

ECONOMIC GROWTH AND REGENERATION COMMITTEE

AGENDA



Tuesday 10 December 2024

at 10.00am

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

MEMBERS: ECONOMIC GROWTH AND REGENERATION SERVICES COMMITTEE

Councillors Bailey-Fleet, Dodds (VCh), Hargreaves (C), Lindridge, Male, Scarborough and Young.

Parish Council Co-opted Member:

S Smith (Greatham Parish Council)

1. APOLOGIES FOR ABSENCE

2. TO RECEIVE ANY DECLARATIONS OF INTEREST BY MEMBERS

3. MINUTES

- 3.1 To receive the minutes of the meeting held on 26 November 2024 (*previously circulated and published*).

4. BUDGET AND POLICY FRAMEWORK

- 4.1 Medium Term Financial Strategy (MTFS) 2025/26 to 2027/28 – *Director of Finance, IT and Digital & Executive Director of Development, Neighbourhoods and Regulatory Services*

5. KEY DECISIONS

None.

CIVIC CENTRE EVACUATION AND ASSEMBLY PROCEDURE

In the event of a fire alarm or a bomb alarm, please leave by the nearest emergency exit as directed by Council Officers. A Fire Alarm is a continuous ringing. A Bomb Alarm is a continuous tone.

The Assembly Point for everyone is Victory Square by the Cenotaph. If the meeting has to be evacuated, please proceed to the Assembly Point so that you can be safely accounted for.

6. OTHER ITEMS REQUIRING DECISION

No items

7. ITEMS FOR INFORMATION

No items

FOR INFORMATION

Date of next meeting – Tuesday 21 January at 5pm in the Civic Centre, Hartlepool



ECONOMIC GROWTH AND REGENERATION COMMITTEE

10th December 2024



Report of: Director of Finance, IT & Digital and Executive Director of Development, Neighbourhoods and Regulatory Services

Subject: MEDIUM TERM FINANCIAL STRATEGY (MTFS) 2025/26 TO 2027/28

Decision Type: Budget and Policy Framework

1. COUNCIL PLAN PRIORITY

Hartlepool will be a place:
- where people are enabled to live healthy, independent and prosperous lives
- where those who are vulnerable will be safe and protected from harm
- of resilient and resourceful communities with opportunities for all
- that is sustainable, clean, safe and green
- that has an inclusive and growing economy
- with a Council that is ambitious, fit for purpose and reflects the diversity of its community

2. PURPOSE OF REPORT

2.1 The purpose of this report is to provide an update on the MTFS and to enable the Committee to scrutinise / comment on the savings proposals referred from the Finance and Policy Committee.

3. BACKGROUND

3.1 Comprehensive MTFS reports have been considered by Finance and Policy Committee on 25th June 2024 and the latest report on 25th November 2024,

this is attached at **Annex A**. A number of key issues were highlighted within these reports, which are briefly summarised in the following paragraphs.

- 3.2 All councils are facing significant financial challenges owing to the impact of inflation and demand on services, and historic inadequate increases in government funding to meet these challenges. In addition, Hartlepool and other many other northern council's continue to face acute financial pressures within childrens social care. These issues are the key drivers of the budget deficit facing the Council.
- 3.3 As outlined in the November Finance and Policy Committee report, after an assumed Council tax rise in line with Government's likely expectations, the Council has a forecast budget deficit of £10.519m for 2025/26 and £13.122m over the full MTFS period.
- 3.4 The Government's Autumn Budget in October indicates grant increases of £1.3 billion nationally for 2025/26 for local government. Although Hartlepool will benefit from this additional funding, it is currently unclear how much will be allocated. Certainty of government grant funding for individual council's will be confirmed through the provisional local government finance settlement to be issued in late December.
- 3.5 As in previous years the addressing of the deficit needs to be managed through budget saving actions, which seek to minimise the impact on services where possible, and also use of reserves. As members will be aware the use of reserves to support the budget position is not sustainable, so must be done in a managed way, allowing time for further savings to be developed and service transformation to be delivered. The appended MTFS report notes a maximum possible use of reserves to support the 2025/26 budget of £3.5m.
- 3.5 With regards savings, proposals totalling £2.954m have been proposed for 2025/26 and a total of £3.109m over the MTFS period.
- 3.6 The acceptance of the proposals for 2025/26 and utilisation of reserves at the indicated £3.5m level, would leave a remaining budget gap of £4.065m. At this stage in the budget planning process and pending publication of the local government finance settlement in late December, it is currently assumed that Hartlepool's allocation of the increases in government grants will meet this remaining gap for 2025/26. Should the the government funding not be sufficient to close the remaining gap, additional savings will need to be identified and approved for 2025/26.

4. **ISSUES TO BE CONSIDERED BY POLICY COMMITTEES**

- 4.1 Finance and Policy Committee is seeking comments on the savings proposals, which are summarised by service area in the table below.
- 4.2 Details of the individual savings provided in **Appendix B** and for ease of reference the items relevant to this committee are shaded.

	2025/26 £m	2026/27 £m	2027/28 £m	Total £m
Adults and Community Services	(0.630)	(0.155)	(0.050)	(0.835)
Childrens and Joint Commissioning	(0.198)	0.000	0.000	(0.198)
Development, Neighbourhoods and Regulatory	(0.675)	(0.050)	0.000	(0.725)
Finance, IT and Digital	(0.357)	0.000	0.000	(0.357)
Legal, Governance and Human Resources	(0.094)	0.000	0.000	(0.094)
Corporate	(1.000)	0.050	0.050	(0.900)
TOTAL SAVINGS	(2.954)	(0.155)	0.000	(3.109)

5. RECOMMENDATIONS

- 5.1 As requested by Finance and Policy Committee, the Committee is requested to consider the recommended savings proposals detailed in **Appendix B** relating to the services within this Committees portfolio and provide any comments to be reported back to Finance and Policy Committee on 20th January 2025, including suggesting alternative proposals if Members do not wish to implement these proposals.

6. REASON FOR RECOMMENDATIONS

- 6.1 To fulfil the requirement of the Council's Constitution to seek Policy Committee input on proposed savings.

7. BACKGROUND PAPERS

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

- Finance and Policy Committee – Medium Term Financial Strategy (MTFS) 2025/26 to 2027/28 - 25th June 2024.
- Finance and Policy Committee – Medium Term Financial Strategy (MTFS) 2025/26 to 2027/28 - 25th November 2024.

8. CONTACT OFFICER

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Sign Off:-

Managing Director

Director of Finance, IT and Digital

Director of Legal, Governance and HR

<h1 style="margin: 0;">FINANCE AND POLICY COMMITTEE</h1> <h2 style="margin: 0;">25 November 2024</h2>



Subject: MEDIUM TERM FINANCIAL STRATEGY (MTFS)
2025/26 TO 2027/28

Report of: Director of Finance, IT and Digital

Decision Type: Budget and Policy Framework

1. COUNCIL PLAN PRIORITY

Hartlepool will be a place:
- where people are enabled to live healthy, independent and prosperous lives
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- that is sustainable, clean, safe and green
- that has an inclusive and growing economy
- with a Council that is ambitious, fit for purpose and reflects the diversity of its community

2. PURPOSE OF REPORT

2.1 The purpose of this report is to provide an update on the Council’s financial position, the government’s autumn budget and to approve the budget savings proposals to be referred to individual Policy Committees.

3. BACKGROUND

3.1 A comprehensive MTFS update report was presented to the Finance and Policy Committee at its meeting in June 2024. The MTFS does not stand still and continuously evolves based on latest information, intelligence and changing circumstances, including the current years forecast budget outturn position.

- 3.2 The updated MTFS position presented in this report continues to cover the three year position, 2025/26 to 2027/28, although it is important to recognise that the Council needs to be sustainable beyond this 3 year period. Decisions taken should reflect the position beyond the medium term and in to the longer term.
- 3.3 The new Government's first budget delivered by the Chancellor on the 30th October 2024 provided for planned increases in expenditure in public services, largely funded through increased taxation. Local government is to receive a £1.3 billion increase in government grant funding in 2025/26, although the distribution of this is still to be confirmed. The provisional financial settlement will be issued by Government in late December and will detail government grant allocations to individual Council's.
- 3.4 Whilst the increase in grant funding is welcome, the budget has also increased costs for the council. The increase to the National Living Wage was higher than previously assumed and, more significantly, the employer National Insurance (NI) contribution rate was raised and the thresholds reduced. The government has confirmed it will separately compensate councils for the direct cost of the NI increase, though not any indirect costs e.g. third party increased costs to the council. Work is on-going to quantify the impact on the council of the NI increase and this will be included in the final MTFS position presented later in the financial year.
- 3.5 The medium term funding position presented in the autumn budget continues to indicate restricted funding increases for non-protected departments, which includes the Ministry for Housing, Communities and Local Government (MHCLG), who provide grant funding to councils. The absence of real terms increases in the medium term, exacerbates the need for the Fair Funding Review to be delivered, which will reset the funding system to distribute the funding available more fairly and reflective of need. The Chancellor confirmed the Government's commitment to a full review of funding distribution and also delivery of multi-year funding settlements from 2026/27.
- 3.5 Notwithstanding the potential positivity from announcements in the autumn budget the council's financial position has a significant structural year on year budget shortfall, alongside growing cost pressures, prominently in children's social care. The latest forecast position on; cost pressures, anticipated funding and the resultant budget planning gap to be addressed, are presented in this report.

4. BUDGET PRESSURES

- 4.1 As noted, the forecast position in the medium term is constantly evolving. Following the comprehensive update provided to members in June, the forecasts in the below table have been updated where necessary, and commentary on the areas of change provided in the subsequent paragraphs.

	2025/26 £m	2026/27 £m	2027/28 £m	Total £m
Spending Pressures				
Pay and Price Inflation	3.461	4.057	3.071	10.589
Childrens Social Care	6.000	1.620	1.652	9.272
Waste Disposal	1.500	0.530	0.041	2.071
Capital Financing	0.250	0.250	0.250	0.750
Total Spending Pressures	11.211	6.457	5.014	22.682

Pay and Price - Pay Award Inflation

- 4.2 The national pay offer for 2024/25 was agreed during October. Following ballots, the trade unions accepted the original pay offer, which equates to £1,290 per employee regardless of grade, up to spinal point 43. This increase equates to a 5.77% increase at spinal point 2 and 2.50% at point 43. Spinal points above 43 will receive a 2.50% increase. As noted within the Strategic Financial Management Report elsewhere on today's agenda, the agreed pay award is below the value provided for when setting the 2024/25 budget, resulting in a saving of approximately £1.000m in 2024/25. This £1.000m, on-going, saving has been factored in to updated MTFs position for 2025/26.
- 4.3 Given the reducing levels of inflation in the economy, the MTFs currently has a pay award assumption for 2025/26 of 3% and then 2% in subsequent years, in line with the government's target inflation level. The significant increase to the National Living Wage may create upward pressure on any pay award in 2025/26 and as such pay assumptions in relation to these financial years, will be kept under close review.

Pay and Price - General Price Inflation

- 4.4 The Consumer Price Index (CPI) measure of inflation fell to 1.7% in September 24 from 2.2% in August 24. However a rebound in inflation is expected, driven by the rise in Ofgem's utility price cap on 1st October. As a result CPI inflation is forecast to move above the 2.0% target in the coming months to around 2.5%.
- 4.5 Inflation forecasts and general economic stability continues to be heavily caveated around the potentially volatile impacts of geopolitical factors, namely escalating developments in the Middle East, Ukraine/Russia conflict and the recent United States election.
- 4.6 Given the general lower inflationary environment, coupled with procurement efficiencies generated, no general inflation has been allowed for 2025/26, with provision reverting to 2% over the remaining MTFs period. Bespoke inflation is included for specific contracts where differing inflation indices are used and provision for identified minor pressures has also been included.

Pay and Price – Adult Social Care Contracts

- 4.7 The net budget for packages of care is approximately £30m and annual increases to care home fees and home care rates are determined using an established formula. The annual inflation uplift is based on a range of factors and recent increases have been driven predominantly by increases in the National Living Wage (NLW) and the level of non-pay inflation.
- 4.8 The Government's Autumn Budget confirmed the National Living Wage for age 21 and over will increase from £11.44 an hour (April 2024) to £12.21 per hour from April 2025, a rise of 6.7%. The increase to £12.21 is above previous planning assumptions, therefore the budget requirement forecast has been increased accordingly. The impact of the non-pay inflation elements will be confirmed through CPI indices measures published in the coming months and therefore remain based on forecasts. At this stage, no provision has been made for any increase in National Insurance contributions incurred by care providers.

Pay and Price - Income

- 4.9 Historically, for budget planning purposes it has been assumed that all discretionary fees and charges will increase in line with inflation each year. Given the council's financial position and the recent inflationary impact on the council's expenditure budgets, it is proposed to uplift discretionary fees and charges for 2025/26 by a minimum of 5%. Areas with existing income budget shortfalls will still action an increase in charges in April 2025 where appropriate, but prudently the overall income budget target will not be increased, allowing the price increase to address the existing gap.

Energy Inflation

- 4.10 Recent years have seen unprecedented market volatility, driven by Covid-19, the Russia-Ukraine war, extreme weather patterns and geopolitical tensions, as well as the UK and Europe's ambitions to move to better security of supply and alternative generation types. This has created a monumental shift in what typical market activity looks like. This movement from traditional market norms has created a market that is very reactive and has the potential to move far more substantially in very short windows of time.
- 4.11 In response to this turbulence, the Council progressed a twofold strategy of increasing the revenue budget for anticipated long term prices, coupled with use of an energy reserve for the shorter term spike. This approach has served the Council well since 2022/23.
- 4.12 The Council purchases its energy via the regional North East Purchasing Organisation (NEPO), which has an agreed Risk and Purchasing Strategy in place to forward buy energy as deemed prudent. At present,

approximately half of the energy requirement for 2025/26 has been purchased.

- 4.13 Although energy pricing is forecast to fall in 2025/26, from a budgeting perspective this is likely only to minimise or remove the requirement to supplement the budget with use of the Energy Reserve. To that end, at this stage it is prudent to maintain the base budget and apply normal inflation increases, with the position monitored closely given the potential for further market volatilities.

Children's Social Care

- 4.14 The budget pressures in this area continue to be of significant concern for our Council, and many across the region and country. Many areas of expenditure relating to children in our care are experiencing significant and on-going inflationary pressures, these include; external placements, independent foster agency (IFA) placements and allowance payments.
- 4.15 In addition to the inflationary pressures, the proportion of children needing to be placed in the most costly, external placement homes, has continued to increase during 2024. There are currently 42 children in external placement care. The complexity of children's needs is driving this increase, at a time where finite capacity in the specific market is leading to ever increasing prices being demanded for accommodation. The average weekly cost of a placement has increased by over 40% over the last three years. The average cost of a new external placement since July 2024 has been c£6,000 per week, with highest costs external placements being in excess of £10,000 per week.
- 4.16 The Council continues, where possible, to try and mitigate pressures through; promotion of in-house fostering including as part of a large scale regional recruitment initiative, opening new Local Authority run homes within Hartlepool and also working in partnership with local providers to secure local, lower cost placements. In addition, increased staffing resource, funded by invest to save reserves, is being provided during 2024/25, through the creation of an additional team to provide further support to families who are at risk of having children enter the care system. This team commenced its valuable 'edge of care' intervention activity during the summer and has been fully staffed since October 2024.
- 4.17 Despite this approach and additional resources of £4.5m being added to the budget for 2024/25, the budget is experiencing significant pressure in the current financial year, with a 2024/25 forecast overspend, approaching £6m. Given this significant and unprecedented spend pressure it is deemed necessary to increase the budget planning requirement from £1.5m, phased over the three year period included within the MTFS, to £9.3m (£6.0m 2024/25, £1.6m 2025/26 and £1.7m 2026/27). The profile reflects the need to address the current shortfall position followed by lower inflationary driven increases, as initiatives to tackle, curb and ultimately aim to reverse this growing pressure continue.

- 4.18 The financial impact on the council's financial stability and resilience due to this increased MTFs pressure is of extreme concern and one which requires a multifaceted approach to address. This includes the need for government intervention in the provider market, additional funding from government to acknowledge the correlation of care needs linked to deprivation, introduction of a major early intervention support programme to assist parenting and societal issues impacting on families, alongside, the measures being delivered locally within the resource we have, as noted in 4.16 above.
- 4.19 The Government's Autumn Budget did acknowledge the national crisis in this area, with £600m of the £1.3bn for 2024/25 to be directed to Social Care. In addition, the Autumn Budget red book, detailed the following plan; "Building on existing reform pathfinders, and the new investment in kinship and fostering announced in Phase 1 of the Spending Review, the government will set out plans for fundamental reform of the children's social care system in Phase 2. This will include promoting early intervention to help children to stay with their families where possible and fixing the broken care market".

Waste Disposal

- 4.20 Hartlepool has entered into a partnership with six other Local Authorities in the region to procure a new Energy from Waste facility. The procurement process is on-going, with an anticipated go-live date during 2029. The Council has benefitted from very competitive gate fees with the current incumbent, however, these fees are forecast to step up significantly for the 2025/26 year as part of the contract extension arrangement.
- 4.21 The financial due diligence work continues in relation to the above. The forecast budget impact of £2m remains within the MTFs period, and the latest understanding of the phasing is incorporated.

Capital Financing

- 4.22 A recurring annual saving of £2m has previously been taken over a 12 year period (2017/18 to 2028/29) following a change to the Council's Minimum Revenue Provision (MRP) policy. This saving unwinds to £1m, with a reduction in 2029/30 of £0.6m and a further £0.4m in 2030/31. To avoid these cliff edge impacts on the MTFs, a capital financing pressure of £0.150m per annum was previously introduced in the MTFs. This annual pressure was increased to £0.250m to reflect the approved borrowing requirement for the Highlight leisure facility.
- 4.23 A recent review of the MRP policy has identified an inconsistency in approach across borrowing areas. The proposed alignment of this approach across all areas (as included in Appendix B) will provide a

reduced MRP cost in the short term, slowly increased over the life of the asset, resulting in greater alignment with budgets as their naturally inflate.

- 4.24 In the lead up to the autumn budget the rate at which the government borrows, crept up in anticipation of some of the measures being trailed. This GILT rate has a direct impact on PWLB borrowing rates. The rate has further increased since and has likely been impacted by other geopolitical events including the American election. The council is carefully considering its Treasury Management position to determine the likely timelines for rate reductions and how this will impact on borrowing costs. An additional budget pressure may arise in this area.

5. GOVERNMENT FUNDING

- 5.1 The Local Government Finance Settlement for 2025/26 will be another one-year settlement for councils, continuing the trend of recent years. The settlement document which is released by MHCLG confirms the grant allocations to individual councils along with other information relevant for budget setting. Current indications are that the provisional settlement will be published during the week commencing 16th December, and potentially as late as 19th December.
- 5.2 Positively the Autumn Budget did confirm a full review of funding distribution and also delivery of multi-year funding settlements from 2026/27; The Budget red book noted; “The government recognises the pressures that local authorities are facing and will have a framework in place to support those in most difficulty. The government is also committed to pursuing a comprehensive set of reforms to return the sector to a sustainable position. This will include reform of the approach to allocating funding through the Local Government Finance Settlement, starting with a targeted approach to allocating additional funding in 2025-26, ahead of a broader redistribution of funding through a multi-year settlement from 2026-27.”
- 5.3 This long awaited fair funding review, which should encapsulate a reset of the business rates retention system, will ensure a fairer distribution of resources across the country and be reflective of need. Whilst there is no certainty, the Council has a reasonable expectation of additional funding through this review, not least due to our relative position on Business Rates. However, given the overall financial stress in the sector, fair funding is difficult to implement without a further substantial injection of government funding into the sector. A multi-year settlement will provide a firmer basis on which to effectively plan in to the medium term.

Revenue Support Grant (RSG)

- 5.4 Over recent years this grant has increased in line with the proceeding September’s CPI. Following the publishing of the September CPI rate of 1.7%, the MTFFS forecast for this grant has been reduced accordingly from

the previously assumed 2% increase. There remains a risk that the national quantum of funding available results in a lower or no increase.

Social Care Funding

- 5.5 It is assumed that all ring fenced Social Care grants which have been introduced and increased over recent years to support care pressures, will continue in to the medium term.
- 5.6 The Autumn Budget announced an additional £600m of grant funding in to social care for 2025/2026. The allocation methodology for this additional funding is currently not known, and is difficult to predict given prior years allocations have used differing approaches i.e. some elements being varied to favour those council's with lower council tax basis, like Hartlepool.
- 5.7 The improved Better Care Fund grant has no assumed increase applied in the MTFS budget model at this stage. As noted at paragraph 5.19 an additional £86m was announced for Disabled Facilities Grants and once our allocation is known, this will be factored into the budget.

Public Health Funding

- 5.8 The Council received its 2024/25 allocation for the ring-fenced Public Health grant on the 9th February 2024. The allocation was in line with the estimate of £9.794m and was allocated to Public Health priorities. The MTFS inflationary assumption has been reduced to 1.7% from 2% which was previously assumed for 2025/26. There is concern within the sector that no inflation will be applied to this grant.

New Homes Bonus (NHB)

- 5.9 This grant was extended for a further year as part of the 2024/25 Settlement, but its future remains uncertain. Due to housing growth and bringing empty properties back in to use in Hartlepool, an increased grant for 2024/25 was confirmed. The allocation increased from £0.447m in 2023/24 to £1.224m in 2024/25. Due to the sporadic nature and uncertainty of this grant generally, the grant assumed from 2025/26 has reverted to £0.447m within the MTFS. The position will be kept under review, although based on recent years uncertainty, a full understanding of the position is unlikely to be known until the provision local government finance settlement is published, as such it remains a risk.

Services Grant

- 5.10 This was a new grant introduced by government in 2022/23, with £822m nationally and the distribution formula included an element for deprivation which was favourable for Hartlepool. For 2023/24 the grant was reduced to £464m. For 2024/25 the grant has been significantly reduced further to £77m, to fund increases elsewhere in the overall settlement.

- 5.11 For the Council the grant reduced from £1.964m in 2022/23 to £1.107m in 2023/24, and further reduced to £0.199m for 2024/25. The MTF5 currently assumes that the grant will remain at the 2024/25 level, although this remains a high risk, especially given prior year reductions to fund increases in other grants.

Business Rates Top Up Grant

- 5.12 The Business Rates multiplier and Top Up grants have historically increased in line with September CPI inflation. Following the publishing of the September CPI rate of 1.7%, the MTF5 forecasts have been adjusted accordingly.

Extended Producer Responsibility (EPR)

- 5.13 The government has reaffirmed commitment to move towards a zero-waste economy and implementing the Collection and Packaging Reforms Programme. The implementation of the Extended Producer Responsibility (EPR) scheme, will effectively charge the producers of packaging and use the collected revenues to provide additional grant funding to council's as the body who incur the costs of its collection and disposal. Local authorities will receive an estimated £1.1bn in additional income from the EPR scheme, starting in January 2025. The Treasury will guarantee authorities' funding streams in 2025/26, with local authorities taking the risk on any changes in income from 2026/27 onwards.
- 5.14 It is not clear yet how this income will be allocated (especially in two-tier areas), or the extent to which it will have to be used to fund additional costs. It is understood that DEFRA will be writing to authorities informing them how much grant they can expect to receive. There is currently no information on how funding will be distributed across the country, or between tiers (i.e. between waste collection and disposal functions). The MTF5 will be updated when further information is received from DEFRA, as such no assumed grant is included at this stage.

Other Autumn Budget Funding Announcements

- 5.15 The government's Autumn Budget provided announcements on a number of ring-fenced grant areas which are outside of the headline £1.7bn increase in core grant for 2025/26. The grant areas and headline national allocations are noted below. Actual allocations to councils will be announced by the respective Government departments in the coming months.
- 5.16 Housing and Household Support Fund (HSF) - the Household Support Fund (HSF) will continue in 2025/26 (£1bn UK-wide), following lobbying from charities and local government. Discretionary Housing Payments will also be extended into 2025/26.

- 5.17 Homelessness Funding - the government is providing £233m of additional spending in 2025/26 to support homelessness, taking total spending to £1bn. This will be directed towards help to prevent increases in the number of families in temporary accommodation and help to prevent rough sleeping.
- 5.18 Special educational needs and disabilities (SEND) funding - an additional £1bn for the special educational needs and disabilities (SEND) system will be provided in 2025/26. This funding will come via the Dedicated Schools Grant (DSG) and help mitigate escalating spend pressures within the High Needs funding block.
- 5.19 Disabled Facilities Grant (DFG) - an addition £86m to the Disabled Facilities Grant to support around 7,800 more adaptations to homes nationally, for those with social care needs, to reduce hospitalisations and prolong independence.

6. LOCAL FUNDING

Business Rates

- 6.1 Under the current Business Rates funding regime, the Council retains locally 49% of Business Rate income. Inherent in the system is an annual uplift usually based on September CPI, therefore this has been factored into the position at 1.7%. In addition, an assumed increase in business rates of £0.500m is now factored in to the MTFS, this is evidenced by growth in business rates collectable in recent years. All other assumptions impacting Business Rates have remained unchanged i.e. provision for appeals, uncollectable debt and discretionary reliefs will remain broadly consistent.
- 6.2 The Autumn Budget confirmed that the standard multiplier will be indexed at 1.67% and that the small rate multiplier will be frozen for 2025/26. From 2026/27, new powers to set differing rates for particular sectors will likely allow permanently lower charges for those businesses in the Retail Hospitality and Leisure (RHL) sector. For 2025/26 the RHL sector will receive relief of 40%, which is a reduction from the 75% relief being provided in the current financial year.
- 6.3 There does remain the on-going risk that the Council will enter a safety net position should we experience significant appeals or reductions to our business rates base. In simple terms this comes about if the collectable business rates falls below 92.5% of the baseline. Funding will be provided by government to support the Council in such a scenario, albeit there will be an increased cost of circa £1.1m a year until any reset is enacted. A reserve is held to help mitigate this position for one year should it occur.
- 6.4 Generally, the impact of additional cost pressures on businesses and uncertain consumer demand may impact on the collectability of business

rates. The position will be kept under review and adjustments made to forecasts should the need arise.

Council Tax

- 6.5 The Council has a track record of Council Tax base growth in recent years. Whilst new build continues to be positive, the position continues to be impacted by exemptions and discounts, including the Single Person Discount (SPD). Hartlepool is not unique in facing these pressures. Investment in fraud detection is providing reductions in the claiming of SPD, which positively impacts the base position.
- 6.6 Whilst housing growth continues to look positive, there remains a risk that the wider economic environment i.e. interest rates, may have a detrimental impact on growth as well as collectability of Council Tax should household incomes continue to be under strain. Growth in the base of 675 is now allowed for in the budget model for 2025/26. This reflects the increases anticipated following “holiday home” premiums to be introduced in 2025/26 as well as our efforts to reduce SPD fraud. Base increases prudently revert to 200 per year from 2026/27 onwards, but will be kept under review.
- 6.7 The high level national spending power projections included in the Autumn Budget and the Office for Budget Responsibility’s (OBR) report, infer a council tax increase in line with the previous 5% Council Tax and ASC referendum limit. The actual referendum limit for 2025/26 will be confirmed by government in either the Local Government Finance Settlement Policy document or the Provisional Settlement itself in December. Given the commentary in this area is indicating a likely 5% limit, the MTFs has been adjusted in line with an increase at this level. Council Tax decisions will be finalised later in the budget process.

7. RESERVES

- 7.1 The Council holds reserves for a variety of purposes, including those allocated for known commitments and risks, including capital schemes, the MTFs budget position, our insurance fund and business rates appeals risks. The reserve position has been volatile in recent years given the significant inflationary and demand pressures experienced. The only unallocated reserve is our general fund reserve, which serves as a reserve of last resort.
- 7.2 To support the smoothing of the MTFs position whilst savings and transformation activity is able to be delivered, a full review of existing reserves has been carried out. This review is to re-prioritise reserves, where possible, in support of the Business Support Fund and also provide the resources necessary to support delivery of Transformation activity. As shown at **Appendix A** £3.897m of revenue reserves have been redirected to the Budget Support Fund and Transformation reserve. This movement

is deemed essential to support medium term financial planning of the budget.

- 7.3 The use of one-off reserves to balance the on-going revenue budget position is not a financially sustainable basis to set our budget. However, the volatility of local government finances over recent years has necessitated we do so, but in a planned and carefully managed way. The Budget Support Fund is available to smooth the budget deficits where possible, as well as to meet one-off costs associated with generating on-going efficiencies.
- 7.4 For the 2024/25 budget setting, £3.166m of the Budget Support Fund was used to support the overall budget position. The one-off nature of reserves means that the budget position is detrimentally hit in subsequent years as their use unwinds. In addition, based on the latest outturn forecast overspend for 2024/25, a further £1.670m of the Budget Support Fund will need to be utilised.

8. STRATEGY FOR BALANCING THE BUDGET POSITION

- 8.1 Based on the position outlined in sections 3 to 7 above, the consolidated budget position to be addressed over the 3 year MTFs period is shown in the table below. The gap to be addressed for 2025/26 is currently forecast to be £13.144m, with a three year gap to 2027/28 of £21.522m. This position has worsened since the last MTFs update report to Committee in June, largely due to the cost pressure escalation in Children's Social Care. This position does not factor in the impact of any increased revenue arising from Council Tax decisions.
- 8.2 The position presented continues to have uncertainty and risk in both the short and medium term given general economic uncertainties and the fact that clarity on funding for 2025/26, which won't be known until December, and beyond that time frame for reform of the local government finance system.

	2025/26 £m	2026/27 £m	2027/28 £m	Total £m
Spending Pressures				
Pay and Price Inflation	3.461	4.057	3.071	10.589
Childrens Social Care	6.000	1.620	1.652	9.272
Waste Disposal	1.500	0.530	0.041	2.071
Capital Financing	0.250	0.250	0.250	0.750
Total Spending Pressures	11.211	6.457	5.014	22.682
Government Grant Changes	0.228	(0.656)	(0.669)	(1.096)
Gap Before Local Funding	11.439	5.802	4.345	21.586
Business Rates	(0.895)	(0.483)	(0.493)	(1.871)
Council Tax - Base Increase	(1.339)	(0.397)	(0.397)	(2.133)
Collection Fund (Surplus)/Deficit	0.124	0.000	0.000	0.124
Gap Before Current Use of Reserves	9.328	4.922	3.456	17.706
Temporary Use of Budget Support Fund (reversal)	3.166	0.000	0.000	3.166
Temporary Use of Investment Income (reversal)	0.650	0.000	0.000	0.650
Bottom Line Gap to be Addressed (before Council Tax increases and Savings)	13.144	4.922	3.456	21.522
Cumulative Gap (before Council Tax increases and Savings)	13.144	18.066	21.522	

- 8.3 Given the assumption of an unchanged Council Tax referendum limit of 5%, for the purposes of this update the maximum allowable Council Tax increase is applied i.e. for 2025/26 a 2.99% core council tax rise and 2% ASC precept rise, leading to a total rise of 4.99%. The table below shows the budget gap after assumed council tax increase over the MTFS period.

	2025/26 £m	2026/27 £m	2027/28 £m	Total £m
Gap to be Addressed (before Council Tax increases)	13.144	4.922	3.456	21.522
Council Tax and Adult Social Care Precept increase	(2.625)	(2.797)	(2.978)	(8.400)
Bottom Line Gap to be Addressed (after Council Tax increases)	10.519	2.125	0.478	13.122
Cumulative Gap	10.519	12.644	13.122	

- 8.4 After an assumed Council Tax charge increase of a total of 5% per year, there remains a funding gap of £10.519m in 2025/26 and £13.122m over the medium term. Subject to government funding changes, the options to meet this gap are; the approving and delivering of immediate savings plans, transformational changes and temporary use of reserves, although the latter, as noted previously, is a short-term measure pending further savings being delivered.

Savings Proposals

- 8.5 Where possible, a strategic and transformational approach to financial planning has been adopted, but the seriousness of the financial position presented may necessitate the significant reduction or full cessation of some front line services delivered by the Council.
- 8.6 The Council's Transformation Plan approved by the Committee in June outlined the approach and principles to achieve the Target Operating Model for the council.
- 8.7 Transformation activity is progressing in the following key areas;
- **Demand Management;**
 - Adult Social Care – Sustainability
 - Childrens Social Care – Sufficiency
 - Waste and Recycling
 - **Service Reviews;**
 - Leisure, Culture and Performance Review
 - Schools Catering and Cleaning Review
 - **Land and Property Review**
 - **Fees and Charges Review**
 - **Digitalisation and Back Office;**
 - Customer Contact
 - Income and Cash Management
 - Revenues collection and maximisation
 - ICT Transformation
 - Digital Blue Print
- 8.8 Further work is progressing on these schemes to determine possible additional savings that may be realised over the coming years and an update will be provided as part of the next iteration of the MTFS.
- 8.9 Given the timescales and resource requirements to deliver some elements of transformation, savings are likely to take a period of time to be achieved. In addition, the quantum of savings likely to be generated will not satisfy the current budget gap. To support the delivery of an affordable budget for 2025/26 detailed savings proposals have been developed by senior officers, in consultation with lead members for approval now.
- 8.10 Savings proposals of £2.954m for 2025/26 and £3.109m in total of the MTFS period have been developed as summarised by Directorate in the table below. **Appendix B** provides the detailed proposals along with information on equality and poverty impact.

	2025/26 £m	2026/27 £m	2027/28 £m	Total £m
Adults and Community Services	(0.630)	(0.155)	(0.050)	(0.835)
Childrens and Joint Commissioning	(0.198)	0.000	0.000	(0.198)
Development, Neighbourhoods and Regulatory	(0.675)	(0.050)	0.000	(0.725)
Finance, IT and Digital	(0.357)	0.000	0.000	(0.357)
Legal, Governance and Human Resources	(0.094)	0.000	0.000	(0.094)
Corporate	(1.000)	0.050	0.050	(0.900)
TOTAL SAVINGS	(2.954)	(0.155)	0.000	(3.109)

- 8.11 In developing savings proposals, Directors and lead members have sought to minimise the impact on staff numbers across the authority. At this stage it is envisaged that any reductions in staffing will predominantly be removal of vacant posts, natural turnover and voluntary redundancy.

Use of Reserves

- 8.12 As previously set out, the use of one-off reserves to balance the on-going revenue budget position is not a sustainable approach to setting the budget. Whilst it shunts some of the budget gap back a year, it presents a danger that the Council simply utilises one-off money on delaying decisions. In addition, this approach reduces the scope for the Council to invest and innovate in order to generate recurring savings. However, the budget position generally, significant pressures in children's social care and future uncertainty on government funding may continue to necessitate use of some reserves where possible, over the period.
- 8.13 The aim of setting the Council's budget is that it should be sustainable over the medium term period, with recurring spend funded by recurring income. Decisions on use of reserves should be made consistent with that aim. As such it is essential that any use of reserves should be done on a well-managed and diminishing basis.
- 8.14 The Council holds a Budget Support Fund (BSF) to help to smooth the budget position over the MTFs period. The current position of the BSF is set out in the table below. The position reflects the reserve review process as outlined in section 7.2. The position also reflects the use of £3.166m to balance the 2024/25 budget position as agreed as part of the annual budget setting process and the current year forecast overspend for 2024/25.
- 8.15 At this stage a maximum of £5.5m of the Budget Support Fund is available to support smoothing balancing the budget over the MTFs period. This would leave a balance of less than £1m to support any in year overspends. Use of this level of balances would only be possible in conjunction with a developed and supported transformation programme to accelerate savings and minimise the risk of overspend.

	£m
Balance as at 31 March 2024	7.947
Add	
Reserves review transfers	3.147
Adjusted Balance	11.094
Less	
Planned Use of reserve to support 2024/25 budget	(3.166)
Use of reserve to support 2024/25 forecast overspend	(1.670)
Use of reserve to support 2025/26 – 2027/28 budget	(5.500)
Forecast uncommitted balance over the period	0.758

Overall Position

- 8.16 After taking account of the savings proposals and the potential use of reserves a budget gap still remains as detailed below.

	2025/26 £m	2026/27 £m	2027/28 £m	Total £m
Gap to be Addressed	10.519	2.125	0.478	13.122
Proposed Savings	(2.954)	(0.155)	0.000	(3.109)
Potential Maximum Use of Reserves 2025/26	(3.500)	3.500	0.000	0.000
Potential Maximum Use of Reserves 2026/27	0.000	(2.000)	2.000	0.000
Bottom Line Gap to be Addressed	4.065	3.470	2.478	10.013
Cumulative Gap	4.065	7.535	10.013	

- 8.17 Given the level of Reserves available and already committed, the remaining budget gap for 2025/26 will need to be addressed, with firm plans for balancing future years.
- 8.18 There remains significant uncertainty with regard the outcome of the final local government finance settlement. There are a number of pressures arising from the autumn budget particularly with regard to the National Insurance increase. Equally there is the potential of significant additional funding being made available to Hartlepool on the back of targeted deprivation funding and the Extended Producer Responsibility Scheme.
- 8.19 External experts on Council funding have identified scenarios that fully eradicate the current budget gap for 2025/26, should the existing savings put forward be approved. However, the assumptions contained within these scenarios are heavily caveated. Ultimately given the significant level of uncertainty we will not know the position until the settlement in mid to late December.
- 8.20 At this stage the council is continuing to develop savings proposals and progressing transformation plans, cognisant of;
- a) the risk that additional funding will be insufficient;
 - b) the risk around emerging and future cost pressures;
 - c) the risk that future funding settlements could be restrictive; and

d) the need to fully address the on-going deficit to ensure we are fully sustainable going forward.

8.21 The position will be updated in the next iteration of the MTFS once the settlement has been confirmed and decisions will be progressed accordingly. This could require policy committee meetings being arranged at short notice to consider proposals.

Conclusion

8.22 The updated position set out in this report represents the latest understanding of cost pressures and funding assumptions impacting the Council. The emerging position will continue to be monitored over the coming months and will be impacted by a number of areas, notably; in-year budget forecasts, inflation movements, the Provisional Local Government Finance Settlement at the end of December. A further update and detailed budget recommendations will be presented to the Committee in January 2025.

9. LEGAL CONSIDERATIONS

9.1 The following issues are relevant in relation to this report:

- the Local Government Finance Act 1992 requires local authorities to set a balanced budget – this report starts the budget process and further reports will enable budget proposals to be approved and then referred to Council to meet this requirement;
- the Local Government Act 2003 requires local authorities to consider the advice of their Section 151 Chief Finance Officer (the Director of Finance, IT and Digital) when making budget decisions. This advice must include details of the robustness of the estimates made for the purposes of the calculations and the adequacy of the proposed financial reserves. These requirements will be addressed in future reports.

10. EQUALITY AND DIVERSITY

10.1 The savings proposals put forward will impact on the delivery of frontline services or service users to varying degrees. There are some proposals which simply by the nature of the service area that they cover will impact on those with protected characteristics e.g. children's social care relating to children who are in the Council's care. However, owing to the financial challenges facing the Council we have no choice but to change, redesign and potentially close services to reduce costs. Where we need to change, redesign and close services we are working to minimise the impact on those with protected characteristics and will focus on securing services for those who are the most vulnerable within those protected characteristics.

- 10.2 Members are aware from previous MTFs reports that in making financial decisions the Council is required to demonstrate that those decisions are made in a fair, transparent and accountable way, considering the needs and the rights of different members of the community. This is achieved through assessing the impact that changes to policies, procedures and practices could have on different equality groups.
- 10.3 An initial analysis has been undertaken to determine the potential negative impact of the proposals put forward and these are detailed in the table in **Appendix B**. From this you will see that:
- 26 of the proposals identify no negative impact on equality;
 - 5 identify a negative impact on an age-related characteristic (2 on older people and 3 on children / young adults);
 - 3 identify a negative impact on disability;
 - 10 identify a negative impact on poverty and disadvantage*; and
 - 2 identify a negative impact on care leavers*.

*Poverty and disadvantage and care leavers have been identified as local priorities in the Council's Equality, Diversity and Inclusion Policy.

11. CHILD AND FAMILY POVERTY

- 11.1 The initial analysis that has been undertaken to determine the potential impact of the proposals put forward as detailed in the table in **Appendix B** also considers the impact on those living in poverty and disadvantage. From this you will see that 10 of the proposals identify the potential for a negative impact on those in poverty and disadvantage.
- 11.2 Following further consideration it is considered that many of these potential negative impacts are minor, have mitigations in place or would affect a small proportion of individuals. As such there is no consolidated impact that would need further consideration.

12. OTHER CONSIDERATIONS

Risk Implications	These are outlined in Appendix C .
Financial Considerations	As set out in the main body of the report.
Subsidy Control	No subsidy control issues are expected to arise from the proposals within this report.
Child / Family Poverty Considerations	As set out in the main body of the report
Equality and Diversity Considerations	As set out in the main body of the report
Staff Considerations	As set out in the main body of the report

Asset Management Considerations	Asset Management implications of the proposed savings are included, where appropriate, within the Savings detailed in Appendix B .
Environment, Sustainability and Climate Change Considerations	Environmental, Sustainability and Climate Change considerations of the proposed savings are included, where appropriate, within the Savings detailed in Appendix B .
Consultation	Consultation with local business representatives and Trades Unions will be carried out during January.

13. RECOMMENDATIONS

13.1 It is recommended that Members:

- i) Note the report;
- ii) Note the assessment of the forecast budget gap and proposed approach to address this gap in Section 8;
- iii) Agree the proposals that relate to Finance and Policy committee contained within **Appendix B**;
- iv) Refer the savings proposals to individual policy committees and instructs them to identify replacement savings if these proposals are not supported;
- v) Note the risks and scenarios outlined in the report which may impact upon the financial position presented as part of future MTFS updates; and
- vi) Agree that the previously agreed budget timetable may need to be flexed dependent on the position post settlement, but that final approval of the budget must be made by council on the 20 February 2024 to ensure annual council tax billing commences promptly.

14. REASON FOR RECOMMENDATIONS

14.1 To enable the Finance and Policy Committee to approve the proposals to progress the development of the MTFS.

15. BACKGROUND PAPERS

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

- Finance and Policy Committee - Medium Term Financial Strategy (MTFS) 2024/25 to 2026/27 – 22nd January 2024;
- Council - Medium Term Financial Strategy (MTFS) 2024/25 Statutory Budget and Council Tax determination – 22nd February 2024.
- Finance and Policy Committee – Medium Term Financial Strategy (MTFS) 2025/26 to 2027/28 - 25th June 2024.

16. CONTACT OFFICER

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RESERVES FORECASTS (EXCLUDING SCHOOL BALANCES, HRA AND UNUSABLE RESERVES)

APPENDIX A

	Balance as at 31st March 2024	Transfer between Reserves	Balance as at 31st March 2024 (Revised)	Forecast Use of Reserves				Forecast Balance as at 31st March 2028
				2024/25	2025/26	2026/27	2027/28	
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Revenue Reserve	5,501	(1)	5,500	0	0	0	0	5,500
Budget Support Fund (BSF) 24/25-26/27	7,947	3,147	11,094	(4,836)	(3,500)	(2,000)	0	758
BSF - Transformation Costs	2,000	0	2,000	0	(1,000)	(500)	(500)	0
BSF - Invest to Save	1,000	750	1,750	(700)	(700)	(350)	0	0
Revenue Grants Unapplied	6,300	(560)	5,740	(2,330)	(1,405)	(924)	(931)	150
Business Rates Risk Reserve	3,250	(2,250)	1,000	0	0	0	0	1,000
Insurance Fund	2,965	0	2,965	(50)	(50)	(50)	(50)	2,765
Children in our Care Reserve	1,230	0	1,230	(475)	(500)	(255)	0	0
BSF - Treasury Management Income	1,150	0	1,150	(650)	(500)	0	0	0
Asset Management Reserve	1,000	0	1,000	(500)	(500)	0	0	0
Earmarked Revenue Reserves under £1m	7,411	(1,086)	6,325	(2,928)	(1,413)	(731)	(441)	812
Revenue Reserves Total	39,754	0	39,754	(12,469)	(9,568)	(4,810)	(1,922)	10,985
Earmarked Capital Reserves	9,606	0	9,606	(4,262)	(2,772)	(2,572)	0	0
Capital Grants Unapplied	16,311	0	16,311	(13,798)	(2,513)	0	0	0
TOTAL	65,671	0	65,671	(30,529)	(14,853)	(7,382)	(1,922)	10,985

Budget Book Service Area	Committee	Proposal	Detail	Indicative Saving			Capacity / Investment Needed	Initial Risks / Impact Consideration	Negative equality or poverty impact identified	Impact Assessment Notes
				25/26 £000	26/27 £000	27/28 £000				
ASC - Working Age Adults Day Service	Adult and Community Based Services	Reduction in transport and service budgets	Transport budget has had £50k underspend since covid and there is a further service budget underspend of £25k, both of which can be removed with no impact to services or staffing.	75	0	0	No	None	N/A	There is no anticipated impact as there is no proposed change to the delivery of the existing service. Underspends on transport and a further service budget are to be removed with no impact to services or staffing.
ASC - Commissioning: Adults	Adult and Community Based Services	Contract saving	Introducing a dispersed supported housing model for adults with mental health needs resulted in a £50k saving in 2023/24. This can be removed from the budget with no impact to services or staffing.	50	0	0	No	None	N/A	There is no anticipated impact as there is no proposed change to the delivery of the existing service. Underspend on the contract budget is to be removed with no impact to services or staffing.
P&CBS - Allotments	Adult and Community Based Services	Increase allotment fees	Introduce rent increase for 2026/27 to reduce the subsidy required for the service and to move towards a self sustainable model over a number of years.	0	25	0	No	None	A and J	The proposal to increase allotment fees may have an impact on age (a proportion of allotment holders are older) and those living in poverty and disadvantage making it less affordable for them to access the service. The proposed fee increase is in line with the recommendations of an independent review and will support the gradual reduction of Council subsidy for the allotment service. Allotment tenants already have the option of paying in ten instalments and have also been given the option of moving to a smaller plot or splitting their plot where this can be accommodated.
P&CBS - NMRN Subsidy	Adult and Community Based Services	Reduce subsidy provided to NMRN	Agreement to reduce subsidy by £50k for 2025/26 with an expectation of further reduction in subsequent years.	50	50	50	No	None - already agreed.	N/A	There is no specific impact anticipated.
P&CBS - Events & Theatres	Adult and Community Based Services	Review funding associated with delivery of events.	Review the viability of the Council continuing to deliver events such as the Christmas Light Switch On as well as contributing to other independently delivered local events such as Wintertide and the Folk Festival. Consideration of available options to retain the Firework display at no cost to the council.	75	0	0	No	If this budget is deleted or reduced, the Council's ability to deliver any events will be reduced / removed.	J	The proposal means that free to access events may not happen and this may negatively impact on those living in poverty and disadvantage who are unable to afford alternative, paid-for events delivered by the Council or private providers. However, the Council offers concessionary rates for performances, leisure memberships etc.

P&CBS - Active & Creative Hartlepool	Adult and Community Based Services	Review of operations within Active & Creative Hartlepool services.	Review of operating model and staffing structure to achieve savings. This may include reviewing opening hours, changes to the services offered and reductions in staff numbers.	40	40	0	No	Risk to maintaining successful Leisure and Culture offer across current sites will need to be managed.	N/A	Savings in 2025/26 relate primarily to back office efficiencies and vacant posts. Proposed savings for 2026/27 will be subject to further impact analysis.
P&CBS - Community Hubs	Adult and Community Based Services	Review of Community Hub operating model.	Review of operating model and staffing structure to achieve savings. This may include reviewing opening hours, changes to the services offered and reductions in staff numbers.	40	40	0	No	Risk to maintaining successful Community Hub offer across current sites will need to be managed.	N/A	Savings in 2025/26 relate primarily to back office efficiencies and vacant posts. Proposed savings for 2026/27 will be subject to further impact analysis.
				330	155	50				

Service Transformation - Any savings identified are a target to deliver and indicative only at this stage.

ASC - Packages of Care	Adult and Community Based Services	Modernisation of financial assessment and debt recovery processes to maximise resources and streamline operations.	Introduce online financial assessments and promote welfare benefit maximisation to increase income, alongside an updated approach to debt recovery.	300	0	0	Investment in online financial assessment (already identified through Market Sustainability and Improvement Fund grant). May require additional capacity in the User Property & Finance Team to achieve the savings.	Inherent risk associated with income generation due to cost of living.	N/A	There is no anticipated impact as there is no proposed change to the delivery of the existing service. The proposed change relates to back-office processing activities. There is a potential positive impact identified for poverty and disadvantage due to the promotion of welfare benefit maximisation. This should increase the amount of previously unclaimed benefits being accessed by service users.
P&CBS - Museums & Galleries, Sports & Leisure, Events & Theatre	Adult and Community Based Services	Leisure, Culture and Performance Venues Review	A piece of work has been commissioned to review the current operating model of leisure and cultural services and appraise alternative options including transfer to another operator, an arms length model or trust or potential for asset transfer. This work will be concluded by March 2025 and potential savings and timescales can then be determined. Current savings identified for 2026/27 are indicative only at this stage.	0	Tbc	Tbc	No	There is a need to consider collectively as considering assets in isolation risks potential to explore a wider solution for culture and leisure services and makes the option of a leisure trust or similar less attractive / feasible. Dependent on the model adopted there could be a risk of clawback linked to previous investments / grants. There could be a risk to level of services provided dependent on the options considered and selected.	TBC	An independent review of service delivery options has been commissioned. Any savings and an impact assessment will be complete as part of the options appraisal. The outcome of the review will be presented to Members in 2025 to inform budget planning for 2026/27.
				300	0	0				

630	155	50
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Budget Book Service Area	Committee	Proposal	Detail	Indicative Saving			Capacity / Investment Needed	Initial Risks / Impact Consideration	Negative equality or poverty impact identified	Impact Assessment Notes
				25/26 £000	26/27 £000	27/28 £000				
Children's Services (safeguarding children)	Childrens Services	Review of early help/children in need/vulnerable pupils	Changes to Working Together 2023 creates the opportunity to review how we deliver support for children in need and early help. This also links closely with the changes to the role of the LA in supporting vulnerable pupils and family hubs agenda (funding and new burdens from April 2025 not yet known). Opportunity to undertake a full service review looking at lead professional model and realigning workforce.	100	0	0	Can probably be achieved within current capacity of leadership team	Will require a full review of current service configuration to ensure there are no unintended consequences to changes. Will require teams and practitioners to work differently in the future and risk that we are creating more handoff points in the system as children's needs fluctuate across thresholds of need.	N/A	There is no anticipated impact as there is no proposed change to the delivery of the existing frontline service.
Education (excluding DSG)	Childrens Services	Review of work of Management Information Team	Review mandatory work of MIT for statutory returns and volume and cost of non statutory schools work to ensure income meets cost of delivery and if not to cease to provide.	40	0	0	Can probably be achieved within current capacity of leadership team	Cuts to services to schools	N/A	There is no anticipated impact.
Children's Services (direct payments and short break care)	Childrens Services	Review and reduction in provision of direct payments to families in lieu of services and review of SBC service statement and non statutory commissioning with limited impact	Current model for DP requires review and overhaul to be based around need. Parallel to this, we have developed an in house support team for children and young people with disabilities and increased take up of this service can see corresponding decrease in DP. Undertake a systems review of the SB statement and commissioned services to align with enhanced support offer and reduction in DP	40	0	0	Can probably be achieved within current capacity of leadership team	If all non statutory services were to cease, this would lead to an increase in children and families presenting for assistance and support and potentially more children coming into our care.	A & B	Although there will be some change to the way that the service is received by eligible individuals these changes will be subject to the following mitigations: · A wraparound support team is in place to provide direct support to families rather than making payments to families so that they can pay for their own support. · Moving towards direct payments being needs-led rather than funding-led to increase efficiency by being able to block buy activities.
Children's Services (play and care)	Childrens Services	Closure of OSCARS out of school and holiday provision	Significant changes in the education and child care landscape has impacted upon the OSCARS service leading to a reduction in the numbers of children who access the provision. As a consequence, the service runs a deficit budget. Work has been undertaken to make the service financially viable and exploring alternative delivery models, however, no viable options have been identified.	18	0	0	Can be achieved within current capacity of leadership team	For the children who access OSCARS there will be a need to work with families to make alterative arrangements for them. This will be supported through the child care team who undertake a sufficiency analysis of the child care market and can match demand with vacant places.	N/A	Although the removal of the service will impact on those children who are currently accessing the service mitigation action is planned to support families to access alternative childcare provision.
				198	0	0				

Service Transformation - Any savings identified are a target to deliver and indicative only at this stage.

Children's Services (children in our care)	Childrens Services	Increase sufficiency of placements for children in our care	Recruitment campaign to increase the in house foster carer capacity and open one further two 1-2 bed children's home. Block purchase capacity in development of children's home with local VCSC	Cost avoidance	0	0	Capital investment in purchasing property and refurbishment costs. Additional financial cost of staffing and running children's home.	High cost investment but in current independent sector market significantly more cost effective and better quality placements.	N/A	There will be a positive impact on children in our care as they will be able to remain in Hartlepool rather than being placed in out of town placements.
				0	0	0				
				198	0	0				

Budget Book Service Area	Committee	Proposal	Detail	Indicative Saving			Capacity / Investment Needed	Initial Risks / Impact Consideration	Negative equality or poverty impact identified	Impact Assessment Notes
				25/26 £000	26/27 £000	27/28 £000				
Cross Cutting	Finance and Policy	Contract Hire, Travel and Mileage Review	This piece of work will focus on the use of personal mileage claims to encourage improved journey planning to create savings and also the hire of contract vehicles for work purposes to ensure that those costs can be reduced by identifying high and unnecessary spends.	50	0	0	Yes as to improve the efficiency we will need to introduce a new operating system for contract hire vehicles	A significant amount of work has been undertaken on this project, while a further piece of work has commenced which will require some transformational funding to complete this project by establishing a new operating system to effectively manage our contract hire vehicles and reduce future costs.	N/A	There is no anticipated impact.
Construction Team	Neighbourhood Services	The installation of a pilot Solar Project at Tofts Depot	This project will look at installing Solar PV Panels at Tofts Depot to determine the extent and success of implementing similar schemes elsewhere. The project will also reduce the energy usage and create savings which will pay for the work to be undertaken through prudential borrowing.	5	5	0	Yes (Prudential Borrowing)	As this is a pilot project the estimated savings are based on a feasibility analysis and actual savings will only be confirmed once the Solar PV units are installed and operating over a 12 month period, although the likely saving will be split over two financial years	N/A	There is no anticipated impact.
Highways and Transportation	Neighbourhood Services	Review of Winter Maintenance programme	This will look at our existing winter gritting routes and will implement changes to our existing policy based on guidance that defines the primary and secondary gritting routes.	25	0	0	No	Work has commenced on this project to scope out the potential savings and implications of any changes to our current winter maintenance plan.	N/A	There is no anticipated impact.
Community Safety and Engagement	Neighbourhood Services	A review of the Community Safety and Support Services structure will be undertaken	This will involve a restructure of the Community Safety and Support Services Teams to generate a saving.	40	0	0	No	As a result of a number of changes and vacancies within this team, this has enabled work to progress on a potential restructure which will hopefully identify savings.	N/A	Realignment of service which will see the removal of some posts that have been vacant for a number of years and other being reorganised to make the team better aligned with service needs.
Waste Services	Neighbourhood Services	Recycling and Waste Tonnage Review	The new Environment Bill will make changes to how Councils collect and dispose of their waste. This piece of work will look at potential savings and income generations opportunities as a result of these changes including how we can improve our waste collection operations to see if savings can be made or income generated.	50	0	0	Yes - support from the communications team to promote a communications campaign.	We will be looking to implement a food waste trial from October 2025 with an estimated cost of £63k and there is no confirmation from Government that this will be covered, or will the revenue costs only commence in March 2026 when the full roll out starts. Therefore we have an appeal ongoing with food waste capital allocation as the shortfall between our allocation and actual costs is £145k, although no transitional or revenue allocation yet so this remains an unknown potential pressure	N/A	There is no anticipated impact.

Sustainable Transport	Neighbourhood Services	Concessionary fees budget realignment	This will reduce the amount we allocate to concessionary fares to bus operators as demand has reduced over the previous years.	300	0	0	No	This saving can be achieved, although if bus patronage figures increase, then there is a risk that we incur additional costs.	N/A	There is no anticipated impact as there is no proposed change to the delivery of the existing service. Underspends on the service budget are to be removed with no impact to services or staffing.
Highways and Transportation	Neighbourhood Services	Introduction of Signboards / banners licensing	The proposal will require signboards and banners on the highway to be licenced and approved by the Council prior to installation. This was approved at Neighbourhoods and will allow a charge to be made for the display of banners going forward.	10	10	0	No		N/A	There is no anticipated impact.
Facilities Management	Finance and Policy	Installation of Digital advertising signposts on Council land	This will look at the feasibility of two potential sites to erect large scale digital advertising boards to generate income by working with potential partners.	10	10	0	yes - this could potentially require borrowing or alternative council funding dependent on the model chosen.	Two potential sites have been identified which are dependent on planning permission being obtained	N/A	There is no anticipated impact.
Car Parking	Neighbourhood Services	Car Park Promotions	This would remove all remaining car parking promotions that exist, such as free on Saturdays in December, free on Sundays (except Seaton Carew) and free after 3pm	40	0	0	No	The car parking budget creates a financial pressure to the Council as the income target set is unsustainable, therefore this proposal may not create a saving, but will further help to reduce the budget pressure car parking currently places on the wider Council budget. To be confirmed at 2nd review.	J	There is limited potential impact anticipated on those living in poverty and disadvantage. However, the promotions are very specific and time limited e.g. after 3pm in certain town centre carparks, on Saturdays in the run up to Christmas and on Sunday's in the town centre. Limited free short stay parking will remain available in the area.
Passenger Transport	Neighbourhood Services	Home to School Transport Review	This will look at the services offered by the Passenger Transport team to see if additional income can be generated or savings made through changes to our existing practices	10	20	0	Digital Support likely to streamline processes		J	There is no anticipated impact in 2025/26 as there is no proposed change to the delivery of the existing service. Proposals for 2026/27 include digitising the service and this may have an impact on those on those living in poverty and disadvantage who do not have smart phones and are therefore unable to access the online form or the digital bus pass. It is intended that individuals will still be able to have paper bus passes but these may be subject to a charge.
Facilities Management / Corporate Property	Finance and Policy	Public Toilet Review	Review of public toilet facilities provision at both the Headland and Seaton Carew to consider options including a transfer of operation to a third party or potential charging options.	25	0	0	No	There are currently two sets of toilets at each location. Should this review result in any closure, there is a risk that once they are empty, they could become vandalised.	A, B and J	Minimal impact as alternative public toilet facilities will remain available locally within reasonable walking distance.

Street Lighting	Neighbourhood Services	Christmas lights and trees provision review across the Borough	The Council currently installs 3 Christmas trees which are located in the Town Centre, Seaton and the Headland. This proposal will result in only having one tree in the Town Centre. Options to improve the efficiency of our Christmas decoration offer will be considered.	10	5	0	No	There is a risk of public discontent from those locations who will no longer have a tree.	N/A	There is no anticipated impact.
				575	50	0				

Service Transformation - Any savings identified are a target to deliver and indicative only at this stage.

Facilities Management	Finance and Policy	Schools Catering and Cleaning Review	The Council currently offer catering and cleaning contracts to schools, which is partly subsidised, and this proposal will look to remove the subsidy and balance the budget across a three year financial period. A review of academy school provision will form an early part of this review.	100	TBC	TBC		A number of schools are subsidised. Schools are likely to see an increase in cost of meals to make the service sustainable.	N/A	There is no anticipated impact as there is no proposed change to the delivery of the existing service to the public.
Strategic Asset Management	Economic Growth and Development	Land and Property Review	The Council have a number of potential sites that it could look to market to generate capital receipts and potentially reduce maintenance expenditure. Capital receipts would then be available to either reinvest into transformation projects or fund future capital projects.	TBC	TBC	TBC	Investment may be needed to bring plots to the market.	Potential capital receipts could be impacted by mitigation works as well as wider market demand.	N/A	There is no anticipated impact.
				100	0	0				
				675	50	0				

Budget Book Area	Committee	Proposal	Detail	Indicative Saving			Capacity / Investment Needed	Initial Risks / Impact Consideration	Negative equality or poverty impact identified	Impact Assessment Notes
				25/26 £000	26/27 £000	27/28 £000				
Internal Audit	Finance and Policy	Internal Audit Restructure	Following the retirement of a principal auditor, the post will not be replaced and the audit plan has been amended accordingly.	52	0	0	None	Not public facing impact. The audit plan has been streamlined to adapt to the reduced staffing, whilst ensuring that the audit requirements are met.	N/A	There is no anticipated impact.
Corporate and Finance	Finance and Policy	Accountancy / Shared Services Review	Review of the accountancy and shared services structure, including; removal of apprenticeship vacancy (£20k), 0.5fte funding from early years for new payments process - overall saving to council (£15k), consolidation of accounts payable and accounts receivable team management (£20k) and increased charge to Vivup - staff benefits, for increased reconciliation work (£5k).	60	0	0	None	Potential risk around income collection given AP and AR team merger. This will be managed and will include reviewing council wide debt management to optimise recovery.	A, J and K	Removal of 1 apprenticeship post will potentially have a minor impact on opportunities for young people, those in poverty and disadvantage and care leavers to gain employment with the Council and access the associated training / skill development in place for apprenticeship posts.
Revenues and Benefits	Finance and Policy	Revenues and Benefits On-line	Following the roll out of the new online council tax portal. MyAccount, in 2024/25 and also the shift to a banded LCTS there should be a reduction in postage and printing costs.	25	0	0	No	The printing and postage budget was reduced in 2024/25 on the basis of take-up. However, take up has been low so far - circa 2,500 out of circa 45,000 households. The aim will be to ramp this up over the year, prior to annual billing, and will likely need to include an incentive campaign to increase take up.	N/A	The move to digitalise Council Tax billing was agreed in last year's budget and it was identified that this could potentially impact negatively on certain age demographics and those in poverty who have limited digital access. However, the Council is still providing mitigation against this impact as the existing service continues to be delivered in parallel with the online approach. Therefore no overall impact has been identified.
Revenues and Benefits	Finance and Policy	Revenues and Benefits - apprentice	Currently both the revenues team and benefits team have an apprentice post. Given the increasing migration from HB to UC, the likelihood of appointing a dedicated apprentice within benefits is diminishing. As such it is proposed to offer this vacant post up and have a shared apprentice resource between the two.	20	0	0	No		A, J and K	Removal of 1 apprenticeship post will potentially have a minor impact on opportunities for young people, those in poverty and disadvantage and care leavers to gain employment with the Council and accessing the associated training / skill development in place for apprenticeship posts.

Revenues and Benefits	Finance and Policy	Revenues Court fees	The Council applies costs to council tax and NNDR debt when we reach summons and liability stage. Council tax costs are £85 (£75 Summons and £10 Liability Order) and were last reviewed 2019. For NNDR costs are £110 (£85 at Summons stage and £25 Liability Order) and have not been reviewed since before 2010. The calculation will be updated to current costs incurred: - For Council tax the overall costs will rise to £125; and - For NNDR, costs will increase to £250 (£100 at Summons stage and £150 for Liability order).	100	0	0		Options to amend the application of fees has been considered in order to encourage payment of Council Tax at an earlier stage: For Council Tax costs at summons stage will be reduced to £50 and the Liability Order (LO) increased to £75. This is to promote earlier action. Whilst summons costs will not be removed, LO costs will be removed where where payment is made in full or a DD is established and maintained, or where an attachment of benefits (AOB) is entered or an agreement in excess of an AOB, so as not to penalise further those on benefits.	J	Increasing fees for council tax and NNDR debts will potentially impact on those in poverty and disadvantage. The proposal has increased mitigation measures including the reduction in costs at Summons stage and removal of LO costs in specific circumstances.
				257	0	0				

Service Transformation - Any savings identified are a target to deliver and indicative only at this stage.

Corporate and Finance / Cross Cutting	Finance and Policy / Adult and Community Based Services	Council Wide Cash "reduction" project	A council wide "cash reduction" and Treasury Management maximisation project, promote online payments and alternative payment methods such as Direct Debits. Specific actions will include: - review of a dedicated cash counter at the civic centre (but still allowing smaller sums to be paid at customer services desks); - reduction or elimination of physical petty cash across the council; - consideration of pre-loaded cash cards for vulnerable clients; and - make permanent some of the TM savings from improved daily managed cash flows.	100	0	0	Potential	Risks will be considered as the project progresses.	B and J	The review of the dedicated cash counter at the Civic may impact on individuals with disabilities and those in poverty and disadvantage who we know access this service. However, the following mitigation actions are planned: - individuals who currently access cash from the Civic will be moved across to pre-payment cards which mean that they will no longer need to attend the civic; - individuals who pay cash in the Civic for things such as council tax bills will be able to use paypoint locations closer to where they live to make their payments saving them time and the cost of getting to the Civic; - customers will be encouraged to pay online or by direct debit however some cash payments will still be able to be taken over the customer service counters in the Civic for those who are unable to do so.
ICT and Customer Services	Finance and Policy	ICT and Digital innovations	Following the introduction of a new contract, the council is modernising its IT services and increasing its digital offer. The website refresh will allow for greater channel shift, as will AI. In conjunction software across the council is likely to be consolidated and processes improved.	tbc	tbc	tbc	Yes, transformation or specific reserve funding required.	Risks will be considered as the project progresses.	N/A	There is no anticipated impact.
				100	0	0				

357 0 0

Directorate:

Legal, Governance and Human Resources

Appendix B

Budget Book Service Area	Committee	Proposal	Detail	Indicative Saving			Capacity / Investment Needed	Initial Risks / Impact Consideration	Negative equality or poverty impact identified	Impact Assessment Notes
				25/26 £000	26/27 £000	27/28 £000				
Legal	Finance and Policy	Service Review - Merge Democratic services with Scrutiny	Statutory Scrutiny Manager to manage Scrutiny and Democratic services.	59	0	0	No	Potential capacity issue however can be mitigated with developments in digital options for meeting minutes etc/use of Artificial Intelligence	N/A	There is no anticipated impact.
MD Support/PA's	Finance and Policy	Delete Vacant PA Post	Deletion of a vacant post on the establishment.	35	0	0	no		N/A	There is no anticipated impact.
				94	0	0				

Budget Book Service Area	Committee	Proposal	Detail	Indicative Saving			Capacity / Investment Needed	Initial Risks / Impact Consideration	Negative equality or poverty impact identified	Impact Assessment Notes
				25/26 £000	26/27 £000	27/28 £000				
Corporate	Finance and Policy	Pensions Contribution	The council has a low pension contribution rate given the positive relative performance of Teesside Pension fund. The full triennial valuation that covers the years 23/24, 24/25 and 25/26 included a step increase to this rate. The step in 25/26 will be 1%. The council will seek for this increase to be re-assessed given the current valuation of the fund.	600	0	0	Yes - external specialists have been engaged to work on the councils behalf.	The risks is that an inter-triennial valuation is not possible or that the fund does not agree to this reduced rate.	N/A	There is no anticipated impact.
Corporate	Finance and Policy	Minimum Revenue Provision	The minimum revenue provision (MRP) is the amount required to be charged to the revenue account on an annual basis linked to capital expenditure funded by borrowing. The Council's approach to MRP has been reviewed in light of a refresh of the regulations and the last major policy review being 2016/17. This review has provided an opportunity to move to a revised MRP approach which will release an annual savings and better reflect the time value of money.	300	-50	-50		The proposed amended of the MRP policy and its resultant impact will be discussed with the Council's external auditors prior to enacting.	N/A	There is no anticipated impact.
Cross Cutting	Finance and Policy	Fees and Charges	Inflation - the current budget model allows for a 2% increase in fees and charges in line with inflation. It is proposed to set a 5% council wide requirement to be managed by services.	100	0	0		Income budgets remain under pressure post covid and changing societal habits, e.g. wfh / on-line shopping.	J	Increase in fees and charges will potentially negatively impact on those in poverty and disadvantage. However, some services will continue to provide mitigations for this with reductions for individuals in receipt of certain benefits.
				1,000	-50	-50				

Key - Equality & Poverty Negative Impact Identified Column

- | | |
|------------------------------------|------------------------------|
| A - Age | G - Religion and Belief |
| B - Disability | H - Sex |
| C - Gender Reassignment | I - Sexual Orientation |
| D - Marriage and Civil Partnership | J - Poverty and Disadvantage |
| E - Pregnancy and Maternity | K - Care Leavers |
| F - Race | L - Armed Forces Community |

Appendix C

MTFS 2025/26 to 2027/28 Initial Risk Assessment

Key risks or issues that may impact on assumptions made with this report and updated MTFS.

Issue and Risk	Potential Impact		
	2025/26	2026/27	2027/28
Pay Awards - Provision included in the MTFS based on reducing inflation and historic norms. No contingency is built in for a higher award. Each 1% of pay award in excess of the MTFS provision costs c£620k.	Negative	Negative	Negative
Level of Reserves - the MTFS is currently based on the likelihood of using £3.5m of one-off reserves in 2025/26 and £2m in 2026/27. This in effect utilises the vast majority of the Budget Support Fund. Revenue reserves overall are forecast to drop from £39m to £11m over the coming four years. This would just leave the emergency unallocated general fund, the insurance fund and a small number of earmarked reserves. There would be no reserves available for future years MTFS, nor more critically reserves should an in year overspend occur. Should overspends occur we would likely to need Exceptional Financial Support or very strict cost control measures.	Negative	Negative	Negative
Childrens Pressures - the current in year pressure for Childrens Services is circa £6m. It is assumed at this stage that the Childrens Social care sufficiency transformation plans will stabilise and contain pressures to the allowance within the MTFS of £6m in 2025/26, £1.6m 2026/27 and £1.6m 2027/28. At present there is no guarantee that this will be achieved.	Negative	Negative	Negative
Government Funding - Notwithstanding the budget announcements there is currently a lack of clarity with regard funding allocations for 2025/26 and beyond. The budget confirmed additional funding for 2025/26, further clarity will be received on the position for the council when the draft settlement is announced late December. Whilst the government have indicated that they wish to provide fair funding to councils, they are grappling with a significant national deficit, placing in question the ability to provide additional resources to the sector. The redistribution of existing resources through a fair funding should favour deprived areas like Hartlepool.	Positive	Positive	Neutral
Inflationary Pressures - the risk around inflationary pressures has been partially mitigated given the reduction in CPI over recent months. However, there are still risks around the likes of	Negative	Negative	Negative

energy prices, given the geopolitical environment, and government policy.			
One-off Grants - the council relies on a number of one off specific grants to support initiatives and day to day spend on key service areas. A number of these grants are currently scheduled to end at March 2025, with no confirmation of continuation. Should this situation occur a number of preventative schemes will end, capacity across the council will be reduced and potential redundancy costs incurred.	Negative	Negative	Negative
Borrowing Costs - interest rates and borrowing costs remain stubbornly high. Whilst this is having a short term positive impact on the budget position, over the medium to long term we will need to borrow to fund the capital programme and as such we will require a reduction in these rates so as to prevent a shortfall in our debt charge budget. This will need to be kept under close review and may require some additional or temporary funding to smooth this budget.	Positive	Negative	Negative
Council Tax Base - the base position has seen a significant increase in 2025/26 due to a positive year of housebuilding, new premiums for empty, furnished properties and anti-fraud work. A more prudent estimate has been assumed for 2026/27 and 2027/28 but increased housebuilding could lead to an improved position.	Neutral	Positive	Positive
Waste pressures - there is current uncertainty regarding a number of waste initiatives, including food waste collection, producer responsibility and the suggestion of increased taxation on Energy for Waste facilities. This area will require close monitoring. At this stage, given the budget announcements there is likely to be a positive impact in 2025/26 but possible a negative impact will materialise over the term.	Neutral	Negative	Negative
DSG High Needs Statutory Override - the council held a negative overspend reserve of £1.589m at the end of 2023/24. A further overspend of £4.1m is forecast in the current year, with the overall deficit forecast to be circa £6.6m by the end of 2025/26. At this point the statutory override is scheduled to end. Should this be the case, the council would need to fund this deficit position. We would unlikely have the resources to do so and as such would be required to seek Exceptional Financial Support. Note, the Autumn budget confirmed a £1bn injection into SEND budgets and this would help reduce the in year deficits on this budget.	Negative	Negative	Negative