

FINANCE AND POLICY COMMITTEE

MINUTES AND DECISION RECORD

3 SEPTEMBER 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 and Leisa Smith.

Also Present: Councillor Carl Richardson as substitute for Councillor Stephen Thomas in accordance with Council Procedure Rule 5.2.

Officers: Gill Alexander, Chief Executive
Hayley Martin, Interim Chief Solicitor
Chris Little, Director of Finance and Policy
Jill Harrison, Director of Adult and Community Based Services
Danielle Swainston, Assistant Director, Children's Services
Denise Ogden, Director of Regeneration and Neighbourhoods
Steve Hilton, Communications and Marketing Team
David Cosgrove, Democratic Services Team

31. Apologies for Absence

Councillors Shane Moore and Stephen Thomas.

32. Declarations of Interest

None.

33. Minutes of the meeting held on 30 July 2018

Confirmed.

34. Minutes of the meeting of the Safer Hartlepool Partnership held on 22 June 2018

Received.

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

Type of decision

Budget and Policy Framework.

Purpose of report

The purpose of this report was 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.

Issue(s) for consideration

The Director of Finance and Policy gave a presentation outlining the principle aspects of his report. The Director highlighted the following key points: -

- 2019/20 would be the ninth year Government funding was cut with core Government funding now £20.9m (45%) less than 2013/14.
- The House of Commons Committee of Public Accounts financial sustainability of local authorities report stated that 'local authorities are under real strain' and 'now face a period of greater uncertainty as their funding framework beyond 2019-20 is unclear.'
- CIPFA was consulting on the development of a proposed Financial Resilience Index for local authorities in response to the challenges highlighted by Northamptonshire.
- The government had also issued a technical consultation on the 2019/20 Local Government Financial Settlement and a draft response was included with the report.
- Government forecasts showed that between 2016/17 and 2022/23 forecast growth in national Council Tax income would be 26% (£7.9bn). If that funding was met through an equivalent increase in all I taxes a rise of 1.2% would provide the same funding.
- There was the potential of changes to the New Homes Bonus which may not be known until the end of the year.
- The multi-year plan (2016/17 to 2019/20) that had been developed around the planned use of reserves, a phased achievement of savings, housing growth and council tax increases had been on target but now was not due to the impact of the increases in Looked After Children and the national pay award.

Positives for Hartlepool: -

- Housing growth in Hartlepool was 9.7 % between 2014/15 and 2018/1, the highest in the Tees Valley (average 7.25%).
- Between 2004/05 and 2018/19 there had been an 28% increase in Band E to H properties, which provided £1.9m of recurring income.

- Forecast housing growth 2019/20 to 2021/22 was expected to bring 400 new homes each year; the average for 2004/05 to 2018/19 had been 282 each year.

The Financial pressures: -

- The two major unfunded pressures in Looked After Children and the 2018 and 2019 pay awards gave an estimated budget deficit for 2019/20 of £5.987m, 7% of the total current budget.
- The financial outlook beyond 2020/21 was difficult to judge due to the government's fair funding review, the impact of 75% business rate retention, adult social care funding, the council tax regime and the potential of further austerity.
- If government imposed a 'cash freeze' this would effectively lead to an additional deficit of £1.8m, as a Council Tax increase would not fully fund the reduction, unless the Government implemented higher referendum limits. A 2% grant cut would result in a deficit of £3.6m.

Conclusions: -

- The Council had set a balanced budget for the last eight years. This had involved difficult decisions and had led to 500 posts being deleted.
- Council Tax had been frozen for five years up to 2015/6 with subsequent increases in line with government policy.
- Over that time there had still been increased spending on Children's Services, the Local Council Tax Support scheme had been delivered and real housing growth had been achieved.
- Comparing Council tax levels often gave a poor reflection for Hartlepool if only the Band D comparator was used. For Band D, Hartlepool was 10th in the country but this was based on only 7.7% of Hartlepool properties being in Band D against the national average of 15.4%. 70% of all Hartlepool properties were in Bands A and B against a national average of 44%. If the governments other published comparator was used; average Council Tax paid, Hartlepool was 266 out of 326 authorities with a an average of £1,085 against the national average of £1,326.
- The central government grant to Hartlepool for 2019/20 would be £20.9m less than that in 2016/17 which was more than double the increase in council tax growth over the same period.
- The scope for further savings was reducing after eight years of consecutive budget reductions and efficiencies including the deletion of 500 posts.
- 2019/20 would be the most challenging year so far. There was still also the potential of further budget cuts after 2019/20.
- The strategy to address the deficit, including a review of reserves, was being developed and would be reported to a future meeting.

A Member raised the move towards 75% business rates retention and questioned the potential impact on the council of the power station not

generating (and, therefore, not paying business rates) and even if it shut down; would this have a bigger effect on the Council. The Director stated that it would. The Council was still pursuing the potential of the power station transferring to the national business rates list which would remove that impact. The Director was asked if he envisaged more Councils issuing S144 notices like Northamptonshire had recently. The Director considered that 2020/21 may be a very difficult year for some of the country's larger local authorities in particular. It was commented that some authorities in the south were not experiencing the same crisis in funding as here in the north east. Members asked for some comparator statistics to show this discrepancy. Members referred to the statistics outlined in the report which showed the reliance on Revenue Support Grant for seven other north east authorities and Hartlepool, which was around the midpoint of the table. The Director stated that these statistics had been given in confidence, hence the reason for not naming the specific authorities.

A Member considered that government should be held to account for the cuts to local government and the public should be better informed of the real terms cuts that had been made. The Council had done extremely well in maintaining the Good rating following the recent OFSTED review of Children's Services. The minister had sent a letter congratulating the Council on the rating and the Member suggested that a response be sent outlining the exceptional circumstances under which such a rating had been achieved.

A Member commented that the aim of housing growth, particularly higher band housing, was also laudable but Hartlepool still needed affordable new homes as well. The rental homes market was not as good as it was when the Council controlled a significant council housing stock, with many tenants complaining of properties not being maintained or cleaned when they moved in. The Chair commented that the Council did now control over 300 homes resulting from the Empty Homes Strategy.

The Chair stated that 'we' must not lose sight of the fact that this was a good council achieving positive results and real growth. The deficit was a very significant issue for the immediate future and one that all councillors needed to be aware of as the whole council was responsible for approving the final course of action to address the deficit. The Chair requested that the Chief Executive write to every Member inviting them to engage in the budget process and to commence that process with a Members Seminar setting out the current position and major issues. The Council as a whole had to address the significant issues in adult social care and looked after children funding, as 'we' must look to protect the most vulnerable in our community.

Decision

The Committee noted the report and: -

1. Approved the draft response to the Government's 2019/20 Local

Government Finance Settlement Technical Consultation detailed at Appendix B and noted that the final response would be agreed with the Chair of Finance and Policy Committee to meet the consultation deadline of 18th September

2. Approved the removal of the planned 2019/20 Youth Service saving of £296,000 and noted the removal of this amount was reflected in the revised 2019/20 budget deficit;
3. Approved 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;
4. Confirmed their support of the measures for reducing the 2019/20 budget deficit as detailed in the report, including an increase in forecast housing growth and Council Tax increase;
5. Approved the budget timetable detailed in Appendix D to the report.
6. Noted that further reports would be submitted on the development of a detailed plan to address the 2019/20 budget deficit of £5.987m.
7. Noted that the Leader will write to the Local Government Association asking them to continue lobbying the Government for additional funding to fully fund Looked After Children pressures and the national pay award.
8. That the Chief Executive write to all Members inviting them to engage in the budget process and to commence that process with a Members Seminar setting out the current position and major issues.

36. Strategic Financial Management Report – as at 31 July 2018 *(Author)*

Type of decision

For information.

Purpose of report

The purpose of the report is to inform Members of the:

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

Issue(s) for consideration

The Director of Finance and Policy Committee updated the Committee on the current financial position of the local authority. The Director highlighted that the pressures in relation to Looked after Children were continuing in 2018/19. It was anticipated that this pressure would continue in 2019/20. This was one of the issues reflected in the previous Medium Term Financial Strategy (MTFS) report on the agenda. The Corporate Management Team considered that the current overspend could be managed through in-year budget flexibilities.

The Director referred to the increased costs associated with the Headland

Town Wall and Block Sands scheme outlined in the report and indicated that additional funding was being pursued but that prudential borrowing may be required. The Director also drew Members attention to the self funding business cases that had been approved.

A Member questioned the Housing Revenue Account and the limit of 200 homes set by government when Hartlepool had over 300 such homes. The Director stated that this was a technical issue around funding. Hartlepool had been at the forefront of developing social housing. The HRA had been reopened once the number of properties exceed 200 and this was a technical issue as the business plan reflected HRA requirements in expectation of having to re-open this account. .

A Member questioned if there was a likely scenario where Councils would retain 100% of business rates. The Director stated that this had been set as a government aim but at this time it appeared some way off.

Decision

1. The Committee noted the report and the forecast 2018/19 General Fund Revenue budget over spend of £800,000 and the proposed measures to reduce this to £429,000;
2. The Committee noted the options being explored to address the remaining forecast over spend of £429,000 and that further details would be reported to the Committee on 29th October 2018.

37. Any Other Items which the Chairman Considers are Urgent

None.

The Committee noted that the next meeting would be held on Monday 8 October 2018 commencing at 10.00 am in the Civic Centre.

The meeting concluded at 10.45 am.

H MARTIN

INTERIM CHIEF SOLICITOR

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