported to a future meeting.

11.0 CONSULTATION

11.1 Details of consultation arrangements for 2019/20 budget proposals will be reported to a future meeting and will include consultation with the Trade Unions.

12. CONCLUSIONS

- 12.1 The financial position and sustainability of Local Government has been significantly affected by a range of factors, including;
- The impact of austerity which by 2019/20 will have resulted in nine successive years of Government Funding cuts. Under the current funding system, which has operated since 2013/14, this has resulted in

a cut in Government funding received by the Council of £20.9m - a cut of 45%;

- The Government's policy of shifting a greater proportion of funding from Government grant to Council Tax, including the introduction of the Adult Social Care precept in 2016/17. Nationally this change means that in 2019/20 Council Tax will fund 62% of expenditure, compared to 50% in 2015/16;
 - Unfunded budget pressure, including the increased cost of Looked after Children, pay awards for 2018 and 2019 and the apprenticeship levy;
 - The impact of inflation.
- 12.2 The current Local Government system was introduced in 2013/14 (the same year as the current Governance arrangements for the Council commenced) and since that date further significant Government funding cuts have been implemented – including over the period 2016/17 to 2019/20.
- 12.3 Up to 2015/16 Government policy supported Authorities to freeze Council Tax. Authorities did not have to take the freeze grant, but the Government set Council Tax increase limits for 2011/12 to 2015/16. Hartlepool was the only Tees Valley to freeze Council Tax for five years (2011/12 to 2015/16).
- 12.4 As part of the four year Government funding settlement for 2016/17 to 2019/20 the Government ended the Council Tax freeze regime. From 2016/17 the Council Tax regime is based on annual referendum limits, including the introduction of the Adult Social Care precept. By 2019/20 the Government's Council Tax regime allows the following increases:

	Inflation (RPI)	National Referendum Limits	Hartlepool Council increase
2011/12 (a)	5.2%	3.5%	0.0%
2012/13 (b)	3.2%	3.5%	0.0%
2013/14 (c)	3.0%	2.0%	0.0%
2014/15 (c)	2.4%	2.0%	0.0%
2015/16 (c)	1.0%	2.0%	0.0%
2016/17 (d)	1.8%	4.0%	3.9%
2017/18 (e)	3.6%	5.0%	4.9%
2018/19 (e) and (f)	2.2%	5.0%	4.9%
2019/20 (e) and (f)	2.8%	5.0%	3.9%
Total Arithmetic increase	25.2%	32.0%	17.6%
Total Compounded increase	28.1%	36.9%	18.8%

- (a) Government set Council Tax cap and no Council Tax freeze grant available.
- (b) Government set Council Tax referendum limit and paid Council Tax freeze grant at 1% below referendum limit if an Authority froze Council Tax. This

freeze grant was NOT rolled permanently into the finance settlement baseline; therefore authorities were not compensated on a permanent basis if they froze Council Tax.

- (c) Government set Council Tax referendum limit and paid Council Tax freeze grant at 1% below referendum limit if an Authority froze Council Tax. The Council Tax freeze grant was rolled in permanently into the finance settlement baseline.
- (d) Government set overall Council Tax referendum limit at 4% (includes Adult Social Care precept of 2% for 2016/17). No Council Tax freeze grant available.
- (e) Government set core Council Tax referendum limit of 3% per year, plus aggregate Adult Social Care precept at 6% for 2017/18 to 2019/20 - phasing shown as 2% per year. No Council Tax freeze grant available.
- (f) RPI figures for 2018/19 and 2019/20 are forecasts.

12.5 The unprecedented financial pressures facing Local Government over the next three years have been highlighted by:

- the House of Commons Committee of Public Accounts recent report on the “Financial sustainability of local authorities”, which highlighted the significant financial challenges facing the sector and details a range of issue requiring a response from the Government;
- The Local Government Association which forecasts a funding gap of £7.8 billion by 2025;
- The Chief Executive of Chartered Institute of Public Finance and Accountancy, Rob Whiteman, has warned there is a “heightened risk of more councils over the next four years falling into special financial measures as a result of unrelenting pressure on budgets”.

Mr Whiteman has also urged Finance Directors to make “timely use of section 114 notices to stabilise councils before they go over the cliff edge”.

For Members information a section 114 notice puts in place a spending limit which restricts expenditure and then requires the council concerned to develop a sustainable financial strategy. In the 20 years up to early 2018 no councils had issued a section 114 notice. However in February 2018 Northamptonshire County Council issues a section 114 notice and then issued a second notice in July 2018.

- At a recent Local Government Association conference the Communities Secretary, James Brokenshire admitted councils are operating in a “difficult financial environment” and faced “growing pressures on services”.

12.6 Local Authorities already know the scale of the funding cuts they need to manage for 2019/20. In addition, the financial positions for 2020/21 and 2021/22 are extremely uncertain and will be affected by a range of Government policies, including;

- The increase in Business Rates Retention from 50% to 75%
- The Fair Funding Review, particularly the review of Looked After Children funding;
- The Green Paper on Adult Social Care funding which will need to provide a sustainable funding base;
- Future Government Council Tax policy;
- The Government 2019 Spending Review.

12.7 If the Government does not recognise the impact of the funding cuts implement over the last nine years and the financial pressures on local authorities in 2020/21 and future years by providing addition funding the sector will become financially unviable. Clearly, the impact will vary across the country and will depend on local circumstances.

12.8 Future cuts will have a significantly more visible impact than the cuts implement so far, particularly on 'local place services' which impact on the quality of life off all residents, as all councils will have to focus resources on care services (i.e. adult and children's services).

12.9 **Impact on Hartlepool**

12.10 Over the five years 2011/12 to 2015/16 the Council was the only Tees Valley authority which had a five year Council Tax freeze. Following the removal of the Government's Council Tax freeze grant, which partly compensated authorities freezing Council Tax, the Council began increasing Council Tax in 2016/17 to protect services and partly address the impact of continuing Government funding cuts.

12.11 Increases in the Council Tax income since 2016/17 (including the forecast 2019/20 increase) will have increased recurring resources by £9.505m, which includes the impact of the Adult Social Care precept and housing growth, as summarised below:

	Recurring increase in Council Tax	Increase in Council Tax as % of Government Funding cut 13/14 to 19/20 of £20.9m
Core Council Tax increases	£3.274m	15.6%
Adult Social Care precept	£2.670m	12.8%
Housing Growth	£3.561m	17.0%
Total	£9.505m	45.4%

12.12 As highlight in the above table Council Tax increases and housing growth have only covered 45% (i.e. £9.505m) of the cut in Government funding over the period 2013/14 to 2019/20 of £20.9m. The balance of the Government

funding cut has been addressed by making budget cuts. If the increases in Council Tax and housing growth had not been achieved the Council would have had to make further budget cuts of £9.505m. This underlines the impact of the Government's policy of shifting funding for local services from national taxation on to Council Tax and the importance of achieving housing growth.

- 12.13 The Government publishes two measures of council tax – by Band D or the amount of council paid by the average taxpayer. Because Hartlepool has 70% of properties, compared to 44% nationally, in Council Tax bands A and B (the lowest two bands) the council tax paid by the average taxpayer is the more appropriate basis for comparing authorities. For 2018/19 the council tax paid by the average taxpayer in Hartlepool was £1,085, which ranks Hartlepool the 266 lowest out of 326 authorities. This compares to a national amount of £1,326 council tax paid by the average taxpayer.
- 12.14 Comparisons using band D ranked Hartlepool 10th highest. However, only around 7.7% of properties in Hartlepool are in Band D, which is half the national percentage in band D of 15.4%.
- 12.15 Over the period 2013/14 to 2018/19 Hartlepool Council increased Council Tax for its own services by 14.3%, this was lower than the average in metropolitan councils (i.e. large cities) where the increase was 18.3% and also lower than the average for county councils and unitary councils of 16.6%.
- 12.16 At a local level the Council had previously adopted a multi-year MTFS covering 2016/17 to 2019/20. Since 2016/17 this strategy has already addressed significant budget deficits by implementing difficult decision in relation to:
- The delivery of significant recurring savings;
 - Implementing Council Tax increases (including the Adult Social Care precept) in line with Government Council Tax referendum limits;
 - The phased use of reserves to help provide a slightly lead time to implement permanent budget cuts.
- 12.17 It was originally anticipated that these measures would also significantly reduce the 2019/20 budget deficit to approximately £1.4m. However, as reported in February and within this report the actual deficit for 2019/20 has increased to **£5.987m** – which is 7% of the current budget. This increase is the direct result of factors outside the Council's control, namely the sustained increase in Looked after Children pressures and the recurring impact of 2018 and 2019 national pay awards.
- 12.18 Given the scale of the cuts and efficiencies implemented over the last eight years the 2019/20 budget is undoubtedly the most challenging the Council has ever faced.
- 12.19 The savings achieved over the last eight years from reducing staffing numbers (approximately 500 posts deleted, providing a recurring saving of £12.4m, inclusion of employers National Insurance and Pension costs)

cannot be repeated, as posts can only be deleted once. Similarly, efficiency savings achieved in previous years cannot be repeated as in many areas these measures have already reduced service capacity to a minimum level.

- 12.20 However, the deficit for 2019/20 will not be the end of austerity and the Council will almost certainly face further shortfalls in 2020/21 and 2021/22. Based on current forecasts this could mean that over the period 2019/20 to 2021/22 the Council needs to make cuts of between **£7.8m and £9.6m**.
- 12.21 The actual cuts in 2020/21 and future could be even higher depending on the impact of national changes, such as the Fair Funding Review, implementation of 75% Business Rates and the impact of the delayed green paper for Adult Social Care.
- 12.22 To address the known 2019/20 deficit and future deficits significantly more difficult decisions will need to be made in relation to:
- Prioritising what services the Council will provide and which it will not. The current level and range of service is not affordable, or sustainable; and
 - For those services which continue to be provided the scale of provision.
- 12.23 The development of a robust and deliverable strategy to address future deficits will require a longer lead time and will need to be underpinned by robust and deliverable savings plans. Details will need to be reported to a future meeting.
- 12.24 The immediate challenge facing the Council is the development of a budget strategy for 2019/20 to address the known budget deficit of **£5.987m**.
- 12.25 It may be possible to defer part of this deficit to 2020/21 by using additional reserves in 2019/20. However, this strategy is not without risks as it:
- Does not provide a recurring solution to the known 2019/20 deficit and simply delays these cuts until 2020/21, or perhaps 2021/22 if sufficient one off funding can be identified;
 - Reduces uncommitted reserves available to manage new financial risks that may arise in 2019/20 and future years. This is a significant potential risk owing to the range of changes proposed by the Government for 2020/21. Additionally, authorities will at best find out in mid 2019 indicative funding allocations for 2020/21 – leaving less than nine months before the start of the 2020/21 financial year.
- 12.26 However, as the Local Government sector is at a financial crossroads and does not know the funding system which will be in place for 2020/21 and future years, this approach provides a pragmatic solution – provided Members recognise
- that it would defer a significant part of the recurring budget deficit to 2020/21; and
 - will require the development and approval of a detailed savings plan before the start of 2020/21;

- 12.27 For Hartlepool the 2019/20 budget position is the most challenging so far as it follows on from eight years of managing year on year cuts in funding and increasing demands on services. A further report on developing a strategy to address the 2019/20 deficit will be reported to a future meeting, which will reflect the proposed budget timetable detailed in **Appendix D**.

13. RECOMMENDATIONS

13.1 It is recommended that Members

- i) Note the report;
- ii) Consider the draft response to the Government's 2019/20 Local Government Finance Settlement Technical Consultation detailed at Appendix B and note that the final response will be agreed with the Chair of Finance and Policy Committee to meet the consultation deadline of 18th September
- iii) Approve the removal of the planned 2019/20 Youth Service saving of £296,000 and note the removal of this amount is reflected in the revised 2019/20 budget deficit;
- iv) Approve the removal of the planned 2019/20 Environmental Services saving of £160,000 and replacement of this amount with income from the Right to Buy income agreement with Housing Hartlepool;
- v) Confirm their support of the measures for reducing the 2019/20 budget deficit as detailed in paragraph 5.18, including an increase in forecast housing growth and Council Tax increase;
- vi) Approve the budget timetable detailed in **Appendix D**.
- vii) Note further reports will be submitted on the development of a detailed plan to address the 2019/20 budget deficit of £5.987m.
- viii) Note that the Leader will write to the LGA asking them to continue lobbying the Government for additional funding to fully fund LAC pressures and the national pay award.

14. REASON FOR RECOMMENDATIONS

- 14.1 To enable the Finance and Policy Committee to approve planning assumptions for the 2019/20 to 2020/21 budget.

15. BACKGROUND PAPERS

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

Finance and Policy Committee - Medium Term Financial Strategy (MTFS)
2018/19 to 2019/20 – 12th February 2018

Council - Medium Term Financial Strategy (MTFS) 2017/18 to 2019/20 –
22nd February 2018

16. CONTACT OFFICER

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House of Commons Committee of Public Accounts
Financial Sustainability of Local Authorities Report
– Summary of Recommendations

1. The Department should, by the end of September 2018, write to the Committee to explain why it believes that the local authority sector is sustainable in the current spending review period, and detailing what it is doing to minimise the risk of financial failure in authorities currently on its risk register.
2. The Department should within the next 12 months, work with the local authorities and key stakeholder bodies to agree and publish a shared definition of local authority financial sustainability and a methodology for assessing the extent to which local authorities are at risk.
3. The Department should take a more transparent approach to the next spending review and publish its projections for demand and spending by service area once the spending review has concluded, together with its monitoring of outcomes against these projections.
4. The Department should write to the Committee by the end of September 2018 setting out how it will work with other relevant departments on an ongoing basis to ensure that it properly understands local authorities' performance across the full range of local services they deliver, the extent to which pressures in some service areas are affecting others, and any service areas where departments have any areas of concern. The results from this work should be published on a regular basis.
5. In order to support authorities financial planning:
 - The Department should publish a timetable as soon as possible showing when it will have to take key decisions, and when worked examples will be available relating to the Fair Funding Review, the introduction of 75% local retention of business rates and the 2019 Spending Review. The timetable should ensure that the outcomes of the Fair Funding Review and the design of the 75% local business rates retention are known to the sector as early as possible in 2019; and
 - Ahead of the announcement of the outcome of the Spending Review, the Fair Funding Review and the new business rates scheme, the Department, with HM Treasury, must provide assurance to local authorities that their funding for 2020–21 and 2021–22 will be within a certain margin of change, and that they will put in place transitional arrangements to mitigate the effects of substantial changes in funding levels over the medium term.
6. The Department should, by May 2019, review the way audit committees and scrutiny functions operate in examining and challenging local risks to financial sustainability.

APPENDIX B

The 2019/20 Local Government Finance Settlement Technical Consultation
– Draft Response

Consultation Question	Draft HBC Response
1. Do you agree that the Government should confirm the final year of the 4-year offer as set out in 2016/17?	<p>Yes</p> <p>However the Government needs to recognise that since 2016/17 local authorities have faced significant additional unfunded budget pressures which were not foreseen at that time, by either Government or individual authorities. The key pressures related to the increased cost of Looked After Children and the ending of the public sector pay cap. Additional funding needs to be provided for these pressures to avoid unsustainable cuts in other services which our communities rely upon.</p>
2. Do you agree with the council tax referendum principles proposed by the Government for 2019/20?	<p>Yes</p> <p>It is helpful that the Government intends to confirm the indicative 2019/20 council tax referendum principles previously proposed as this multi-year announcement helps with financial planning.</p> <p>The Council remains concerned that referendum principles for future years will not be issued until nearer the start of 2020/21, which make financial more difficult.</p> <p>The Council also remains concerned that future increases in council tax are not the right approach to funding increased costs in relation to Adult Social Care and Looked after Children as a 1% increase raises different amounts for individual authorities. Typically authorities facing the greatest pressures on these services benefit least from each 1% Council Tax increase. This issue needs to be addressed through the Fair Funding Review and implementation of 75% Business Rates to ensure there is not a “post code lottery”.</p>

Consultation Question	Draft HBC Response
<p>3. Do you agree with the Government's preferred approach that negative RSG is eliminated in full via forgone business rates receipts in 2019/20</p>	<p>No</p> <p>The Council is concerned that this proposal does not address the cumulative impact of RSG cuts implemented over the period of austerity. Whilst, the Council recognises that a significant number of authorities face negative RSG in 2019/20 there is no evidence that the cumulative impact of RSG is greater in these areas.</p> <p>The Council believes that more deprived areas which were more dependent on RSG at the start of austerity have faced greater RSG funding reductions (measured both in total and per resident) and that these reductions have not reflected demands on services, or local ability to support services from Council Tax and Business Rates.</p> <p>If funding of £152.9m can be found to remove negative RSG it would be more equitable if ALL authorities shared this funding to reduce the planned 2019/20 RSG reductions.</p>
<p>4. If you disagree with the Government's preferred approach to Negative RSG please express your preference for an alternative option. If you believe there is an alternative mechanism for dealing with negative RSG not explored here please provide further detail.</p>	<p>See response to question 3</p>
<p>5. Do you have any comments on the impact of the proposals for the 2019-20 settlement outlined in this consultation document on persons who share a protected characteristic? Please provide evidence to support your comments.</p>	<p>The Council is concerned that the proposals in relation to negative RSG do not address the disproportionate cumulative impact of RSG cuts since 2011/12, which had a greater impact on more deprived areas. As cumulative RSG cuts had a disproportionate impact on persons who share a protected characteristic the Council does not believe that the proposals to address negative RSG are appropriate. Therefore, the additional resources identified by the Government should be shared more equally across all authorities on the basis of the cumulative reduction in RSG since 2011/12.</p>

APPENDIX C

Changes in 2019/20 Planning Assumptions

	Reduction in budget provision £'m
<u>Reduction in Income risk contingency</u> The MTFS forecasts included a provision for potential income reductions of £200k. A small amount of this provision is needed to offset the termination of the Legal Service Level Agreement with the Fire Authority. The balance of this amount can be taken as a budget saving.	164
<u>Holiday Pay</u> The actual cost of implementing legislative holiday pay is less initial forecast.	40
<u>External Audit Fee</u> The MTFS included a forecast External Audit fee saving from the Council opting in to the national procurement arrangements. The actual saving from 2019/20 is £10,000 higher than forecast.	10
<u>Funding Changes</u> Increase in forecast aggregate value of Top-up Grant, Business Rates income, New Home Bonus and Section 31 grants from £27.588m to £27.745m – reflects late settlement announcement made by Government.	157
Total Reduction in Budget Provision	371

Proposed Budget Timetable 2019/20**Medium Term Financial Strategy Update – 3rd September 2018**

Report to the Finance and Policy Committee to provide an update on the financial position facing the Council for the period covered by the Medium Term Financial Strategy.

Individual Policy Committees – October/November

Develop and approve initial savings proposals to contribute towards achieving the overall savings requirements identified by the Finance and Policy Committee:

Finance and Policy Committee – November/December

Consider and approve initial savings proposal developed by individual Policy Committees to be referred to Council. The report will also include a review of the Council's reserves as at 31st March 2017 and commitments against these one off resources.

Council – 17th December 2018

Consider and approve savings proposals referred by Finance and Policy Committee.

Council – 17th December 2018

Consider and approve Local Council Tax Support Service proposed by Finance and Policy Committee based on simple majority vote.

Finance and Policy Committee – 28th January

Approve Council tax proposals to be referred to full Council.

Council – 21st February 2019

Consider and approve HBC Council Tax level proposed by Finance and Policy Committee. Consider and approve statutory Council Tax calculations incorporating precepts approved by Police and Crime Commissioner, Cleveland Fire Authority and Parish Councils.

FINANCE AND POLICY COMMITTEE

3 September 2018



Report of: Corporate Management Team

Subject: STRATEGIC FINANCIAL MANAGEMENT REPORT
- AS AT 31st July 2018

1. TYPE OF DECISION/APPLICABLE CATEGORY

For information.

2. PURPOSE OF REPORT

2.1 The purpose of this report is to inform Members of:

- i) 2018/19 Forecast General Fund Outturn;
- ii) Corporate Income Collection Performance; and
- iii) 2018/19 Capital Programme Monitoring.

3. BACKGROUND AND FINANCIAL OUTLOOK

3.1 As Members will be aware from previous reports there were significant over spends on the General Fund budgets in 2016/17 (£320,000) and 2017/18 (£1.509m) and this reflected continuing service pressures, particularly in relation to Looked after Children. These pressures commenced in 2016/17 and had been recognised within the 2017/18 MTFS and one off resource allocated to support the recurring budget. However, despite these one off resources and some under spends on corporate budgets, there were net over spends in the last two years which had to be funded from the Unearmarked General Fund Reserve, as summarised below:

	2016/17 £'000	2017/18 £'000
Gross Departmental over spend	1,035	1,902
Corporate under spend	(715)	(393)
Net over spend before one off items and use of reserves	320	1,509
Uncommitted 2015/16 Actual Outturn and release of funding allocated for potential protection costs	(194)	0
Planned Use of Reserves	0	(1,400)
Net over spend funded from Unearmarked General Fund Reserve	126	109

- 3.2 Using the Unearmarked General Fund Reserve to meet future budget over spends is not sustainable as this amount is held to manage unforeseen commitments and risks.
- 3.3 The pressures in relation to Looked after Children are continuing in 2018/19 and further information is provided in Section 5. It is anticipated that this pressure will continue in 2019/20. This is one of the issues reflected elsewhere in the separate Medium Term Financial Strategy (MTFS) report on the agenda, which outlines the budget deficit for 2019/20 and the financial challenges facing the Council in 2020/21 and 2021/22.

4. REPORTING ARRANGEMENTS 2018/19

- 4.1 The availability and reporting of accurate and up to date financial information is increasingly important as future budget cuts are implemented and one-off resources are used up.
- 4.2 This Committee will continue to receive regular reports which will provide a comprehensive analysis of departmental and corporate forecast outturns, including an explanation of the significant budget variances. This will enable the Committee to approve a strategy for addressing the financial issues and challenges facing the Council.
- 4.3 To enable a wider number of Members to understand the financial position of the Council and their service specific areas each Policy Committee will receive a separate report.

5. GENERAL FUND BUDGET 2018/19 FORECAST OUTTURN

- 5.1 An assessment of the forecast 2018/19 outturn has been completed and an over spend of £800,000 is anticipated, consisting of the following elements:

Forecast Outturn against approved budget

	Forecast over / (under) spend £'000
Departmental service based expenditure	1,000
Corporate expenditure	(200)
Forecast net Over Spend	800

- 5.2 **Appendix A** provides a summary of the overall position. The 2018/19 outturn has been prepared to reflect expenditure incurred to date and forecast to be incurred in the rest of the financial year. As Members will be aware from previous years significant elements of the Council's budget are demand led and affected by expenditure over the winter months, including care costs in relation to older people and winter maintenance. The outturn forecasts will be closely monitored and regular updates will be reported to this Committee.

The forecasts also need to be considered in the context of the complexity of managing a gross General Fund budget of £260m and a net budget of £88m.

- 5.3 The majority of the forecast overspend relates to continuing costs in relation to Looked after Children (LAC). These pressures were recognised in the 2018/19 budget and an additional £2.5m of one off funding has been provided. However, the actual pressure is forecast to exceed this amount by £1.2m.
- 5.4 These issues are not unique to Hartlepool and a report from the Local Government Association (LGA), published on 9th August 2017, highlighted that in 2016/17 75% of councils over spent on children's services. The LGA report also indicated that by 2020 they are forecasting a national funding gap for children's services of £2 billion.
- 5.5 Detailed financial information on the projected outturn for individual Departments by Committee is provided in **Appendices B to E**.
- 5.6 Strategy for Managing the 2018/19 Forecast Overspend**
- 5.7 As indicated in the previous section the Council is facing a third successive year end over spend, which largely reflects continuing and increasing pressures in relation to Looked after Children. The Council also faces a budget deficit for 2019/20 of nearly £6m and the prospect of further budget deficits in 2020/21 to 2021/22. These issues are a significant financial challenge for the Council and will require robust action and difficult decisions to address.
- 5.8 The MTFS update report elsewhere on the agenda identifies recurring budget reductions from a combination of measures (reduction in income contingency risk, holiday pay costs, external audit fees and funding changes) which will reduce the 2019/20 budget deficit. These items total £371,000 and are also available to reduce the forecast 2018/19 over spend as follows:

Forecast Over spend still to be addressed

	Forecast over / (under) spend £'000
Forecast Net Over Spend	800
Corporate expenditure	(371)
Forecast Over Spend still to be addressed	429

- 5.9 Officers will continue to pursue further actions to reduce this figure by achieving in-year reductions (i.e. over achieving the salary vacancy target and reducing discretionary revenue spending), or using funding flexibilities (i.e. using funding flexibilities and capitalising revenue expenditure).
- 5.10 There remains a risk that further in year budget savings may not be achievable. In this situation the net forecast over spend will need to be funded by reviewing the Council's earmarked reserves and details will be reported to a future meeting. This strategy will avoid a call on the Unearmarked General Fund Reserve, which needs to be maintained to manage future financial risks.

- 5.11 However, if reserves do need to be used to address the forecast 2018/19 over spend this will reduce future financial flexibility at a time when the Council is facing a 2019/20 budget deficit of nearly £6m and significant uncertainty in relation to funding levels for 2020/21 and 2021/22. Therefore, whilst the over spend for 2018/19 can be managed, the Council will need to develop a robust strategy to bring recurring costs into line with recurring income and to remove the reliance on using reserves – which can only be used once.

6. Housing Revenue Account

- 6.1 The Housing Revenue Account (HRA) is a ring fenced account relating to the Council's rented housing. It was reopened on the 1st April 2016 as a result of the number of houses exceeding the Governments new limit of 200, which was announced in a Ministerial Statement on 20 March 2015. Details of the forecast outturn are shown at **Appendix F**. The forecast outturn is a deficit of £0.026m which is lower than the budgeted deficit of £0.029m due to an expected reduction in the number of void properties following measures approved by the Finance and Policy Committee on 18th June 2018.

7. Corporate Income Collection Performance

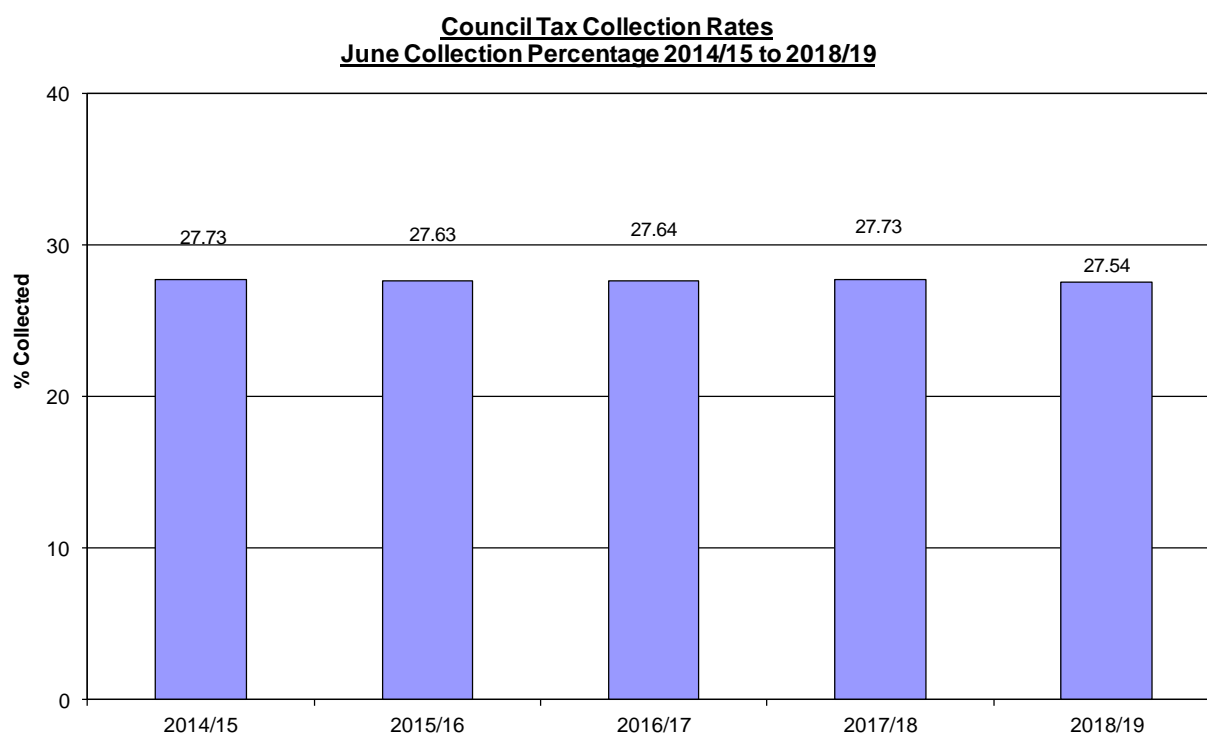
- 7.1 Previous reports advised Members that significant changes were implemented with effect from 1st April 2013 to re-localise Business Rates and implement Local Council Tax Support schemes. As a result of these changes approximately 61% (i.e. £53.81m) of the net General Fund budget is funded from a combination of Business Rates and Council Tax collected locally. The following paragraphs provide more information on the impact of these changes and also progress in collecting Sundry Debts.

7.2 Business Rates Income

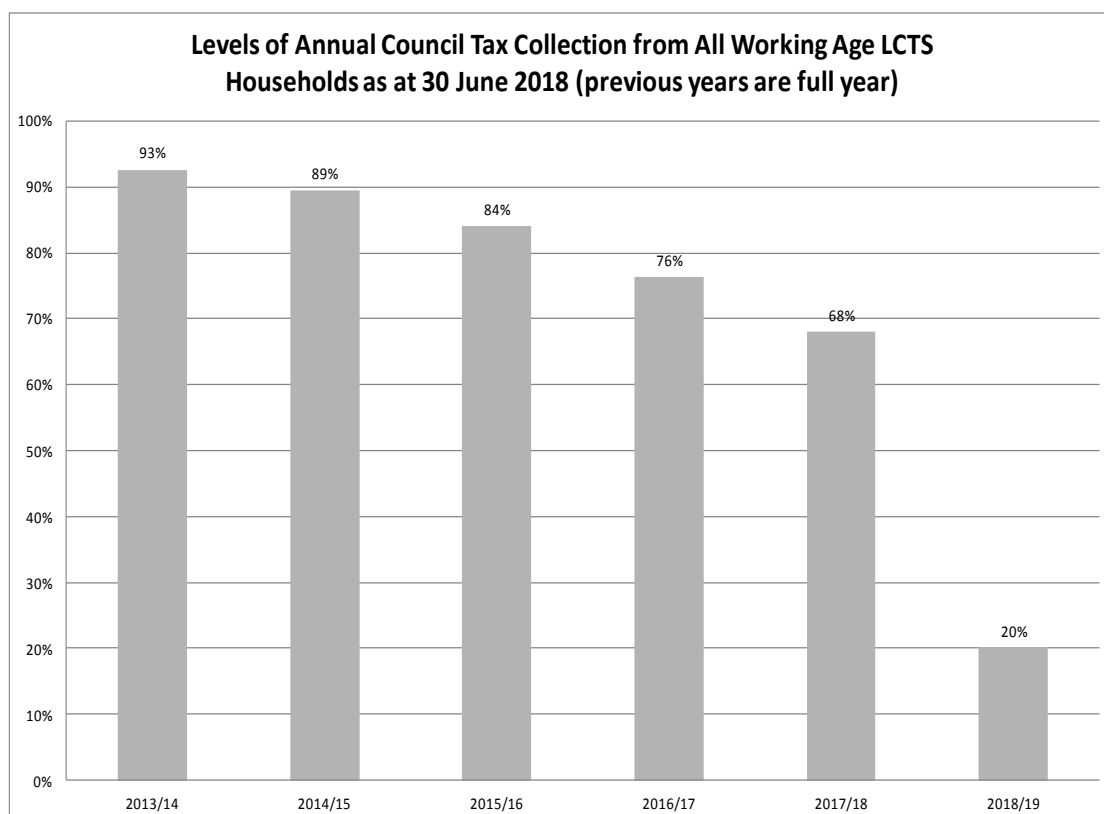
- 7.3 The re-localisation of Business Rates is a significant additional financial risk for Local Authorities to manage - 50% of any shortfall arising from either nonpayment by businesses, or reductions arising from the Valuation Office re-assessing rateable values, falls on individual authorities. A 'safety net' system is in operation, although this only compensates authorities for any shortfalls above 7.5% of the safety net figure. Prior to 2013/14 any shortfall in Business Rates collected was funded at a national level from the overall Business Rates pool.
- 7.4 Collecting Business Rates has always been an important responsibility, and the Council collected 98.9% in 2017/18 (national average 97.9% for unitary and metropolitan councils). The changes associated with localisation of business rates make this an even more important issue for the Council.
- 7.5 At the 30th June 2018 the Council had collected 28.68% of the 2018/19 liability, down by 0.25% compared to the same period last year. The timing and value of appeal decisions by the Valuation Office Agency makes comparison of collection performance for Business Rates between financial years difficult. A comprehensive review of the recovery status of all 2,832 business rates accounts has been undertaken which indicates that by the end of the financial year collection levels in excess of 98% should be sustained.

7.6 Council Tax

- 7.7 The overall Council Tax collection rate at 30th June 2018 was 27.54% compared to 27.73% for the same period last year, down slightly by 0.19%, as summarised in the graph below reflecting a broadly stable position.



- 7.8 Collection performance is impacted by the time lag in recovering Council Tax by Attachment of Benefit, where the rate of deduction is capped at £3.70 per week and only one deduction can be active at any one time. This particularly affects working age households in receipt of Local Council Tax Support (LCTS).
- 7.9 There are about 8,100 working age households who receive LCTS. The Council monitors closely levels of collection from these households which have been impacted by a range of national welfare reforms. The following graph shows that collection from these households is positive, albeit there are the forecast time lags in securing collection.

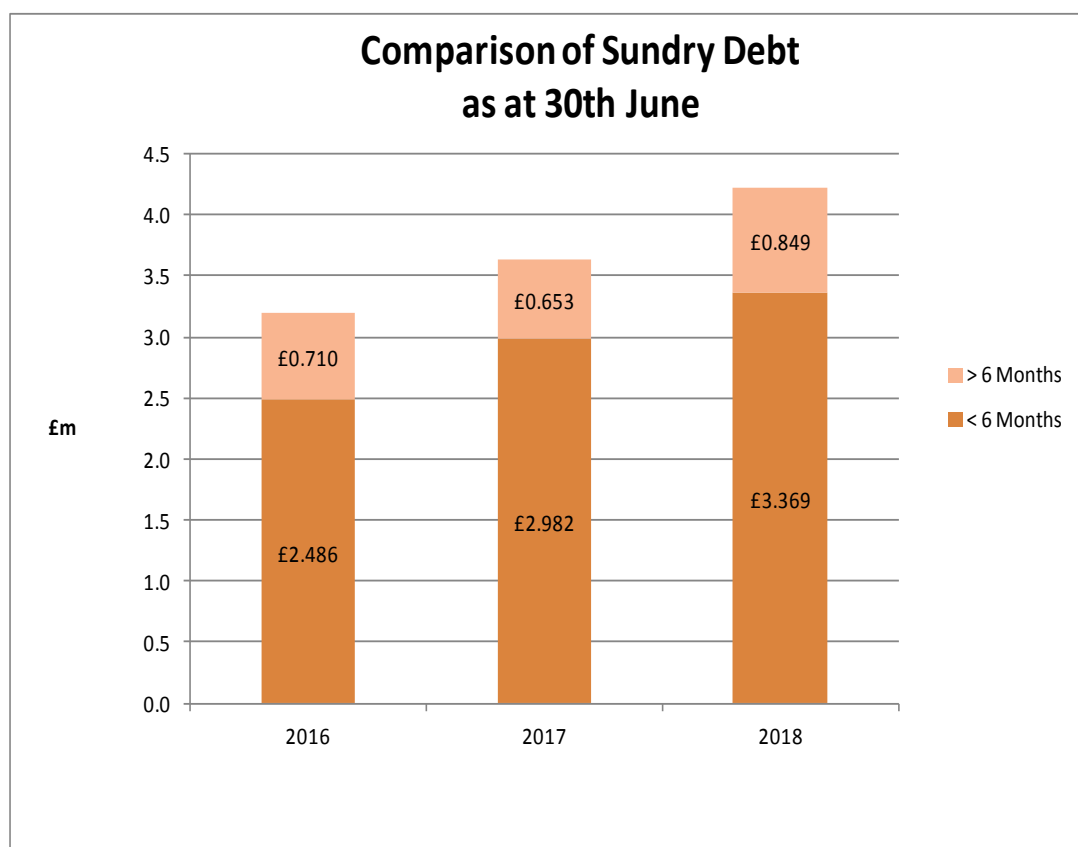


7.10 Collection of Council Tax from LCTS households continues to be within the financial planning parameters that underpin the Council's LCTS scheme.

7.11 Sundry Debts

7.12 The Council also collects significant Sundry Debts income for the payment of services provided by the Council. In total £8.727m of sundry debts were raised in the first three months of 2018/19. As at 30th June 2018, £5.468m (62.66%) of this amount had been collected.

7.13 Robust procedures for collecting the remaining outstanding debt are in place. The following graph shows the comparable positions at 30th June for the last three years for long term debt and current debt which has been outstanding for less than six months.



7.14 Debtors totalled £4.218m as at 30th June 2018, of which £3.369m (79.87%) relates to current debts (less than 6 months old).

7.15 Included within current debts (less than 6 months old) is debt where the customer has been invoiced for the whole of 2018/19 but payment is to be received in installments throughout the year.

7.16 Debts greater than 6 months old total £0.849m. 97.86% of this amount is under recovery action and 2.14% (£0.018m) is now considered unrecoverable and will be reported to Members for write off in October 2018.

8. Capital Receipts Target

8.1 The Council previously set a capital receipt target to provide funding to offset the removal of HMR (Housing Market Renewal) funding in 2011 by the Government.

8.2 Owing to the challenging economic and housing market conditions over the last few years these capital receipts have taken longer to achieve than initially anticipated. As reported previously the remaining target is £2.648m. This amount is net of the accrued capital receipts for King Oswy Drive/Former Henry Smiths site which is being received as instalments.

8.3 At present no significant receipts are anticipated in 2018/19. Work is currently underway to secure capital receipts at a number of sites including:

- Seaton Lane Site
- Former Brierton School Site
- Briarfields
- Tanfield Site
- Land at Hart
- Melrose House (Custodian Property)

8.4 However, these are unlikely to be received until 2019/20 at the earliest. As previously reported the capital receipt in relation to the Hart land sale is anticipated to be the largest capital receipt achieved over the next three years but owing to the phased basis on which monies are likely to be received it will not make a significant contribution to the target until 2020/21.

8.5 It is forecast that the full remaining target of £2.648m will be outstanding at year end. However as in previous years, the Council is expected to benefit from the expenditure commitments funded by capital receipts being incurred later than expected. In relation to the remaining expenditure commitments £0.500m is forecast to be rephased into 2019/20. This will result in a lower amount of temporary prudential borrowing of £2.148m at the end of the year (i.e. £2.648m remaining target less £0.500m rephased). As interest rates remain low the temporary interest cost can be funded from the existing revenue budget.

9. 2018/19 Capital Programme Monitoring

9.1 Capital Expenditure for all departments to the 31st July 2018 is summarised in the table below.

Department	BUDGET	EXPENDITURE IN CURRENT YEAR				
	A	B	C	D	E	F
	2018/19 Budget £'000	2018/19 Actual as at 31/7/18 £'000	2018/19 Expenditure Remaining £'000	Expenditure Rephased into 2019/20 £'000	(B+C+D) 2018/19 Total Expenditure £'000	(E-A) 2018/19 Variance from Budget £'000
Adult & Community Based Services	2,480	145	2,335	0	2,480	0
Children's & Joint Commissioning Services	10,175	2,215	7,960	0	10,175	0
Regeneration & Neighbourhood Services	29,841	5,662	16,771	7,365	29,798	(43)
Chief Executives	130	0	130	0	130	0
Corporate	3,852	280	3,147	425	3,852	0
Total Capital Expenditure	46,478	8,302	30,343	7,790	46,435	(43)

9.2 Actual expenditure to 31st July 2018 was £8.302m, compared to a 2018/19 budget of £46.478m; £7.790m has been rephased to 2019/20 leaving £30.343m to be spent during the remainder of 2018/19. The rephased amount reflects the expected profile of expenditure to be incurred and resources will be rephased accordingly. The main items included within this are:

- Funding for future HRA housing acquisitions, specific proposals to be detailed in a future report to F&P - £2.3m
- Deferred vehicle purchases to maximise revenue savings - £1.1m
- Section 106 contributions to be allocated to future schemes - £0.9m

9.3 There is a longer lead in time for capital schemes and therefore it is not unusual for expenditure to be low at this stage of the year.

9.4 Detailed financial information on the capital programme for individual Departments by Committee is provided in **Appendices G to K**.

9.5 The main items to bring to members attention are detailed below:

Coast Protection - Headland Town Wall and Block Sand scheme

Although the scheme included in **Appendix I** is not currently showing an adverse variance, there is expected to be additional costs which are being investigated and quantified. This scheme has suffered delays as a result of an objection raised in August 2016 as part of the planning process and license to carry out works. This resulted in work to a particular section of the sea wall being rephased until March 2018. Other ongoing work has continued, albeit with restricted access and additional plant hire leading to increased costs. The delay also meant that the work was exposed to the exceptional weather conditions in March 2018, including the worst storm surge for 60 years which caused numerous damage to the wall requiring repair.

Further details will be reported next quarter when the additional costs have been fully quantified and all funding options identified, including whether there is any possibility of additional Environment Agency grant funding. If no other funding is available and borrowing is required it is expected that this can be accommodated within the existing borrowing approval and revenue budget. This is possible because of the revenue contributions made in previous years which had reduced the amount of borrowing required.

9.6 Self Funded Business Cases

9.7 In accordance with the Council's Financial Procedure Rules authority is delegated to the Chief Executive, Director of Finance and Policy and Chief Solicitor in consultation with the Chair of Finance and Policy Committee to approve projects which do not require funding from the General Fund budget and are funded from either specific grant funding or specific income streams.

9.8 The officers detailed in the previous paragraphs have recently, following consultation with the Chair of Finance and Policy Committee, the Chair of

Regeneration Services Committee (the sponsoring Committee) and the Director of Regeneration and Neighbourhoods (the sponsoring Department), approved the following projects, which are of strategic importance and will bring heritage assets back into use which has been welcomed by key heritage stakeholders, including Heritage England:

- Purchase of 15 Church Street (Mama Mia's) – acquisition and refurbishment costs will be funded from a combination of grant funding, section 106 and Prudential borrowing; which will be repaid from rental income;
- Purchase of 16 Church Street (Shades) – acquisition costs will be funded from grant funded provided by the Combined Authority. This acquisition was progressed following detailed discussion with the Heritage Lottery Fund regarding future grant funding once the property was in the Council's ownership. This application is now progressing.

- 9.9 Detailed business case reports in relation to the above properties will be submitted to a future Finance and Policy Committee to enable full Council approval to be sort for the refurbishment budget and any required Prudential borrowing; which will be repaid from rental income.

9.10 Section 106 Developers Contributions

- 9.11 The level of contributions for housing and non - housing service areas as at 31st July 2018 is summarised in the following table. A detailed breakdown is included in **Appendix L**.

Section 106 Funding	Affordable Housing Contributions £000	Other Service Areas £000	Total £000
Amount brought forward as at 1st April, 2018	538	654	1,192
Amounts Received as at 31st July, 2018	1,504	270	1,774
Uncommitted Balance as at 31st July, 2018	2,042	924	2,966

- 9.12 A HRA Business Plan update report setting out specific proposals for using 'affordable housing contributions' will be brought to this Committee later in the year.

10 CONCLUSION

- 10.1 The Council over spent against the core budget in the last two years and used one-off resources to balance overall expenditure. This position reflected pressures in Children's Services which are continuing in 2018/19. These pressures are affecting the majority of councils with responsibility for these services.

- 10.2 As reported previously the Government has not identified any additional funding to address Children's Services pressures. The LGA has recently indicated that there will be a £2 billion Children's Services funding gap by 2020.
- 10.3 As detailed in Section 5 a 2018/19 General Fund revenue budget over spend of £800,000 is forecast. This mainly reflects continuing Looked after Children pressures. Officers have identified measures that will reduce the forecast deficit to £429,000 and will continue to try to achieve further in-year reductions.
- 10.4 However, there is a risk that further in year budget savings may not be achievable. Therefore it may be necessary to identify one off funding from reviewing the Council's earmarked reserves and details will be reported to a future meeting. This strategy will avoid a call on the Unearmarked General Fund Reserve, which needs to be maintained to manage future financial risks.
- 10.5 The financial pressures facing the Council are not unique and national press reports over the last few weeks have highlighted significant financial issues in many councils, including Northamptonshire County Council, East Sussex County Council and Birmingham. This clearly indicates the financial pressures facing the sector and individual councils will need to develop local strategies to address their specific financial challenges.
- 10.6 To some extent the Council is in a better position in the short term than many other areas as it has implemented difficult decisions over the last few years to cut expenditure, increase recurring income by increasing Council Tax, achieving housing growth and by carefully managing reserves.
- 10.7 However, as detailed in the 2019/20 to 2020/21 MTFS report, elsewhere on the agenda, the financial outlook for the next three years is extremely challenging. The Council faces a 2019/20 budget deficit of £6m and further deficits in 2020/21 and 2021/22. This means further extremely difficult decisions will be required over the next three years to set balanced budgets.
- 10.8 The full remaining capital receipts target of £2.648m will remain outstanding at the year end. It is anticipated that the remaining balance will be achieved in future years from planned receipts.

11. RECOMMENDATIONS

11.1 It is recommended that Members:

- i) Note the report;
- ii) Note the forecast 2018/19 General Fund Revenue budget over spend of £800,000 and proposed measures to reduce this to £429,000;
- iii) Note the options being explored to address the remaining forecast over spend of £429,000 and that further details will be reported on 29th October 2018.

12. REASONS FOR RECOMMENDATIONS

To update the Finance and Policy Committee on the Council's financial position and to enable Members to make decisions as part of the overall budget process for 2018/19.

13. BACKGROUND PAPERS

Medium Term Financial Strategy 2018/19 to 2019/20 and Financial Outlook from 2020/21 report to Finance and Policy Committee 12.02.18.

Final Outturn 2017/18 report to Finance and Policy Committee 30.07.18.

14. CONTACT OFFICER

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Summary of 2018/19 Forecast General Fund OutturnTable 1

	Forecast - Overspend/ (Underspend)
	£'000
Departmental Budgets	
Adult & Community Based Services	0
Children & Joint Commissioning	1,135
Chief Executive	(300)
Regeneration & Neighbourhoods	100
Ring Fenced Departmental reserves as detailed in Table 2	65
Total Departmental Forecast Budget Overspend	1,000
Non Departmental issues	
Corporate Budgets	(200)
Forecast Net Overspend	800

Ring Fenced Departmental Grant Reserves**Table 2****New Reserves to be Created**

	£'000
Ring-fenced Grant Reserves	
Contribution to Public Health Ring-Fenced Reserve with forecast underspend	65
TOTAL	65

REVENUE FINANCIAL MONITORING REPORT FOR FINANCIAL YEAR 2018/19 as at 31st JULY 2018

Approved 2018/2019 Budget	Description of Service Area	Forecast Outturn as at 31 July 2018 Adverse/ (Favourable)	Director's Explanation of Forecast Variance
£'000		£'000	
0	Carers & Assistive Technology	(5)	
2,430	Commissioning & Adults General	(10)	
1,694	Commissioning-Mental Health	90	Budget Pressures have previously been identified in this area.
10,924	Commissioning-Older People	(305)	This reflects the ending of a number of high cost packages and one-off income from the iBCF grant. This budget will be closely monitored throughout the year as spend often increases during the winter period.
8,468	Commissioning-Working Age Adult	275	There is a significant degree of volatility associated with the learning disability budget including high cost packages of care, the Transforming Care Agenda and the number and complexity of transitions from childrens services to adult services.
3	Community Centres	0	
7	Community Hubs	0	
225	Complaints & Public Information	(5)	
224	Departmental Running Costs	0	
707	Direct Care & Support Team	(40)	Salary underspends arising from incremental drift and vacancies.
447	LD & Transition Social Work	(5)	
859	Libraries	50	The adverse variance reflects non-achievement of 2018/19 savings proposals.
2,937	Locality & Safeguarding Teams	(100)	Salary underspends arising from incremental drift and vacancies.
741	Mental Health Services	(15)	
501	OT & Disability Equipment	0	
540	Sports, Leisure & Recreation Facilities	95	The adverse variance (which reflects a one-off contribution of £50k from Public Health reserves) mainly relates to a shortfall in income at the leisure centres and Carlton Outdoor Activity Centre.
269	Workforce Planning & Dev	0	
1,236	Working Age Adult Day Services	(25)	The favourable variance mainly relates to increased income and some savings on non-pay budgets.
32,212	Adult & Community Based Services Total	0	

PLANNED USE OF RESERVES

The above figures include the 2018/2019 approved budget along with the planned use of Departmental Reserves created in previous years.
The details below provide a breakdown of these reserves

Approved 2018/2019 Budget £'000	Description of Service Area	Actual Usage 2018/2019 £'000	Variance Over/ (Under) £'000	Director's Explanation of Forecast Variance
0	Public Health Reserve - Sport, Leisure &	50	50	One-off contribution towards the budget pressures within the Sport, Leisure and Recreation service.
0	Public Health Reserve - GP Referral & EDAN	77	77	Funding of the GP Referral and Diabetes programmes.
0	Public Health Reserve - DAT Tier 4	100	100	This is a contingency reserve to be used where there is a need for Tier 4 support within the Substance Misuse service.
31	Care Bill Implementation	0	(31)	The post funded from this reserve is now funded from base budget.
75	Modern Apprentices	0	(75)	The costs of employing Modern Apprentices within the department will be funded from the overall outturn.
106	Total	227	121	

REVENUE FINANCIAL MONITORING REPORT FOR FINANCIAL YEAR 2018/19 as at 31st JULY 2018

Approved 2018/2019 Budget £'000	Description of Service Area	Forecast Outturn as at 31 July 2018 Adverse/ (Favourable) £'000	Director's Explanation of Forecast Variance
15,134	Children & Families	1,340	LAC numbers have continued to increase since the budget was set across both in-house and high-cost Residential placements and this accounts for the main reason for the increased overspend.
2,557	Early Intervention Services	(135)	The favourable variance reflects staff vacancies and incremental drift.
3	Play & Care	20	Historic shortfall in income - charges have been increased and will be closely monitored throughout the remainder of the year.
755	Strategic Commissioning	(5)	
301	Youth Offending Service	(20)	The favourable variance reflects staff vacancies and incremental drift.
130	Access to Education	12	
167	Central Support Services	0	
512	Other School Related Expenditure	(20)	
549	Raising Educational Achievement	119	The overspend relates to a potential shortfall in School Improvement income.
246	Special Educational Needs	(16)	
326	Strategic Management	(95)	This underspend relates to 2019/20 savings achieved in advance.
20,680	Children's and Joint Commissioning Services	1,200	
	Public Health Grant		
3,117	Public Health - Commissioning	0	
2,178	Public Health - Substance Misuse	0	
1,900	Public Health - Children's	0	
905	Public Health - Statutory & Support Services	(65)	The favourable variance reflects a projected underspend against the smoking cessation prescribing budget.
436	Public Health - Adults	0	
278	Public Health - Physical Activity	0	
(8,764)	Public Health Main Grant	0	
50	Public Health Grant	(65)	
20,730	Total Children's and Joint Commissioning Services (inc Public Health Grant) Before Creation of Reserves	1,135	
	Creation of Reserves		
0	Contribution to Public Health Ring-Fenced Reserve	65	The Public Health Grant is ring fenced and any underspend will be transferred into the ringfenced reserve in line with the grant conditions.
20,730	Total Children's and Joint Commissioning Services (inc Public Health Grant) Net of Reserves	1,200	

PLANNED USE OF RESERVES

The above figures include the 2018/2019 approved budget along with the planned use of Departmental Reserves created in previous years.
The details below provide a breakdown of these reserves

Approved 2018/2019 Budget £'000	Description of Service Area	Actual Usage 2018/2019 £'000	Variance Over/ (Under) £'000	Director's Explanation of Forecast Variance
18	Selective Licensing Scheme	18	0	
18	Public Health Grant	74	56	To fund various specific Public Health-related projects in 2018/19
0	Public Health Grant - 0-19 Service	348	348	One-off funding to support the 0-19 service in 2018/19 while a review of this provision is finalised.
0	Wellbeing Fund	81	81	To be used to fund the Wellbeing Strategy Programme in 2018/19 and 2019/20.
9	Data Team	9	0	
88	EYES	88	0	
85	Individual Pupil Support	85	0	
41	SEND Team	0	(41)	Reserve not required in 2018/19.
25	Education Commission	25	0	
57	Transforming Tees	57	0	
341	Total	785	444	

REVENUE FINANCIAL MONITORING REPORT FOR FINANCIAL YEAR 2018/19 as at 31st JULY 2018

Approved 2018/2019 Budget	Description of Service Area	Forecast Outturn as at 31 July 2018 Adverse/ (Favourable)	Director's Explanation of Forecast Variance
£'000		£'000	
(134)	Benefits	(170)	A favourable variance of £60k is anticipated owing to vacant posts, and a further £110k is expected in additional grant from DWP for Housing Benefit and Universal Credit New Burdens and Verify Earning and Pension Alerts.
(925)	Central Administration Recharges	0	
36	Civic Attendants	0	
975	Corporate Finance	(50)	The favourable variance is owing to vacant posts and posts not being at the top of the grade.
657	Corporate Strategy & Public Consultation	(70)	The favourable variance is owing to vacant posts, and posts not being at the top of the grade and some supplies and services savings.
(143)	Housing Benefits Subsidy	(85)	This projected underspend on Housing Benefit Subsidy grant is an early estimate. This will be reviewed again at the Mid Year Review in September. This grant generates £37m in subsidy.
199	Democratic	(5)	
916	Customer and Support Services	0	
495	Human Resources & Health and Safety	(38)	The favourable variance is owing to vacant posts and posts not being at the top of the grade, which is partly offset by a reduction in income.
234	Internal Audit	(8)	
436	Legal Services	35	The adverse variance is owing to a reduction in income generation. This is being addressed as part of the 2019/20 budget.
167	Municipal Elections and Registration of Electors	0	
(7)	Other Office Services	14	The adverse variance is owing to a reduction in income received from Local Land Searches.
94	Procurement	(50)	The favourable variance is owing to a vacant post.
53	Public Relations	50	The adverse variance is owing to a reduction in income generation. This is being addressed as part of the 2019/20 budget.
(113)	Registration Services	30	The adverse variance is owing to reduced income generation on both birth and death registration owing to services being transferred to North Tees Hospital.
(45)	Reprographics	0	
928	Revenues	60	The adverse variance is owing to a reduction in the Bailiff section income generation, additional hours in the Cashiers section, and additional Credit Card Commission charges. This will be addressed as part of the 2019/20 budget.
(526)	Revenue & Benefits Central	20	The adverse variance is owing to a reduction in the Cost of Collection grant for Non Domestic Rates.
66	Scrutiny	0	
616	Shared Services	(3)	
130	Support to Members	0	
10	Training & Equality	0	
344	Corporate Management Running Expenses	(30)	The favourable variance is owing to a post not being at the top of the grade and savings on the Corporate Subscriptions budget.
4,463	Total	(300)	

**CHIEF EXECUTIVES
PLANNED USE OF RESERVES**

The above figures include the 2018/2019 approved budget along with the planned use of Departmental Reserves created in previous years.
The details below provide a breakdown of these reserves

Approved 2018/2019 Budget £'000	Description of Service Area	Actual Usage 2018/2019 £'000	Variance Over/ (Under) £'000	Director's Explanation of Forecast Variance
5	Corporate Strategy - Performance Management	5	0	
8	Public Relations	8	0	
2	Civic Responsibilities	2	0	
30	Municipal Elections and Registration of Electors	30	0	
13	Corporate Training Programme	13	0	
50	Human Resources & Health and Safety Loss of Income	50	0	
24	Human Resources & Health Extension of Fixed Term Contract	24	0	
39	Human Resources & Health and Safety - Resourcelink post.	39	0	
41	ICT System development (Firmstep)	41	0	
32	Finance - IT Investment Shared Services	32	0	
115	Chief Executive's Department Ring Fenced Grants	115	0	
359	Total	359	0	

REVENUE FINANCIAL MONITORING REPORT FOR FINANCIAL YEAR 2018/19 as at 31st July 2018

Approved 2018/2019 Budget	Description of Service Area	Forecast Outturn as at 31 July 2018 Adverse/ (Favourable)	Director's Explanation of Forecast Variance
£'000		£'000	
20	Archaeology	0	
(50)	Adult Education	0	
(325)	Building Design Team	150	The adverse variance relates to a shortfall in fee income from Capital and external work. A review of this area is underway to evaluate the fee earning capacity in future years.
(874)	Car Parking	80	The adverse variance relates to a shortfall in income.
(32)	Coast Countryside & Heritage	0	
1,165	Community Safety & Engagement	0	
(140)	Construction Support Service	0	
93	Construction Team	0	
863	Consumer Services	30	Adverse variance is a forecast shortfall in licensing income.
595	Cultural & Visitor Services	90	Adverse variance relates to shortfall in income at the Town Hall Theatre and Borough Hall.
468	Economic Regeneration	0	
97	Employment & Skills	0	
(35)	Environmental Standards	10	Adverse variance relates to income shortfall on Markets.
(3)	Environmental Protection	0	
367	Engineering & Design	(100)	Underspend relates to the timing of prudential borrowing charges in relation to the Headland Capital Scheme as some charges will not be incurred until 2019/20.
947	Facilities Management	0	
24	General Allotments	0	
2,719	Environmental Services	0	
(338)	Highways Trading	0	
2,640	Highways & Transportation	(30)	The favourable variance relates to a forecast over achievement of income.
1,360	Passenger Transport	(40)	The favourable variance relates to Home to School Transport which is a demand led service. Costs are dependent on service user demographics and at present are below the base budget provision. This position will need to be reviewed for the new academic year starting in September.
265	Planning & Development	115	The adverse variance relates to a potential shortfall in income from planning fees. It is difficult to predict the outturn in this area as approximately 80% of the fee income comes from large scale projects and the timing of these applications are difficult to predict.
0	Planning & Development - Contribution from Reserves	(115)	Income equalisation reserve used to fund the income shortfall in 2018/19. Planning fees have increased in 2018/19 by 20% and the position will need to be closely monitored to establish if this increase addresses the income shortfall.
130	Road Safety	0	
(31)	Strategic Asset Management	0	
570	Strategic Management & Admin	0	
994	Street Lighting	(40)	The favourable variance represents energy and maintenance efficiencies in relation to the LED scheme.
2,410	Sustainable Transport	(90)	The favourable variance is based on the negotiated position with Bus Operators which has resulted in the current contract being below the base budget provision.
(34)	Vehicle Fleet	(100)	The favourable variance relates to temporary savings on vehicle borrowing costs as vehicles are kept for longer and the purchase of new vehicles has been delayed where appropriate.
4,933	Waste Management	140	Waste Management continues to be a volatile area. The latest trends for recycling income have been used which are lower than 2017/18. The projections for the waste disposal are based on predicted tonnages from the beginning of the year (which includes growth of the town). Actual tonnages and income levels will be monitored closely.
18,799	Regeneration & Neighbourhoods Total	100	

REGENERATION AND NEIGHBOURHOODS
PLANNED USE OF RESERVES

The above figures include the 2018/2019 approved budget along with the planned use of Departmental Reserves created in previous years.
The details below provide a breakdown of these reserves

Approved 2018/2019 Budget £'000	Description of Service Area	Actual Usage 2018/2019 £'000	Variance Over/ (Under) £'000	Director's Explanation of Forecast Variance
29	Community Safety Specific Grants	29	0	
30	Museum Acquisition Fund	48	18	Difference in timing of forecast use of reserves.
0	Economic Regeneration Schemes/YEI Match	88	88	Updated position in relation to timing of matched funding.
0	Adult Education (YEI Match)	5	5	Updated position in relation to timing of matched funding.
0	BIS (ISQ Workspace)	52	52	Difference in timing of forecast use of reserves.
17	Civic Lottery - Ward Member Budgets	17	0	
0	Ward Member Budgets	41	41	Reflects forecast use of underspends carried forward from previous year.
	Local Plan	5	5	Reflects residual use of reserve in relation to final costs of the scheme.
0	Royal Navy Museum Reserve	173	173	Reflects agreed contribution to NMRN.
50	Allotments Public Health Reserve	50	0	
126	Total	508	382	

REVENUE FINANCIAL OUTTURN REPORT FOR FINANCIAL YEAR 2018/19 as at 31ST JULY 2018

Budget	Budget Heading	Forecast Outturn	Forecast Variance	Director's Explanation of Forecast Variance
£'000		£'000	£'000	
	<u>Income</u>			
(1,068)	Dwelling Rents	(1,122)	(54)	Increased income is owing to a reduction in the number of void properties as a result of introducing the Discretionary Housing Payments scheme.
(2)	Charges for services and facilities	(6)	(4)	
(26)	Other Income	(27)	(1)	
(1,096)	Income sub total	(1,155)	(59)	
	<u>Expenditure</u>			
189	Repairs and maintenance	210	21	Increase in the number of properties let.
282	Supervision and management	282	0	
13	Rents, rates, taxes and other charges	20	7	Cost incurred in relation to void properties.
35	Increase in provision for bad or doubtful debts	35	0	
281	Depreciation of fixed assets (Major Repairs Allowance)	281	0	
0	Discretionary Housing Payments	10	10	Scheme approved by F&P on 18th June, 2018.
9	Debt Management	10	1	
809	Expenditure sub total	848	39	
(287)	Net cost of services	(307)	(20)	
340	Interest payable	355	15	Increase is owing to capital expenditure in 2017/18.
(24)	HRA investment income	(22)	2	
29	HRA Operating (Surplus) / Deficit for the year	26	(3)	
	Movement on the HRA Reserve			
(530)	HRA Reserve Opening Balance	(537)	(7)	Reflects actual 2017/18 outturn.
29	(Surplus)/Deficit for the year	26	(3)	
(501)	HRA Reserve Closing Balance	(511)	(10)	

CAPITAL MONITORING REPORT PERIOD ENDING 31st JULY 2018

Project Code	Scheme Title	BUDGET	EXPENDITURE IN CURRENT YEAR					Type of Financing	2018/19 COMMENTS
		A	B	C	D	E	F		
		2018/19 Budget £'000	2018/19 Actual as at 31/7/18 £'000	2018/19 Expenditure Remaining £'000	Expenditure Rephased into 2019/20 £'000	(B+C+D) 2018/19 Total Expenditure £'000	(E-A) 2018/19 Variance from Budget £'000		
Adult & Community Based Services									
7212	Capital Grants to Residential/Nursing Care Homes (iBCF)	501	14	487	0	501	0	RCCO	
7234	Chronically Sick and Disabled Persons Adaptations	313	0	313	0	313	0	MIX	
8108	Centre for Independent Living	231	0	231	0	231	0	MIX	
7218	Disabled Facilities Grant	1,314	129	1,185	0	1,314	0	GRANT	
8103	Swimming Scheme	35	0	35	0	35	0	RCCO	
8172	Brierton Dance Studio Equipment	4	2	2	0	4	0	RCCO	
7992	Junior Football Pitches	26	0	26	0	26	0	RCCO	
8408	Mill House - Equipment Purchase	3	0	3	0	3	0	RCCO	
8689	Brierton Sports Fields	1	0	1	0	1	0	MIX	
8016	Summerhill Multi User Route	1	0	1	0	1	0	GRANT	
8409	Sport & Youth Improvements	12	0	12	0	12	0	MIX	
8964	Brierton Sports Hall Techno Gym	2	0	2	0	2	0	GRANT	
8896	Brierton Tennis Courts	30	0	30	0	30	0	CAP REC	
8634	Brierton 3G Pitch - Football Foundation	6	0	6	0	6	0	MIX	
8904	Summerhill Cafe Works	1	0	1	0	1	0	MIX	
Adult & Community Based Services Total		2,480	145	2,335	0	2,480	0		

Key

RCCO

Revenue Contribution towards Capital

MIX

Combination of Funding Types

UCPB

Unsupported Corporate Prudential Borrowing

SCE

Supported Capital Expenditure (Revenue)

GRANT

Grant Funded

CAP REC

Capital Receipt

UDPB

Unsupported Departmental Prudential Borrowing

CORP

Corporate Resources

CAPITAL MONITORING REPORT PERIOD ENDING 31st JULY 2018

Project Code	Scheme Title	BUDGET	EXPENDITURE IN CURRENT YEAR					Type of Financing	2018/19 COMMENTS
		A	B	C	D	E	F		
		2018/19 Budget £'000	2018/19 Actual as at 31/7/18 £'000	2018/19 Expenditure Remaining £'000	Expenditure Rephased into 2019/20 £'000	(B+C+D) 2018/19 Total Expenditure £'000	(E-A) 2018/19 Variance from Budget £'000		
Children's and Joint Commissioning Services									
8587	Brougham Primary School - Air Handling Unit Replacement	34	12	22	0	34	0	GRANT	
8906	CETL - Windows	40	4	36	0	40	0	RCCO	
8072	Children's Centres - General	42	0	42	0	42	0	MIX	
7388	Clavering Primary - Electrical Rewire	40	26	14	0	40	0	GRANT	
7387	Clavering Primary - KS2 Remodelling and Hall Expansion	204	11	193	0	204	0	GRANT	
8983	Clavering Primary - Heating and DHW Boiler Plant Renewal	85	26	59	0	85	0	GRANT	
8984	Clavering Primary - Electrical Rewire	80	11	69	0	80	0	GRANT	
7384	Devolved Schools Capital	307	0	307	0	307	0	GRANT	
9004	English Martyrs - New Build	1,845	1,845	0	0	1,845	0	GRANT	
7399	Fens Primary - Schools led Premises Work	16	0	16	0	16	0	RCCO	
7378	Golden Flatts Primary School - Lintel Replacement	7	1	6	0	7	0	GRANT	
8907	Golden Flatts Primary School - Roofing Replacement	45	0	45	0	45	0	GRANT	
8906	Grange Primary School - Window Replacement	22	14	8	0	22	0	GRANT	
7399	Gretham Primary School - Schools Led Premises Work	0	0	0	0	0	0	RCCO	
7394	Hart Primary School - SEND Adaptations	1	0	1	0	1	0	MIX	
7396	High Tunstall School - Roofing - Block D	9	9	0	0	9	0	MIX	
7392	High Tunstall School - Toilet Refurbishment - Block D	15	10	5	0	15	0	MIX	
8716	High Tunstall School - Window Replacement - Block D	140	25	115	0	140	0	RCCO	
7376	High Tunstall School - Electrical Rewire Block D	25	11	14	0	25	0	GRANT	
7405	High Tunstall School - Electrical Lighting Block D	35	0	35	0	35	0	GRANT	
7379	High Tunstall School - Main Boiler and DHW Plant Renewal	35	3	32	0	35	0	GRANT	
7383	High Tunstall School - Floor Renewal Block D	25	0	25	0	25	0	GRANT	
NEW	High Tunstall School - Toilet Renewal	55	0	55	0	55	0	GRANT	
7403	High Tunstall School - Drainage Works Block D	7	0	7	0	7	0	GRANT	
8907	Lynnfield School - Roof Replacement	90	15	75	0	90	0	MIX	
7392	Lynnfield School - Toilet Refurbishment	54	4	50	0	54	0	GRANT	
NEW	Lynnfield School - Roof Replacement - Phase 2	70	0	70	0	70	0	GRANT	
7586	Purchase of Computer Equipment - City Learning Centre	4	0	4	0	4	0	RCCO	
8947	Rift House Primary School - Heating Distribution (1 of 2)	12	5	7	0	12	0	GRANT	
8907	Rift House Primary School - Roofing Replacement	0	0	0	0	0	0	GRANT	
8891	Rift House Primary School - Classroom Extension	118	0	118	0	118	0	MIX	
8985	Rift House Primary School - Heating Pipework	27	4	23	0	27	0	GRANT	
8906	Rift House Childrens Centre - Window Replacement	28	0	28	0	28	0	GRANT	
7177	Rift House - Fire Damage	241	1	240	0	241	0	GRANT	
NEW	Rift House - Language Lab	28	0	28	0	28	0	RCCO	
8984	Rossmere Primary School - Electrical Rewire	120	13	107	0	120	0	GRANT	
8983	Rossmere Primary School - Heating and DHW Boiler Plant Renewal	85	9	76	0	85	0	GRANT	
8592	Rossmere Primary School - Replace Lintels	10	0	10	0	10	0	GRANT	
8906	Rossmere Primary School - Window Replacement	20	20	0	0	20	0	GRANT	
7386	Rossmere Youth Centre - OSCARS Toilet	7	0	7	0	7	0	RCCO	
7421	School Travel Plans	2	0	2	0	2	0	GRANT	
8138	Schools General - BSF - ICT	50	0	50	0	50	0	GRANT	
9004	Schools General - Contingency	80	0	80	0	80	0	GRANT	
9004	Schools General - Funding Currently Unallocated	33	0	33	0	33	0	MIX	
9004	Schools General - RCCO Earmarked for Asbestos Surveys	1	0	1	0	1	0	RCCO	
9004	Schools General - Suitability RCCO Unallocated	858	0	858	0	858	0	RCCO	
9004	Schools General - Basic Need	3,923	0	3,923	0	3,923	0	GRANT	
NEW	Schools General - Fire Safety Modifications	100	0	100	0	100	0	GRANT	
8324	Schools General - BMS Control System	25	4	21	0	25	0	GRANT	
8788	Schools General - Universal Free School Meals	20	0	20	0	20	0	GRANT	
7432	Springwell Primary School - Remodelling SEMH	500	0	500	0	500	0	GRANT	
7229	St Helen's Primary School - Toilet Refurbishment	46	15	31	0	46	0	GRANT	
8979	St Helen's Primary School - Language Lab	13	0	13	0	13	0	RCCO	
7380	Throston School - Roofing Area (Phase 1 of 2)	70	4	66	0	70	0	GRANT	
7381	Throston School - Window Replacement	25	1	24	0	25	0	GRANT	
8971	Throston Primary School - Convector Fan Renewal	16	0	16	0	16	0	GRANT	
7521	Two year old Free Nursery Entitlement Capacity Building	23	0	23	0	23	0	GRANT	
7386	West Park - Early Years Extension	75	72	3	0	75	0	GRANT	
8653	West View Primary School - Early Years Foundation Stage Improvements	10	3	7	0	10	0	RCCO	
7407	West View Primary School - Remodelling KS2 Area	88	12	76	0	88	0	GRANT	
Children's Total		9,986	2,190	7,796	0	9,986	0		

CAPITAL MONITORING REPORT PERIOD ENDING 31st JULY 2018

Project Code	Scheme Title	BUDGET	EXPENDITURE IN CURRENT YEAR					Type of Financing	2018/19 COMMENTS
		A	B	C	D	E	F		
		2018/19 Budget	2018/19 Actual as at 31/7/18	2018/19 Expenditure Remaining	Expenditure Rephased into 2019/20	(B+C+D) 2018/19 Total Expenditure	(E-A) 2018/19 Variance from Budget		
		£'000	£'000	£'000	£'000	£'000	£'000		
Public Health									
8710	Drug & Alcohol Recovery Centre	18	0	18	0	18	0	GRANT	
8946	Stepping Stones Grant	91	25	66	0	91	0	GRANT	
8088	Community Hub - Central	68	0	68	0	68	0	RCCO	
8098	Community Hub - North	12	0	12	0	12	0	RCCO	
Public Health Total		189	25	164	0	189	0		
Total Children's and Joint Commissioning Services		10,175	2,215	7,960	0	10,175	0		

Key

RCCO

MIX

UCPB

SCE

Revenue Contribution towards Capital

Combination of Funding Types

Unsupported Corporate Prudential Borrowing

Supported Capital Expenditure (Revenue)

GRANT

CAP REC

UDPB

CORP

Grant Funded

Capital Receipt

Unsupported Departmental Prudential Borrowing

Corporate Resources

CAPITAL MONITORING REPORT PERIOD ENDING 31st JULY 2018

Project Code	Scheme Title	EXPENDITURE IN CURRENT YEAR						Type of Financing	2018/19 COMMENTS
		A	B	C	D	E	F		
		2018/19 Budget £'000	2018/19 Actual as at 31/7/18 £'000	2018/19 Expenditure Remaining £'000	Expenditure Rephased into 2019/20 £'000	(B+C+D) 2018/19 Total Expenditure £'000	(E-A) 2018/19 Variance from Budget £'000		
8306	School Catering Equipment	497	6	44	447	497	0	RCCO	Amounts set aside from revenue to fund kitchen equipment replacements.
7220	Housing - Private Sector Grants	50	2	48	0	50	0	GRANT	Income recycled from old loan schemes when properties sold as charges on properties when the loans were actioned.
7217	Housing - Raby Road CPO	5	5	0	0	5	0	GRANT	Legal costs recharged to Thirteen.
8799	Housing - Major Repairs	58	0	58	0	58	0	RCCO	Funded from amounts set aside in the Major Repairs Reserve from the Housing Revenue Account (HRA).
8795	Social Housing & Empty Properties Phase 2	1,087	581	506	0	1,087	0	MIX	The budget includes funding for the acquisition of 13 properties. This will complete the Phase 2 scheme objective of 60 properties since January 2015. Any properties thereon will be included within the Social Housing Phase 3 budget.
7182	Social Housing & Empty Properties Phase 3	3,181	0	925	2,256	3,181	0	MIX	The budget includes section 106 contributions of £2m received to date and further receipts are expected in the current year and next financial year. Confirmation has also now been received from Homes England that this funding can be used in conjunction with grant. Officers are consulting with Homes England to obtain further match funding and proposals will be set out in a future HRA Business Plan update report to members. The current year forecast assumes that match funding will be approved by Homes England for 5 properties in addition to 3 to complete Phase 2. The forecast spend also includes 12 flats in Church Street (Avondene). The rephased budget will be considered as part of the future HRA Business Plan report.
8605	Housing - North Central Hartlepool Housing Regeneration	558	275	283	0	558	0	CAP REC	Scheme almost complete with the final payment expected this year.
7530	Developers Contributions (Section 106)	924	0	0	924	924	0	GRANT	Relates to amounts received and earmarked for purposes specified in developer agreements, but not yet transferred to a budget. Details are set out in Appendix L.
8956	ISQ - Church Square	1,307	252	1,055	0	1,307	0	MIX	Works ongoing with expected completion in November.
8901	ISQ - Workspace	3,690	1,023	2,667	0	3,690	0	MIX	Works ongoing, expected completion in December.
7043	ISQ Church Street Public Realm	996	953	43	0	996	0	MIX	Expected to be completed by end of August.
7048	ISQ Stockton Street Connectivity	1,219	28	891	300	1,219	0	MIX	The scheme is expected to start on site January 2019 and continue into next financial year.
HLF	ISQ - Church Street Building Grants (HLF)	1,301	0	150	1,151	1,301	0	GRANT	Most of the expenditure in relation to building conservation grants and activities is expected in 2019/20.
7064	ISQ2 - Church Street Property Intervention	445	445	0	0	445	0	MIX	Relates to purchase of properties in Church Street. A report considering detailed proposals will be brought to Finance and Policy Committee later in the year.
7504	Seaton - Costal Communities Fund (CCF)	386	260	126	0	386	0	MIX	Works ongoing with expected completion by October.
7049	Waterfront Public Realm	1,445	0	1,445	0	1,445	0	RCCO	Relates to public realm and an interim water activity centre as approved by Joint F&P and Regeneration Committee on 22nd January, 2018.
7238	Museums Exhibition Equipment	1	1	0	0	1	0	GRANT	Scheme complete and final grant claim submitted.
8429	Adult Education - Replace IT	71	27	44	0	71	0	MIX	Relates to procurement of new IT system to meet SFA obligations. This includes use of £65,000 reserves from Adult Education.
7272	Wheelie Bin Purchases	106	39	17	51	107	1	UDPB	Less expenditure is expected in the current year as a result of the introduction of charges that cover the cost of replacement bins.
7466	DSO Vehicle Purchases	3,305	275	1,925	1,105	3,305	0	UDPB	Vehicle replacements have been deferred where possible to maximise savings. The current forecast is based on the likely number of vehicles to be ordered and received in the current financial year.
7878	Community Safety CCTV Upgrade/Relocation	54	0	54	0	54	0	MIX	Expected completion in year within budget.
CR	Crematorium Chapel refurbishment	404	0	20	384	404	0	RCCO	Works are expected to begin in May 2019 to avoid disruption to the service. A report is being prepared which will outline options.
Allot	Allotments Improvements	216	0	51	165	216	0	UDPB	A new programme of works for 2018/19 was approved by the Neighbourhoods Committee in June 2018.
LTP	Local Transport Plan (LTP) Schemes	2,744	399	2,345	0	2,744	0	GRANT	Consists of various Highways & Traffic schemes. At this stage the budget is anticipated to be fully spent but there is a risk that there may be changes to the timing of expenditure due to unforeseen delays/design /consultation and weather conditions.
PLAY	Parks & Playgrounds	126	34	48	44	126	0	GRANT	Major works to ensure the safety of parks and playgrounds. Includes the Burbank MUGA.
7243	Seaton Carew Car Parking Pay & Display	4	4	0	0	4	0	UDPB	Residual costs met from LTP budget.
7900	EA - Hartlepool Marina - North Pier Study	300	0	30	0	30	0	GRANT	Ongoing Study can include erosion, conservation & deterioration.
7902	EA - Hartlepool Drainage Schemes	8	2	6	0	8	0	GRANT	Scheme ongoing.
8958	Elwick By-Pass Growing Places	389	14	375	0	389	0	UDPB	Detailed design work and land negotiations ongoing. Additional funding will be required for Land Purchase and utility diversions. Full costs are yet to be determined. TVCA have confirmed that the £600K original loan can be spent on other elements associated with the scheme. Anticipate balance of original allocation to be spent 18/19 with additional funding required in 19/20 onwards for full Implementation.
8965	TVCA Brenda Road Cycleways TV4	205	137	33	35	205	0	GRANT	On site awaiting drainage works. £35K likely to slip into 19/20.
8591	Coast Protection - Headland Town Wall & Block Sands	882	876	6	0	882	0	MIX	Although not shown, there is likely to be an adverse variance which is currently being investigated and quantified. This is owing to delays and additional costs caused by a planning objection, which has resulted in ongoing works being subject to greater exposure to exceptional weather conditions resulting in further damage to the sea wall. Details of the expected additional costs and proposed funding strategy will be reported when these have been quantified.

CAPITAL MONITORING REPORT PERIOD ENDING 31st JULY 2018

Project Code	Scheme Title	BUDGET	EXPENDITURE IN CURRENT YEAR					Type of Financing	2018/19 COMMENTS
		A	B	C	D	E	F		
		2018/19 Budget £'000	2018/19 Actual as at 31/7/18 £'000	2018/19 Expenditure Remaining £'000	Expenditure Rephased into 2019/20 £'000	(B+C+D) 2018/19 Total Expenditure £'000	(E-A) 2018/19 Variance from Budget £'000		
8444	Coast Protection - Town Wall Strengthening	46	2	0	0	2	(44)	GRANT	Scheme is complete . Any balances may have to be returned to Environment Agency, however a request will be made to retain surplus for other Coastal projects.
8578	Coast Protection - South Management Unit Study	28	0	28	0	28	0	GRANT	Environment Agency scheme to complete in year.
NIP3	Neighbourhood Investment Fund (NIP)	289	0	0	289	289	0	UDPB	Relates to the unallocated balance on the Neighbourhood Investment Fund to be decided by members.
7246	NIP - Rossmere Park	550	5	395	150	550	0	UDPB	Expected completion in 2019/20.
8977	NIP - King Oswy Shops	289	0	289	0	289	0	UDPB	Expected completion in year.
7222	NIP - Seaton Park	68	0	68	0	68	0	UDPB	Expected completion in year.
NIP1	NIP Stranton Cemetery Barrier	45	0	45	0	45	0	UDPB	Expected completion in year.
NIP2	NIP - BIS Paving	170	0	170	0	170	0	UDPB	Expected completion in year.
NIP4	NIP - Barrier Works TESCO Roundabout	400	0	400	0	400	0	UDPB	Expected completion in year.
8292	NIP - Headland	102	17	85	0	102	0	UDPB	Expected completion in year
NIP5	NIP - Roundabouts	200	0	200	0	200	0	UDPB	Expected completion in year
7181	Waste Disposal Contract Extension	1,872	0	1,872	0	1,872	0	UDPB	As set out in the MTFS this represents an upfront payment in relation to the waste disposal contract to secure more favourable gate fee rates . This cost is being met from borrowing.
8980	TVCA Bishop Cuthbert Cycleway Access	45	0	10	35	45	0	GRANT	Scheme ongoing.
8981	TVCA - Brenda Road A689 Footpath	13	0	9	4	13	0	GRANT	Scheme ongoing.
8982	TVCA A689 Brenda Road Cycleway	30	0	5	25	30	0	GRANT	Scheme ongoing
Regeneration & Neighbourhoods Total		29,841	5,662	16,771	7,365	29,798	(43)		

Key
RCCO Revenue Contribution towards Capital
MIX Combination of Funding Types
UCPB Unsupported Corporate Prudential Borrowing
SCE Supported Capital Expenditure (Revenue)

GRANT Grant Funded
CAP REC Capital Receipt
UDPB Unsupported Departmental Prudential Borrowing
CORP Corporate Resources

CAPITAL OUTTURN REPORT PERIOD ENDING 31st JULY 2018

Project Code	Scheme Title	BUDGET	EXPENDITURE IN CURRENT YEAR					Type of Financing	2018/19 COMMENTS
		A	B	C	D	E	F		
		2018/19 Budget £'000	2018/19 Actual as at 31/7/18 £'000	2018/19 Expenditure Remaining £'000	Expenditure Rephased into 2019/20 £'000	(B+C+D) 2018/19 Total Expenditure £'000	(E-A) 2018/19 Variance from Budget £'000		
7260	City Challenge Clawback	9	0	9	0	9	0	RCCO	As approved by Council 23/2/17, this will fund any potential write off on the City Challenge debts.
7623	Corporate IT Projects	12	0	12	0	12	0	MIX	
	Point to Point Encryption	20	0	20	0	20	0	MIX	
	Corporate Projects	89	0	89	0	89	0	MIX	
	Chief Executives Total	130	0	130	0	130	0		

Key

RCCO Revenue Contribution towards Capital
MIX Combination of Funding Types
UCPB Unsupported Corporate Prudential Borrowing
SCE Supported Capital Expenditure (Revenue)

GRANT Grant Funded
CAP REC Capital Receipt
UDPB Unsupported Departmental Prudential Borrowing
CORP Corporate Resources

CAPITAL MONITORING REPORT PERIOD ENDING 31st JULY 2018

Project Code	Scheme Title	BUDGET	EXPENDITURE IN CURRENT YEAR					Type of Financing	2018/19 COMMENTS
		A	B	C	D	E	F		
		2018/19 Budget £'000	2018/19 Actual as at 31/7/18 £'000	2018/19 Expenditure Remaining £'000	Expenditure Rephased into 2019/20 £'000	(B+C+D) 2018/19 Total Expenditure £'000	(E-A) 2018/19 Variance from Budget £'000		
7029	Borough Hall - Major Refurb Scheme	738	89	649	0	738	0	RCCO	Scheme approved by F & P 30.10.17. Scheme ongoing.
7033	Borough Hall - External Masonry/Window Mullions	62	0	62	0	62	0	RCCO	Scheme approved by F & P 30.10.17. Scheme ongoing.
7036	Unallocated Council Capital Fund (CCF)	76	0	76	0	76	0		
7041	Corporate Planned Maintenance Unallocated	6	0	6	0	6	0	UCPB	
7053	BEMS Energy Management System	146	0	146	0	146	0	RCCO	Scheme ongoing.
7072	Seaton DDA toilet	37	0	37	0	37	0	UCPB	Scheme on hold.
7178	Millhouse Pool. Filter	20	0	20	0	20	0	CAP REC	Scheme ongoing.
7200	Civic Centre Refurbishment	75	0	75	0	75	0	CAP REC	Scheme ongoing.
7472	Victory Square Improvements	12	0	12	0	12	0	CORP	Scheme ongoing.
7473	Victory Square War Memorial - Conservation Works	55	0	55	0	55	0	CAP REC	Scheme ongoing.
7503	Carnegie Building Boiler Renewal	41	20	21	0	41	0	CAP REC	Scheme ongoing.
7503	CETL - Boiler Renewal	43	22	21	0	43	0	CAP REC	Scheme ongoing. One boiler complete, second boiler to be completed in the summer school holidays.
7505	Carnegie Building - -Roof and Internal Works	16	0	16	0	16	0	RCCO	Scheme ongoing.
7589	CETL Replace Heating Controls	18	8	10	0	18	0	MIX	Scheme ongoing. One boiler complete, second boiler to be completed in the summer school holidays.
7617	Borough Hall - Lighting and Wiring	40	0	40	0	40	0	CAP REC	Scheme ongoing.
7904	Sir William Gray House Internal Refurbishment	19	13	6	0	19	0	CORP	Scheme ongoing.
7994	Millhouse - Electrical Distribution Board Replacement	1	0	1	0	1	0	CORP	Scheme complete. Final Account agreed.
8055	Hartlepool Enterprise Centre - Window Replacement	54	2	52	0	54	0	CORP	Scheme ongoing.
8061	CETL Roof Replacement	58	43	15	0	58	0	RCCO	Scheme ongoing.
8068	CETL Replace Fire Alarm	10	2	8	0	10	0	RCCO	Scheme ongoing.
8776	Town Hall Theatre - Replace Stage Lighting Controls	10	8	2	0	10	0	CORP	Scheme complete. Final Account to be agreed.
8866	Rossmere Youth Centre - Roof Replacement	117	0	117	0	117	0	CAP REC	Scheme at tender stage.
8867	Borough Hall - Structural Works	21	0	21	0	21	0	CORP	Scheme ongoing.
8893	Town Hall Lighting and Distribution Board Replacement	15	0	15	0	15	0	CORP	Distribution Board now complete. Lighting scheduled for September.
8906	Rossmere Youth Centre - Window Replacement	33	0	33	0	33	0	RCCO	Scheme ongoing.
8959	Civic Centre - Council Chamber Refurbishment	10	0	10	0	10	0	RCCO	Scheme ongoing.
8967	Carlton Outdoor Centre - Replace Hot Water System	7	0	7	0	7	0	CORP	Scheme ongoing.
8970	Hartlepool Historic Quay Capital Works	436	73	363	0	436	0	CORP	Following a condition survey of the dock at the Historic Quay, it was identified that the dam-board seal is leaking. This gives the potential for a large leak to develop, that will overwhelm the pumps regulating the level in the dock. The intended scope of work includes underwater grouting of the vertical and horizontal parts of the dam-board seal together with other minor repairs. An amount of £178k of Corporate Planned Maintenance has been used to meet these additional costs.
8973	Headland Sports Centre -Boiler Renewal	13	0	13	0	13	0	RCCO	Scheme ongoing.
9007	Indoor Bowls Centre Refurbishment	190	0	190	0	190	0	CORP	Scheme on hold.
9024	Asbestos Surveys	34	0	34	0	34	0	CAP REC	

CAPITAL MONITORING REPORT PERIOD ENDING 31st JULY 2018

Project Code	Scheme Title	BUDGET	EXPENDITURE IN CURRENT YEAR					Type of Financing	2018/19 COMMENTS
		A	B	C	D	E	F		
		2018/19 Budget £'000	2018/19 Actual as at 31/7/18 £'000	2018/19 Expenditure Remaining £'000	Expenditure Rephased into 2019/20 £'000	(B+C+D) 2018/19 Total Expenditure £'000	(E-A) 2018/19 Variance from Budget £'000		
NEW	Corporate Utilities Project	104	0	104	0	104	0	CORP	
-	Corporate Risk Strategy	393	0	393	0	393	0	RCCO	Earmarked to fund capital receipt risk in relation to the Jackson Landing project.
7065	Corporate Fire Risk Assessments	100	0	100	0	100	0	MIX	Scheme approved 12.02.2018. Expected completion within year.
7233	Civic Centre Lifts	120	0	120	0	120	0	MIX	As above.
7035	Town Hall Replace Boilers	33	0	33	0	33	0	MIX	As above.
7055	Town Hall Fire Alarm Upgrade	38	0	38	0	38	0	MIX	As above.
7058	Town Hall Power Cabling Upgrade	28	0	28	0	28	0	MIX	As above.
7076	Mill House Emergency Lighting Improvements	6	0	6	0	6	0	MIX	As above.
7080	Mill House Lighting Fittings	22	0	22	0	22	0	MIX	As above.
7075	Mill House Dosing System and Pool Pumps	104	0	104	0	104	0	MIX	As above.
8386	Tofts Farm Depot Lighting Upgrade	66	0	66	0	66	0	MIX	As above.
NEW	Aneurin Bevan House - Boiler plant	77	0	0	77	77	0	CAP REC	Scheme approved 12.02.2018. Works to start 2019-2020.
NEW	Aneurin Bevan House - Lighting Upgrade	22	0	0	22	22	0	CAP REC	As above.
NEW	Owton Manor Community Centre - Flat coverings and insulation	214	0	0	214	214	0	CAP REC	As above.
NEW	Mill House - Toilet Upgrade	40	0	0	40	40	0	CAP REC	As above.
NEW	Mill House - Upgrade Handrails	13	0	0	13	13	0	CAP REC	As above.
NEW	Mill House - Upgrade Main Access for Accessibility Compliance	39	0	0	39	39	0	CAP REC	As above.
NEW	Exmoor Grove - Distribution Board Upgrade	11	0	0	11	11	0	CAP REC	As above.
NEW	Seaton Carew Library - Fire Alarms	9	0	0	9	9	0	CAP REC	As above.
Corporate Total		3,852	280	3,147	425	3,852	0		

Key

RCCO Revenue Contribution towards Capital
MIX Combination of Funding Types
UCPB Unsupported Corporate Prudential Borrowing
SCE Supported Capital Expenditure (Revenue)

GRANT Grant Funded
CAP REC Capital Receipt
UDPB Unsupported Departmental Prudential Borrowing
CORP Corporate Resources

SECTION 106 DEVELOPERS CONTRIBUTIONS as at 31ST JULY 2018

Appendix L

	Affordable Housing Contributions **** £000	Cycleway £000	Bus Stop £000	Green Infrastructure £000	Maintenance £000	Play £000	Off Site Recreational ** £000	Public Art £000	Security Monitoring £000	Sports £000	Ecological Mitigation £000	Traffic Calming £000	Education £000	Restoration - Security Bond *** £000	Other Service Areas Total £000
Balance as at 1st April 2018 (A)	538	10	15	96	35	98	61	5	10	78	66	15	65	100	654
Amounts Received in Year 18/19 (B)															
Gardner House - Karbon Homes	0	0	0	6	0	5	0	0	0	12	0	0	0	0	23
Jesmond Gardens - Lidl	306	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Teesbay	0	80	0	0	0	0	0	0	0	0	0	0	0	0	80
Quarry Farm - Bellway	250	0	0	0	0	0	0	0	0	0	0	0	46	0	46
Manorside Phase 1 - Wynyard	65	0	0	4	0	4	0	0	0	1	0	0	22	0	31
Manorside Phase 1 - Wynyard	58	0	0	3	0	3	0	0	0	4	0	0	32	0	42
Tanfield - Gleeson	85	0	0	0	0	0	0	0	0	0	0	0	0	0	0
North Pentagon - Taylor Wimpey	740	0	0	44	0	0	0	0	0	0	0	0	0	0	44
Caroline Street - Endeavour Housing	0	0	0	0	0	0	0	0	0	0	5	0	0	0	5
Total Income	1,504	80	0	57	0	12	0	0	0	17	5	0	100	0	270
Balance Remaining (A+B) 31st July 2018 *	2,042	90	15	153	35	110	61	5	10	95	71	15	165	100	924

*Balances relate to amounts received and earmarked for purposes specified in developer agreements, but not yet transferred to a budget/scheme.

** To be used in vicinity of the Britmag site including but not limited to Central Park.

*** Held as security in case of any remedial action required during the operational life of the Wind Turbine.

**** All affordable housing contributions are earmarked for additional HRA houses. A report with proposals for using this funding will be brought to F&P Committee later in the year.