

The Hull City Council Budget 2014/15

Context

As we unveil our Budget proposals for the forthcoming year, the scale of the reductions that this Local Authority has to contend with are breathtaking.

In the next two years, this Council will have had its Government grant funding reduced by an eye-watering £48m. This equates to 10p in every £1 we spent this year, (2014/15) and a proposed further 15p reduction in every £1 for the year after, (2015/16). As the Government grant makes up a far greater proportion of what this Council spends in comparison to most others, the effect of such a cut to this funding is all the more dramatic than for Councils with a far greater Council Tax income.

This is an issue that affects many northern, urban types of Council, and although there is a pretence that austerity affects all, the level of the cuts are far greater in deprived urban areas. The cuts to funding in 2014/15 averaged nationally at £61 per head of population. Hull is ranked as the 10th most deprived authority area in England out of 332 authorities, but the cut per head of population here was £228.36. In comparison, the East Riding is the 202nd most deprived but only received a cut of £81.44 per head while Epsom and Ewell, the least deprived in the country, only had a cut of £15.18 per head. It is also the case, and this has been well mapped, that northern councils have borne a disproportionate level of cuts.

As a Council, we fully support the Local Government Association, which is warning that this level of cuts is damaging the fabric of our communities. As Councils receive cuts on top of further cuts, central government departments fail abysmally to even make much smaller savings. This nails the lie that “we are all in this together”, and further shows that this coalition Government continues to water down commitments to localism.

The Year Ahead

It would be wrong to pretend, as some Councils' have, that such budget reductions can be achieved with “efficiency” savings or minor tweaks. In reality, reductions of this level will result in a major change in how

services are delivered, and we will have to reduce services completely in some areas.

As a Labour Council, we will seek to work in partnerships with our residents, our staff, the Trade Unions, and businesses, in implementing this budget. Our record since 2011 has been one of negotiation and consensus, with the overwhelming number of staff who have left the organisation doing so voluntarily. This contrasts favourably with the chaotic scenes prior to the local elections in 2011, when over a thousand staff were forced to leave in a matter of weeks.

At the same time as wrestling with these extremely difficult budget reductions, this Labour Council is determined to help plan our community out of the gloom of central government austerity. With the City Plan and the vastly successful City of Culture 2017 bid and campaign, we have shown that this City can build and design a successful future. Our potential to benefit from the green renewable energy agenda is also encouraging.

Council Tax

The Government has made great play of the fact that in January 2014, for the first time since they Coalition took office, inflation has hit the 'target' of 2%. It is against this backdrop that this Labour Council will reluctantly propose a 1.95% increase. The amount this increase generates in income for the council is dwarfed by the £20m budget cuts we have been forced to make in 2014/15. It means that the base financial position of the Council increases almost in line with current inflation and, by doing so, the intention is to mitigate against making further additional cuts on top of the £28m already imposed on us for 2015/16 by the Coalition Government as a result of lagging further behind general cost rises, unless, of course, the settlement from the Government for 2015/16 becomes even worse than we have been led to believe.

This has been the problem of successive Council Tax freezes where the Government have provided 'one off' payments to bridge the gap in each single year. Over time, this type of one off yearly funding leaves Councils extremely vulnerable financially when the funding is withdrawn, as it will be eventually. When that happens, after a number of years without modest increases to the base financial position, the Council would face a very significant problem. Eventually, a decision has to be

made to protect the Council from additional future financial challenge and that has to be done now.

If the Government is serious about many Councils taking the one-off funding that they offer as an alternative, they need to commit to putting this funding in the on-going 'base funding'. Without this it represents a further burden on top of their huge grant funding cuts. At the time of writing, the Council is still awaiting confirmation of the funding level from Government and this delay in itself creates unnecessary uncertainty, probably to force Councils to accept the one off funding simply to be able to finalise their budget plans for the coming financial year. In addition, the Department for Communities and Local Government have hinted that they will; at the last minute; reduce the amount by which local authorities can increase Council Tax, having stated in October the cap was 2%. This is yet another attack on localism and any further attempt to introduce a lower 'referendum' level from Eric Pickles further weakens local democracy.

In Hull, the public can have their say in elections in four years out of every five. Compare this with the actions of the Coalition upon taking control when they removed any chance of the next General Election being called earlier than 5 years. We believe elections are the best arbiter upon local decision-making. Yet we have a coalition that no-one directly voted for, seeking to curtail the decision making over Council Tax levels in Town Halls of varying political control, throughout this land.

Local Neighbourhoods

Despite pressure on budgets, the Council is proposing to keep its seven Area Committees, although we will make some reductions in the staffing of these. We will also consider reducing the meeting cycle from monthly to every two months. The Council has committed to protect both the capital Ward budgets, and the revenue budgets that support local Councillors in working in their neighbourhoods for the next two years, giving security to schemes. The Area Committee model remains popular and we believe remains one of Labour's previous policies of taking local democracy even closer to the community.

We will also restructure our anti-social behaviour, criminal justice and domestic violence teams, which will result in savings, and the opportunity to bring in extra external grant funding.

In addition to this, we have protected funding for our nationally renowned Veterans Charter, ensuring that ex-service personnel get the support they deserve in this City.

We will also respond to the increasing public desire to use online and digital ways of contacting and dealing with the Council, to supplement the existing telephone and face-to-face contact. Over time, this will also lead to some savings.

The reality of the Governments budget cut for Hull over the next two years does mean, however, that the frequency of grass cutting and street sweeping will be reduced in the City. This proposal has already been subject to scrutiny from the Area Committees. As with anything else, when the money is not available, what you do and how you do it has to be reviewed and trimmed back. This is not an outcome any of us would wish for, but it is the reality of continued funding cutbacks by Central Government and both parties in the Coalition support the funding cuts to northern, urban authorities.

Despite real budget pressures, this Council is resisting the examples of other Councils and will be keeping the City's public conveniences staffed in 2014/15.

We will also be continuing to allow our local charities, like the Dove House Hospice, to use our household waste recycling sites free of charge, and have been able to keep the first collection of bulky waste items for our residents free too.

We have also committed to moving our Streetscene and Waste Management services into a wholly owned arms length company. This follows the successful move of Street Lighting and Fleet Management to our wholly owned subsidiary company, KWL, last year. We believe that this will enable further savings in these services.

Libraries, Culture and Leisure

The central budget cuts will mean there is a reduction in library funding. We are proposing a reduction in opening hours but the retention of all the existing permanent library sites in 2014/15. Regrettably, given the increasing use of libraries for IT and internet connectivity, we will be having to close the Mobile Library service, which has limited ICT facilities.

We will also be proposing some modest cultural savings, which will likely result in a minor reduction in the opening or closing times of our museums. Our commitment to all these facilities remains clear, as they are a key component of our 2017 cultural offer. The recent acquisition of Pietro Lorenzetti AD1320 painting “Christ Between Saint Paul and Saint Peter”, demonstrates such a commitment.

The reduced City Council budget also means that we are proposing the move of the Council’s Leisure Services, and the Library and Cultural facilities into a wholly owned arms length Council Company, like the existing KWL. We believe this will enable the facilities to be able to maximise their income and improve their operations. A Shadow Board has been established and we will seek to launch the company this year. We will continue to look at opportunities to fund and build a new combined leisure facility in the city, if the economics justify the capital investment and borrowing.

Adult Services

Given the size of our budget cuts, we have no option but to reduce the funding to Adult Services. We have agreed a project to look at different ways of delivering some of these services, such as an arms length company, again similar to KWL.

In addition, we are reviewing the transport that is provided for these services. With many residents having personal budgets, some families are already making their own arrangements to get to day-centres and access other services. Despite these pressures, the funding is retained to keep the unique Hull “extended-time” pensioners bus pass in 2014/15. We remain concerned that the Government may seek to means test or threaten the funding of the national scheme that supports this and we would oppose any such move as this provides all pensioners with independence and lessens isolation for many.

Proposals for 2014/15 do not include the closure of any council day-centres. The Leader’s commitment not to move any resident from our Council-run homes for the elderly also remains.

Children’s Services

We have already launched a restructure of our response to social work services. “Reclaiming Social Work” was on target to save £1m in 2015/16 whilst offering better more joined-up support to local families. We are also committed that this response will reduce the numbers, and costs, of placements for our looked after children.

We are also looking to review public health services and the commissioning arrangements, enabling us to save £1m from our early intervention services for the forthcoming year. We are seeking to protect our voluntary sector youth funding for the forthcoming years, which has helped to put vital youth services into all areas of the City.

Economic Regeneration and the City Plan

The City Council is committed to helping regenerate Hull and the Humber and is an active participant in the Local Enterprise Partnership. We have still allocated £5m Capital funding to assist and support the Green Port Hull energy investment, and still await an investment decision, which we are working tirelessly towards achieving.

We have also allocated money to drive forward our City Plan, which includes investment in the Fruit Market area, where we are commissioning a development partner to both regenerate the area and protect it as a cultural jewel in the crown for the City. The Council continues to look to lever in the sort of visitor attractions that will be a game changer in getting increased visitor numbers, whether that be a cruise terminal, national arts centre/gallery or a visitor attraction like HMS Illustrious.

We continue to have an optimistic vision building upon our hugely successful 2017 City of Culture campaign. Our success puts Hull right at the centre of national and international focus and clearly demonstrates what a truly great City we are. In support of this, we have kept allocated funding to tidy up long-standing eyesores and propose to inject a further minimum of £2.75m of capital investment to improve the public realm. This will improve footways and streets, and is in addition to the extra £0.6m Cabinet has already allocated to fund road repairs in the City, and the further capital money we have allocated to match fund a Heritage Lottery bid for Beverley Road’s conservation area, and seek to secure the National Picture Playhouse monument.

The Council will seek to dispose of vacant property and land sites to raise income where these do not fit with our priorities. We will, however, continue to buy sites where doing so aids regeneration, whether in the Fruit Market or elsewhere. Our Capital position has been bolstered by the continued profitability of KWL and the better than expected dividends they have returned to the Council.

We also remain committed to allocating some capital for private housing initiatives although the small amounts we invest are dwarfed by the grant funding removed from the Hull economy by cuts in Central Government schemes since 2010.

The City of Culture 2017

Our successful bid promises to be a catalyst to lever in large amounts of grant funding and private sector investment. We have allocated both revenue and, as previously stated, some Capital funds to prepare to build the infrastructure required for 2017. Such a commitment was a requirement of the bid, and fitted in with our wider City Plan priorities.

Central Savings, Corporate Housekeeping and Staffing.

The Labour Council will continue to review and shrink its back office, building upon the large “back office” savings that have been made in the last two years thanks to the Organisational Support Review (OSR) programme. This has already saved £4.8m each year, but central costs will continue to be reviewed as the Council’s budget shrinks. In contrast, the previous administration allocated £7m to a ‘Transformation Programme’, which was supposed to save £32m. This was abandoned having failed to reach targets and any savings that may have been made cannot be identified and are largely unquantifiable. Over £1.3m has already been removed, year on year from Senior Management structures since 2011.

Given the pressure on the Council’s finances we have sought to restrict the amount of funds that we will allow for inflation for service areas and departments. We have also reduced the expectations for future pay-rises to only 1% recognising that public sector workers have had no real pay rises for a number of years. The changes that have been successfully negotiated with the Trade Unions to ‘Terms and Conditions’, will also return £1.4m in the forthcoming year. We

appreciate that this has been a tough period for all in Local Government, and recognise that our staff have worked remarkably hard in this period.

Given that about 75% of what the Council spends is on staffing, inevitably the scale of these funding cuts from the Tory /Lib Dem Coalition Government will potentially result in the loss of up to 450 full-time equivalent posts. We will endeavour to remove vacancies and use Voluntary Early Termination to achieve as many of these reductions as is possible as we seek to avoid or minimise compulsory redundancies.

Council Tax Benefits and Bedroom Tax/Spare Room Subsidy

Government policy changes mean that, unfortunately, the Council has had its Council Tax support funding cut again. This means we will have to make a minimum 20% charge for all residents. The increase is because the “relief funding” the Government had given last year, which enabled us to have a scheme with a minimum charge of 8.5%, has been withdrawn this year; a further cut. By bringing in additional money from empty homes and second property levies we are able to keep the cost down to this figure whereas nearby Councils are charging 25%. We are also proposing to review the cost of our summons charges.

Unfortunately, as the so called “bedroom tax” remains a central Coalition Government policy, it remains in 2014/15.

Conclusion

It gives me no pleasure to propose this Budget on behalf of the Labour Administration, given the size of the reductions proposed. It is a matter of record however that significant efforts have been made to minimise the impacts by the Cabinet, working with the Council’s dedicated Officers. All have worked tirelessly to table a fully-costed set of proposals that are fiscally competent, achievable and coherent. In doing so, we have sought to retain many of the policies and elements of services that we hold dear.

The public should be under no illusions however because there is a real and genuine fight for the very survival of local government and local democracy in this country. If such budget cuts continue year on year, as has been indicated by the Coalition Government, the very existence of locally accountable services and local democracy will be placed under

serious threat. As democrats, that spectre should worry us all. Irrespective of this, we will not be a mere passive observer of 'managed decline' in local government and this City generally. This Labour Council has a firm commitment, outlined in the City Plan, to work progressively with our Public Sector colleagues and our Private Sector Partners, both existing and future, to ensure there are real and tangible opportunities to buck this trend and strike out towards a bold new future for this City.

Cllr. Daren Hale, Portfolio Holder Strategic Finance

on behalf of Cllr. Steven Brady the Leader of Hull City Council