



Hartlepool
Borough Council

Council

19 February 2026



Hartlepool
Borough Council

Civic Centre Hartlepool

11 February 2025

Councillors Allen, Bailey-Fleet, Boddy, Buchan, Clayton, Cook, Cranney, Creevy, Darby, Dodds, Doyle, Dunbar, Feeney, Hall, Hargreaves, Harrison, Holbrook, Jorgeson, Leedham, Lindridge, Little, Male, Martin-Wells, Moore, Morley, Napper, Nelson, Oliver, Reeve, Riddle, Roy, Scarborough, Smith, Thompson, Wallace and Young

Madam or Sir,

You are hereby summoned to attend the COUNCIL meeting to be held on THURSDAY, 19 February 2026 at 6.30 pm in the Civic Centre, Hartlepool to consider the subjects set out in the attached agenda.

Yours faithfully

Denise McGuckin
Chief Executive

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Hartlepool
Borough Council

Council Agenda

Thursday 19 February 2026 at 6.30pm

**in the Council Chamber,
Civic Centre, Hartlepool**

- (1) To receive apologies from absent Members;
- (2) To receive any declarations of interest from Members;
- (3) To deal with any business required by statute to be done before any other business;
- (4) To approve the minutes of the last meeting of the Council held on the 5 February 2026 as the correct record (to be tabled);
- (5) To answer questions from Members of the Council on the minutes of the last meeting of Council;
- (6) To deal with any business required by statute to be done;
- (7) To receive any announcements from the Chair, or the Head of Paid Service;
- (8) To dispose of business (if any) remaining from the last meeting and to receive the report of any Committee to which such business was referred for consideration;
- (9) To consider reports from the Council's Committees and to receive questions and answers on any of those reports;
 - (a) Treasury Management Strategy 2026/27 – Report of Audit and Governance Committee
- (10) To consider any other business specified in the summons to the meeting, and to receive questions and answers on any of those items;
- (11) To consider reports from the Policy Committees:
 - (a) proposals in relation to the Council's approved budget and policy framework

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.



- (i) Capital Programme 2026/27 to 2028/29 – Report of Finance and Corporate Affairs Committee
 - (ii) Medium Term Financial Strategy (MTFS) 2026/27 - Statutory Budget and Council Tax Determination – Report of Finance and Corporate Affairs Committee
- (b) proposals for departures from the approved budget and policy framework
- (12) To consider motions in the order in which notice has been received;

i) Motion: National Year of Reading 2026

While statistics show that fewer people are reading for pleasure than ever before, reading has never mattered more. It expands minds, builds confidence and fuels creativity throughout our lives. This Council believes that literacy is a right, not a privilege, and that every Hartlepool resident should have the opportunity to gain this critical skill.

This Council:

- Notes that the Government has designated 2026 as the National Year of Reading, supported by national partners and charities to encourage reading for pleasure.
- Recognises the benefits of reading for educational attainment, wellbeing and social inclusion, and the strong evidence of its importance in improving life chances.
- Welcomes and supports the National Year of Reading and its campaign objectives, and commits to working with partners to promote reading across our communities.
- Commits to ensuring that every child attending a Hartlepool primary school is enrolled as a library member.
- Commits to ensuring that every Hartlepool Borough Council employee is provided with the opportunity to achieve an English Level 2 qualification.
- Will champion the annual Quick Reads initiative, utilising short, accessible books created specifically for non-readers, lapsed readers, people with short attention spans and neurodivergent readers. These are accessible, affordable and gentle in their approach, allowing new or lapsed readers to find their way into the pleasure and fulfilment of reading fiction and non-fiction.
- Will create a mini-library book exchange in every ward in Hartlepool to support communities to access free books and opportunities to exchange books.
- Will continue its commitment to the multi-agency partnership of the Literacy Task Force, delivering the shared vision that everyone will have the literacy skills they need to thrive, aspire and realise their potential across Hartlepool.

In its first year, the Literacy Task Force has:

- Held the first literacy summit in the region, inspiring Redcar & Cleveland to follow suit.

- Convened community literacy panels to review the accessibility of council literature.
- Recruited and trained Literacy Champion volunteers to raise awareness of literacy issues, share resources and best practice, and act as advocates within their networks, including:
 - 48 internal HBC Literacy Champion volunteers
 - 9 elected members trained
 - 2 VCSE representatives
 - Active recruitment ongoing across HBC and the VCSE sector
- Increased the use of readability tools across many HBC departments when developing written communications for Hartlepool residents.
- Ensured that Family Hubs review and revise new resources to be literacy accessible.
- Secured commitments from Jobcentre Plus/DWP to become more literacy accessible.
- Rewritten HBC Council Tax letters to make key information easier to read and more accessible while retaining statutory requirements.
- Reviewed and improved the readability of Hartlepool's Anti-Poverty Strategy public-facing infographic, now published as the Hartlepool Anti-Poverty Plan.
- Applied readability tools within HBC Public Health communications, including regional drug alerts and public information leaflets.
- Worked collaboratively with partners on action plans to improve financial and digital literacy, including convening a business forum to encourage businesses to embed literacy in workforce support and communications.

Hartlepool Borough Council pledges its support towards the National Year of Reading and is committed to increasing reading for pleasure in our communities and inspiring others to get involved.

Council Resolves to:

1. Support the establishment of community mini-library book exchanges in every ward, working with ward councillors, community organisations and volunteers to improve access to free books.
2. Publicly support and actively promote the National Year of Reading 2026 across Hartlepool, working with partners, schools, libraries, VCSE organisations and businesses.
3. Ensure that all children attending Hartlepool primary schools are enrolled as library members, in partnership with schools and library services, with appropriate support for families facing barriers to access.
4. Champion reading for pleasure by supporting initiatives such as Quick Reads, recognising their value for non-readers, lapsed readers, neurodivergent readers and those with limited time or confidence.
5. Commit to workforce literacy by ensuring that all Hartlepool Borough Council employees are offered the opportunity to achieve an English Level 2 qualification, with flexible and inclusive routes to learning.

6. Embed readability and plain-English standards across all council public-facing communications, using recognised readability tools as standard practice.
7. Continue to support and resource the Literacy Task Force as the coordinating body for literacy activity in Hartlepool, aligned to the Council's wider priorities on anti-poverty, health, employment and inclusion.
8. Request that progress on literacy and reading initiatives be reported periodically to the appropriate scrutiny committee, including updates on:
 - Library membership uptake
 - Workforce learning participation
 - Accessibility of council communications
 - Partnership activity and community impact

Council Affirms:

- Hartlepool Borough Council's commitment to increasing reading for pleasure, improving literacy at all stages of life, and ensuring that residents have the skills and confidence they need to thrive, aspire and realise their potential.

Councillor Pamela Hargreaves (Manor House)

Councillor Brenda Harrison (De Bruce)

Councillor Gary Allen (Victoria)

Councillor Moss Boddy (Rossmere)

Councillor Rachel Creevy (De Bruce)

Councillor Melanie Morley (Foggy Furze)

Councillor Karen Oliver (Victoria)

- (13) To receive the Chief Executive's report and to pass such resolutions thereon as may be deemed necessary;
- (14) To receive questions from and provide answers to the public in relation to matters of which notice has been given under Rule 9;
- (15) To answer questions of Members of the Council under Rule 10;
 - a) Questions to the Chairs about recent decisions of Council Committees and Forums without notice under Council Procedure Rule 10.1
 - b) Questions on notice to the Chair of any Committee or Forum under Council Procedure Rule 10.2
 - c) Questions on notice to the Council representatives on the Police and Crime Panel and Cleveland Fire Authority
 - d) Minutes of the meeting held by Cleveland Police and Crime Panel on 11 November 2025

FOR INFORMATION

Date of next meeting – Thursday 19th March at 6.30pm in the Civic Centre, Hartlepool

ITEM (9)(a)

**Treasury Management Strategy
2026/27 – Report of Audit and
Governance Committee**



Report of: Audit and Governance Committee

Subject: TREASURY MANAGEMENT STRATEGY 2026/27

1. COUNCIL PLAN PRIORITY

Hartlepool will be a place:
- where people live healthier, safe and independent lives. (People)
- that is connected, sustainable, clean and green. (Place)
- that is welcoming with an inclusive and growing economy providing opportunities for all. (Potential)
- with a Council that is ambitious, fit for purpose and reflects the diversity of its community. (Organisation)

2. PURPOSE OF REPORT

2.1 The purpose of this report is to agree the Treasury Management Strategy for 2026/27 following referral from Audit and Governance committee.

3. BACKGROUND

3.1 The Local Government Act 2003 requires the Council to ‘have regard to’ the CIPFA Prudential Code and to set prudential indicators for the next three

years to ensure that the Authority's capital investment plans are affordable, prudent and sustainable.

- 3.2 The Act therefore requires the Council to determine a Treasury Management Strategy for borrowing and to prepare an Annual Investment Strategy, which sets out the Council's policies for managing its investments and for giving priority to the security and liquidity of those investments. The Secretary of State has issued Guidance on Local Government Investments which came into force on 1st April, 2004. This guidance recommends that all Local Authorities produce an Annual Investment Strategy that is approved by full Council, which is also included in this report.
- 3.3 The Council is required to nominate a body to be responsible for ensuring effective scrutiny of the Treasury Management Strategy and policies, before making recommendations to Council. This responsibility has been allocated to the Audit and Governance Committee.

4. ISSUES CONSIDERED BY AUDIT AND GVERNANCE ON 27 JANUARY 2026

- 4.1 The recommended Treasury Management Strategy was considered by the Audit and Governance Committee on the 27 January 2026 and this report is attached as **Annex A**. Regulatory information and prudential indicators are included at **Annex A - Appendix A**.
- 4.2 The Audit and Governance Committee scrutinised the proposed Treasury Management strategy and approved that the recommended strategy be referred to full Council.

5. OTHER CONSIDERATIONS

RISK IMPLICATIONS	As detailed in report at Annex A.
FINANCIAL CONSIDERATIONS	As detailed in report at Annex A.
SUBSIDY CONTROL	None.
LEGAL CONSIDERATIONS	As detailed in report at Annex A.
SINGLE IMPACT ASSESSMENT	None.
ASSET MANAGEMENT CONSIDERATIONS	None.

ENVIRONMENT, SUSTAINABILITY AND CLIMATE CHANGE CONSIDERATIONS	None.
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6. RECOMMENDATIONS REFERRED BY AUDIT AND GOVERNANCE COMMITTEE FOR COUNCIL'S CONSIDERATION AND APPROVAL

6.1 The recommendations to be considered by Council as recommended by Audit and Governance Committee:

- 6.1.1 That the Treasury Management Strategy for 2026/27 be approved, including
- i) The borrowing strategy for 2026/27;
 - ii) The investment strategy for 2026/27;
 - iii) The prudential indicators as outlined in **Appendix A**; and
 - iv) The minimum revenue provision statement.

7. REASONS FOR RECOMMENDATIONS

7.1 To allow Members to fulfil their responsibility for scrutinising the Treasury Management Strategy.

8. BACKGROUND PAPERS

N/A

9. CONTACT OFFICER

James Magog
 Director of Finance, IT and Digital
 Email: james.magog@hartlepool.gov.uk
 Telephone: 01429 523093



Report of: Director of Finance, IT & Digital

Subject: TREASURY MANAGEMENT STRATEGY 2026/27
AND THIRD QUARTER REVIEW 2025/26

1. COUNCIL PLAN PRIORITY

Hartlepool will be a place:
- where people live healthier, safe and independent lives. (People)
- that is connected, sustainable, clean and green. (Place)
- that is welcoming with an inclusive and growing economy providing opportunities for all. (Potential)
- with a Council that is ambitious, fit for purpose and reflects the diversity of its community. (Organisation)

2. PURPOSE OF REPORT

2.1 The purpose of the report is to:

- i. Provide the third quarter update of the 2025/26 Treasury Management activity; and
- ii. Enable the Audit and Governance Committee to scrutinise the recommended 2026/27 Treasury Management Strategy before it is referred to Council for approval.

3. BACKGROUND

3.1 The Treasury Management Strategy covers:

- the borrowing strategy relating to the Council's core borrowing requirement in relation to its historic capital expenditure (including Prudential Borrowing);
- the borrowing strategy for the use of Prudential Borrowing for capital investment approved as part of the Medium Term Financial Plan; and
- the annual investment strategy relating to the Council's cash flow.

3.2 The Treasury Management Strategy needs to ensure that the loan repayment costs of historic capital expenditure do not exceed the available General Fund revenue budget. Similarly, for specific business cases the Treasury Management Strategy needs to ensure loan repayment costs, including interest, do not exceed the costs factored into business case appraisals. As detailed later in the report these issues are being managed successfully.

3.3 The Local Government Act 2003 requires the Council to 'have regard to' the CIPFA (Chartered Institute of Public Finance and Accountancy) Prudential Code and to set prudential indicators for the next three years to ensure capital investment plans are affordable, prudent and sustainable.

3.4 The Act requires the Council to set out a Treasury Management Strategy for borrowing and to prepare an Annual Investment Strategy, which sets out the policies for managing investments and for giving priority to the security and liquidity of those investments. The Secretary of State issued Guidance on Local Government Investments which came into force on 1st April 2004, and has subsequently been updated, most recently in 2021.

3.5 The Council is required to nominate a body to be responsible for ensuring effective scrutiny of the Treasury Management Strategy and policies, before making recommendations to full Council. This responsibility has been allocated to the Audit and Governance Committee.

3.6 This report covers the following areas:

- Economic environment and outlook for interest rates;
- Treasury Management Strategy 2025/26 3rd Quarter review;
- Treasury Management Strategy 2026/27; and
- Minimum Revenue Provision and Interest Cost and Other Regulatory Information 2026/27.

4. ECONOMIC ENVIRONMENT AND OUTLOOK FOR INTEREST RATES

4.1 **UK** – The Bank of England's (BoE) Monetary Policy Committee (MPC) opted by five votes to four to reduce the Bank Rate to 3.75% in its December 2025 meeting. The decision was influenced by the easing of inflation and the

general economic outlook. The MPCs next meeting is February 2026, with the Bank's governor saying future decisions on interest rates would be a 'close call'.

- 4.2 CPI measure of inflation was at 3.2% in November, this rate is down from 3.6% in October, however, somewhat above the target of 2% the Bank of England's Monetary Policy Committee is trying to achieve over a two to three years' time horizon. Core inflation (which strips out volatile categories like energy, food, alcohol and tobacco), was also at 3.2% in November, down from 3.4% in October, this marks the lowest level since December 2024. Services inflation remained high at 4.4% in November, down from 4.5% in October.
- 4.3 The Office for Budget Responsibility's revised GDP growth forecast up to 2029 is set out in the following table:

Year	November 2024 Growth Forecast	November 2025 Growth Forecast
2025	2.0%	1.5%
2026	1.8%	1.8%
2027	1.5%	1.7%
2028	1.5%	1.8%
2029		1.5%

- 4.4 **European Union (EU)** – Annual inflation rates in the Eurozone was 2.1% in November, stable compared to previous months. The annual core inflation rate in the Eurozone, excluding volatile items such as energy, food, alcohol and tobacco, remained steady at 2.3%, with projections indicating a potential decline to around 2% by the end of the year. The unemployment rate in the Eurozone was unchanged in October from the prior month at 6.4%.
- 4.5 **USA** – The Federal Reserve cut the federal funds rate by 25 bps to a range of 3.5%-3.75% in its December 2025 meeting, following similar reductions in September and October, and in line with expectations. This brings borrowing costs to their lowest since 2022.
- 4.6 **Other Economies** – As of December 2025, China's economy is experiencing moderate growth, with a year-to-date GDP increase of 5.2%, but faces challenges such as a slowdown in retail sales and investments.

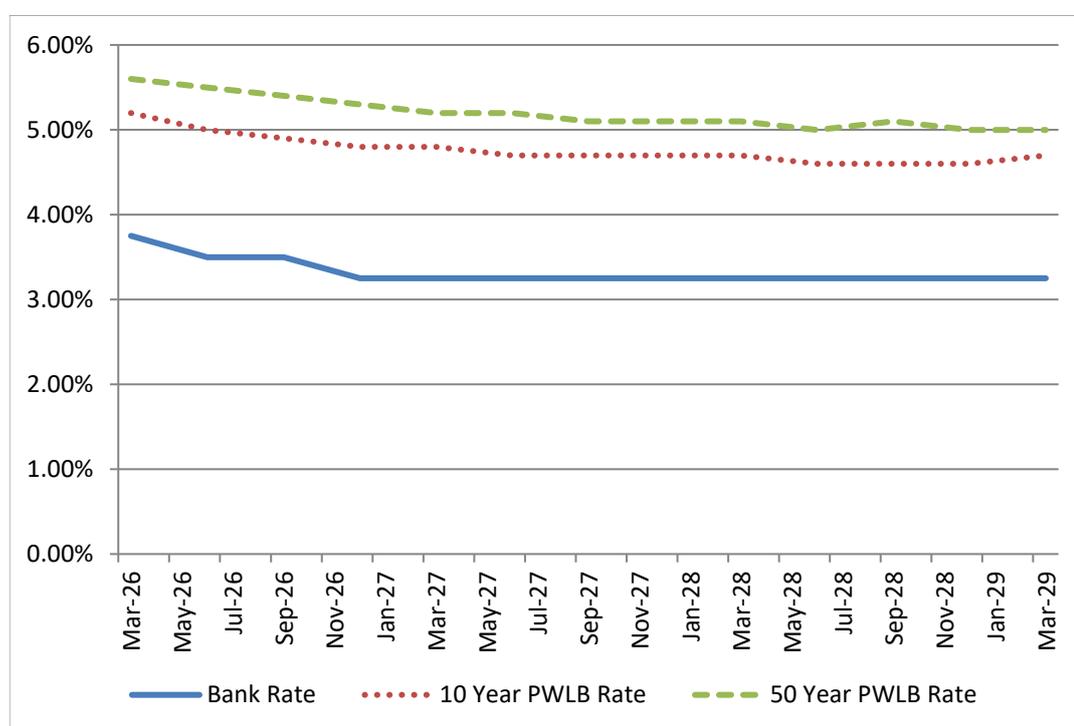
Interest Rate Forecasts

- 4.7 MUFG Corporate Markets (the Council's Treasury Management advisors) continue to update their interest rate forecasts to reflect statements made by the Governor of the Bank of England and changes in the economy.
- 4.8 At the December MPC meeting, the MPC voted by a majority of 5-4 to reduce the Bank Rate to 3.75%.

4.9 MUFG Corporate Markets Forecasts have been revised to price in a rate cut in June 2026 to 3.5%, which is likely to take place in the wake of a significant fall in the CPI inflation from 3% in March to 2% in April (as forecast by Capital Economics), followed by a short lull through summer, and then a further rate cut to 3.25% in December 2026.

4.10 Economic and interest rate forecasting remains difficult with so many influences impacting on the economy. UK gilt yields (i.e. Government borrowing) and PWLB rates forecasts made by MUFG Corporate Markets may be liable to further amendment depending on how the political, economic and international developments transpire over the next year.

4.11 Interest Rate Forecasts up to March 2029



5. TREASURY MANAGEMENT 2025/26 3rd QUARTER REVIEW

5.1 The Treasury Management Strategy for 2025/26 was approved by Council on 20th February 2025. The Council’s borrowing and investment position as at 31st December 2025 is summarised as follows:

	£m	Average Rate
PWLB Loans	25.5	3.47%
Market Loan (Annuity)	15.9	2.31%
Market Loans (Maturities)	25.0	3.92%
Non-Market Loans (Maturities)	0.5	0.00%
Market Loans (LOBOs)	15.0	3.71%
Gross Debt	81.9	3.40%
Investments	31.1	4.10%
Net Debt as at 31-12-25	50.8	

- 5.2 Net Debt has increased since 30th September 2025 (£43.9m as at second quarter review), owing to day to day revenue activity and capital programme delivery reducing balances available to invest. The Council continues to actively manage cash flows on a daily basis to maximise investment/interest returns.
- 5.3 No new borrowing during 2025/26 has been entered into as at 31st December 2025.
- 5.4 As the Capital programme progresses, coupled with anticipated use of reserves both to support capital expenditure and the in-year position, the approach to borrowing may need to adapt. Whilst the aim will be to take out shorter term borrowing should rates remain high, we may need to mitigate risk by taking out some longer term borrowing at a higher rate than we would have originally anticipated. This will be kept under close review. The aim will continue to be to minimise the borrowing cost to the revenue budget.
- 5.5 As at 31st December 2025, the funds managed by the Council's in house team amounted to £31.056m. All investments complied with the Annual Investment Strategy and are shown below. The average return of 4.097% has provided an important revenue stream to support the council's revenue position again this financial year.

Borrower	Duration	Value of Loan (£m)	Rate (%)	Start Date	Maturity Date
Money Market Funds					
Blackrock	On Call	6.056	3.869		Call
		6.056	3.869		
Fixed term Deposits					
Standard Charter	1 year	10.000	4.170	18/09/25	18/09/26
SMBC Bank International Plc	4 months	15.000	4.140	03/10/25	03/02/26
		25.000	4.152		
Total Deposits		31.056	4.097		

- 5.6 There are no changes to the counter party investment limits as agreed as part of the Investment Strategy.

6. TREASURY MANAGEMENT STRATEGY 2026/27

- 6.1 Prudential Indicators and other regulatory information in relation to the 2026/27 Treasury Management Strategy are set out in **Appendix A**.
- 6.2 The key elements of the Treasury Management Strategy which Members need to consider are the Borrowing and Investment Strategies, detailed in sections 7 and 8 below.

7. BORROWING STRATEGY 2026/27

- 7.1 Borrowing strategies are needed for the core borrowing requirement and the borrowing requirement related to specific business cases, as outlined in the following paragraphs.

Core Borrowing Requirement

- 7.2 The continuing objective of the Council's Treasury Management Strategy is to fund the core annual borrowing requirement at the lowest possible long term interest rate.
- 7.3 Historically, owing to the low Base Rate the Treasury Management Strategy has been to delay borrowing, by temporarily utilising cash balances available for investment. The existing Treasury Management Strategy has always recognised that this approach was not sustainable in the longer term as the one-off resources which have been used to temporarily avoid long term borrowing would be used up.
- 7.4 Total borrowing remains below the Capital Financing Requirement (CFR) and the strategy continues an element of delaying borrowing by temporarily utilising cash balances available for investments. Whilst this is currently sustainable it will become necessary to take out further borrowing and the position will be kept under constant review. A decision to borrow up to the CFR may be taken by the Director of Finance, IT and Digital if it is in the best interests of the Council to do so. It is recommended that the Director of Finance, IT and Digital is authorised to implement Treasury Management arrangements which minimise the short and long term cost to the Council.
- 7.5 Given the financial pressures of the Council's wider budget, flexibility on the financing options for the Capital Programme may be considered from time to time as required. Should this result in any increase to the approved borrowing level, Council approval will be sought as necessary.

Borrowing Requirement Business Cases (including the Housing Revenue Account)

- 7.6 The financial viability of each business case is assessed on an individual basis reflecting the specific risk factors. This includes the repayment period for loans and fixed interest rates for the duration of the loan. This assessment is designed to ensure the business case can be delivered without a General Fund budget pressure.
- 7.7 Historically the strategy was to fully fund the borrowing for business cases. However, given the current interest rate forecasts and in order to consider borrowing requirement holistically for the Council the strategy is now aligned to that of the core borrowing requirement.

Borrowing in Advance of Need

- 7.8 The Council has some flexibility to borrow funds for use in future years for the approved capital programme. The Director of Finance, IT and Digital may

do this under delegated powers, for instance, where the forecast increase in interest rates over the coming years is not expected to reduce as highlighted earlier in the report. In these circumstances borrowing early at fixed interest rates may be undertaken where this will secure lower fixed interest rates; or to fund future debt maturities (i.e. if the remaining LOBOs were called). Any borrowing taken out will be reported to Council in the next Treasury Management report.

8. INVESTMENT STRATEGY 2026/27

8.1 The Ministry of Housing, Communities and Local Government (MHCLG), issued investment guidance in 2010, updated in 2021 and this forms the structure of the Council's policy. The key intention of the guidance is to maintain the current requirement for authorities to invest prudently and that priority is given to security and liquidity before interest return. This Council has adopted the CIPFA publication Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes and applies its principles to all investment activity. In accordance with the Code, the Director of Finance, IT and Digital has produced Treasury Management Practices covering investment counterparty policy which requires approval each year.

8.2 The primary objectives of the Council's investment strategy in order of importance are:

- safeguarding the re-payment of the principal and interest of its investments on time;
- ensuring adequate liquidity; and
- investment return.

Counterparty Selection Criteria

8.3 The Council's criteria for providing a pool of high-quality investment counterparties uses the credit rating information produced by the three major ratings agencies (Fitch, Moody's and Standard & Poor's) and is supplied by our treasury consultants, MUFG Corporate Markets. All active counterparties are checked against criteria outlined below to ensure that they comply with the criteria. Any counterparty failing to meet the criteria would be omitted from the counterparty list. Any rating changes, rating watches (notification of a likely change), rating outlooks (notification of a possible longer-term change) are provided to officers almost immediately after they occur and this information is considered on a daily basis before investments are made. For instance, a negative rating watch applying to a counterparty at the minimum criteria will be suspended from use, with all others being reviewed in light of market conditions.

8.4 The lowest common denominator method of selecting counterparties and applying limits is used. This means that the application of the Council's minimum criteria will apply to the lowest available rating for any institution. For instance, if an institution is rated by two agencies, one meets the

Council's criteria, the other does not, the institution will fall outside the lending criteria.

- 8.5 The Director of Finance, IT and Digital will continue to adopt a vigilant approach resulting in what is effectively a 'named' list. This consists of a select number of counterparties that are considered to be the lowest risk.
- 8.6 The use of Local Authority counterparties will be considered and due diligence carried out on an individual basis should this be necessary. Local authorities are regarded as very low credit risk investment counterparties and as such are included on our counter party list. The individual limits have been increased to £10m County, Metropolitan or Unitary Councils (previously £8m) and £5m District Council, Police or Fire Authorities (previously £3m). The overall Limit for this category remains at £40m.
- 8.7 With regards category F below, Money Market Funds, the per fund limit has been increased to £15m (previously £10m) and the overall limit up to £30m (previously £20m). Money Market Funds are high quality, low risk investments that can secure positive rates of return whilst providing good liquidity. The previous counterparty limits were considered too low in comparison to risk.

Category	Fitch	Moody's	Standard & Poor's	Proposed Counterparty Limit	Proposed Time Limit
A	F1+/AA-	P-1/Aa3	A-1+/AA-	£20m	1 Year
B	F1/A-	P-1/A3	A-1/A-	£15m	1 Year
C	Debt Management Office/Treasury Bills/Gilts			£40m	1 Year
D	Part Nationalised Banks			£15m	1 Year
E	Other Local Authorities Individual Limits per Authority: - £10m County, Metropolitan or Unitary Councils - £5m District Councils, Police or Fire Authorities			£40m	1 Year
F	Three Money Market Funds (AAA) with maximum investment of £15m per fund			£30m	Liquid (instant access)

Specified and Non-Specified Investments

- 8.8 MHCLG regulations classify investments as either Specified or Non-Specified. A Non-Specified Investment is any investment not meeting the Specified definition.

8.9 The investment criteria outlined above is different to that used to define Specified and Non-Specified investments. This is because it is intended to create a pool of high-quality counterparties for the Council to use rather than defining what its investments are.

8.10 Specified Investments are sterling investments of not more than one-year maturity, or those which could be for a longer period but where the Council has the right to be repaid within twelve months if it wishes. These are low risk assets where the possibility of loss of principal or investment income is small. These would include investments with:

- The UK Government (such as the Debt Management Office, UK Treasury Bills or a Gilt with less than one year to maturity);
- Other Councils;
- Pooled investment vehicles (such as Money Market Funds) that have been awarded a high credit rating (AAA) by a credit rating agency; and
- A body that has been awarded a high credit rating by a credit rating agency (such as a bank or building society). This covers bodies with a minimum rating of A- (or the equivalent) as rated by Standard and Poor's, Moody's or Fitch rating agencies. Within these bodies, and in accordance with the Code, the Council has set additional criteria to set the time and amount of monies which will be invested in these bodies.

8.11 Non-specified Investments are any other type of investment (i.e. not defined as Specified above). The identification and rationale supporting the selection of these other investments and the maximum limits to be applied are set out below. Non specified investments would include any investments with:

- Building societies not meeting the basic security requirements under the specified investments. The operation of some building societies does not require a credit rating, although in every other respect the security of the society would match similarly sized societies with ratings; and
- Any bank or building society that has a minimum long term credit rating of A- for deposits with a maturity of greater than one year (including forward deals in excess of one year from inception to repayment).

9. MINIMUM REVENUE PROVISION AND INTEREST COSTS AND OTHER REGULATORY INFORMATION 2026/27

9.1 There are two elements to the Councils annual loan repayment costs – the statutory Minimum Revenue Provision (MRP) and interest costs. The Council is required to pay off an element of the CFR each year through a revenue charge called the Minimum Revenue Provision.

9.2 MHCLG Regulations require the Council to approve an MRP Statement in advance of each year. This will determine the annual loan repayment charge to the revenue account.

9.3 The budget strategy is based on the following MRP statement and Council is recommended to formally approve this statement:

- For capital expenditure incurred before 1st April 2008 the Council's MRP policy is to calculate MRP based on a 50 year annuity repayment.
 - i. Where MRP has been overcharged in previous years, the recovery of the overcharge will be implemented by reducing the MRP in relation to this capital expenditure by reducing future MRP charges that would otherwise have been made. It should be noted that this will ensure the debt will be paid off by 2056/57 whereas the previous 4% reducing balance MRP charge would have left debt of £9.4m at this date;
 - ii. The total MRP after applying the adjustment will not be less than zero in relation to this capital expenditure; and
 - iii. The cumulative amount adjusted for will never exceed the amount of the overpayment.
- From 1st April 2025, the outstanding balance in relation to capital expenditure incurred **after** 1st April 2008, the Council will make MRP repayments using the annuity method with the interest rate used to profile MRP being set at 3.5%, or where prudential borrowing by specific annuity loan, MRP will be calculated according to the actual annuity loan repayments. The estimated useful life of an asset will be assessed in consultation with appropriate officers. The MRP charge will commence in the financial year following the one in which the capital scheme the borrowing relates to is complete and the asset has come into service.
- MHCLG revised its MRP guidance in 2017, which would impact on any future changes to the Council's MRP policy, however the guidance is not retrospective. The approved MRP policy implemented prior to the MHCLG changes is therefore compliant with these revisions and will be carried forward in future years, until such time as an alternative approach is considered to be appropriate.

CIPFA Treasury Management Code of Practice

9.4 The Council is adopting the updated CIPFA Treasury Management Code of Practice published 20th December 2021.

9.5 The revised Treasury Management Code required the implementation of the following:

- Adopt a liability benchmark treasury indicator to support the financing risk management of the capital financing requirement, with material differences between the liability benchmark and actual loans explained, this is detailed in the following paragraphs;
- A knowledge and skills register for officers and Members involved in the treasury function;

- Reporting to Members on a quarterly basis; and
- Have consideration for Environmental, Social and Governance (ESG) issues.

9.5 The current loans are above the liability benchmark and the excess will be invested.

Treasury Management Advisors

9.7 The Council uses MUFG Corporate Markets as its external treasury management advisors.

9.8 The Council recognises that responsibility for treasury management decisions remains with the organisation at all times and will ensure that undue reliance is not placed upon our external service providers.

9.9 It also recognises that there is value in employing external providers of treasury management services in order to acquire access to specialist skills and resources. The Council will ensure that the terms of their appointment and the methods by which their value will be assessed are properly agreed and documented, and subjected to regular review.

Markets in Financial Instruments Directive (MIFID II)

9.10 On 3rd January 2018 an updated version of the European Union's Markets in Financial Instruments Directive (known as MIFID II) came into effect. It is designed to offer greater protection for investors and inject more transparency into financial markets. Under MIFID II all local authorities will be classified as "retail" counterparties and will have to consider whether to opt up to "professional" status and for which type of investments.

9.11 Local authorities that choose not to opt up or do not meet the minimum criteria for opting up (i.e. minimum investment balances of £10m) may face a reduction in the financial products available to them, a reduction in the number of brokers and asset managers that they will be able to engage with and may face increased fees.

9.12 Local authorities that choose to opt up must be able to satisfy some quantitative tests, and each Financial Institution will independently determine whether the Authority meet the qualitative test of being appropriately knowledgeable, expert and experienced. Financial Institutions also need to satisfy themselves that the Authority can make its own investment decisions and understands the risks involved.

9.13 The Council chose to opt up, in order to maintain the Council's ability to operate effectively under the new regime.

10. OTHER CONSIDERATIONS

Risk Implications	There is a risk in relation to the level of interest rates the Council is able to secure for long-term borrowing and the proposals detailed in this report are designed to manage these risks. There are also risk implications in relation to the investment of surplus cash and these are addressed in the strategy recommended in section 8.
Financial Considerations	As set out in the report.
Legal Considerations	The report details how the Council will comply with the relevant legal and regulatory requirements in relation to Treasury Management activities.
Child and Family Poverty	None
Equality and Diversity Considerations	None
Staff Considerations	None
Asset Management Considerations	None
Environment, Sustainability and Climate Change Considerations	None
Consultation	Not applicable

11. RECOMMENDATIONS

- 11.1 That Members note the 2025/26 Treasury Management 3rd Quarter Position detailed in Section 5.
- 11.2 That Members recommend to Council for approval, the Treasury Management Strategy 2026/27, including;
- i) The borrowing strategy for 2026/27;
 - ii) The investment strategy for 2026/27;
 - iii) The prudential indicators as outlines in **Appendix A**; and
 - iv) The minimum revenue provision statement.

12. REASON FOR RECOMMENDATIONS

- 12.1 To allow Members to fulfil their responsibility for scrutinising the Treasury Management Strategy.

13. BACKGROUND PAPERS

Treasury Management Strategy Update 2025/26, report to Audit and Governance Committee 11th September 2025.

Treasury Management Strategy Quarter 2 Update 2025/26, report to Audit and Governance Committee 2nd December 2025.

14. CONTACT OFFICER

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TREASURY MANAGEMENT STRATEGY 2026/27 REGULATORY INFORMATION AND PRUDENTIAL INDICATORS**1. INTRODUCTION**

- 1.1 The regulatory information and prudential indicators for the 2026/27 Treasury Management Strategy are set out below.

2. PRUDENTIAL INDICATORS

- 2.1 The Local Government Act 2003 requires the Council to adopt the CIPFA Prudential Code and set prudential indicators. Each indicator either summarises the expected capital activity or introduces limits upon that activity.
- 2.2 The first prudential indicator is confirmation that the Council has adopted the CIPFA Treasury Management Code of Practice, which the Treasury Management Strategy report confirms.
- 2.3 Details of the proposed prudential limits are set out in the following sections.

3. CAPITAL EXPENDITURE AND FINANCING REQUIREMENT

- 3.1 The Council's Borrowing Strategy is driven by the Capital Financing Requirement (CFR) and the Council's view of interest rates. The CFR is the amount the Council needs to borrow to fund capital expenditure incurred in previous financial years and forecast capital expenditure in the next three years which is funded from borrowing.
- 3.2 Government borrowing approvals are authority to fund capital expenditure from loans. Prior to the introduction of the prudential borrowing system in the Local Government Act 2003 Councils could only borrow for capital expenditure authorised by a government borrowing approval.
- 3.3 Following the introduction of the prudential borrowing systems Councils can determine their own borrowing levels, subject to revenue affordability. The Council has managed this flexibility carefully owing to the ongoing revenue commitment of taking on new additional borrowing. The Council has only approved specific self-funding business cases, for example affordable housing schemes and a limited amount of General Fund capital expenditure where the resulting loan repayment and interest costs have been funded as a revenue budget pressure.
- 3.4 Councils ultimately need to fund the CFR by borrowing money from the Public Works Loan Board (PWLB), banks or other financial institutions. The CFR is then repaid over a number of years reflecting the long-term benefits of capital expenditure. In simple terms the CFR represents the Council's outstanding mortgage, although the legislation and accounting requirements are significantly more complex.

Annex A – Appendix A

- 3.5 The estimated Capital Finance and Borrowing Requirement is shown in the following table:

Capital Financing & Borrowing Requirement	2025/26 Revised £'000	2026/27 Estimate £'000	2027/28 Estimate £'000	2028/29 Estimate £'000
CFR at 1st April	114,961	129,708	134,800	145,989
Capital Expenditure Financed by New Borrowing	17,313	7,607	13,750	3,856
Less Repayment of CFR	(2,457)	(2,418)	(2,484)	(3,672)
CFR at 31st March	129,817	134,897	146,067	146,173
Less assets held under Finance Lease	(109)	(97)	(78)	(74)
Borrowing Requirement	129,708	134,800	145,989	146,099
Corporate Borrowing Requirement	88,066	91,053	103,265	102,665
Business Case Borrowing Requirement	28,295	30,402	29,378	29,204
Housing Revenue Account Borrowing Requirement	13,346	13,346	13,346	14,230
Borrowing Requirement	129,708	134,800	145,989	146,099

- 3.6 As part of the Medium Term Financial Planning the Council is required to approve the 2026/27 Capital Programme, which is summarised as follows:

Capital Expenditure	2025/26 Revised £'000	2026/27 Estimate £'000	2027/28 Estimate £'000	2028/29 Estimate £'000
Approved Capital Expenditure	49,901	55,212	27,561	8,785
Capital Expenditure for the Year	49,901	55,212	27,561	8,785
Financed by:				
Capital grants and contributions	28,987	45,105	13,228	4,479
Other Capital Funding	3,601	2,500	583	450
Capital Expenditure to be funded from New Prudential Borrowing	17,313	7,607	13,750	3,856
Total Funding	49,901	55,212	27,561	8,785
Non-HRA Capital Expenditure	48,504	54,562	27,361	7,019
HRA Capital Expenditure	1,397	650	200	1,766
Total Capital Expenditure	49,901	55,212	27,561	8,785

4. AFFORDABILITY PRUDENTIAL INDICATORS

- 4.1 The affordability of the approved Capital Programme was assessed when the capital programme was approved and revenue costs are built into the Medium Term Financial Plan or individual business cases. The 'Affordability Prudential Indicators' are detailed below and are intended to give an indication of the affordability of the planned capital expenditure financed by borrowing in terms of the impact on Council Tax and the Net Revenue Stream.

Incremental Impact of Capital Expenditure on Housing Rent Levels

- 4.2 This indicator shows the revenue impact on any newly proposed changes to HRA capital expenditure. At present there will be no impact on housing rent

Annex A – Appendix A

levels as these have been set taking into account the existing HRA Capital Programme.

	Forward Projection 2025/26 £6	Forward Projection 2026/27 £'000	Forward Projection 2027/28 £'000	Forward Projection 2028/29 £'000
Weekly Housing Rent Levels	£0.00	£0.00	£0.00	£0.00

Ratio of Financing Costs to Net Revenue Stream

- 4.3 This shows the cost of capital borrowing as a percentage of the net budget. The increased ratio reflects the additional revenue budget for capital costs.

	2025/26 Estimate	2026/27 Estimate	2027/28 Estimate	2028/29 Estimate
Non-HRA financing cost to General Fund Net Revenue Stream	5.62%	4.68%	4.86%	5.10%

Ratio of Finance Costs to HRA Net Revenue Stream

- 4.4 This shows the net cost of capital borrowing as a percentage of the net HRA budget arising from the phased implementation of the business case.

	2025/26 Estimate	2026/27 Estimate	2027/28 Estimate	2028/29 Estimate
HRA financing cost to HRA Net Revenue Stream	23.81%	22.74%	22.08%	21.44%

- 4.5 This reflects the profile of funding used to finance the HRA, including delaying the use of borrowing.

5. BORROWING PRUDENTIAL INDICATORS

Debt Projections 2025/26 – 2028/29

- 5.1 The following table sets out the Council's projected Capital Financing Requirement (CFR) and level of debt:

Debt and Investment Projections	2025/26 Revised £'000	2026/27 Estimated £'000	2027/28 Estimated £'000	2028/29 Estimated £'000
Long Term Borrowing 1 April	82,608	82,608	103,576	117,429
Expected change in Long Term Debt	0	20,968	13,853	985
Debt at 31 March	82,608	103,576	117,429	118,414
Borrowing Requirement	129,708	134,800	145,989	146,099
Under Borrowing	(47,100)	(31,224)	(28,560)	(27,685)
Non-HRA Debt	69,262	90,230	104,083	104,184
HRA Debt	13,346	13,346	13,346	14,230
Total Debt	82,608	103,576	117,429	118,414

Annex A – Appendix A

- 5.2 The table reflects the borrowing that is currently forecast to be needed in future years.

Limits to Borrowing Activity

- 5.3 Within the prudential indicators there are a number of key indicators to ensure the Council operates its activities within well defined limits.
- 5.4 The Council needs to ensure that total borrowing does not, except in the short term, exceed the total of the CFR in the preceding year plus the estimates of any additional CFR for 2026/2027 and the following two financial years. This allows some flexibility for limited early borrowing for future years, but ensures that borrowing is not undertaken for revenue purposes. The following table demonstrates that borrowing will not exceed the CFR.

External Debt	2025/26 Revised £'000	2026/27 Estimated £'000	2027/28 Estimated £'000	2028/29 Estimated £'000
Gross Borrowing	82,608	103,576	117,429	118,414
Other Long Term Liabilities	109	97	78	74
Total Gross Borrowing	82,717	103,673	117,507	118,488
Borrowing Requirement	129,708	134,800	145,989	146,099

- 5.5 The following table shows two key limits for the monitoring of debt. The Operational Limit is the likely limit the Council will require and is aligned closely with the actual CFR on the assumption that cash flow is broadly neutral. The Authorised Limit for External Debt is a further key prudential indicator to control the overall level of borrowing. This represents a limit beyond which external debt is prohibited, and this limit needs to be set or revised by the Council. In practice it needs to take account of the range of cash flows that might occur for the Council in addition to the CFR. This also includes the flexibility to enable advance refinancing of existing loans.

Borrowing Limits	2024/25 Revised £'000	2025/26 Estimated £'000	2026/27 Estimated £'000	2027/28 Estimated £'000
Operational Limit	140,000	145,000	156,000	156,000
Authorised limit	150,000	155,000	166,000	166,000

6. INVESTMENT PRUDENTIAL INDICATORS AND OTHER LIMITS ON TREASURY ACTIVITY

Investment Projections 2025/26 – 2028/29

6.1 The following table sets out the estimates for the expected level of resource for investment or use to defer long term borrowing.

2024/25 Outturn £'000	Year End Resources	2025/26 Revised £'000	2026/27 Estimate £'000	2027/28 Estimate £'000	2028/29 Estimate £'000
56,322	Balances and Reserves	28,381	16,727	14,063	13,188
1,128	Collection Fund Adjustment Account	0	0	0	0
2,597	Provisions	2,597	2,597	2,597	2,597
60,047	Total Core Funds	30,978	19,324	16,660	15,785
14,630	Working Capital	21,122	16,900	16,900	16,900
74,677	Resources Available for Investment	52,100	36,224	33,560	32,685
(32,353)	(Under)/over borrowing	(47,100)	(31,224)	(28,560)	(27,685)
42,324	Expected Investments	5,000	5,000	5,000	5,000

Sensitivity to Interest Rate Movements

6.2 Sensitivity to Interest Rate Movements is a prudential indicator that the Authority is required to disclose. The following table highlights the estimated impact of a 1% increase/decrease in all interest rates to the estimated treasury management costs/income for next year. These forecasts are based on a prudent view of a +/- 1% change in interest rates for the borrowing requirement that has not yet been fixed (i.e. under borrowing). Equally for investments they are based on a prudent view of the total amount invested. That element of the debt and investment portfolios which are of a longer term, fixed interest rate nature will not be affected by short interest rate changes.

Impact on Revenue Budgets	2026/27 Estimated 1% £'000	2026/27 Estimated -1% £'000
Interest on Borrowing	312	(312)
Investment income	(50)	50
Net General Fund Borrowing Cost	262	(262)

6.3 There are four further treasury activity limits and the purpose of these are to contain the activity of the treasury function within certain limits, thereby managing risk and reducing the impact of an adverse movement in interest rates.

6.4 The limits are:

- i) Upper limits on variable interest rate exposure – This identifies a maximum limit for the percentage of the Council's borrowing and investments that are held with variable interest rates. The proposed limits are detailed in the following table.

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Limits on Variable Interest Rates	2025/26 Upper	2026/27 Upper	2027/28 Upper
	£'000	£'000	£'000
Borrowing	75%	75%	75%
Investments	100%	100%	100%

- ii) Upper limits on fixed interest rate exposure – Similar to the previous indicator this covers a maximum limit for the percentage of the Council's borrowing and investments that are held with fixed interest rates.

Limits on Fixed Interest Rates	2025/26 Upper	2026/27 Upper	2027/28 Upper
	£'000	£'000	£'000
Borrowing	100%	100%	100%
Investments	100%	100%	100%

- iii) Maturity structure of borrowing – Limits for the 'Maturity Structure of Borrowing' are intended to reduce exposure to large fixed rate sums falling due for refinancing. Previous experience has shown that it is possible to move from a position of predominantly fixed rate borrowing to variable rate borrowing and then back to fixed rate borrowing over a period of two years. In the Director of Finance, IT and Digital's professional opinion this proactive management of investments and borrowing continues to provide the most cost effective strategy for the Council, whilst not exposing the Council to unnecessary risk. The Council should ensure maximum flexibility to minimise costs to the revenue budget in the medium term. These limits are detailed in the following table:

Maturity Structure of fixed interest rate borrowing 2023/24				
	2025/26 £000	2025/26 £000	2026/27 £000	2026/27 £000
	Lower Limit	Upper Limit	Lower Limit	Upper Limit
Under 12 months	0	90%	0	90%
12 months to 2 years	0	100%	0	100%
2 years to 5 years	0	100%	0	100%
5 years to 10 years	0	100%	0	100%
10 years to 20 years	0	100%	0	100%
20 years to 30 years	0	100%	0	100%
30 years to 40 years	0	100%	0	100%
40 years to 50 years	0	100%	0	100%
50 years to 60 years	0	100%	0	100%
60 years to 70 years	0	100%	0	100%

- iv) Maximum principal sums invested – Total principal funds invested for greater than 364 days – These limits are set with regard to the Council's

Annex A – Appendix A

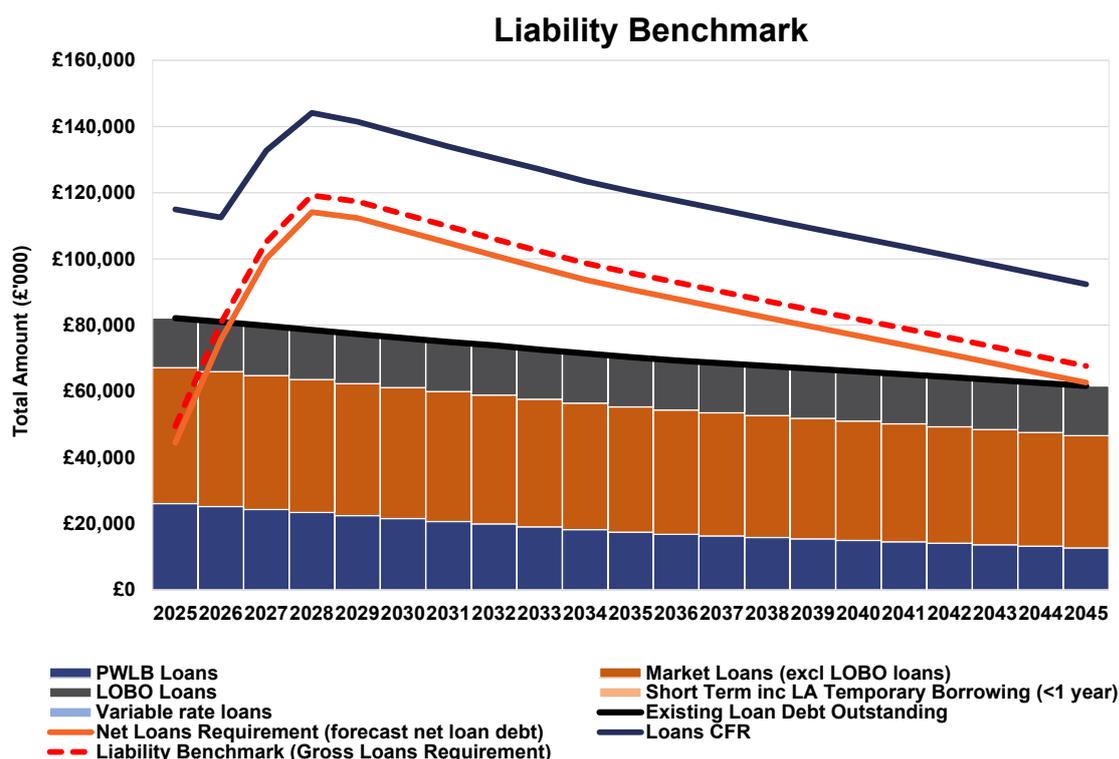
liquidity requirements and reflect the current recommended advice that investments are limited to short term investments i.e. up to one year.

Limit for Maximum Principal Sums Invested > 364 days			
	1 year £000	2 years £000	3 years £000
Maximum	20,000	0	0

Liability Benchmark

6.5 The liability benchmark treasury indicator is to support the financing risk management of the capital financing requirement, with material differences between the liability benchmark and actual loans. The liability benchmark is a long-term forecast of the Authority’s gross loan debt based on its current capital programme and other forecast cash flow movements.

6.6 The chart therefore tells an authority how much it needs to borrow, when and to match maturities with its planned borrowing needs.



ITEM (11)(a)(i)

**Capital Programme 2026/27 to
2028/29 – Report of Finance and
Corporate Affairs Committee**



Report of: Finance and Corporate Affairs Committee

Subject: CAPITAL PROGRAMME 2026/27 to 2028/29

1. COUNCIL PLAN PRIORITY

Hartlepool will be a place:
- where people live healthier, safe and independent lives. (People)
- that is connected, sustainable, clean and green. (Place)
- that is welcoming with an inclusive and growing economy providing opportunities for all. (Potential)
- with a Council that is ambitious, fit for purpose and reflects the diversity of its community. (Organisation)

2. PURPOSE OF REPORT

2.1 The purpose of this report is to enable Members to consider the Capital Strategy for 2026/27 to 2028/29 and Capital Programme new starts 2026/27 to 2028/29, including the updated Capital Programme recommended by Finance and Corporate Affairs Committee.

3. BACKGROUND

3.1 The Council has, in recent years, developed an ambitious Capital Programme, ensuring investment in existing and new assets within the Borough, to support delivery of the priorities set out in the Council Plan. The

report considered by Finance and Corporate Affairs Committee on 10th February 2026 draws together the Capital Programme and Capital Strategy, aligning them with the Medium Term Financial Strategy (MTFS) and Treasury Management Strategy as an integral part of the Councils Strategic and Financial Planning Framework. The report is attached at **Annex A**.

4. ISSUES CONSIDERED BY FINANCE AND COPORATE AFFAIRS COMMITTEE ON 10 FEBRUARY 2026

- 4.1 Under the Prudential Code for Capital Finance in Local Government, Councils are free to determine their own capital investment priorities to meet the needs of their local communities. However, in doing so they must have regard to the prudential code and the key considerations of prudence, affordability and sustainability. An approved Capital Strategy is a requirement of the code. This is included at **Appendix 1**.
- 4.2 The strategy is designed to provide a framework for which the capital and regeneration objectives of the Council are delivered, enabling the Councils ambitions to be met whilst ensuring that proposals are affordable and risk is minimised. It outlines the planned programme of expenditure, how the programme is governed and risk managed.
- 4.3 The strategy is, an iterative process whereby an annual review, in line with the MTFP and Treasury Management Strategy, will be undertaken in order to inform the approach going forward.
- 4.4 The report to Finance and Corporate Affairs Committee also sets out the proposed new starts for approval, including associated borrowing requirements. These are set out at **Annex A – Appendix 2**.

5. OTHER CONSIDERATIONS

Legal Considerations	No relevant issues
Subsidy Control	No relevant issues
Consultation	No relevant issues
Child / Family Poverty	No relevant issues
Single Impact Assessment	No relevant issues
Staff Considerations	No relevant issues
Asset Management considerations	No relevant issues
Environment, sustainability & climate change considerations	No relevant issues

6. RECOMMENDATIONS REFERRED BY FINANCE AND CORPORATE AFFAIRS COMMITTEE FOR COUNCIL'S CONSIDERATION AND APPROVAL

6.1 It is recommended that Members note the report and the recommendation from the Finance and Corporate Affairs Committee to;

- i) approve the Capital Strategy for 2026/27 to 2028/29, at **Annex A – Appendix 1**. The strategy is a requirement of the Prudential Capital Code;
- ii) approve the Capital Programme new starts 2026/27 to 2028/29, as set out at **Annex A - Appendix 2**; and
- iii) note the updated capital programme (including new starts) set out on **Annex A - Appendices 3-10**.

Full Council will be updated verbally should there be any changes to the recommendations.

7. REASONS FOR RECOMMENDATIONS

7.1 To ensure the Council has a framework, aligned to the Capital Plan and other key strategies, for which the capital and regeneration objectives of the Council are delivered.

7.2 To ensure the prudential borrowing impact of capital new starts is reflected in the Councils budget.

8. BACKGROUND PAPERS

N/A

9. CONTACT OFFICERS

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Tel: 01429 523093



Report of: Director of Finance, IT and Digital

Subject: CAPITAL PROGRAMME 2026/27 to 2028/29

Decision Type: Budget and Policy Framework

1. COUNCIL PLAN PRIORITY

Hartlepool will be a place:
- where people live healthier, safe and independent lives. (People)
- that is connected, sustainable, clean and green. (Place)
- that is welcoming with an inclusive and growing economy providing opportunities for all. (Potential)
- with a Council that is ambitious, fit for purpose and reflects the diversity of its community. (Organisation)

2. PURPOSE OF REPORT

2.1 The purpose of the report is:

- i) To approve the Capital Strategy for 2026/27 to 2028/29 to be recommended to Council for approval. The strategy is a requirement of the Prudential Capital Code; and
- ii) To approve the Capital Programme new starts 2026/27 to 2028/29, to be recommended to Council for approval.

3. BACKGROUND

- 3.1 The Council has, in recent years, developed an ambitious Capital Programme, ensuring investment in existing and new assets within the Borough, to support delivery of the priorities set out in the Council Plan. This report draws together the Capital Programme and Capital Strategy, aligning them with the Medium Term Financial Plan (MTFP) and Treasury Management Strategy as an integral part of the Councils Strategic and Financial Planning Framework.
- 3.2 For completeness, the capital programme includes planned HRA investment. Decisions on HRA investment are subject to Business Cases and are included as part of the annual HRA Business Plan and updates provided to Finance and Corporate Affairs Committee on a regular basis.

4. CAPITAL STRATEGY

- 4.1 Under the Prudential Code for Capital Finance in Local Government, Councils are free to determine their own capital investment priorities to meet the needs of their local communities. However, in doing so they must have regard to the prudential code and the key considerations of prudence, affordability and sustainability. An approved capital strategy is a requirement of the code.
- 4.2 The Council has well established processes and governance arrangements in place for its capital programme and Treasury Management including reporting via the Audit and Governance arrangements.
- 4.3 The Chartered Institute of Public Finance and Accountancy strengthened the code in recent years given concern around interpretation of key requirements, including commercial investments and the adverse financial impact these has on some councils. They also provided more guidance on the production of capital strategies and what constitutes “best practice”. In parallel to this strengthening, the Council embarked on a significant capital programme of approximately £143m (2025/26 to 2028/29), demonstrating our ambitions for the borough.
- 4.5 The Capital Strategy refresh is attached at **Appendix 1**. The strategy is designed to provide a framework for which the capital and regeneration objectives of the Council are delivered, enabling the Councils ambitions to be met whilst ensuring that proposals are affordable and risk is minimised. It outlines the planned programme of expenditure, how the programme is governed and risk managed.
- 4.6 The strategy has regard to the Councils wider strategic framework supporting and aligning with the overall Council Plan. It sits alongside

ANNEX A

the Medium Term Financial Plan, Treasury Management Strategy and the revenue and capital budgets for the Council. Taking a medium to long term view, it demonstrates that the Council's capital investment plans have due regard to the Council's objectives, stewardship of assets, value for money, prudence, sustainability and affordability.

- 4.7 Specifically, the objectives of our Capital Strategy are to ensure it provides:
- An overview of the governance process for approval and monitoring of our capital expenditure, including links to the authority's policies on capitalisation;
 - A long-term view of the Council's capital expenditure plans;
 - An overview of asset management planning including the cost of past borrowing, maintenance requirements and planned disposals; and
 - Any restrictions around borrowing or funding of ongoing capital finance.
- 4.8 The strategy is, an iterative process whereby an annual review, in line with the MTFP and Treasury Management Strategy, is undertaken in order to inform the approach going forward.

5. CAPITAL PROGRAMME

- 5.1 The capital programme detailed at **Appendices 3 to 10**, includes schemes previously approved by relevant Committees and Council. The full programme is included to ensure Members are provided clarity on the depth and breadth of the programme over the medium term and to ensure a point of reference for the quarterly monitoring reports to Finance and Corporate Affairs Committee.
- 5.2 It should be noted that the programme includes schemes due to conclude in the current financial year. A review of the programme post year end will be undertaken to ensure remaining live schemes are still required, given the need to prioritise capacity for our key capital projects.

New Start Schemes

- 5.3 New schemes or amendments to existing schemes are shown at **Appendix 2**.
- 5.4 There are three new schemes proposed for approval into the capital programme from 2026/27 – 2028/29, and are funded from Corporate Prudential Borrowing:
- 5.5 **Cremator Capital Maintenance - £0.280m (2026/27):**
- The cremator abatement system requires replacement to ensure compliance with pending emissions regulation changes. This system filters the gases which are a by-product of the cremation process.

ANNEX A

In addition, capital maintenance is required to replace brickwork inside the cremators.

5.6 Corporate Planned Maintenance (CPM) - £0.750m (£0.250 per year 2026/27 to 2028/29):

The CPM Programme annual allocation, to provide capital maintenance on council properties, currently totals £0.250m, and is funded from base revenue budget which is transferred to capital. The current maintenance schedule identifies required works beyond the annual resources available. This request will increase the available budget by £0.250m per annum to provide an uplifted annual allocation of £0.500m.

5.7 Former Claxton Landfill site on Dalton Back Lane – Plant Replacement - £0.150m (2026/27):

Hartlepool Council are responsible for the long-term management and maintenance of the former Claxton Landfill site which is located on Dalton Back Lane, adjacent to the A689. The plant and flare stack which serve the stack are now in need of renewal. It is estimated that the cost of the scheme will be £0.150m.

5.8 Appendix 2 also includes a refresh of the Vehicles Procurement programme, this shows the required amendment to vehicle replacement budget requirement across the council's fleet. Also noted are the schemes which link to recurring 'service specific capital grant' allocations. These are currently included as estimates, pending confirmations being received. These specific capital grants are for investment in a number of key priority areas including schools, Disabled Facilities Grants and the Local Transport Plan. These resources can only be spent in accordance with specific grant conditions and as such are allocated to those service areas.

5.9 In addition to the schemes noted in **Appendix 2** a further scheme to Expand Stranton Cemetery has been identified. This expansion is not required to commence until 2029, and as such is beyond the capital planning period covered in this report. An indicative cost of £1.250m in 2029/30 is included in longer term planning.

Capital programme (including new starts and scheme amendments at **Appendix 2**)

5.9 The Capital programme (including the new start schemes at appendix 2), for the period 2025/26 to 2028/29 is shown in the table below, with detailed scheme breakdowns for each area shown at **Appendix 3-10**;

ANNEX A

Scheme Description	Gross Budget	Actual to 31/3/25	25/26 Budget	26/27 Budget	27/28 Budget	28/29 Budget	Pending Mandate
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Major Regeneration Schemes	118,457	35,456	21,739	38,826	21,224	612	600
Adult Services & Public Health	13,060	3,510	5,002	1,516	1,516	1,516	0
Children's Services	11,565	2,917	2,531	4,821	648	648	0
Neighbourhood and Regulatory Services	42,565	10,968	8,593	14,578	3,767	4,659	0
Housing, Growth & Communities	4,950	1,978	1,461	1,511	0	0	0
Corporate	3,724	333	1,057	1,334	500	500	0
Housing Revenue Accounts (HRA)	5,573	1,554	1,397	650	200	1,772	0
TOTAL Expenditure	199,894	56,716	41,780	63,236	27,855	9,707	600

Capital Programme Total 2026/27 - 2028/29 **101,398**

5.10 The Funding of the above Capital Programme is summarised in the table below;

Funding	Gross Budget	Actual to 31/3/25	25/26 Budget	26/27 Budget	27/28 Budget	28/29 Budget	Pending Mandate
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Government Grants	60,391	11,287	9,719	28,353	7,970	3,062	0
Other Grants and Contributions	77,919	33,505	11,127	24,796	5,552	2,939	0
Revenue Contributions	6,858	3,357	1,252	1,749	250	250	0
Earmarked Reserves	3,889	406	2,369	581	333	200	0
Capital Receipts	232	82	0	150	0	0	0
Prudential Borrowing	50,605	8,079	17,313	7,607	13,750	3,256	600
TOTAL Funding	199,894	56,716	41,780	63,236	27,855	9,707	600

Capital Programme Total 2026/27 - 2028/29 **101,398**

Variations

5.11 In year variations to the capital programme are reported as part of quarterly budget monitoring update reports to Finance and Corporate Affairs Committee.

6. FUNDING

6.1 The Capital Programme is funded through 3 main sources; external grant funding and contributions, council borrowing and other council resources i.e. reserves and revenue contributions. Full details by area are provided in 5.9 above and **appendices 3-10**.

6.2 The Council continues to seek to maximise external funding sources to fund the Capital Programme, in order to limit the amount of financing from borrowing or other council resources. The Programme includes

ANNEX A

significant funding from Government, the Tees Valley Combined Authority and various other grant funding bodies.

- 6.3 The Council has a low ratio of financing costs to overall net revenue budget, with circa 5% of our net budget spent on servicing borrowing. This is set out in the Capital Strategy and reported to Audit and Governance Committee on a regular basis. This is a key ratio demonstrating the affordability of the Capital Programme.
- 6.4 When a capital asset is no longer needed, we will seek to sell this asset, if appropriate, to generate capital receipts. Capital receipts can be used to provide more flexibility on funding to minimise borrowing costs or under government financial flexibility arrangements be used to fund revenue costs associated with service transformation.
- 6.5 Where applicable, S106 contributions are maximised and allocated to housing and non-housing capital schemes as appropriate. The on-going position with regard to developer contributions is included within the quarterly finance updates.

7. RISK IMPLICATIONS

- 7.1 The risk management of individual schemes and the wider Capital Programme is addressed as part of the capital strategy and recognises that overall capacity to deliver schemes is at a premium which may require future prioritisation. Section 13 of the Capital Strategy outlines areas of risk and current mitigations.

8. FINANCIAL CONSIDERATIONS

- 8.1 There are no direct financial implications arising from adopting the Capital Strategy.
- 8.2 The financial considerations of individual schemes and the wider capital programme are addressed as part of the details contained in this report and as part of the governance and approval process as set out in this strategy.

9. OTHER CONSIDERATIONS

Legal Considerations	No relevant issues
Subsidy Control	No relevant issues
Consultation	No relevant issues
Child / Family Poverty	No relevant issues
Equality and Diversity	No relevant issues
Staff Considerations	No relevant issues
Asset Management considerations	No relevant issues
Environment, sustainability & climate change considerations	No relevant issues

10. RECOMMENDATIONS

- 10.1 It is recommended that Members;
- i) agree the Capital Strategy for 2026/27 to 2028/29, at **Appendix 1**, to be recommended to Council for approval. The strategy is a requirement of the Prudential Capital Code;
 - ii) agree the Capital Programme new starts 2026/27 to 2028/29, as set out at **Appendix 2**, to be recommended to Council for approval;
 - iii) agree the delegation to relevant policy committees to approve detailed schemes arising from confirmed specific grant allocations as set out in **Appendix 2**;
 - iv) agree that any capital receipts generated will be considered for funding the existing capital programme or financial flexibility arrangements be used to fund revenue costs associated with service transformation as set out in paragraph 6.4; and
 - v) note the updated capital programme (including new starts) set out on **Appendices 3-10**.

11. REASON FOR RECOMMENDATIONS

- 11.1 To ensure the Council has a framework, aligned to the Capital Plan and other key strategies, for which the capital and regeneration objectives of the Council are delivered.
- 11.2 To refer the Capital Programme to Council as part of consideration of the 2026/27 technical Budget and Council Tax calculations to Council.

12. BACKGROUND PAPERS

- 12.1 None

13. CONTACT OFFICER

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Sign Off:-

Chief Executive	Date: 27/01/2026
Director of Finance, IT and Digital	Date: 26/01/2026
Director of Legal, Governance and HR	Date: 27/01/2026

Hartlepool Borough Council

Capital Strategy 2026/27 to 2028/29

1. Executive Summary
2. Background
3. Strategic Framework
4. Objectives of the Capital Strategy
5. Strategic Context
6. Investment Priorities
7. Capital Programme
8. Capital Governance
9. Housing Revenue Account
10. Commercial Investment
11. Treasury Management and Affordability
12. Asset Management Planning
13. Risk Management
14. Skills and resources

1. Executive Summary

- 1.1 This strategy provides a framework for which the capital and regeneration objectives of the Council are delivered, enabling the Council's ambitions to be met whilst continuing to ensure that proposals are affordable and risk is minimised. It sets out how the Council will invest £143m (2025/26 to 2028/29) in the town's assets, much of which has been secured through successful external funding bids, helping to regenerate and grow the economy.
- 1.2 It aligns with the Medium Term Financial Strategy (MTFS) of the Council and sets the basis for decisions on capital spend for the 2026/27 budget.

2. Background

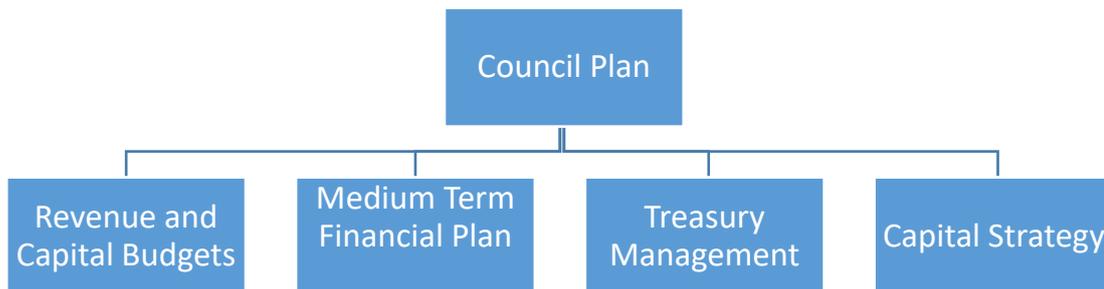
- 2.1 The government recognises that capital investment is essential for enabling local authorities to deliver economic regeneration, housing and school improvements, and to support service delivery including transformation, and is used well by many authorities.
- 2.2 The current system to regulate capital finance, in place since 2004, is based on the principle of local decision making and accountability. Local authorities are free to determine their own Capital Strategies and decide how they deliver services on the principle that they are best placed to make the decisions needed to support their local communities.
- 2.3 Local authorities are required by regulation to have regard to the Prudential Code for Capital Finance in Local Authorities when carrying out their duties in England and Wales under Part 1 of the Local Government Act 2003. The key messages from the Code is, in relation to capital expenditure, the consideration of Prudence, Affordability and Sustainability.
- 2.4 CIPFA's Prudential Code provides a framework for the self-regulation of the authority's capital financing arrangements. It requires local authorities to determine that capital expenditure and investment decisions are affordable, prudent and sustainable, and to set limits on the amount they can afford to borrow in the context of wider capital and revenue planning. A Capital Strategy is part of the Prudential Code requirements.
- 2.5 The Financial Management Code of Practice was issued by CIPFA 'to provide guidance for good and sustainable financial management in local authorities and provide assurance that authorities are managing resources effectively'. The Financial Management Code applies to all local authorities and brings together statutory requirements and Codes of Practice into one document. Our Capital Strategy needs to reflect the standards outlined in the CIPFA Financial Management Code of Practice.

Capital Expenditure

- 2.6 Capital expenditure is where the Council spends money on assets, such as property, plant or equipment that have a useable life of more than one year. This can include spending on assets owned by the Council, by other bodies, as well as loans and grants to other bodies to enable them to buy or improve assets.

3. Strategy Framework

- 3.1 The Capital Strategy is an integral part of the Council's Strategic and Financial Planning Framework, which sets out to sustainably deliver the Authorities vision, plans and objectives.



- 3.2 In April 2025 the 'Council Plan 2030' was approved. This sets out our vision for Hartlepool in 2030:

"Hartlepool will be a place...

- ... where people live healthier, safe and independent lives. **(People)**
- ... that is connected, sustainable, clean and green. **(Place)**
- ... that is welcoming with an inclusive and growing economy providing opportunities for all. **(Potential)**
- ... with a Council that is ambitious, fit for purpose and reflects the diversity of its community. **(Organisation)**

The Council Plan 2030 can be viewed at: [Our vision for the future of Hartlepool in 2030 | Council plan 2030 | Hartlepool Borough Council](#)

Capital Strategy

- 3.3 The Capital Strategy provides that fourth important pillar, linking capital expenditure and financing to the delivery of our vision, priorities and objectives as set out in the Council Plan, to ensure sustainable growth for Hartlepool. The Capital Strategy is therefore the policy framework document that sets out the principles to be used to guide the allocation of capital investment across all the Council's services and informs decisions on capital spending priorities. In addition, as part of the Strategy, the Director of Finance, IT and Digital, reports explicitly on the affordability and risk associated with the Capital Strategy. The Council's wide range of capital expenditure and its funding is reflected in a range of documents, monitoring and management arrangements.

4. Objectives of the Capital Strategy

- 4.1 A Local Authority Capital Strategy is intended to give a high level overview of how capital expenditure, capital financing and treasury management activity contributes to the provision of services and ambitions of the Council Plan, along with an overview of how associated risk is managed and what the implications might be for future financial sustainability.
- 4.2 While the strategy should be tailored to Hartlepool Borough Council's individual circumstances, it is required to include detail on capital expenditure, the Council's investments, liabilities and treasury management, along with sufficient detail to allow members, residents and council stakeholders to understand how stewardship, value for money, prudence, sustainability and affordability will be secured, and how the Council will meet legislative reporting requirements.
- 4.3 Consequently, planning and managing the use of the Council's capital resources is vital. This includes understanding the role that these assets play in the delivery of services and ensuring that the authority's asset base remains fit for purpose.
- 4.4 Capital expenditure is technically described as "Expenditure on the acquisition, creation, or enhancement of 'long term assets'". This is items of land, property and plant which have a useful life of more than 1 year. The definition of capital investment is wider than that of capital expenditure. The Ministry of Housing, Communities and Local Government's (MHCLG) Guidance on Local Authority Investment states "The definition of an investment covers all of the financial assets of a local authority as well as other non-financial assets that the organisation holds primarily or partially to generate profit; for example, investment property portfolios. For the avoidance of doubt, the definition of an investment also covers loans made by a local authority to one of its wholly-owned companies or associates, to a joint venture, or to a third party."
- 4.5 The key objectives of our Capital Strategy are to ensure it provides:
- An overview of the governance process for approval and monitoring of our capital expenditure, including links to the authority's policies on capitalisation;
 - A long-term view of the Council's capital expenditure plans, where long term is defined by the financing strategy of and risks faced by the authority with reference to the life of projects/assets;
 - An overview of asset management planning including the cost of past borrowing, maintenance requirements and planned disposals; and
 - Any restrictions around borrowing or funding of ongoing capital finance.
- 4.6 Our strategy will also include:
- The Council's approach to commercial activities including processes ensuring effective due diligence and defining the authority's risk appetite in respect of these, including proportionality in respect of overall resources;
 - Requirements for independent, expert advice and scrutiny arrangements;

- An overview of our governance process for approval and monitoring and ongoing risk management of other financial guarantees and long-term liabilities; and
- A summary of the skills and resources available to the Council.

5. Strategic Context

5.1 During its rich history, the town of Hartlepool has played a regionally, nationally and internationally important role in numerous activities and technologies including seafaring, rail travel, coal mining, steel production, nuclear energy, renewables and tourism. Hartlepool today is:

- A productive place, with relative strength in energy, manufacturing and construction. Its ports, power and a producer workforce continue to make an increasing contribution to national and regional productivity;
- An important sub-regional service centre, with large retail, education and healthcare sectors providing services and employment to the local population; and
- A growing visitor destination, attracting over 3.88 million visitors a year bringing £273m in to the local economy.

5.2 Periods of decline have created social and economic challenges for the residents of Hartlepool. The town still suffers from significant socioeconomic challenges linked to economic inactivity, unemployment, a depressed skills market, low levels of productivity and job availability. Maritime, skills, enterprise, innovation, heritage and landscape assets however all present opportunities to transform the town. The Council continues to undertake significant work to engage with wide ranging stakeholders and develop an evidence base to strategically plan the Boroughs growth for the next 10 years.

5.3 As a result, the Council and its key stakeholders set out a vision for:

“.....a modern, connected, vibrant and liveable waterfront town - an inclusive, proud and productive town where aspiration and creativity are valued - a town which supports and welcomes visitors, learners and innovative businesses - where people are inspired and enabled to get more out of their work and investment - which promotes itself with pride and makes its mark in the wider world”

Hartlepool Investment Plan

5.4 This is the vision for the Hartlepool Investment Plan, which the Council and its stakeholders developed and published in January 2020 as the ‘Charter for Change’. It sets out that we are prepared to lead the evolution of Hartlepool – providing the up-front investment of time, capital, energy and creativity, to secure the rewards of a modern town with a 360° economy. It is based on the premise and evidence that wider financial and commercial returns will come once the economic value and wellbeing of the town is on the up - with better skills, healthier people, more visitors and more economic engagement.

The Hartlepool Investment Plan can be viewed at: [Hartlepool Investment Plan Town Centre Masterplan](#)

- 5.5 Following the success of a partnership approach to the development of the Town Investment Plan in 2020, the Council undertook extensive engagement to develop a focused and ambitious Town Centre Masterplan to begin bringing those investment priorities to life. The Masterplan, adopted by the Council in November 2021, establishes a 20-year vision for rediscovering Hartlepool as:
- 5.6 “A well-connected vibrant and liveable waterfront town”. It outlines opportunities for transformative change in Hartlepool town centre – reimagining the town centre itself and considering ways in which this adapted to better suit the needs and purposes of the residents and visitors it serves.
- 5.7 The investment priorities within both these key strategic documents are described in section 6.
- 5.8 The Town Centre Masterplan can be viewed at: [Town Centre Masterplan](#)

Inclusive Growth Strategy

- 5.9 Following consultation with businesses and other stakeholders to set out Hartlepool’s economic growth priorities, the Hartlepool Inclusive Growth Strategy 2022-25 was published. A review of the strategy has been undertaken and a new strategy will be developed in 2026.
- 5.10 The strategy was developed through consultation with wide ranging stakeholders and in partnership with the Economic Regeneration and Tourism Forum. The strategy draws on data and economic insights to understand the current health of Hartlepool’s economy relating to areas such as business survival rates, employment, education, skills and productivity. It is focused around three themes – developing people; developing business; and developing place.
- 5.11 In addition to the strategy, an action plan has been published detailing the specific projects and initiatives that will deliver the ten point plan.
- 5.12 The Inclusive Growth Strategy can be viewed at: [Hartlepool Inclusive Growth Strategy 2022-25 \(investinhartlepool.co.uk\)](#)

Pride in Place

- 5.13 Hartlepool has been awarded circa £20 million of funding over ten years as part of the government’s Pride in Place Strategy. Initially launched as the Long-Term Plan for Towns in Spring 2024, it evolved into the Plan for Neighbourhoods in March 2025 and was confirmed as the Pride in Place Programme in September 2025. To date capacity funding has been provided for the development of the core programme. The annual capital and revenue allocations to fund the 10 year delivery programme will commence in 2026/27.

5.14 The programme objectives are:

- Build stronger communities – Foster relationships, belonging, cohesion, and resilience.
- Create thriving places – Deliver vibrant neighbourhoods with quality infrastructure and amenities.
- Empower people – Enable residents to influence the future of their community.

5.15 Governance: The programme is overseen by an independently chaired Neighbourhood Board, with diverse representation from residents, businesses, public services, and education. The Board aims to operate as a Local Strategic Partnership, providing oversight of the £20m programme and other cross-cutting investments. Hartlepool Borough Council acts as the accountable body for the funding. Governance is supported by approved Terms of Reference, Code of Conduct, and Conflict of Interest Policy.

5.16 Planning & Delivery: The Board has developed a 10-year Regeneration Plan and a 4-year Investment Plan, informed by spatial analysis and engagement with 1,500 residents. Delivery will be monitored through a comprehensive assurance framework aligned with Best Value and Managing Public Money standards.

Pride in Place – Impact Fund

5.17 Whilst the Pride in Place Programme will target transformation over the longer term, the government has acknowledged that there is also a need for immediate support to ensure areas are able to deliver visible improvements to high streets and improve places and spaces of community value. The Pride in Place Impact Fund provides that support. Capital funding of £1.500m, covering 2025/26 and 2026/27 at £0.750m per year has been allocated to Hartlepool.

Tees Valley Investment Context

5.18 In January 2019, the Tees Valley Combined Authority agreed an Investment Plan for 2019-2029, which set out the focus for investments to create new jobs, grow the skills base and improve infrastructure across the 5 Local Authority areas in the region, including Hartlepool. TVCA's Devolution Deal with Government in 2015 provides for the transfer of significant powers for employment and skills, transport, and investment together with the first Mayoral Development Corporation outside London.

5.19 Through the deal, the Combined Authority has the power to create an Investment Fund, bringing together funding for devolved powers to be used to deliver a 30-year programme of transformational investment in the region. This includes the control of a new £15m a year funding allocation over 30 years.

5.20 To maximise the amount of investment in Tees Valley, a Strategic Economic Plan (SEP) has been developed which sets out the steps that are being taken to overcome the barriers to business growth within Tees Valley, placing SMEs, innovation and individuals at the centre of our region's growth ambitions.

5.21 The SEP includes priorities to improve, diversify and accelerate growth in the local economy to benefit businesses and residents with the ambition to create 25,000 jobs and add £2.8bn to the economy by 2026. The aim is to become a high-value, low-carbon, diverse and inclusive economy, and therefore it has been identified that investment will be channelled into five main strategic priorities:

- Business Growth;
- Research, Development, Innovation & Energy;
- Education, Employment & Skills;
- Culture and Tourism; and
- Transport & Infrastructure

Hartlepool Destination Management Plan

5.22 The creation of a Hartlepool Waterfront Destination Management Plan (DMP) is a condition of the Hartlepool Waterfront Regeneration Programme funding from TVCA. This is to ensure the £50m public sector investment in the area delivers the visitor economy growth that is expected. By identifying a vision for the growth of Hartlepool's tourism economy and creating a strategic focus for the development of the town's tourism offer, a Hartlepool DMP is intended to support Hartlepool Borough Council and its partners to increase visitor numbers and to capture the economic benefits from those visitors.

5.23 The Hartlepool DMP identifies the following three core objectives for the visitor economy of Hartlepool:

- To create a coherent, distinctive proposition to take to market which supports the visitor economy in Hartlepool;
- To create a year-round, all-day destination offering high-quality (and active) experiences for local people and for leisure and business visitors; and
- To increase economic benefits through increased spend from more day visitors, staying longer – and, over time, more over-night staying visitors.

The Destination Management Plan can be viewed at:

[Destination Management Plan](#)

6. Investment priorities

6.1 Taken together with the vision set out in the Council Plan, the key strategic documents detailed in section 5 set the foundation, evidence the need for our investment priorities and articulate the pipeline of projects and programmes that need to be delivered to achieve our vision. They strongly shape, and provide the evidence for, our long term investment plans.

6.2 Hartlepool Borough Council approved its Capital and Indigenous Growth Investment Plan in 2020 with external grant funding taking the total potential investment to over £50m. The core of the programme is supporting the ambition for a compact and connected waterfront town. Prudential borrowing, Tees Valley Combined Authority co-funding and other secured grants are directed towards developments and enhancements of Hartlepool Waterfront including:

- Council's new strategic wellbeing and leisure attraction, the 'Highlight Active Wellbeing Hub', including sports and leisure facilities;
- Public realm and public art, including a new events space; and
- Development and enhancement of Waterfront visitor attractions such as the Museum of Hartlepool.

6.3 The priorities that the Town Centre Masterplan clearly articulated in establishing a new "Heart of Hartlepool" are:

1. Changes to usage and function of retail space in Middleton Grange Shopping Centre;
2. Increased capacity and connectivity of Hartlepool Rail Station through the re-commissioning of a second platform and improved accessibility;
3. Waterfront visitor and leisure destination; the new strategic wellbeing and leisure facility, events space and redevelopment of the Museum of Hartlepool;
4. Continued growth of skills and education provision through Hartlepool FE College and Northern School of Art;
5. Delivering enhanced and expanded film & TV studios with supply chain facilities in Hartlepool town centre.

Local Regeneration Fund

6.4 The investment plans also define our priorities that are being delivered under the governments former Town Deal Fund and Levelling Up fund programmes, now combined by the Ministry of Housing Communities and Local Government to form the Local Regeneration Fund.

In 2021 the Council secured £25m in capital funding under Town Deal to deliver five key priority capital projects with a range of delivery partners:

- £13.8m Re-imagining Middleton Grange Shopping Centre;
- £1.4m Wesley Chapel redevelopment;
- £6.2m Waterfront connectivity project;
- £1.25m Development of a Health and Social Care Skills Academy; and
- £2.25m Development of a Civil Engineering Skills Academy

6.5 These projects are demonstrating the ambition of the Council to deliver on its bold vision and Masterplans for the town. Both skills academies achieved capital completion in 2024/25 and are delivering significant training outcomes, the Wesley Chapel redevelopment will be completed and open in Q4 of 2025/26 and the remaining two projects are in delivery.

6.6 The Council also secured £16.5m from Round 2 of the governments Levelling Up Fund (now under the Local Regeneration Fund), alongside £2m from TVCA. The project is creating a 'Screen Industries Production Village' in Hartlepool's extending Town Centre to engender a step-change in economic growth and development. More specifically, the project will comprise c£18.5 million of regeneration activity to catalyse the development of a Production Village, including:

- Land assembly through targeted acquisition of property;
- Construction of flexible commercial/workshop/accommodation floor space;
- Restoration of strategic heritage assets; and
- Extensive public realm and amenity enhancements
- The investment has led to an additional commitment of £15m from the Tees Valley Investment Zone to further expand existing film and television facilities at The Northern Studios. With planning permissions for the Production Village secured in Q2 of 2024/25, this is leading to visible external investment in surrounding streets particularly in the hospitality sector.

6.7 The current economic environment of high inflation and funding uncertainty however is likely to impact on the Council's capital ambitions over the period. This will be kept under close review to ensure priority schemes are best placed to be delivered. Ultimately the size and scope of our capital ambitions is heavily reliant on our ability to lever in external funding sources.

The A19/ Elwick Road/ North Lane junction and Elwick Road/Hartlepool Western Link Project

6.8 In 2018 the Hartlepool Local Plan identified two main westward growth areas: the South West Extension and growth in the Elwick Road area. It was recognised that highway improvements to the Elwick Road corridor are necessary to improve road safety whilst supporting development of these growth areas to deliver future growth of the Borough. The junctions at Elwick Village and Dalton Piercy have, historically and on an ongoing basis, given rise to safety concerns and access to these has been restricted in recent years to prevent accidents on the A19.

6.9 The A19/ Elwick Road/ North Lane junction and Elwick Road/Hartlepool Western Link Project has developed through the Local Plan in conjunction with discussions between the Local Authority and Highways England (now National Highways). Safety and capacity issues resulted in planning conditions being imposed on planning permissions reflecting Highways England's concerns that the current road network could not fully accommodate all additional traffic movements, and which would otherwise adversely impact on Elwick Village.

6.10 Proposed road infrastructure improvements will accordingly address these concerns and improve the quality, safety and reliability of the network over the Local Plan period (2016-31) and beyond. The proposed highway network upgrade will also reduce traffic levels through Elwick Village and improve safety and amenity for residents. The application for Planning Approval went before Planning Committee on the 10th January 2023 where it was approved. A period

of detailed design has now commenced and whilst some options to purchase the required land have been secured, other negotiations remain ongoing in parallel with the preparation of the Compulsory Purchase Order application. Council approved the commencement of the Compulsory Purchase Order (11.12.25) and a revised planning application is due to be determined in early 2026.

Other Capital Priorities

6.11 In addition to the significant investment outlined above, the Council will continue to prioritise schemes that align with the vision in the Council Plan, maximising external funding opportunities to do so. Examples include, but are not limited to:

- Investing in mainstream and SEND school provision and education, supporting our aim for resilient and resourceful communities with opportunities for all;
- Fully utilising Disabled Facilities Grants and investing in the drug and alcohol services to ensure those who are vulnerable will be safe and protected from harm and that people are enabled to live healthy, independent and prosperous lives; and
- Investing in our Housing provision and optimising warm home initiatives and grants to support a sustainable, clean, safe and green Hartlepool.
- Investment in decarbonisation and Net Zero initiatives to reduce the Council's carbon emissions and lower expenditure on energy, such as the installation of solar PV technology at the Council's vehicle depot, and utilisation of AI software to reduce primary energy consumption

6.12 Given the extent of the capital programme, there is, however, a recognition that prioritisation is required in order to ensure successful delivery of key projects in the future.

7. Capital Programme

7.1 This vision and investment plan has led to an increasingly ambitious capital programme. The current approved on-going capital programme is for over £143m (2025/26 – 2028/29) with a number of significant regeneration projects.

7.2 The Capital programme, including new start schemes (**Appendix 2**) for the period 2025/26 to 2028/29 is shown in the table below:

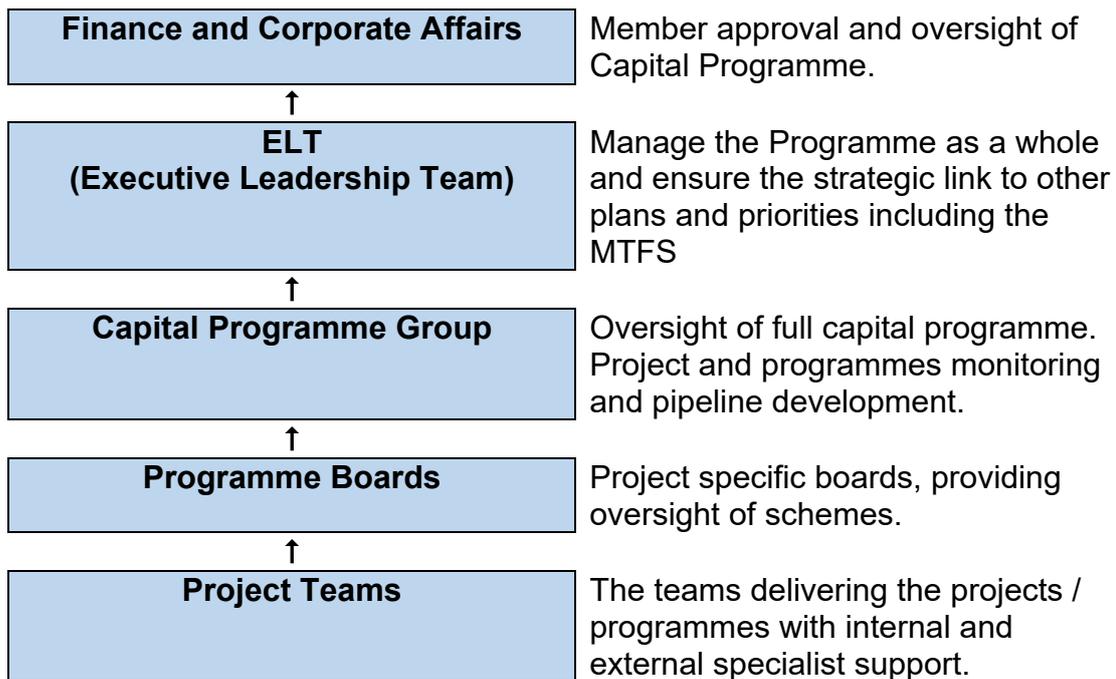
	Spend to 31 March 2025 £000	Current and Future Years £000
Major Regeneration Schemes	35.456	83.001
Adult Services & Public Health	3.510	9.550
Children's Services	2.917	8.648
Neighbourhoods & Regulatory Services	10.968	31.597
Housing, Growth & Communities	1.978	2.972
Corporate	0.333	3.391
Housing Revenue Account (HRA)	1.554	4.019
Total Capital Programme	56.716	143.178

7.3 The Funding of the above Capital Programme is summarised in the table below;

	Spend to 31 March 2025 £000	Current and Future Years £000
External Funding – Government Grants	11.287	49.104
External Funding – Other Grants and Contributions	33.505	44.414
Revenue Contributions	3.357	3.501
Earmarked Reserves	0.406	3.483
Capital Receipts	0.082	0.150
Prudential Borrowing	8.079	42.526
Total Capital Programme	56.716	143.178

8. Capital Governance

- 8.1 With such significant ambition and capital investment, the need for strong governance of the capital programme is of paramount importance.
- 8.2 At a strategic level the Capital Strategy provides members with the opportunity to consider and fully understand the overall strategy, programmes, governance arrangements and risk appetite underpinning it. The strategy and the accompanying detailed capital programme sit alongside the medium term financial plan given the interlinked revenue implications of capital investment. The strategy should therefore be considered in conjunction with the budget proposals for the following year and over the MTFP period.
- 8.3 The annual capital programme sets the basis for monitoring arrangements in year, reported to Finance and Corporate Affairs Committee on a quarterly basis. The monitoring presented provides scheme updates as necessary, as well as the overall financial position. In addition, the Audit and Governance receive quarterly reports to include an update on Treasury Management and Prudential Indicators as required by the Prudential Code.
- 8.4 Underpinning the monitoring reporting to the Finance and Policy Committee, there sits a formal governance structure, focused primarily on the major schemes, as detailed below:



- 8.5 Governance arrangements are proportionately resourced to ensure high priority and high risk schemes are suitably supported and managed.
- 8.6 These governance arrangements also consider any new capital schemes prior to seeking committee / council approval and inclusion in the capital programme. As part of the budget setting cycle, a process of capital scheme identification informs the Capital Programme update, ensuring the financing and revenue implications of any proposed new schemes are fully reflected in the MTFP.
- 8.7 It is acknowledged that some schemes may be brought forward on an ad hoc basis during the year on urgency grounds or in relation to external funding opportunities. These schemes will also be managed through the above arrangements and brought to committee, as required, as part of the in-year monitoring arrangements.
- 8.8 For more routine capital activity, existing approval and monitoring arrangements via Directorate, Executive Leadership Team and Policy Committees will continue. This includes;
- Highways maintenance;
 - Disabled Facilities Grant; and
 - Education spend fully funded by devolved capital grants or equivalent.

9. Housing Revenue Account

- 9.1 The Council began investing in social housing in 2010 and re-opened its Housing Revenue Account (HRA) on the 1 April 2016. The HRA is a separate ring fenced account and all costs, including capital debt servicing, have to be met from rental income. The Council has a current stock of just over 355 properties with further opportunities to purchase and build new homes in Hartlepool being explored.

- 9.2 Decisions on HRA investment plans are approved, through the annual Business Plan presented to Finance and Corporate Affairs Committee.
- 9.3 The latest HRA Business Plan can be viewed at:
[Agendas, reports and minutes | Hartlepool Borough Council](#)

10. Commercial investment

- 10.1 Commercial investment is an area of both contention and concern within Local Government. Following the reduction in local government grant from 2010, many local authorities sought to mitigate that loss by increasing their property portfolio with the primary purpose being for financial return. In some instances this has been investments outside of their geographic area.
- 10.2 This practice has drawn concern from MHCLG and CIPFA around both the risks and security of these funds. As a consequence CIPFA strengthened the Prudential Code that Local Authorities are required, by regulation, to have regard to. In doing so the Code explicitly requires that Local Authorities must not borrow to invest 'primarily for financial return'. Therefore, should the Council choose to invest primarily for financial return it will be required to set out how it has complied with or had regard to the Code.
- 10.3 To date the Council has not entered into any investment decisions (outside of Treasury Management transactions) that are primarily for financial return. There are no plans to do so.
- 10.4 However, there may be the requirement for Council funding in future regeneration that, as a consequence, provide a commercial return. The scenario may also arise whereby Council funding, with an associated return, is required to make a scheme financially viable. Should such occurrences be proposed, a clear regeneration, economic development or service requirement would be required and demonstrable. Fundamentally there would need to be a socioeconomic benefit for the people of Hartlepool, consistent with how this is defined in the Treasury's green book guidance.
- 10.5 In such instances the governance and approval process set out in Section 8 would be followed.
- 10.6 The Council is required to produce an annual Investment Strategy. This requirement is detailed within the annual Treasury Management Strategy.

11. Treasury Management and Affordability

- 11.1 Effective Treasury Management ensures that the Council keeps sufficient cash to meet the Council's spending needs whilst ensuring the risks involved are appropriately managed. On a day to day basis the Council tends to be "cash rich" as income (government grants, Council Tax etc.) tends to be received prior to expenditure. Whilst this excess cash is used to temporarily fund capital expenditure, over the medium to long term we are required to borrow to fund

the capital programme. An effective Treasury Management strategy is therefore essential in the funding of the capital strategy and programme.

11.2 The Treasury Management strategy is approved by Full Council each year. The continuing objective of the strategy is to fund the core annual borrowing requirement at the lowest possible long term interest rate, thus ensuring costs to the revenue budget are minimised. In doing so the Council uses cash surplus to temporarily reduce overall borrowing, an approach known as internal borrowing.

11.3 Total borrowing therefore remains below our Capital Financing Requirement (CFR). The following table outlines the projection of debt to CFR.

Financing v Debt	2025/26 Estimate £'000	2026/27 Estimate £'000	2027/28 Estimate £'000	2028/29 Estimate £'000
CFR	129,708	134,800	145,989	146,099
Net Debt	82,608	103,576	117,429	118,414
(Under)/Over Financed	(47,100)	(31,224)	(28,560)	(27,685)

11.4 As previously set out, affordability, especially in the current environment, is critical to the Council's capital ambition. Any increase in the Council's revenue budget that is committed to capital financing limits the availability of funding for other services. However, clearly there are nuances to this – capital investment often has an Invest to save business case or levers in other investment / benefits for the revenue budget.

11.5 The indicator below sets out the gross capital financing budget as a percentage of the current net revenue budget and how this is projected to change over the period. Whilst no formal benchmarking exists, informal benchmarking suggests that this remains low. All capital financing is considered affordable prior to any borrowing taking place.

Gross Financing Costs v Net Revenue Budget	2025/26 Estimate	2026/27 Estimate	2027/28 Estimate	2028/29 Estimate
% Indicator	5.62%	4.68%	4.86%	5.10%

11.6 Treasury Investments are made where the Council holds an excess of cash and through cash flow management, and therefore can make short / medium term investments to generate returns. Investments made for service reasons or financial return (e.g. commercial property) are not considered treasury investments.

11.7 The primary objectives of the Council's investment strategy in order of importance are:

- Safeguarding the re-payment of the principal and interest of its investments on time (security);
- Ensuring adequate liquidity; and
- Investment return.

12. Asset Management Planning

- 12.1 To ensure that capital assets continue to be of long-term use, the Council has developed and approved an updated Strategic Asset Management Plan. The plan sets out how the Council will effectively manage, use and review the assets it holds.
- 12.2 When a capital asset is no longer needed, we will seek to sale this asset, if appropriate, to generate capital receipts that can fund spend on new assets, used to repay borrowing or utilised to fund transformation activity.

13. Risk Management

- 13.1 Any capital programme carries risk. However risk should not prevent the progression of an ambitious capital strategy and programme. Instead there needs to be an understanding of the level of risk involved on projects and clear mitigation where possible. Risk comes in many forms, including financial, reputational, social, staffing, legal and environment. These all need managing as part of projects.
- 13.2 The financial position of the Council means that financial risk has to be a key consideration and area where mitigation is required.
- 13.3 Ultimately the risk is managed by the project boards and project manager/sponsor following the governance arrangements outlines in Section 8 above.
- 13.4 Key risks and associated mitigation are set out in the table below.

Risk	Detail and Mitigation
Funding	The Council's financial position necessitates that external funding opportunities are explored and maximised in order to ensure affordability of projects, particular major regeneration projects. The funding risk is mitigated by ensuring that external funding is confirmed or is highly likely prior to contract tender stage. Where conditions are attached these are clearly understood and adhered to.
Interest Rate	Where borrowing is required to finance the capital programme the Council is exposed to interest rate risk. An increase in interest rates would add an additional cost to the revenue budget. This risk is mitigated by pro-active Treasury Management and temporary use of cash reserves where available. However, the risk remains.
Inflation	Delivering capital projects are vulnerable to inflation. This is has been particularly pertinent in recent years as the

	<p>economic recovery from Covid, and the wars in Ukraine and the Middle East impacts prices, particularly within the construction sector.</p> <p>Project costs include a latest estimate of inflation as well as a contingency for major projects. For minor works there is often the ability to flex the programme to minimise this risk.</p>
Legislation	<p>Any changes in legislative requirements and regulations has the potential to impact on capital projects, given the need to comply with latest legislation.</p> <p>The Council ensures that capital schemes comply with current legislation and horizon scans to ensure that any likely future changes are fed into capital schemes as appropriate.</p>
Cost Estimate	<p>A significant risk on major schemes is project cost estimates. As more information comes to light, for example ground conditions, utility requirements or diversions, material requirements, cost estimates are revised accordingly. The Council mitigates this risk by ensuring appropriately qualified staff and external organisations are utilised, “optimism bias” is considered and external requirements are complied with, and a suitable contingency is held at the various design stage. Ultimately this risk is only addressed when contracts for works are tendered and let.</p>
Project delivery / capacity	<p>Successful delivery of major capital projects requires significant staff input that can lead to capacity constraints. The Council has increased capital capacity through the Assistant Director – Development and Growth and project team, in addition to bringing in external support as appropriate. Capacity issues will require careful monitoring to ensure any impact on delivery is mitigated.</p>

13.5 Ultimately the risk is managed by the project boards and project manager and /or sponsor following the governance arrangements outlines in Section 8 above.

14. Skills and resources

14.1 Section 8 set out the governance arrangements underpinning the capital strategy, approval and monitoring arrangements. To support these arrangements, the Council ensures that all the respective disciplines involved in the process have the necessary qualifications, experience and skills to carry out their roles.

14.2 Officers are encouraged to undertake necessary training courses and Continued Professional Development so as to ensure qualifications and skills are up to date and emerging issues, regulatory changes and best practice are understood and implemented where necessary.

14.3 Where appropriate, external support is utilised to ensure the capacity and the capital programme can be delivered to the best possible outcome. These engagements may cover individual work packages for example business case

development, project appraisal, regulatory compliance, as well as specialist technical advice and support.

14.4 Members are provided with financial overview training on induction. Where future gaps or demand for additional training are identified, this will be provided either in house or externally as appropriate.

FORECAST ADDITIONAL CAPITAL RESOURCES AND EXPENDITURE COMMITMENTS 2026/27 TO 2028/29

	Forecast Resources 2026/27				Forecast Resources 2027/28				Forecast Resources 2028/29			
	Prudential Borrowing	Other Capital Funding	Capital Grants (Provisional)	Total	Prudential Borrowing	Other Capital Funding	Capital Grants (Provisional)	Total	Prudential Borrowing	Other Capital Funding	Capital Grants (Provisional)	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<u>Corporate Prudential Borrowing</u>												
Cremator Capital Maintenance	280	0	0	280	0	0	0	0	0	0	0	0
Corporate Planned Maintenance Programme	250	0	0	250	250	0	0	250	250	0	0	250
Claxton Landfill Site - Plant Replacement	150	0	0	150	0	0	0	0	0	0	0	0
	680	0	0	680	250	0	0	250	250	0	0	250
<u>Service Specific Capital Grants</u>												
Devolved Formula Capital (Schools) - Note 1	0	0	68	68	0	0	68	68	0	0	68	68
Disabled Facilities Grant (Better Care Fund) - Note 2	0	0	1,516	1,516	0	0	1,516	1,516	0	0	1,516	1,516
Local Transport Plan - Structural Highways Maintenance - Note 3	0	0	1,526	1,526	0	0	1,526	1,526	0	0	1,526	1,526
Local Transport Plan - Integrated Transport Block - Note 3	0	0	725	725	0	0	725	725	0	0	725	725
Schools Capital Programme - Note 4	0	0	580	580	0	0	580	580	0	0	580	580
	0	0	4,415	4,415	0	0	4,415	4,415	0	0	4,415	4,415
<u>Departmental Prudential Borrowing</u>												
Vehicle Procurement	585	0	0	585	510	0	0	510	1,420	0	0	1,420
	585	0	0	585	510	0	0	510	1,420	0	0	1,420
Total Forecast Resources	1,265	0	4,415	5,680	760	0	4,415	5,175	1,670	0	4,415	6,085

Note 1 - Devolved Formula Capital allocation for Schools is an estimate based on the 2025/26 allocation.

Note 2 - Allocations for 2026/27 and future years have not yet been confirmed. For planning purposes it has been assumed that the funding will remain at 2025/26 levels and that Better Care Fund will continue in to future years.

Note 3 - Allocations for 2026/27 and future years have not yet been confirmed. For planning purposes it has been assumed that LTP funding will remain at 2025/26 levels.

Note 4 - Schools Capital Programme includes an estimate of £0.580m Schools Condition Grant - will be announced early 2026 for 2026/27. The forecasts are based on the 2025/26 allocation of Schools Condition Grant which the Government has stated is indicative of future allocations.

Capital Programme - Summary

Scheme Area Description	Gross Budget	Actual to 31/3/25	25/26 Budget	26/27 Budget	27/28 Budget	28/29 Budget	Pending Mandate
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Major Regeneration Schemes	118,457	35,456	21,739	38,826	21,224	612	600
Adult Services & Public Health	13,060	3,510	5,002	1,516	1,516	1,516	0
Children's Services	11,565	2,917	2,531	4,821	648	648	0
Neighbourhood and Regulatory Services	42,565	10,968	8,593	14,578	3,767	4,659	0
Housing, Growth & Communities	4,950	1,978	1,461	1,511	0	0	0
Corporate	3,724	333	1,057	1,334	500	500	0
Housing Revenue Accounts (HRA)	5,573	1,554	1,397	650	200	1,772	0
TOTAL Expenditure	199,894	56,716	41,780	63,236	27,855	9,707	600

Capital Programme Total 2026/27 - 2028/29 **101,398**

Funding							
Government Grants	60,391	11,287	9,719	28,353	7,970	3,062	0
Other Grants and Contributions	77,919	33,505	11,127	24,796	5,552	2,939	0
Revenue Contributions	6,858	3,357	1,252	1,749	250	250	0
Earmarked Reserves	3,889	406	2,369	581	333	200	0
Capital Receipts	232	82	0	150	0	0	0
Prudential Borrowing	50,605	8,079	17,313	7,607	13,750	3,256	600
TOTAL Funding	199,894	56,716	41,780	63,236	27,855	9,707	600

Capital Programme Total 2026/27 - 2028/29 **101,398**

Capital Programme - Major Regeneration Schemes

Code	Scheme Description	Gross Budget	Actual to 31/3/25	Total 25/26 Budget at Q3	26/27 Budget	27/28 Budget	28/29 Budget	Pending Mandate
		£'000		£'000	£'000	£'000	£'000	£'000
8958	The A19/ Elwick Road/ North Lane junction and Elwick Road/Hartlepool Western Link Project	24,497	1,962	450	5,273	16,200	612	0
7550	CIP - Highlight	35,868	21,585	14,283	0	0	0	0
9101	CIP - Borough Hall Improvement	2,300	139	20	2,141	0	0	0
9440	CIP - Town Hall Improvement	700	42	250	408	0	0	0
9159	CIP - Wingfield Castle works	2,800	504	200	2,096	0	0	0
9160	CIP - Damboard	1,227	237	192	798	0	0	0
9161	CIP - NMRN	7,500	3,526	556	3,418	0	0	0
9245	CIP - Museum of Hartlepool	1,219	203	516	500	0	0	0
9130	CIP - Business Park Investment	760	461	99	200	0	0	0
TBC	CIP - Bowling Club Refurbishment	600	0	0	0	0	0	600
9433	CIP - Brierton Sports Complex	562	23	128	411	0	0	0
9165	Towns Fund - Middleton Grange	13,860	39	370	8,647	4,804	0	0
9231	Towns Fund - Waterfront Connectivity	5,020	372	1,931	2,717	0	0	0
7715	Towns Fund - Wesley Chapel	1,632	1,370	262	0	0	0	0
9234	Towns Fund - Health and Care Academy	1,250	1,215	35	0	0	0	0
9247	Levelling Up - Production Village	18,662	3,778	2,447	12,217	220	0	0
Major Regeneration Schemes - Total		118,457	35,456	21,739	38,826	21,224	612	600

External Funding - Government Grants								
	Towns Fund	22,710	2,996	3,546	11,364	4,804	0	0
	Levelling Up Fund	16,540	3,778	1,266	11,410	86	0	0
	Sub Total	39,250	6,774	4,812	22,774	4,890	0	0
External Funding - Other Grants and Contributions								
	TVCA	37,302	21,726	2,926	11,989	661	0	0
	Arts Council	1,800	0	304	1,496	0	0	0
	Changing Places	65	65	0	0	0	0	0
	Sport England	2,750	2,425	325	0	0	0	0
	S106 Developer Contributions	2,818	117	61	0	2,640	0	0
	Heritage Fund	219	0	219	0	0	0	0
	Other	11	11	0	0	0	0	0
	Sub Total	44,965	24,344	3,835	13,485	3,301	0	0
Internal Funding								
	Revenue Contributions	2,674	2,222	452	0	0	0	0
	Earmarked Reserves	1,128	0	995	0	133	0	0
	Capital Receipts	150	0	0	150	0	0	0
	Prudential Borrowing	30,290	2,116	11,645	2,417	12,900	612	600
Major Regeneration Schemes - Funding Total		118,457	35,456	21,739	38,826	21,224	612	600

Programme - Adult Services & Public Health

Scheme Description	Gross Budget	Actual to 31/3/25	Total 25/26 Budget at Q3	26/27 Budget	27/28 Budget	28/29 Budget	Pending Mandate
	£'000		£'000	£'000	£'000	£'000	£'000
Disabled Facilities Grant	9,364	3,271	1,545	1,516	1,516	1,516	0
Centre for Independent Living	66	3	63	0	0	0	0
Supporting Treatment and Recovery Together (START) - Substance Misuse Service	3,600	208	3,392	0	0	0	0
Bevan House - Clinical Room	30	28	2	0	0	0	0
Community Based Services - Total	13,060	3,510	5,002	1,516	1,516	1,516	0
External Funding - Government Grants							
Disabled Facilities Grant	9,276	3,183	1,545	1,516	1,516	1,516	0
	9,276	3,183	1,545	1,516	1,516	1,516	0
External Funding - Other Grants and Contributions							
Public Health Grant	27	27	0	0	0	0	0
Other	18	18	0	0	0	0	0
Sub Total	45	45	0	0	0	0	0
Internal Funding							
Revenue Contributions	160	28	132	0	0	0	0
Earmarked Reserves	504	45	459	0	0	0	0
Capital Receipts	0	0	0	0	0	0	0
Prudential Borrowing	3,075	209	2,866	0	0	0	0
Community Based Schemes - Funding Total	13,060	3,510	5,002	1,516	1,516	1,516	0

Capital Programme - Children's Services

Code	Scheme Description	Gross Budget	Actual to 31/3/25	Total 25/26 Budget at Q3	26/27 Budget	27/28 Budget	28/29 Budget	Pending Mandate
		£'000		£'000	£'000	£'000	£'000	£'000
8072	ICS Case Management Improvement	37	0	0	37	0	0	0
9246	Children's Centre - Family HUB	236	178	58	0	0	0	0
9421	Purchase Childrens Home	1,000	254	246	500	0	0	0
7149	Star Centre Children's Home	658	666	-8	0	0	0	0
7474	High Tunstall 3G Pitch	35	22	0	13	0	0	0
7478	High Tunstall Grass Pitch	16	0	0	16	0	0	0
7521	Two Year Old FNE Capacity Funding	23	0	0	23	0	0	0
9243	Rossmere Youth Centre Refurbishment	1,300	1,192	108	0	0	0	0
7727	Throston Youth Project Centre Refurbishment	91	91	0	0	0	0	0
7384	Devolved Schools Capital	591	227	160	68	68	68	0
9238	Energy Efficiency Capital Funding	111	99	12	0	0	0	0
7142	Schools General - Fire Safety Modifications (Conditions) 23/24	44	0	44	0	0	0	0
7142	Kingsley - Fire Safety Modifications	115	76	39	0	0	0	0
9516	Kingsley Primary School Fire Stopping Works (Ph 1)	49	0	49	0	0	0	0
9517	Kingsley Primary School Fire Stopping Works (Ph 2)/Kitchen Shutter	93	0	93	0	0	0	0
9508	Horizion School - Heating, Pipework	115	5	110	0	0	0	0
9506	High Tunstall College of Science (North Building) - Electrical Rewire	92	8	84	0	0	0	0
9507	High Tunstall College of Science (Shine Centre) - Electrical Rewire	50	4	46	0	0	0	0
9434	Horizon School - Student Entrance Door Replcmnt	38	14	24	0	0	0	0
9513	Greatham ARP	8	0	8	0	0	0	0
9498	Fens Primary School Refurb Toilets	34	0	34	0	0	0	0
9499	Fens Primary School Heat Emitter Replacement	23	0	23	0	0	0	0
9500	Kingsley Primary School Renew External Paving	16	0	16	0	0	0	0
9510	Lynnfield Primary School Heating, Pipework, Radiator Renewal (Ph 3of3)	65	0	65	0	0	0	0
9501	Rift House Primary School Window Replacement (Ph 2of2)	34	0	34	0	0	0	0
9502	Rift House Primary School Electrical Rewire (Ph 2of4)	73	0	73	0	0	0	0
9503	Throston Primary School Resurfacing and Drainage	21	0	21	0	0	0	0
9504	Throston Primary School Toilet Renewal	50	0	50	0	0	0	0
9515	Throston Primary School Fire Stopping Works (Ph 3of3)	72	0	72	0	0	0	0
9505	High Tunstall College of Science Refurb Changing Rooms	25	0	0	25	0	0	0
9511	Rossmere Children's Centre Fascia, Soffits aand Gutters Replacement	30	0	30	0	0	0	0
9523	Kingsley Primary School New Provision of ARP	1,236	0	486	750	0	0	0
9004	Schools General - Schools Condition - 24/25 onwards	2,027	0	287	580	580	580	0
9004	Schools General - Contingency	100	0	100	0	0	0	0
9004	Schools General - SEMH Funding Pot	730	0	0	730	0	0	0
9004	Schools General - Basic Need	1,680	0	0	1,680	0	0	0
9004	Schools General - High Needs Provision	257	0	0	257	0	0	0
9004	Schools General - Conditions unallocated	142	0	0	142	0	0	0
7731	Early Years	121	81	40	0	0	0	0
7743	Early Years North West Area	127	0	127	0	0	0	0
Children's Services - Total		11,565	2,917	2,531	4,821	648	648	0
External Funding - Government Grants								
	DEVCAP	621	257	160	68	68	68	0
	Special Provision	1,465	0	458	1,007	0	0	0
	School Conditions	3,181	76	1,201	744	580	580	0
	Basic Need	1,716	0	36	1,680	0	0	0
	Other	61	38	0	23	0	0	0
	Department for Education	377	267	110	0	0	0	0
	Sub Total	7,421	638	1,965	3,522	648	648	0
External Funding - Other Grants and Contributions								
	S106 Developer Contributions	127	0	127	0	0	0	0
	Youth Investment Fund	1,351	1,273	78	0	0	0	0
	Other	39	0	0	39	0	0	0
	Sub Total	1,517	1,273	205	39	0	0	0
Internal Funding								
	Revenue Contributions	925	58	123	744	0	0	0
	Earmarked Reserves	5	5	0	0	0	0	0
	Capital Receipts	0	0	0	0	0	0	0
	Prudential Borrowing	1,697	943	238	516	0	0	0
Children's Services - Funding Total		11,565	2,917	2,531	4,821	648	648	0

Capital Programme - Neighbourhoods and Regulatory Services

Code	Scheme Description	Gross Budget	Actual to 31/3/25	Total 25/26 Budget at Q3	26/27 Budget	27/28 Budget	28/29 Budget	Pending Mandate
		£'000		£'000	£'000	£'000	£'000	£'000
S106	Developers Contribution Fund	7,971	265	206	7,500	0	0	0
7466	DSO Vehicle Purchase (updated for revised programme)	10,443	3,528	1,554	3,431	510	1,420	0
9512	Tofts Farm Solar PV	244	0	244	0	0	0	0
9514	Warm Homes Local Grant scheme	2,033	0	13	206	916	898	0
8306	Schools - Kitchen Refurbishment	249	37	30	182	0	0	0
7272	Wheelie Bin Purchase (current year allocation only)	533	173	90	90	90	90	0
7344	NIP - Brougham (was Hindpool Close) Play Area	89	60	29	0	0	0	0
7437	NIP - Sinking Fund	62	0	7	55	0	0	0
7440	NIP - Central Park	120	118	2	0	0	0	0
8996	NIP - Improvements to Parks	277	252	0	25	0	0	0
9147	NIP - CCTV in parks	34	24	10	0	0	0	0
9396	Waste Transfer Station	200	0	0	200	0	0	0
7744	Food Waste Capital Transitional Grant	807	0	807	0	0	0	0
7066	Avondene Accommodation, Church St	102	0	20	82	0	0	0
7220	Private Sector Housing Grants	84	15	49	20	0	0	0
7577	EDM Hartlepool North NDIP Study	50	0	15	35	0	0	0
7900	EDM Hartlepool Marina - North Pier	507	56	250	201	0	0	0
7902	EDM Hartlepool Drainage Schemes	36	6	0	30	0	0	0
9331	EDM Hartlepool Easington Road Storage & Screen Study	60	0	0	60	0	0	0
9332	EDM Hartlepool Bamburgh Rd Surface water drainage study	60	0	0	60	0	0	0
9429	EDM West Park Flood Scheme	883	442	441	0	0	0	0
LTP	LTP Integrated Transport Block - Indicative	9,325	2,192	2,555	1,526	1,526	1,526	0
LTP	LTP Scheduled reconstruction - Indicative	7,168	3,383	1,610	725	725	725	0
LTP/8722	LTP Additional SHM Allocation	461	0	461	0	0	0	0
LTP/8722	LTP Road Resurfacing Fund - Indicative	617	417	200	0	0	0	0
NEW	Claxton Landfill Site - Plant Replacement	150	0	0	150	0	0	0
Neighbourhoods and Regulatory - Total		42,565	10,968	8,593	14,578	3,767	4,659	0

External Funding - Government Grants								
	Changing Places Funding	2	2	0	0	0	0	0
	Department for Business, Energy & Industrial Strategy Grants	807	0	807	0	0	0	0
	Environment Agency	1,387	495	557	335	0	0	0
	Department for Energy Security & Net Zero	2,033	0	13	206	916	898	0
	Sub Total	4,229	497	1,377	541	916	898	0
External Funding - Other Grants and Contributions								
	Thirteen Group Funding	89	60	29	0	0	0	0
	TVCA	17,790	5,967	5,070	2,251	2,251	2,251	0
	S106 Developer Contributions	8,077	368	209	7,500	0	0	0
	Other	147	85	42	20	0	0	0
	Sub Total	26,103	6,480	5,350	9,771	2,251	2,251	0
Internal Funding								
	Revenue Contributions	1,032	312	206	514	0	0	0
	Earmarked Reserves	27	27	0	0	0	0	0
	Capital Receipts	0	0	0	0	0	0	0
	Prudential Borrowing	11,174	3,652	1,660	3,752	600	1,510	0
Neighbourhoods and Regulatory - Funding Total		42,565	10,968	8,593	14,578	3,767	4,659	0

Capital Programme - Housing, Growth and Communities

Code	Scheme Description	Gross Budget	Actual to 31/3/25	Total 25/26 Budget at Q3	26/27 Budget	27/28 Budget	28/29 Budget	Pending Mandate
		£'000		£'000	£'000	£'000	£'000	£'000
7711	Carlton Adventure Centre	502	32	290	180	0	0	0
7811	Summerhill Cycle Hub	533	501	0	32	0	0	0
9212	Relocate Cemetery Office	90	82	8	0	0	0	0
8088	Community Hub South - Kitchen Replacement	47	47	0	0	0	0	0
8088	Community Hub Central - Internal Alterations	34	34	0	0	0	0	0
9232	Playground Equipment - Levelling Up Parks Fund	97	78	0	19	0	0	0
Allot	Other Allotment Schemes	201	135	66	0	0	0	0
8700	Waverley Allotments - Adult Education Scheme	50	50	0	0	0	0	0
8828	Crematorium refurbishment	848	668	180	0	0	0	0
9311	Changing Places - Community Hub Central	76	76	0	0	0	0	0
7716	Seaton Library refurbishment	255	222	33	0	0	0	0
8534	Church Street Townscape Heritage Project	113	33	80	0	0	0	0
7232	Museums Acquisitions	4	2	2	0	0	0	0
7355	CECA IT Infrastructure and Technology	18	18	0	0	0	0	0
9518	Art Gallery Tower Refurbishment	302	0	52	250	0	0	0
NEW	Pride in Place Impact Fund	1,500	0	750	750	0	0	0
NEW	Cremator Capital Maintenance	280	0	0	280	0	0	0
Housing, Growth and Communities - Total		4,950	1,978	1,461	1,511	0	0	0

External Funding - Government Grants								
	Disabled Facilities Grant	55	55	0	0	0	0	0
	Sub Total	55	55	0	0	0	0	0
External Funding - Other Grants and Contributions								
	Sport England Grant	329	329	0	0	0	0	0
	Heritage Fund	113	33	80	0	0	0	0
	Arts Council Library Improvement Fund	200	167	33	0	0	0	0
	Arts Council Museum Estate and Development Fund	302	0	52	250	0	0	0
	TVCA	18	18	0	0	0	0	0
	Developers S106 Contributions	97	56	9	32	0	0	0
	Changing Places	21	21	0	0	0	0	0
	Pride in Place Impact Fund	1,500	0	750	750	0	0	0
	Other	162	73	70	19	0	0	0
	Sub Total	2,742	697	994	1,051	0	0	0
Internal Funding								
	Revenue Contributions	443	433	10	0	0	0	0
	Earmarked Reserves	0	0	0	0	0	0	0
	Capital Receipts	82	82	0	0	0	0	0
	Prudential Borrowing	1,628	711	457	460	0	0	0
Housing, Growth and Communities - Funding Total		4,950	1,978	1,461	1,511	0	0	0

Capital Programme - Corporate

Code	Scheme Description	Gross Budget	Actual to 31/3/25	Total 25/26 Budget at Q3	26/27 Budget	27/28 Budget	28/29 Budget	Pending Mandate
		£'000		£'000	£'000		£'000	
7036	Uncommitted CCF	190	0	0	190	0	0	0
7041	Corporate Planned Unallocated	1,800	0	0	800	500	500	0
7065	Fire Risk Assessments	100	15	20	65	0	0	0
7200	Civic Centre Capital Project	75	13	0	62	0	0	0
8970	Historic Quay Dilapidation Work	97	0	0	97	0	0	0
7771	Borough Hall - Capital Maintenance	161	41	0	120	0	0	0
7728	Exmoor Grove - Replace external windows and doors	50	19	31	0	0	0	0
9329	Crematorium Rewire	85	50	35	0	0	0	0
NEW	Health and Safety Maintenance Fund	643	0	643	0	0	0	0
9400	HSF - 8-9 Church Street	158	111	47	0	0	0	0
9428	HSF - Demolish Rift Hosue Pavillion	25	5	20	0	0	0	0
9426	HSF - Civic Centre Reception Security	37	4	33	0	0	0	0
9425	HSF - Borough Hall Security Fencing	5	0	5	0	0	0	0
9424	HSF - Community Hub Central Replace Lift	50	0	50	0	0	0	0
9427	HSF - Community Hub Central Security Measures	10	0	10	0	0	0	0
9422	HSF - Summerhill Security Measures	35	3	32	0	0	0	0
NEW	Boys Welfare - Replace Water Heater	4	0	4	0	0	0	0
7741	Exmoor Grove - External Access Ramp	39	2	37	0	0	0	0
9519	Borough Hall - Replace Lift	70	0	70	0	0	0	0
9436	Community Recovery	90	70	20	0	0	0	0
CORPORATE- Total		3,724	333	1,057	1,334	500	500	0

External Funding - Government Grants								
	MHCLG	90	70	20	0	0	0	0
	Sub Total	90	70	20	0	0	0	0
External Funding - Other Grants and Contributions				0				
	Other	0	0	0	0	0	0	0
	Sub Total	0	0	0	0	0	0	0
Internal Funding				0				
	Revenue Contributions	1,385	65	329	491	250	250	0
	Earmarked Reserves	1,274	185	708	381	0	0	0
	Capital Receipts	0	0	0	0	0	0	0
	Prudential Borrowing	975	13	0	462	250	250	0
CORPORATE - Funding Total		3,724	333	1,057	1,334	500	500	0

Capital Programme - Housing Revenue Account (HRA)

Code	Scheme Description	Gross Budget	Actual to 31/3/25	Total 25/26 Budget at Q3	26/27 Budget	27/28 Budget	28/29 Budget	Pending Mandate
		£'000		£'000	£'000		£'000	
7182	Empty Properties Phase 3	618	103	0	0	0	515	0
8106	New Build	370	1	0	0	0	369	0
S106	Affordable Housing	913	0	0	225	0	688	0
8799	Major Repairs	510	103	107	100	100	100	0
7726	Resettlement Accommodation	1,306	1,306	0	0	0	0	0
9294	HRA Adaptations	441	41	100	100	100	100	0
NEW	9 Properties	965	0	965	0	0	0	0
NEW	Social Housing Decarbonisation Phase 3	450	0	225	225	0	0	0
	HRA - TOTAL	5,573	1,554	1,397	650	200	1,772	0
	External Funding - Government Grants							
	Homes England Grant	70	70	0	0	0	0	0
	Sub Total	70	70	0	0	0	0	0
	External Funding - Other Grants and Contributions							
	S106 Developer Contributions	1,464	33	518	225	0	688	0
	TVCA Brownfield Housing Fund	1	1	0	0	0	0	0
	TVCA Warm Homes Social Housing Decarbonisation Grant	450	0	225	225	0	0	0
	TVCA Resettlement Grant	632	632	0	0	0	0	0
	Sub Total	2,547	666	743	450	0	688	0
	Internal Funding							
	Revenue Contributions	239	239	0	0	0	0	0
	Earmarked Reserves	951	144	207	200	200	200	0
	Capital Receipts	0	0	0	0	0	0	0
	Prudential Borrowing	1,766	435	447	0	0	884	0
	HRA - TOTAL FUNDING	5,573	1,554	1,397	650	200	1,772	0

ITEM (11)(a)(ii)

**Medium Term Financial Strategy (MTFS)
2026/27 - Statutory Budget and Council
Tax Determination – Report of Finance
and Corporate Affairs Committee**



Report of: Finance and Corporate Affairs Committee

Subject: MEDIUM TERM FINANCIAL STRATEGY (MTFS)
2026/27 - STATUTORY BUDGET AND COUNCIL
TAX DETERMINATION

1. COUNCIL PLAN PRIORITY

Hartlepool will be a place:
- where people live healthier, safe and independent lives. (People)
- that is connected, sustainable, clean and green. (Place)
- that is welcoming with an inclusive and growing economy providing opportunities for all. (Potential)
- with a Council that is ambitious, fit for purpose and reflects the diversity of its community. (Organisation)

2. PURPOSE OF REPORT

2.1 The purpose of this report is:

- (i) To enable Council to consider the budget proposals referred by Finance and Corporate Affairs Committee, including the level of Council Tax and Adult Social Care (ASC) precept for 2026/27;
- (ii) to provide a further update following receipt of the Final 2026/27 Local Government Finance Settlement; and
- (iii) to enable Members to finalise the 2026/27 technical Council Tax calculations, which incorporate Council Tax levels independently set by precepting bodies.

3. BACKGROUND

- 3.1 In accordance with the Constitution, the Finance and Corporate Affairs Committee is required to develop budget proposals for the forthcoming year for consideration by Council. A detailed report on these issues was published for the Finance and Corporate Affairs Committee to consider on 10th February 2026. The report is attached at **Annex A** to enable Members to familiarise themselves with the financial position of the Council and the associated recommendations.
- 3.2 This report provides a further update following the publishing of the Final 2026/27 Local Government Finance Settlement on 9th February 2026.

4. FINAL 2026/27 LOCAL GOVERNMENT FINANCE SETTLEMENT AND IMPACT ON THE COUNCIL

- 4.1 The Final Local Government Finance Settlement for 2026/27 was issued on 9th February 2026 and confirms the final 2026/27 funding position following the provisional settlement issued in December 2025.
- 4.2 The final government funding allocated to Hartlepool for 2026/27 has been adjusted in one area, with an increase of £0.084m in the Homeless, Rough Sleeping and Domestic Abuse grant allocation. This increase is ringfenced to be spent in line with the grant conditions.

5. UPDATE FROM FINANCE AND CORPORATE AFFAIRS COMMITTEE ON 10 FEBRUARY 2026

- 5.1 Members agreed to adjourn the meeting to Monday 16th February 2026. This adjournment is to allow further lobbying regarding the outcome of Final Local Government Finance Settlement to be held in advance of the reconvened meeting.
- 5.2 An addendum to this report will be provided to members in advance of the Council meeting on 19th February 2026. This addendum will include the associated statutory council tax calculations and council budget book for approval.

6. RECOMMENDATIONS

- 6.1 The recommendations to be considered by Council.
- i) Note the contents of the report as provided at Annex A; and
 - ii) Note that following the reconvened meeting of the Finance and Corporate Affairs Committee to be held 16th February 2026, that an addendum to this report will be provided setting out the budget and council tax proposals for full Council to consider on the 19th February 2026.

7. REASON FOR RECOMMENDATIONS

- 7.1 To approve the budget for 2026/27 financial year, including Council Tax increase and to discharge the Council's statutory billing authority responsibilities.

8. CONTACT OFFICERS

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Report of: Director of Finance, IT and Digital

Subject: MEDIUM TERM FINANCIAL PLAN (MTFP)
2026/27 TO 2029/30

Decision Type: Budget and Policy Framework

1. COUNCIL PLAN PRIORITY

Hartlepool will be a place:
- where people live healthier, safe and independent lives. (People)
- that is connected, sustainable, clean and green. (Place)
- that is welcoming with an inclusive and growing economy providing opportunities for all. (Potential)
- a place with a Council that is ambitious, fit for purpose and reflects the diversity of its community. (Organisation)

2. PURPOSE OF REPORT

2.1 The purpose of this report is to provide an update on the impact of the Provisional Local Government Finance Settlement for 2026/27 - 2028/29 and to enable Members to approve the budget proposals to be referred to Council, including the level of council tax for 2026/27.

2.2 This report is published prior to the Final Local Government Finance Settlement. At this stage we are not aware of any amendments from the provisional settlement, but recognise that lobbying by officers, members and the Hartlepool MP continue alongside wider lobbying in the sector for

more funding. Should the final settlement be announced prior to this committee an update will be provided on the day.

3. BACKGROUND

- 3.1 Comprehensive MTFP reports were considered by the Finance and Corporate Affairs Committee at their meetings in June and November 2025. These reports provided progress updates on the government's fair funding review and set out the continued financial challenges facing the Council for 2026/27 and over the MTFP period. This report provides a comprehensive update of all areas impacting the MTFP including the conclusion of the fair funding review process presented to councils through the 3-year Provisional Local Government Finance Settlement, issued by government in late December 2025.
- 3.2 With regards the government's funding reforms, referred to as 'Fair Funding 2.0', these moved through a number of consultation phases throughout 2025, although the process did move more slowly than initially indicated. The slowing of the process was largely due to changes to the Secretary of State for the Ministry for Housing, Culture and Local Government (MHCLG) and the wider ministerial team, alongside significant lobbying on the proposed reforms at all stages from a range of stakeholders.
- 3.3 After consultations during December 2024 to February 2025 and then June to August 2025, the Local Government Finance Policy Statement was published on the 20th November 2025. Without providing local authority level funding allocations the Policy Statement was the first formal publication setting out the government's final position on the funding reforms outcome and approach, and importantly how transition to the reformed system would be carried out.
- 3.4 In addition to the specific local government announcements, following a pre-budget statement to the nation on the 4th November to emphasise the need to responsibly manage the public finances, the Chancellor delivered her Autumn budget on the 26th November 2025. The budget announced a number of tax changes including new business rates charging rates, high value property council tax surcharges and powers for a visitor levy. Although linked to local government activity, this provided minimal or no benefit to directly support council finances.
- 3.5 Alongside tax changes, the Autumn Budget confirmed the National Living Wage (NLW) for age 21 and over will increase from £12.21 an hour (April 2025) to £12.71 per hour from April 2026, a rise of 4.1%. Whilst welcome in the context of tackling low pay, this rise continues to place upwards pressure on social care and other contracted service delivery. With regards to Council employee pay rise forecasts for 2026/27, although the lowest council pay bands are currently above this uplifted NLW rate, the +4% increase is likely to be an additional inflationary factor on council employee pay negotiations for 2026/27.

3.6 The provisional Local Government Finance Settlement, issued on 17th December 2025, provided detailed grant allocations to councils, and other information needed to set their budgets for 2026/27. The settlement was also the first multi-year funding announcement for 8 years, providing allocations for the 3-year period; 2026/27 through to 2028/29. The detail of the settlement and the impact for Hartlepool is provided in the next section.

4. LOCAL GOVERNMENT FUNDING REFORMS – FAIR FUNDING 2.0

4.1 The scale of the reforms to the Local Government Finance system should not be underestimated. The changes arising have resulted in the biggest redistribution of resources across the sector for 25 years. Alongside changes to formulae for funding distribution and data/indices updates it includes, a large consolidation of grants, a full business rates reset, changes to business rates charging levels (multipliers) and a business rates revaluation. The activity over the last 12 months to deliver these reforms has been vast.

4.2 As noted, the first stage consultation on the Funding Reforms was issued by MHCLG in late December 2024 and closed in February 2025. This early stage consultation focused on the underlying principles of local government funding, including; a review of relative needs formulae which calculate the cost of delivering services, review of area cost adjustments which take into account cost variations across the country, views on council tax equalisation adjustments for those areas which have low council tax bases, views on introduction of deprivation indices and also the period of transition to increased or decreased funding allocations.

4.3 Subsequently, in early April 2025, MHCLG published a further consultation paper specifically on, 'Resetting the Business Rates Retention System'. This consultation closed on the 2nd June 2025. The processing of 'resetting' the business rates system results in the rates growth currently sitting with those councils able to grow their business rates receipts being redistributed nationally. The current system was introduced in 2013, and under original plans was due to be reset in 2018. The 2018 reset did not take place and continued to be stalled until now (2026/27). Hartlepool is currently a significant loser from this delay, as we are currently c£1m under our business rates base line position, in part due to the reduced valuation of the Nuclear Power Station, whilst other councils are significantly above the baseline and benefiting from this growth. The consultation does confirm the system will be fully reset in April 2026, although transitional arrangements as part of the wider funding changes are in place. Hartlepool is a net beneficiary of the resetting of the Business Rates system.

4.4 The second round of consultation on the reforms was issued by government in June and closed on 15th August 2025. This second consultation moved on the 'principles' outlined in the first consultation to a greater level of detail on the direction of travel of the reforms, namely;

Relative Need Formulae updates and weightings which drive funding allocations, approach to area cost adjustments which aim to reflect the differing costs of delivery across the country, council tax equalisation approach and lastly and importantly the transition period to the new updated allocations.

- 4.5 Through collaborative working with other local authorities and sector bodies, and engagement with local government funding specialists (Pixel), the information provided through the second round of consultation allowed local authority level, 3-year, funding estimates to begin to be estimated. These estimates were very heavily caveated, but indications were that based on the interpretation of the changes, Hartlepool would be a modest beneficiary, but not to the level a deprived northern borough would have expected from a Fair Funding reform package. In part, the increase in funding in 2025/26, particularly through the introduction of the recovery grant, has resulted in a lower increase for 2026/27. Overall, Fair Funding 2.0 was shaping up to be particularly unfavourable to the North East, with four NE councils estimated to lose government funding (North Tyneside, South Tyneside, Sunderland and Gateshead). Middlesbrough Council were the outlier where fair funding appeared to substantially increase their funding.
- 4.6 Following consultation feedback submissions, ministerial changes and significant and profound lobbying from both expected winners and losers, further changes were expected to the detail following the second consultation round, but not to the fundamental principles and approach of the funding reforms.
- 4.7 The Local Government Finance Policy Statement issued on the 20th November provided some important policy details and decisions on the emerging outcome of the reforms. The expected changes to the Relative Needs Formulae, which allocate national funds to local authorities, were confirmed in line with the consultation, but importantly, changes to the IMD (indices of multiple deprivation) data to be used had been made at this late stage. The IMD factor, which is a significant factor in funding formulae, had been adjusted to take more account of housing costs following significant lobbying by London and other southern councils. This change diverts funding towards areas with higher housing costs. The Policy Statement also confirmed the use of 2022 population data rather than the most recently available 2024 data, which is also unhelpful to a growing borough like Hartlepool.
- 4.8 Given the extent of resources movement between authorities, transition arrangements are in place, which from the simplest perspective see this take place on a 1/3rd basis i.e. 2026/27 1/3rd new funding approach 2/3rd previous funding approach, then 2027/28 2/3rd new funding approach 1/3rd previous funding approach, then 2028/29 is fully based on the new funding approach. From a more technical perspective there are also a number of funding floors which have been introduced which protect the majority of authorities at a cash flat level (after a 5% council tax rise per year). These

protections are fully funded from within the local government finance allocation i.e. the winners have to fund the protections rather than this being funded from a separate funding pot within government.

5. PROVISIONAL LOCAL GOVERNMENT FINANCE SETTLEMENT 2026/27-2028/29

5.1 This settlement statement provided the outcome of the Fair Funding reforms process with the provision of funding allocations for the 3 years 2026/27 to 2028/29. Given the changes resulting from the reforms will be phased in over a 3-year transition period, it is important to consider the position for 2026/27 and the overall impact when transition completes in 2028/29. The 3-year allocations provide certainty for 2026/27 funding and a firm indication for the latter 2 years.

Headline increase in Core Spending Power

5.2 Core Spending Power (CSP) is the Government's measure for comparing all funding 'made available' through the Local Government Finance Settlement. As noted, the funding reforms have led to significant redistribution of resource, but the headline **national increase in CSP for 2026/27 is 5.7%** - a cash increase of £4.189 billion, consisting of the elements detailed in table 1 below.

Table 1 – National Core Spending Power Increases – Funding Sources

Funding Source	2026/27		2027/28		2028/29	
	£'bn	%	£'bn	%	£'bn	%
Council Tax income	£2.552	61%	£2.804	81%	£2.988	84%
Business Rates	£0.702	17%	£0.373	10%	£0.335	8%
Government Grant	£0.639	15%	£0.122	4%	£0.055	2%
Transition Protection (Gov. funded)	£0.296	7%	£0.170	5%	£0.199	6%
Total CSP Increase	£4.189	100%	£3.469	100%	£3.577	100%
National Change in CSP	5.7%		4.3%		4.4%	

5.3 As highlighted by the above table, the Government's total CSP increases assume that all authorities will use the maximum available council tax flexibility of a 4.99% increase in each year. On this basis 61% of the £4.189 billion of the national Core Spending Power increase for 2026/27 will need to come from council tax, and 75% over the total 3-year period. In addition, a further 17% in 2026/27 (13% of total over the 3-year period) comes from business rates, which are also generated locally. This significantly underlines the

increasing reliance of the funding system on local taxation, in particular council tax, to meet the costs of local services. This also illustrates the lack of additional government grant funding provided over the settlement period.

- 5.4 The Hartlepool Borough Council CSP increase position published in the settlement is shown in table 2 below. This increase represents a **7.7% increase in CSP for Hartlepool for 2026/27**. Please note figures in table 2 are shown in millions rather than billions.

Table 2 – Hartlepool’s Core Spending Power Increases – Funding Sources

Funding Source	2026/27		2027/28		2028/29	
	£'m	%	£'m	%	£'m	%
Council Tax income	£3.947	39%	£4.230	48%	£4.533	51%
Business Rates	£2.889	28%	£0.895	10%	£0.805	10%
Government Grant	£3.439	33%	£3.676	42%	£3.484	39%
Transition Protection (Gov. funded)	£0.000	0%	£0.000	0%	£0.000	0%
Total CSP Increase	£10.275	100%	£8.801	100%	£8.822	100%
HBC Change in CSP	7.7%		6.1%		5.8%	

- 5.5 Table 2 shows a £10.275m increase in CSP for 2026/27 for Hartlepool, based on the government’s assumption of a council tax increase of 4.99%. The council tax increase assumption of £3.947m for 2026/27 comprises both a 4.99% rise and also a base growth assumption of 2.1%. The government’s growth assumption is largely in line with local estimates for 2026/27 with only a difference of 27 band D equivalents. For 2027/28 and 2028/29 the government’s optimism of growth significantly exceeds local assumptions at extra properties of 286 and 556 band D equivalents respectively. These differences result in greater CSP increases being presented by government than is likely to be achieved in years 2 and 3 above.
- 5.6 The proportion of the total increase coming from council tax in table 2 is lower than that in table 1, this is due to the comparatively low council tax base in Hartlepool and also the diverting of additional grant funding to Hartlepool through the Fair Funding reform changes.
- 5.7 As noted, the future years position shown in table 2 includes an annual council tax charge rise at 4.99%. The percentages shown, demonstrate the significant and rising reliance on council tax increase to fund service cost increases, which is in line with the national position. Notwithstanding the figures provided by government to show CSP increases in each year, decisions made on

annual council tax increases are made locally, as further discussed later in this report.

- 5.8 For comparison purposes, the Final Local Government Finance Settlement 2025/26 provided Hartlepool with a 9.3% increase in Core Spending Power, against a national average increase of 6.8%. When compared to the figures noted above this demonstrates that the Fair Funding reforms have not delivered the scale of funding change which had widely been anticipated and are providing similar or lower increases than in recent year's settlements.
- 5.9 With regards Hartlepool's respective ranking when compared to other upper tier authorities, Hartlepool's 2025/26 CSP increase of 9.3% was the 34th highest of the 153 upper tier authorities. For 2026/27 HBC's increase of 7.7% is the 37th highest of the 153 upper tier authorities.

Grant Funding within Core Spending Power

Revenue Support Grant

- 5.10 The major government grant component within CSP is the unringfenced, Revenue Support Grant (RSG). The fair funding reforms which included the grants simplification principle, has seen a number of previously separate, specific grants transferred into RSG from 2026/27 (known as 'rolling in').
- 5.11 The grants rolled into RSG include the; social care grant, employers national insurance contribution grant, new homes bonus, market sustainability and improvement fund (MSIF), alongside a large number of smaller value grants. Given some higher value grants i.e. social care grant and MSIF were previously only allocated to upper tier, social care providing authorities, the rolling in of these grants means their previous national quantum are now included within the national RSG total and allocated to both upper and lower tier authorities. It is argued that the updating of the general allocation formulae / RNFs, and their associated control totals, which reflect spending levels by area, means upper tier authorities should not be disadvantaged from this rolling in change.
- 5.12 Overall Hartlepool's RSG allocations over the 3-year settlement period are; £31.635m for 2026/27, £41.886 for 2027/28 and £45.664m for 2028/29. It is important to note the increases over the 3 years, largely represent the transition to the updated funding formulae i.e. without the transition period Hartlepool would have a much higher RSG allocation in 2026/27.

Top Up Grant

- 5.13 The top up grant is intrinsically linked to the retained business rates system. Depending on an authorities' business rates generation they will be a top up or tariff authority. Authorities who generate more business rates than their assessed spending need will pay over business rates to

the central pot and alternatively those less able to generate business rates locally will receive a top up grant from the central business rates pot.

- 5.14 For 2026/27, based on government's assessment of Hartlepool's business rates position, a top up grant of £16.685m has been allocated. Should the government assessment of Hartlepool's retained rates differ from our assessment carried out in January, any difference will be captured by the 100% safety net guarantee for 2026/27. This protection reduces over subsequent years of the settlement period, with the historic norm of 92.5% being reached by 2028/29. Given the likely decommissioning of the power station in the near term, the council will suffer an on-going and significant financial loss until the next baseline reset. No date has been provided for the next baseline reset.

Recovery Grant

- 5.15 As part of the Local Government Finance Policy Statement issued in November, the government unexpectedly committed to continuing the Recovery Grant as a separate grant. This grant was introduced as a first step towards fair funding in 2025/26, but was expected, as indicated at the consultation stages, to be subsumed as part of the reforms package and allocated through general RNFs moving forward. Hartlepool received £3.6m in 2025/26 and will receive the same allocation for 2026/27 through to 2028/29. The Recovery Grant is not additional money in the system, it is a top slice from the existing national quantum of funding available, and will mean less funding will be distributed by the general formula's (RNFs). Notwithstanding this, the continuation of this targeted grant was welcome for Hartlepool, but is certainly controversial. It is likely that ministers have seen the need to retain this to compensate for the reductions in funding many northern councils had seen as part of the wider reforms package and the impacts of late changes i.e. housing adjustments to IMD.

Consolidated Grants

- 5.16 As part of the government simplification principle within the reforms, four themed grant areas have been introduced from 2026/27. These are referred to as consolidated grants and are as follows;
- Children, Families and Youth Grant
 - Homelessness, Rough Sleeping and Domestic Abuse Grant
 - Crisis and Resilience Fund
 - Public Health Grant
- 5.17 All of the above listed grants are ringfenced and as such have grant conditions attached which provide guidance on their use and associated monitoring arrangements. Draft grant conditions have been issued with the provisional settlement, with further information to follow in early 2026.

Children, Families and Youth Grant

- 5.18 The Children, Families and Youth grant will bring together the following funding streams into a single consolidated grant from 2026/27.
- Funding for the Families First Partnership programme. This funding will be in Core Spending Power, consisting of:
 - The Children’s Social Care Prevention Grant;
 - Families First Partnership programme funding (previously Supporting Families); and
 - New funding worth £866 million nationally. This includes £319 million from the Transformation Fund announced at the Spending Review and £547 million confirmed in the Policy Statement.
 - The Holiday, Activities and Food Grant (HAF). This includes funding to support local authority capacity on school-age childcare during school term-time and holidays. This funding is not included in Core Spending Power.
 - The Pupil Premium Plus Post-16 Grant. This funding is not included in Core Spending Power.
- 5.19 The provisional settlement documentation provided the following description of the grants required use. “This ringfenced grant is designed to strengthen local authority support for children and families across England, reducing inequalities and breaking down barriers to opportunity. It underpins key national reforms to children’s social care through the Families First Partnership programme, will help support children and young people from low-income families receive enriching activities and nutritious meals through the school holidays, support access to childcare during term time and the holidays, and improve outcomes for post-16 looked-after children and care leavers. Local authorities will be expected to use this funding to deliver these programmes in line with relevant guidance issued by the Department for Education (DfE)”
- 5.20 Hartlepool’s allocations over the 3 year period are; £2.834m 2026/27, £2.814m 2027/28 and £1.892m 2028/29. The 2026/27 grant level represents a c£0.575m increase from the 2025/26 equivalent grants total. Given the grant is ringfenced to this noted activity it is unable to support the council’s overall budget gap.

Homelessness, Rough Sleeping and Domestic Abuse Grant

- 5.21 The Homelessness, Rough Sleeping and Domestic Abuse Grant will bring together the following funding streams into a single consolidated grant from 2026/27. All funding will be in Core Spending Power.
- The Prevention, Relief and Staffing element of the Homelessness Prevention Grant (HPG);
 - Rough Sleeping Prevention and Recovery Grant (RSPARG) and Rough Sleeping Accommodation Programme (RSAP) funding; and
 - The Domestic Abuse Safe Accommodation Grant. The provisional settlement noted that an additional £19m will be directed to this

area for 2026/27, with allocations advised with the final settlement. Any increase allocated to Hartlepool will continue to be ringfenced for Domestic Abuse Safe Accommodation activity.

- 5.22 The provisional settlement documentation provided the following description of the grants required use. “This ringfenced grant will support local authorities to deliver homelessness and rough sleeping services, as well as meeting their domestic abuse duties. By integrating these grants, local authorities will have greater flexibility to deliver joined-up services according to local need, prevent homelessness and rough sleeping, and ensure support in safe accommodation for victims of domestic abuse and their children. For homelessness and rough sleeping, central and local government should take the opportunity to think differently about how to maximise resources to support people, moving towards a system that prioritises prevention and provides holistic support to people based on assessment of need. The Domestic Abuse funding enables local authorities to fulfil their statutory duties and commission vital support in safe accommodation for those who need to flee their homes.”
- 5.23 Hartlepool’s allocations over the 3-year period are; £1.150m 2026/27, £1.185m 2027/28 and £1.215m 2028/29. The 2026/27 grant level represents a c£0.332m increase from the 2025/26 equivalent grants total. Given the grant is ringfenced to this noted activity it is unable to support the council’s overall budget gap.

Crisis and Resilience Fund

- 5.24 The Crisis and Resilience Fund (CRF) will bring together the following funding streams into a single consolidated grant from 2026/27. This funding will not be in Core Spending Power.
- Household Support Fund; and
 - Discretionary Housing Payments.
- 5.25 The provisional settlement documentation provided the following description of the grants required use. “This ringfenced grant will support local authorities to provide preventative support to communities and assist people when faced with financial crisis. The objective of this fund is both to provide a safety net for those on low incomes who encounter a financial shock, and to invest in building local financial resilience to enable individuals and communities to better deal with crises in the long-term.”
- 5.26 Additional detailed guidance and Management Information Reporting Requirements have been issued by the Department for Work and Pensions regarding the use of this grant. This is currently being considered.
- 5.27 Hartlepool’s allocations over the 3-year period are; £2.357m 2026/27, £2.356m 2027/28 and £2.307m 2028/29. The 2026/27 grant level represents a c£0.375m increase from the 2025/26 equivalent grants total.

Given the grant is ringfenced to this noted activity it is unable to support the council's overall budget gap.

Public Health Grant

- 5.28 From April 2026, funding from the following will be consolidated into the Public Health Grant. This funding will not be in Core Spending Power.
- Drug and Alcohol Treatment and Recovery Improvement Grant (DATRIG). This includes the Rough Sleeping Drug and Alcohol Treatment grant, which will continue to fund existing local authorities receiving this funding component, with a modest expansion to a small number of additional local authorities with high levels of need;
 - Individual Placement and Support Grant (IPSG);
 - Local Stop Smoking Services and Support Grant (LSSSSG); and
 - Swap to Stop scheme.
- 5.29 This grant will continue to be ringfenced for use on public health functions, with further sub-ringfencing within grant allocations for smoking cessation and drug and alcohol treatment.
- 5.30 Hartlepool's allocations over the 3-year period are; £12.069m 2026/27, £12.198m 2027/28 and £12.322m 2028/29. The 2026/27 grant level represents a c£0.166m increase from the 2025/26 equivalent grants total. Given the grant is ringfenced to this noted activity it is unable to support the council's overall budget gap.

Extended Producer Responsibility for Packaging (pEPR)

- 5.31 This grant was introduced from 2025/26 and is managed outside of the settlement process. The grant is to cover the existing costs local authorities incur for managing household packaging waste, provide additional funding for new legal duties, and support much needed investment in the waste and recycling industry.
- 5.32 Hartlepool has received an indicative allocation of £2.573m for the pEPR scheme for 2026/27. The funding level was guaranteed for 2025/26, but with no guarantee of levels of funding for 2026/27 or future years. Therefore, for 2026/27 we will continue to budget at the lower 2025/26 level (£2.187m base level). A £0.200m per year reduction in grant, has also been factored into the MTFP from 2027/28. This reduction is consistent with the scheme's aim of reducing the level of packaging in the waste stream.

Dedicated Schools Grant

- 5.33 The Government have confirmed a national increase in funding for the core schools budget of £1.8 billion, increasing per pupil funding in real terms. £0.7 billion of this funding is being directed towards supporting the special educational needs and disabilities (SEND) system. Following receipt of

individual authority allocations in late December 2025, it has been confirmed that Hartlepool's DSG will increase by £2.457m for 2026/27.

- 5.34 As reported through the quarterly budget monitoring updates to Committee, Hartlepool, like many other local authorities across the country, has an inherent deficit within its DSG budget, largely driven by shortfalls on High Needs block funding. The Council have engaged with the Education and Skills Funding Agency (ESFA) to discuss a DSG Management Plan, which sets out an approach to stabilise the position, with the aim of reaching a sustainable budget position in the medium term.
- 5.35 The reported quarter 2 position to Committee in November 2025 indicated a forecast £4.670m overspend for 2025/26. Given this significant level of shortfall, the additional funding provided by government for 2026/27, although welcome, is unlikely to be sufficient to mitigate the position in the short term.
- 5.36 The Dedicated Schools Grant (DSG) deficit, which due to temporary accounting regulations currently in place, can be classified as an unusable reserve. This temporary accounting arrangement is scheduled to end in March 2028. The government have committed to support the meeting of accrued DSG deficit's but commented within the Provisional Settlement that, "whilst we do not expect local authorities to plan on the basis of having to meet deficits in full, any future support will not be unlimited. Councils must continue to work to keep deficits as low as possible."
- 5.37 Further details on the Government plans for the SEND system are to be announced as part of a Schools White Paper. This critical white paper was due to be published in autumn 2025, but the Government has now delayed publication until sometime in 2026.

6. BUDGET PRESSURES

- 6.1 The medium term financial plan is constantly evolving. The current forecasts for 2026/27 budget pressures informing the budget proposals, and also the pressures into the medium term are documented in this section. The table below provides estimates of these pressures, which have increased by £0.884m for 2026/27, since the November report. A number of these changes are in response to additional cost pressures arising during 2025/26, as well as additional pressures forecast from April 2026, including increases linked to ringfenced grant activity.

	2026/27 £m	2027/28 £m	2028/29 £m	2029/30 £m	Total £m
Spending Pressures					
Pay and Price Inflation	7.202	4.661	5.931	4.538	22.332
Children's Social Care	6.500	3.000	2.070	1.612	13.182
Waste Disposal	0.500	0.000	0.000	0.500	1.000
Capital Financing	0.050	0.500	0.500	0.500	1.550
Supported Accommodation	0.250	0.255	0.260	0.265	1.030
Total Spending Pressures	14.502	8.416	8.761	7.415	39.095

Pay and Price - Pay Award Inflation

- 6.2 The national pay award for 2025/26 was agreed during July. The agreed pay increase from April 2025 was 3.2% for all employees.
- 6.3 The 2026/27 pay claim from the Trade Union Side of the National Joint Council (NJC) was submitted in December 2025. The pay claim element was for an increase of at least £3,000 or 10% (whichever is the greater) across all NJC spinal column points. A response from the Employer side of the NJC is yet to be issued.
- 6.4 A pay award at the above level is significantly beyond prior years and is unaffordable within the current budget position. 2026/27 and the wider MTFP continues to include a pay award assumption of 3% for each year, which is in line with recent years awards. Should a pay award beyond this be ultimately agreed this will have a detrimental impact on the budget and MTFP position and in-year action will need to be taken to rebalance the budget.

Pay and Price - General Price Inflation

- 6.5 General inflation has reduced since the autumn period but remains elevated, with the Consumer Price Index recording 3.4% for December, which was a slight rise from November's 3.2%. Concerningly this remains well above the government's target rate of 2%. The Bank of England continue to set their policy approach to support their objective of reducing inflation to their 2% target.
- 6.6 Inflation forecasts and general economic stability continue to be heavily caveated around the potentially volatile impacts of geopolitical factors, namely conflict in the Middle East, Ukraine/Russia conflict and the United States' foreign and economic policy.
- 6.7 Given funding limitations and a focus on generating efficiencies, general inflation has been allowed for at 2% per year over the MTFP period. Bespoke inflation is included for contracts where specific inflation indices are used.

Pay and Price – Adult Social Care Contracts

- 6.8 The net budget for packages of care is approximately £35m and annual increases to care home fees and non-residential care e.g. home care rates, etc. 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.
- 6.9 The Autumn Budget confirmed the National Living Wage for age 21 and over will increase from £12.21 an hour (April 2025) to £12.71 per hour from April 2026, a rise of 4.1%. The increase is slightly below early

planning assumptions, therefore the budget requirement forecast has been adjusted accordingly. The increases to the non-pay inflation elements of the budget are largely informed by the prevailing inflation measures.

- 6.10 A prudent, but reasonable assessment of fee uplifts has been included within the MTFP, however, this remains an area of risk until uplifts are agreed with providers.
- 6.11 In the medium term there is a potential further cost pressure arising from the Fair Pay Agreement for Social Care Workers. There remain significant ongoing recruitment and skills shortages in the social care sector which could place upward pressure on future salary levels, particularly in adult social care. The Government recently consulted on options to implement a Fair Pay Agreement for Social Care Workers. The impact of such a change would not be implemented until April 2028. With regards funding to support this, within the Policy Statement the Government announced that “We are already taking significant steps towards improving services. The Spending Review allows for an increase of over £4 billion of funding available for adult social care in 2028/29 compared to 2025/26. This includes council tax and baseline funding levels, as well as additional grant funding provided at the Spending Review. This extra £4 billion funding includes £500 million in 2028/29 to support implementation of the Fair Pay Agreement.” Hartlepool’s share of this £500m is broadly £1.000m and is included in 2028/29 grant income forecasts, this is matched by a corresponding £1.000m forecast spend pressure in the same year.

Pay and Price - Income

- 6.12 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 2026/27 by a minimum of 5%. Areas with existing income budget shortfalls will still action an increase in charges in April 2026 where appropriate, but prudently the overall income budget target will not be increased, allowing the price increase to address the existing gap.
- 6.13 Following a comprehensive review of fees and charges undertaken during the current year, increased fees and charges will be introduced in a number of areas, and further details are set out within the proposed savings later in the report.

Energy Inflation

- 6.14 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.

- 6.15 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.
- 6.16 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.
- 6.17 Although energy community pricing is forecast to fall during 2026/27, non-energy costs are forecast to rise at a higher rate. These non-energy related cost rises are driven by the Transmission Network Use of System (TNUoS) tariff. The TNUoS tariff is supporting network upgrades to accommodate increased renewable generation assets and support greater national energy security. 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

- 6.18 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 demand and inflationary pressures, these include; increasing numbers of children requiring external placements, independent foster agency (IFA) placements, Connected Care and Special Guardianship allowance payments as well as the associated staffing demands.
- 6.19 As part of the 2025/26 budget setting process additional specific resources of £6.9m were provided into Children's Social Care, given their unprecedented budget pressures. This is in addition to normal inflationary budget increases. Notwithstanding this significant budget increase the 2025/26 projected outturn for Children's Social Care, as at quarter 3, is estimating an overspend of £6.680m.
- 6.20 The main reasons for the overspend continue to be the increase in the numbers and costs of children requiring external residential placements and the associated impacts on social work staffing workloads and budgets. This reflects the increasing complexity of children's needs and the significant fees being charged by the external care market. Overall Hartlepool's Children in Care numbers per 10,000 children, continue to be above regional and national averages. This is because of a number of factors including high levels of poverty.

- 6.21 Children in our care (CiOC) numbers have continued to rise during 2025/26, with the respective CiOC numbers at the end of each quarter totalling; 345 for quarter 1, 352 for quarter 2 and up to 365 for quarter 3. Inherent within this is an increase in placements required to be made with external providers in order to meet the individual needs of the young people coming into care.
- 6.22 With regard to external provider placement pressures, the current top 25 highest cost external placements are costing in the region of £235,000 per week, which equates to c£12.2m per year. The average cost of the current 50 external placements is £7,310 per week, with a range of £3,900 to £21,189 per week. There are currently 7 placements in excess of £10,000 per week which is as a result of the complexities of their bespoke needs.
- 6.23 As noted above, CiOC numbers are beginning to increase. Within the overall numbers quoted for CiOC it is important to note that this is not a fixed cohort of children. Some children positively return home, and some children move into special guardianship order (SGO) or child arrangement order (CAO) arrangements. These SGO and CAO arrangements, although no longer classified as within our care, still retain financial support payments from the Council. This is another area of budget pressure.
- 6.24 To mitigate these cost pressures, 6 key strands of activity are progressing and are being overseen by Senior Management. The activity strands are focused around: edge of care support, prevention and early help, fostering and placement planning, reunification, care leavers support and corporate parenting.
- 6.25 The Council opened a new in-house children's home in January 2026, with the possibility of further new homes in the future. In addition, the council is working with a local charity in their development of a children's home in the town, providing more local, lower cost capacity. Both developments will help reduce our exposure to the significant fees being charged by the external care market.
- 6.26 The Council is considering its own local fostering drive and is also included in a large-scale regional recruitment initiative. In addition, increased staffing resources have been provided during 2025/26. The Edge of Care team are providing support to families who are at risk of having children enter the care system. Increased respite support provision has also commenced.
- 6.27 Local case reviews continue to be carried out to ensure care is being provided at the correct level, whilst also challenging costs. Further activity to maximise partner contributions to care costs where appropriate has commenced. Regionally, in the medium-term, partnership working is being considered to try and address care market failures. Following successful pilots elsewhere in the country supported by the Department for

Education, a project to consider a North East Regional Care Cooperative has commenced. Further work and consideration of this partnership will be carried out over the coming months.

- 6.28 From national government's perspective 'The Families First Partnership (FFP) Programme' was published during 2025. These changes centre around implementing: "Family Help and multi-agency child protection reforms' that make greater use of Family Group Decision Making. The roll-out of these reforms represents a significant step forward in delivering on the government's mission to provide children with the best start in life and break down barriers to opportunity." The approach to meeting the reform requirements, to commence during 2026/27, continues to be developed.
- 6.29 The Medium Term Financial Plan (MTFP) provides for £6.5m of budget growth for Children's Services in 2026/27. This is a significant increase on the growth provided for in the June MTFP update (£1.5m) but reflects the current year forecast spending. The service has been tasked with reducing the overspend, and a £3.0m savings proposal is outlined later in the report. However, it should be noted that the budget for 2026/27 does not allow for any growth in Children in our Care numbers or additional cost associated with complexity. As such both the savings requirement and potential for further growth in numbers poses a real risk to the robustness of the estimate for 2026/27.
- 6.30 Reflecting the significant and sustained pressures, future years growth is included in the MTFP, but with a downward trajectory reflecting the anticipation that local, regional and national initiatives may gain positive traction over the period.

Waste Disposal

- 6.31 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 nearing completion, with an anticipated go-live date during 2029. The Council has benefitted from very competitive gate fees with the current incumbent, however, these fees stepped up significantly for 2025/26 as part of the contract extension arrangement.
- 6.32 The financial due diligence work continues in relation to the above. A forecast further budget impact of £1m remains within the MTFP period, and the latest understanding of the phasing is incorporated in the latest budget plans.

Capital Financing

- 6.33 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 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 MTFP, whilst also recognising increased

borrowing costs, a capital financing pressure of £0.500m per annum is included from 2027/28.

Supported Accommodation

- 6.34 Supported, “exempt” accommodation provides invaluable support for a range of vulnerable people. Whilst we work with a number of supported accommodation providers, many of which make a positive contribution, there is a growing concern nationally regarding some of the less scrupulous providers. In such accommodation, rental levels tend to be far in excess of private sector Local Housing Allowance Rates, merely by such providers meeting a loose regulatory requirement to provide a level of ‘care, support or supervision’ to claimants. The government is currently reviewing such provision and intends to implement a number of measures to address some of the wider concerns in this area.
- 6.35 Supported, exempt accommodation schemes place an increased burden on Councils as many are delivered by charities or voluntary CIC organisations and not Registered Providers. As such councils can only claim partial subsidy for the Housing Benefit that they pay out. This means that Councils can incur significant costs, and, at times, funding substandard schemes which they do not need or require.
- 6.36 The subsidy loss for the Council was £0.076m in 2021/22. This increased to £0.282m in 2024/25 and is forecast to increase substantially in 2025/26 and over the MTFP period. In order to address this pressure, £0.250m is included in each year of the period, but will be kept under review, in conjunction with any legislative changes.

Cyber Security

- 6.37 The growing sophistication and frequency of cyberattacks pose a significant threat to public sector organisations, including councils. Whilst the council has robust arrangements in this regard, the increasing threat requires ever growing diligence amongst our employees, but also on-going and likely increased investment in counter measures. A review of our cyber security arrangements has been carried out and investment in further software and systems is recommended. Provision of £0.200m in 2026/27 and a further £0.200m from 2027/28 is included in the MTFP budget planning.

Ringfenced Grants – Expenditure Pressures

- 6.38 As noted in sections 5.16 to 5.30 there have been increased allocations for the 4 new consolidated grants to be introduced from 2026/27. Given these grants are ringfenced to activity areas and also linked to specific monitoring arrangements, an expenditure pressure has been introduced to

the budget, equivalent to the grant increase, whilst requirements are fully understood and delivery plans firmed up.

Other Budget Pressure Adjustments

- 6.39 Other budget pressure changes provided for in 2026/27 include an increase in the concessionary travel budget given in-year budget pressures (£0.100m) and the removal of the profit share income budget associated with the Middleton Grange shopping centre given current and forecast lettings performance (£0.196m). A further pressure of £1.0m has been included from 2028/29 for the impact of the Emissions Trading Scheme (ETS). The scheme is a mechanism for managing the financial cost of reducing carbon emissions between different sectors of the economy. From January 2028, the ETS will be extended to include emissions from the incineration of waste.

7. LOCAL FUNDING

Business Rates

- 7.1 Under the Business Rates Retention system, the Council retains locally 49% of Business Rate income. At present, pending the completion of the NNDR1 government return, the business rates funding position included within the budget is the government's own assessment of rates, conducted as part of the business rates system changes and reset, and wider funding reforms.
- 7.2 From 2026/27, new powers introducing differing multiplier charging rates for particular sectors will allow permanently lower charges for those businesses in the Retail Hospitality and Leisure (RHL) sector. For 2025/26 the RHL sector has received relief of 40%, which was a reduction from the 75% relief provided in the 2024/25 financial year. The multiplier rates are likely to lead to higher charges for RHL when compared to 2025/26.
- 7.3 As noted in section 4, the business rates system has been reset and a new baseline rates position assessed for 2026/27. This provides a position from April 2026 whereby Hartlepool's funding from the government is predicated on an up-to-date view of actual business rates being received, which is welcomed.
- 7.4 As is always the case, the impact of inflationary cost pressures and reduced consumer demand in the wider economy may impact on the collectability of business rates.
- 7.5 Given the vast array of changes impacting this area, the government has temporarily bolstered the safety net provisions. In 2026/27 the safety net has been increased to 100%, reducing to 97% for 2027/28 and reverting back to its previous level of 92.5% for 2028/29.

- 7.6 As a result of the changes to the safety net level, the council has been protected in 2026/27 from any losses in business rates that may occur, including the recent news that Venator Materials UK has entered administration. However, from 2027/28 the council will be exposed to this risk. The near term decommissioning of the Power Station will lead to a financial loss for the Council until the next Baseline reset. Future years budgets have been reviewed to reflect this position.

Council Tax

- 7.7 The Council has a track record of council tax base growth in recent years. Whilst new build growth 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 SPD claimants, which positively impacts the base position, as will the accuracy exercise planned for council tax support claimants.
- 7.8 Whilst housing growth continues to be positive, there remains a risk that the wider economic environment i.e. interest rates and cost of living, 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 council tax base of 520 equivalent Band D properties is now allowed for in the budget model for 2026/27. Growth in future years is expected to be more limited.
- 7.9 The Local Government Finance Policy Statement confirmed that the council tax referendum limits for council tax increases would be unchanged for 2026/27 at 3% for core council tax and 2% for the adult social care precept, and that the government's published Core Spending Power increases are predicated on Council's utilising this full 5% rise.
- 7.10 With regard to the non-Council elements of the council tax charge, the individual 'precepting bodies' are responsible for setting their own council tax levels in accordance with the specific government council tax referendum principles and which meet their own budgetary requirements. The Government has set the following 2026/27 council tax referendum limits for these bodies:

Type of Body	Referendum Limit 2026/27
Police and Crime Commissioner	Band D increase of £15
Fire and Rescue Authorities	Band D increase of £5
Town and Parish Councils	No limits have been set

- 7.11 The forecast 2025/26 year-end position on the council tax account indicates a surplus of £0.350m of which £0.292m relates to the Council's share. This £0.292m surplus will be distributed to the council in 2026/27, therefore has been included in the updated budget position as a one-off benefit in 2026/27.

8. RESERVES

- 8.1 The Council holds reserves for a variety of purposes, including those allocated for known commitments and risks, including capital schemes, the MTFP budget position and our insurance fund. 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.
- 8.2 Reserves have fallen over recent years and are forecast to fall further over the short to medium term to concerningly low levels. Details of reserves held and forecast reductions can be found at **Appendix C**.
- 8.3 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, combined with local decisions on not to increase council tax by the amount allowable, has necessitated we do so. The Budget Support Fund is available to smooth the budget deficits, where possible, but must be used in a planned and carefully managed way.
- 8.4 For 2025/26 £1.000m 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. Given the in-year (2025/26) forecast overspend the Budget Support Fund is now at a concerningly low level.
- 8.5 Proposals for the utilisation of reserves to support the 2026/27 budget are detailed in section 9.

9. STRATEGY FOR BALANCING THE BUDGET POSITION

- 9.1 Based on the position outlined in sections 3 to 8 above, which importantly includes the final impact of Fair Funding 2.0, the consolidated budget position to be addressed over the 4-year MTFP period is shown below. The gap to be addressed for 2026/27 is £8.012m, with a 4-year gap to 2029/30 of £22.421m.
- 9.2 The gap for 2026/27 is lower than that reported in November given the impact of increased government funding. The 2026/27 and MTFP forecast gap, shown in the table below has been fully updated for the 3-year provisional local government finance settlement funding announcements.
- 9.3 The position presented has both uncertainty and risk regarding spending pressures over the MTFP period. **Appendix A** provides greater detail of the main risks and associated sensitivities impacting on the position.

	2026/27 £m	2027/28 £m	2028/29 £m	2029/30 £m	Total £m
Spending Pressures					
Pay and Price Inflation	7.202	4.661	5.931	4.538	22.332
Children's Social Care	6.500	3.000	2.070	1.612	13.182
Waste Disposal	0.500	0.000	0.000	0.500	1.000
Capital Financing	0.050	0.500	0.500	0.500	1.550
Supported Accommodation	0.250	0.255	0.260	0.265	1.030
Total Spending Pressures	14.502	8.416	8.761	7.415	39.095
Government Grant Changes	(4.302)	(3.592)	(3.359)	(0.983)	(12.236)
Gap Before Local Funding	10.200	4.824	5.402	6.432	26.859
Business Rates	(2.567)	0.106	0.195	(0.774)	(3.040)
Council Tax - Base Increase	(1.083)	(0.656)	(0.689)	(0.723)	(3.152)
Collection Fund (Surplus)/Deficit	0.462	0.292	0.000	0.000	0.754
2025/2026 Use of Budget Support Fund (reversal)	1.000	0.000	0.000	0.000	1.000
Bottom Line Gap to be addressed (before Council Tax increases and Savings)	8.012	4.566	4.908	4.935	22.421
Cumulative Gap	8.012	12.578	17.486	22.421	

Transformation and Efficiency Strategy

- 9.4 A strategic and transformational approach to addressing the MTFP funding shortfall and wider financial planning has been adopted. The Council's Transformation Plan which was approved by the Finance and Policy Committee in June 2024 outlined the approach and principles to achieve the Target Operating Model for the council.
- 9.5 Transformation activity is progressing in a number of areas, and the council's approach to transformation has recently been strengthened through the establishment of a Transformation and Efficiency Board, chaired by the Council Leader, to drive forward change.
- 9.6 Activity is progressing well on these schemes, to deliver service improvement and savings that will be realised over the MTFP period. The latest activity within the Transformation Programme, and target budget savings impacting the 2026/27 and future years budget planning is provided at **Appendix B**. The budget savings total £4.117m in 2026/27, with an additional £383,000 of saving reflected in the council tax base position. Future years savings within current plans total £0.275m and are profiled in 2027/28.
- 9.7 The transformation and savings proposals set out below were referred to the December 2025 meeting of the relevant policy committees. In the main, feedback from the Committees on the proposed savings was positive and all savings were approved by the respective committees. **Appendix D** provides the responses received from each committee.

- 9.8 The MTFP position, taking into account the savings associated with the Transformation Programme is shown in the table below. This shows a 'Gap to be addressed before council tax increase and use of reserves of £3.740m for 2026/27 rising to £17.874m over the MTFP period.

	2026/27 £m	2027/28 £m	2028/29 £m	2029/30 £m	Total £m
Gap to be Addressed	8.012	4.566	4.908	4.935	22.421
Previously Approved Savings	(0.155)	0.000	0.000	0.000	(0.155)
Transformation Savings *	(4.117)	(0.275)	0.000	0.000	(4.392)
Bottom Line Gap to be Addressed (after Savings but before Council Tax increases and use of reserves)	3.740	4.291	4.908	4.935	17.874
Cumulative Gap	3.740	8.031	12.939	17.874	

* Transformation Savings total adjusted downwards by £0.383m given element achieved through council tax base improvements.

Council Tax Increases

- 9.9 As noted above, the Government's referendum limit for council tax for 2026/27 has remained unchanged at 3% for core council tax and 2% for the Adult Social Care Precept, resulting in an effective maximum increase of 4.99%. A greater rise would require a referendum or Government consent. This referendum principle does not apply to six councils that are seeing the greatest reduction in funding under Fair Funding 2.0 reforms. In addition to the six, a number of other councils across the country are seeking permission for a rise beyond the referendum limit.
- 9.10 As previously reported, the lead Labour Group, pledged a Council Tax freeze for 2026/27. At the time of writing the previous report to Finance and Corporate Affairs committee in November 2025, based on the position presented, it was deemed unlikely that the budget could be signed off as robust, given the requirement to utilise significant reserves, cognisant of the risk around budget volatility and increasing cost pressures facing the council. The increased and sustained nature of social care pressures are a particular concern, including that no growth beyond current years pressures is allowed for in 2026/27, whilst additionally a challenging savings target has been set. To achieve a robust budget the following were noted as being required:
- Significant increased government funding from Fair Funding 2.0 and the Local Government Finance Settlement beyond those already forecast; and/or
 - Further significant budget savings or cuts to budgets are agreed; and/or
 - Council Tax is increased in 2026/27.
- 9.11 The government funding position has now been set out through the provisional settlement with limited increases in funding received beyond those already

forecast. As a consequence, unless there is a material change in the final settlement, to achieve a robust budget, the following are required:

- Further significant budget savings or cuts to budgets are agreed; and/or
- Council Tax is increased in 2026/27.

- 9.12 Given the significant budget gap for 2026/27 and also over the medium-term period, the most prudent and financially sustainable approach will be to utilise the full council tax increase allowable of 4.99% for 2026/27, and this is strongly recommended for members consideration.
- 9.13 Should further savings or budget cuts be agreed, this would enable the recommendation on council tax to be reviewed.
- 9.14 A rise of 4.99% is in line with the government assumptions which have been included with the published Core Spending Power increases within the Settlement. The draft impact of a 4.99% increase for 2026/27 per household is set out in the table below.

Band	Household %	2025/26 Council Tax (inc ASC) £	2026/27 Council Tax (inc ASC) * £	Annual Increase £	Weekly Increase £
A	51	1,388.96	1,458.27	69.31	1.33
B	17	1,620.45	1,701.31	80.86	1.56
C	15	1,851.95	1,944.36	92.41	1.78
D	8	2,083.44	2,187.40	103.96	2.00
E	5	2,546.43	2,673.49	127.06	2.44
F	2	3,009.41	3,159.58	150.17	2.89
G	1	3,472.40	3,645.67	173.27	3.33
H	1	4,166.88	4,374.80	207.92	4.00

- 9.15 A total council tax rise of 4.99% for 2026/27 would generate additional on-going revenue of £2.804m to support the 2026/27 budget gap of £3.740m. This position would then necessitate the use of £0.936m of reserves in 2026/27 to balance the budget position.
- 9.16 For context, should the council enter into Exceptional Financial Support (EFS) to address future budget gaps, and be required to borrow £2.804m (the equivalent to 4.99% council tax increase), the borrowing costs to Hartlepool over the 20-year period of the loan would be £4.739m based on current interest rates.
- 9.17 By not increasing council tax, this income is lost year on year. Over a 20-year period this would equate to over £56m of lost revenue. To borrow such a sum would cost substantially more than a council tax rise, at a cost of c£3.5m per year.

Use of Reserves

- 9.18 As detailed at 9.15, for 2026/27 after the inclusion of a 4.99% total council tax increase, use of £0.936m of reserves will be needed to balance the budget. As previously noted, the use of one-off reserves to balance the on-going revenue budget position is not a sustainable approach. Whilst it shunts 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 use these reserves to invest and innovate in order to generate recurring savings. However, the budget position and transition period linked to Fair Funding Reforms, coupled with increased spend pressures is necessitating the use of some reserves for 2026/27.
- 9.19 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 continues to be proposed that any use of reserves should be done on a prudent basis over the period so that within the current MTFP cycle the budget is fully sustainable.
- 9.20 The Council's Budget Support Fund (BSF) helps to smooth the budget position over the MTFP period as well as meeting any one off costs associated with budget reductions e.g. redundancies. The table below shows the current BSF reserve balance at the end of 2024/25 and forecast usage to balance the 2025/26 budget. It should be noted that the forecast balance is lower than the forecast gap in 2026/27 alone, without a council tax increase.

	BSF £m
Balance as at 31 March 2025	7.672
Less	
Use of reserve to support 2025/26 budget (approved)	(1.000)
Use of reserve to support 2025/26 forecast overspend	(2.450)
Use of reserve to support 2026/27 budget	(0.936)
Forecast uncommitted balance over the period	3.286

- 9.21 Following the earmarking of funding as outlined in the table above, including the meeting of the in-year forecast overspend and 2026/27 budget gap requirement there is only £3.286m remaining in the Budget Support Fund. At this stage, this forecast position will ensure an uncommitted balance of at least £3m is held to mitigate risks, consistent with the advice set out in the Section 25 statement later in the report.
- 9.22 As noted in section 8 and shown in detail in **Appendix C**, the council's reserves levels are forecast to dramatically reduce over the short to medium term. There are instances where ringfenced reserves may temporarily improve the position, linked to advanced payment of government grant funding, but these funds are very much linked to specific projects or initiatives. They do temporarily support cashflow. In quite contrary fashion the council is currently

cash-flowing the Dedicated Schools Grant (DSG) deficit, which due to temporary accounting regulations currently in place, can be classified as an unusable reserve. As noted earlier in the report, this temporary accounting arrangement is scheduled to end in March 2028. The government have committed to support the meeting of this accrued DSG deficit but commented within the Provisional Settlement that “Whilst we do not expect local authorities to plan on the basis of having to meet deficits in full, any future support will not be unlimited. Councils must continue to work to keep deficits as low as possible.”

OVERALL POSITION

- 10.1 After taking account of the proposed council tax rise, 2026/27 savings proposals and Transformation & Efficiency Strategy, the budget position for 2026/27 is balanced with the utilisation of £0.936m of reserves. The wider MTFP is forecasting a £5.579m shortfall over the period, and will therefore require maximum council tax increases, on-going transformation as well as a strong financial grip to bring back into balance.

	2026/27 £m	2027/28 £m	2028/29 £m	2029/30 £m	Total £m
Gap to be Addressed	3.740	4.291	4.908	4.935	17.874
Council Tax and Adult Social Care Precept increase	(2.804)	(2.977)	(3.160)	(3.354)	(12.295)
Use of Reserves 2026/27	(0.936)	0.936	0.000	0.000	0.000
Bottom Line Gap to be Addressed	0.000	2.250	1.748	1.581	5.579
Cumulative Gap	0.000	2.250	3.998	5.579	

- 10.2 As noted throughout the report and within Risk Assessment provided at **Appendix A**, the nature of this medium term time period provides scope for movements, both positive and negative, away from the forecasts provided within this report. However, the risk that the position deteriorates over the period remains a real concern.

11. CONSULTATION

- 11.1 Savings proposals as detailed in November MTFP report, and provided at **Appendix B**, were referred to individual Policy Committees. Feedback from the Committees is included as **Appendix D**.
- 11.2 Consultation with local business representatives and Trades Unions was carried out during January. With the feedback from these groups noted at **Appendix E**.
- 11.3 Public consultation on the 2026/27 budget and MTFP has been carried out. The survey for completion was open between 4th December 2025 and 4th January 2026 and was available both online through the Council’s consultation and engagement platform, Your Say, and in paper format in the Council’s main

community accessible buildings. The survey was viewed 681 times during this period, and 262 responses were submitted.

- 11.4 From the responses received it is clear that the consultees understood the financial difficulties experienced by the Council and the need for the council to invest in service transformation.
- 11.5 Where responses were received, respondents had mixed views on the savings proposals, with broadly a 1/3rd split between those who agree with the plans, those who didn't agree and those who were unsure.
- 11.6 With regards increasing council tax, where responses were received, the majority supported a council tax freeze for 2026/27. When the question regarding the council tax rise was broadened to include the circumstance where it was needed to balance the budget, those in favour of a freeze reduced, but a majority still supported a freeze.
- 11.7 Details of the survey responses are included at **Appendix F**.

12. ROBUSTNESS ADVICE

- 12.1 Section 25 of the Local Government 2003 includes the statutory duty in respect of the budget report to Council:

'the Chief Financial Officer (CFO) of the authority must report to it on the following matters: a) the robustness of the estimates made for the purposes of the calculations; and b) the adequacy of the proposed financial reserves.'

- 12.2 The council is required to take this report into account when making its decision in relation to setting the annual budget and setting the council tax. Section 26 of the same Act places an onus on the CFO to ensure the Council has established a minimum level of reserves to be retained to cover any unforeseen demands that could not be reasonably defined within finalising the proposed budget.
- 12.3 **Appendix G** has been prepared by the Director of Finance, IT and Digital as the Council's CFO to fulfil this duty and gives the required advice relating to the 2026/27 financial year including a consideration of the budget proposal as a whole and all the financial risks facing the Council.
- 12.4 Members are legally required to 'have regard' to this robustness advice and should carefully consider the statement when finalising the budget and making decisions on council tax, cognisant of their fiduciary duty to:
 - Act in best interest of taxpayers, ensuring financial sustainability and value for money; and
 - Make decisions that protect statutory services and avoid exposing the Council to financial risk.

12.5 In summary it outlines that the estimates are robust, and we hold adequate reserves, subject to maintaining at least £3m in the Budget Support Fund. However, the report points to key concerns around the risks facing the budget, and the level of reserves held. As such the report provides further, non statutory advice, concluding:

“For clarity given the budget position and risks faced, any decision to use reserves to balance the budget in lieu of a council tax increase is not an approach that I would recommend. Doing so defers a budget gap and difficult decisions for one year, whilst further weakening the financial resilience of the Council, at a time of increased risks.

My professional advice as the Councils S151 officer is that the Council should seek the maximum council tax increase permissible i.e. 4.99%.”

13. LEGAL CONSIDERATIONS

13.1 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 details proposals to achieve this legal requirement; and
- 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 are detailed in section 12 and **Appendix G**.

13.2 The statutory council tax calculations are an administrative responsibility that the Council as the statutory ‘billing authority’ is required to undertake once the Council has set its own council tax level and the individual precepting authorities have set their own Council Tax levels. These statutory council tax calculations will be presented to Council on 19th February 2026. This report will also provide any required updates arising from the Final Local Government Finance Settlement which is expected to be received during February.

14. SINGLE IMPACT ASSESSMENT

14.1 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.

- 14.2 Members are aware from previous MTFP 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.
- 14.3 The impact of the savings proposals has been considered and only one proposal is assessed to have a negative impact, adult social care fees and charges. Public consultation on this proposal has commenced and will close on 9th February 2026. This consultation will further inform the full Single Impact Assessment.

15. OTHER CONSIDERATIONS

RISK IMPLICATIONS	These are outlined in Appendix A.
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.
LEGAL CONSIDERATIONS	As set out in the main body of the report
SINGLE IMPACT ASSESSMENT	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.

16. RECOMMENDATIONS

16.1 It is recommended that Members refer the following proposals to Council on 19th February 2026:

- i) Note the contents of the report, including that the Core Spending Power increase is based on governments assumption that Councils will increase council tax to the maximum allowable;
- ii) Recommend to Council an increase to core council tax of 2.99% and an adult social care precept increase of 2%, thus providing £2.804m of recurring funding;
- iii) Recommend to Council the overall budget proposal set out in the report and appendices, including savings of £4.500m and use of one-off reserves of £0.936m for 2026/27;
- iv) Recommend to Council that any capital receipts generated be used to fund revenue costs associated with delivery of the Transformation Programme, as required;
- v) Note the robustness advice detailed in section 12 of the report; and
- vi) Note that any changes arising from the completion of the NNDR1 and receipt of the Final Local Government Finance Settlement will be adjusted in the 2026/27 budget.

16.2 It is further recommended that members note that the detailed 2026/27 statutory council tax calculations incorporating the council tax levels set by individual precepting authorities i.e. the Police and Crime Commissioner, Cleveland Fire Authority and individual parish councils, will be referred to Council on 19 February 2026.

17. REASON FOR RECOMMENDATIONS

17.1 To enable the Finance and Corporate Affairs Committee to approve the proposals to be referred to Council to enable the budget and council tax level, including ASC precept, for 2026/27 to be set.

18. BACKGROUND PAPERS

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

- Finance and Corporate Affairs Committee - Medium Term Financial Strategy 2026/27 to 2029/30 – 23rd June 2025.
- Finance and Corporate Affairs Committee - Medium Term Financial Strategy 2026/27 to 2029/30 – 24th November 2025.

19. CONTACT OFFICER

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Sign Off:-

Chief Executive	Date: 28/01/2026
Director of Finance, IT and Digital	Date: 27/01/2026
Director of Legal, Governance and HR	Date: 28/01/2026

Appendix A

MTFP 2026/27 to 2029/30 - Risk Assessment

Key risks or issues that may impact on assumptions made and impact 2026/27 and future years.

Issue and Risk	Potential Impact			
	2026/27	2027/28	2028/29	2029/30
<p>Pay Awards - Provision included in the MTFP based on 3% per annum. No contingency is built in for a higher award should inflation and wage growth remain elevated. Each 1% of pay award in excess of the MTFS provision costs c£675k.</p>	Negative	Neutral	Neutral	Neutral
<p>Level of Reserves - the MTFP is currently based on using £1.0m of one-off reserves to set the 2025/26 budget and a further £3.260m to fund the forecast overspend. This in effect utilises a significant proportion of the Budget Support Fund. Revenue reserves overall are forecast to drop from £38m to £13m 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 very limited reserves available should an in year overspend occur. The above position is not inclusive of the significant Dedicated Schools Grant deficit risk.</p>	Negative	Negative	Negative	Negative
<p>Childrens Social Care Pressures The updated MTFP includes for £12.6m of budget growth over the period.</p> <p>It is assumed that the Childrens Social care transformation plans will stabilise and contain pressures and deliver £3m of cost reductions.</p> <p>At present there is no guarantee that this will be achieved. Cost volatility in this area is extreme with a single child potentially adding £0.500m+ to the budget pressure.</p> <p>This is considered a significant risk and will be kept under constant review</p>	Negative	Negative	Negative	Negative

as part of the budget setting process and on-going monitoring.				
<p>Government Funding –</p> <p>Funding for the 3-year settlement Fair Funding provides funding increases at lower levels than were anticipated from the reforms.</p> <p>To compound this shortfall, the move to updated allocation levels is phased over a 3-year transition period.</p> <p>Some consolidated grants reduce in year 3 of the settlement period.</p> <p>Funding for year 4 of the MTFP period is uncertain.</p>	Neutral	Neutral	Neutral	Neutral
<p>Inflationary Pressures - the risk around inflationary pressures remain, with current CPI inflation of 3.4% being well above the government's 2% target. Specific risks remain around the likes of energy prices and certain goods, given the geopolitical environment.</p>	Negative	Negative	Negative	Negative
<p>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 2026, 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.</p>	Negative	Negative	Negative	Negative
<p>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 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.</p>	Negative	Negative	Negative	Negative

<p>Council Tax Base - the base position has seen a significant increase in 2026/27 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 the remaining years but increased housebuilding could lead to an improved position.</p>	Neutral	Positive	Positive	Positive
<p>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.</p>	Neutral	Negative	Negative	Negative
<p>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 £3.343m was recorded in 2024/25 leading to an overall deficit of £4.932 at the end of 2024/25. At this point the statutory override is scheduled to end on 31st March 2028. The forecast position at this point is an overspend in the region of £14m. The government confirmed that support will be provided to meet the accrued deficit, but this is unlikely to be in full. If the required council contribution is in excess of the level affordable from reserves, at the time, use of the council's general revenue reserve or seeking of Exceptional Financial Support may be required.</p>	Negative	Negative	Negative	Negative

Service	Committee	Transformation Theme	Overall Description	MTFS Savings 2026/27 £	MTFS Savings 2027/28 £	Single Impact Assessment (Positive / Neutral / Negative)	Impact Assessment Notes
Adult Social Care	Adult Services and Public Health	Demand Management - Adult Social Care Sustainability	<p>Financial Assessment reviews</p> <p>To ensure income for the council is appropriately collected by reviewing financial assessments, introducing online financial assessment, accelerating financial contribution and increasing debt recovery.</p> <p>a. Financial Assessment Review - update budgets to reflect the full year impact of the work undertaken during 2025/26 to review financial assessments.</p> <p>b. On-line financial assessments – implement a system module and further review processes to enable quicker indicative assessments, reducing waiting times and thus enabling income collection to commence earlier.</p> <p>c. Debt collection – embed the new strengthened debt collection arrangements via the councils central income and debt management team to sensitively maximise income collection and recovery.</p> <p>This is the full year impact of the proposal introduced in 2025/26 and already approved as part of 2025/26 budget setting.</p>	250,000	0	N/A	<p>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.</p> <p>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 people with social care needs.</p>
Adult Social Care	Adult Services and Public Health	Demand Management - Adult Social Care Sustainability	<p>Use of technology to reduce ASC costs</p> <p>This project seeks to introduce integrated digital solutions for people with social care needs which will help to manage increasing demand for services and increased costs for people with high levels of need.</p> <p>Using in home digital solutions will allow adult social care teams to better understand the person's behaviours and needs, assess the effectiveness of commissioned support plans and, where appropriate, safely reduce in-person care hours through digital prompts, remote engagement and continuous monitoring.</p> <p>The digital approach will be implemented on a phased approach with the following cohorts:</p> <ul style="list-style-type: none"> - Working-age adults with high-cost support packages - Older people in the Discharge to Assess service - People requiring unscheduled reviews due to a change in need <p>The project is supported through transformation funding.</p>	250,000	150,000	Positive	<p>The anticipated impact is positive as people with social care needs (primarily working age adults with disabilities and older people) will have another option available that allows them to be supported to live independently in their own homes. This will be based on a comprehensive assessment of needs and remote monitoring. The technology can be adapted to meet the particular communication needs of the person and the support that's offered can be less intrusive than more traditional ways of meeting needs.</p>
Adult Social Care	Adult Services and Public Health	Council Wide Fees and Charges Review	<p>Fees and Charges</p> <p>This project aims to generate additional charging opportunities for the council and will look to develop and embed a more strategic and policy lead approach to charging. Following an externally commissioned review, utilising national and regional benchmarking information, the following amendments are proposed in relation to financial assessment for Adult Social Care contributions.</p> <ul style="list-style-type: none"> - Implementing an automatic inflationary uplift in line with published pension and benefit rises and CPI for private income. This means that all contributions will be increased automatically from April each year rather than the current approach which applies an increase at the point of a person's annual review. This is a more equitable approach and will reduce transactions once implemented. - Remove the disregard for the overnight element of higher rate Attendance Allowance / Personal Independence Payment. This element of benefit is currently disregarded in the financial assessment process in Hartlepool, but other Councils have implemented a different approach which increases income. The fees and charges work estimated that 559 Hartlepool residents would be affected and that their contribution would increase by up to £36.50 per week. - Introduce fees for people for whom the Council acts as appointee to offset the costs of providing this service, which is very labour intensive. It is proposed that there will be two levels of fee based on light touch assessment (£55 per month) and comprehensive assessment (£85 per month). These fees are in line with the major national provider of appointeeship support Money Care, a social enterprise working with over 100 Local Authorities and a national partner of the Department of Work and Pensions. Aligning fees in this way ensures a fair and equitable approach and avoids a two-tier fee structure. The proposed future model is that Money Care will support the majority of Hartlepool residents who require an appointee, with the Council maintaining an offer for some existing people and those who have particularly complex needs. A pilot directing new referrals to Money Care will commence in January 2026 prior to the changes being implemented from April 2026 to test the approach and ensure a smooth transition. <p>Introducing these changes will require the Adult Social Care Contribution Policy 'Determining Your Financial Contribution' to be updated and published following the budget consultation.</p>	164,000	64,000	Negative	<p>The proposals will potentially have a negative impact on people with assessed needs for care and support, particularly older people and working age adults with disabilities some of whom will have to contribute more to the cost of their support. The impact will be mitigated by ensuring that the updated Contribution Policy is compliant with the Care Act 2014 and Charging Regulations, the continued use of means testing to assess contributions and adherence to the Minimum Income Guarantee which ensures individuals are left with a minimum income after charges.</p> <p>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 people with social care needs.</p>
Waste Services	Neighbourhood and Regulatory Services	Demand Management - Waste and Recycling	<p>Recycling increase and contamination reduction</p> <p>Continue the existing project to review options with the aim of increasing recycling rates and associated income and reducing residual waste costs and associated costs. This project will dovetail with the new food waste collection requirements. The project will progress in 2026/27 to more targeted marketing campaigns and on the ground interventions.</p>	100,000	TBC	N/A	<p>The proposals focus on compliance arrangements to reduce contamination. They are not a change in policy or recycling requirement.</p>

Service	Committee	Transformation Theme	Overall Description	MTFS Savings 2026/27 £	MTFS Savings 2027/28 £	Single Impact Assessment (Positive / Neutral / Negative)	Impact Assessment Notes
Childrens Social Care	Childrens Services	Demand Management - Childrens Social Care Sufficiency	<p>Service wide demand and cost mitigations</p> <p>A comprehensive strategy is being implemented to reduce the number of children entering care, whilst ensuring that those already in care continue to receive the support they need to return home where it is safe to do so. Several key initiatives are being progressed across the service, each designed to address different aspects of the care system, the implementation of social care reforms, and importantly continue to improve outcomes for children and families. Each activity will report into the recently established Children's Services Transformation Board.</p> <p>As an initial priority, the service will conduct a review of the most costly placements to evaluate their effectiveness, ensure best value, and explore alternatives where appropriate. Other activities are listed below.</p> <p>a. Early Help for Families – Review and strengthen our early help offer to families to identify needs early and offer help before issues become more serious and escalate to statutory intervention. The early help team will co-ordinate support across different multi-agency partners to ensure joined-up, consistent support, ensuring children and families get the right support at the right time rather than having less handover points across the system.</p> <p>b. Edge of Care – Provision of an edge of care team to support young people (including those with additional needs) who are at risk of family breakdown, leading to a reduction in the number of children coming into care. The council is also working with Tees Valley councils and the ICB (NHS) to support edge of care for children and young people with complex needs.</p> <p>c. Fostering and Placement Planning – Development of a refreshed model for in-house foster carers that increases capacity of foster placements, including those with higher level of need/complexity. This will be accompanied with a local fostering drive. We will also ensure we fairly maximise Health Funding where appropriate and where the child has a defined health need.</p> <p>d. Reunification – Children have a fundamental right to live with, and be cared for, by their parents so long as this is in a safe environment. Reunification pathways help families to come back together safely and sustainably giving children a chance to grow up with their parents, while making sure that the issues then led to separation do not reoccur. Reunification supports a child's sense of belonging, identity and continuity. Children's services will form a dedicated reunification team to support parents in developing the skills and stability necessary to safely care for their children. This initiative aims to facilitate the return of children from external and foster care placements to their family homes, ensuring reunification is both safe and sustainable.</p> <p>e. Updated Education Strategy and SEND Reforms – Having a clear education strategy that covers SEND reforms within children's services is essential for ensuring that every child, including those with additional needs, receives the right support, at the right time, in the right setting. The Government's SEND and Alternative Provision (AP) reforms require local authorities to continue to: improve consistency, quality and accountability in SEND support; develop local inclusion plans; strengthen early identification and intervention; and ensure better outcomes in preparation for adulthood. An updated education strategy that aligns with these reforms will enable HBC children's services to be fully prepared for any changes reforms may bring, compliant with our statutory duties and strategically align with national policy.</p> <p>To this end, the service will update our education strategy which ensures our local offer is well co-ordinated, transparent and accessible to families, emphasising joint working between education, health, social care and families. Our strategy will promote: inclusive practice in mainstream schools; early help and graduated response models; alternative provision supporting reintegration; and one which champions the wider early intervention and prevention ethos.</p> <p>The updated strategy will be included as part of a suite of documents, including our SEND sufficiency strategy; SEND and alternative provision capital strategy, to improve planning and ensure sufficient local provision for those with SEND and those who are looked after.</p> <p>f. Care leavers support – The care leavers pathway is being refreshed to ensure young people transitioning out of care are supported to become confident and independent adults. The Transitions Operational Group (TOG) has been established to review and enhance our approach to pathway planning. This includes preparing care leavers for adulthood by promoting stable relationships, health and wellbeing, raising aspirations, and providing tailored support to access housing, employment, education and training opportunities. A review of a housing pathway for care leavers will be undertaken.</p> <p>g. Workforce demand and capacity mapping</p> <p>h. Corporate Parenting – Enhance understanding and accountability amongst all corporate parents regarding their roles and statutory responsibilities, to ensure the effective implementation of the seven corporate parenting principles (Children and Social Work Act 2017).</p> <p>The target of £3m is based on the current pressures identified at Quarter 1 of the financial year 2025/26, and the growth allowed within the MTFP. The proposals should be viewed as an all-encompassing package, rather than individual proposals with individual targets.</p> <p>The project will be supported by transformation funding. In order to ensure progress prior to April 2026, some financial commitments have already been entered into.</p>	3,000,000	0	Positive	The proposals focus on prevention, placement breakdown and reunification to best support the needs of children within Hartlepool. It is therefore anticipated that implementation of these strands will, on balance, have a greater positive impact than any potential negative impact which may occur in a minority of individual cases.

Savings Proposals

11(a)(ii) - Annex A - Appendix B

Service	Committee	Transformation Theme	Overall Description	MTFS Savings 2026/27 £	MTFS Savings 2027/28 £	Single Impact Assessment (Positive / Neutral / Negative)	Impact Assessment Notes
Cross Cutting	All	Council Wide Fees and Charges Review	<p>Fees and Charges</p> <p>This project aims to generate additional charging opportunities for the council and will look to develop and embed a more strategic and policy lead approach to charging. Following an externally commissioned review, utilising national and regional benchmarking information, amendments are proposed in a number of areas to bring the council more into line with charges elsewhere, or to more closely recover costs. In order to limit the impact, some of these proposals cover a number of years. All proposals are individually less than £100,000 in impact and as such are progressing through normal officer delegations. Where service area have operated at a shortfall on existing income targets, savings will be retained by the service to mitigate the existing shortfalls.</p> <p>Furthermore, fees and charges generally will increase at 5% for the 2026/27 financial year.</p>	213,000	61,000	Neutral	The bulk of the changes to fees and charges relate to charges for third party organisations rather than individual residents. Where changes do relate to individual residents, they are predominantly discretionary services.
ICT / Council Wide	Finance and Corporate Affairs	Digital Reviews	<p>Application Insight and Rationalisation</p> <p>A review of all software applications in operation within the councils IT estate and their usage to reduce unnecessary applications, avoid future costs, improve procurement and ensure we fully utilise the data held on these systems to inform decision making.</p> <p>The project will be supported by transformation funding. In order to ensure progress prior to April 2026, some financial commitments have already been entered into.</p>	63,000	0	N/A	There is no anticipated impact, since this is a review of internal software applications.
Accounts Payable / Council Wide	Finance and Corporate Affairs	Digital Reviews	<p>Invoice Payment Processing</p> <p>This project will improve the efficiency of invoice processing for the Council and generate a new income stream associated with amendments to supplier invoice payment terms. This will be achieved through:</p> <p>a) E-invoicing - introduction of e-invoicing software to capture information direct from suppliers e-invoices. The software is integrated direct to Integra, the Council's Financial Management System (FMS) and will improve the speed and accuracy of this current manual process and generate staff time savings.</p> <p>b) Early Payment Solution (EPS) – introduction of an EPS into the current payments process. The EPS allows suppliers to be paid more quickly in return for a discount on the invoice value being paid. This discount generates an income stream into the Council.</p> <p>Both solutions are widely used by public bodies across the country and councils in the Tees Valley and wider North east region.</p> <p>The project will be supported by transformation funding. In order to ensure progress prior to April 2026, some financial commitments have already been entered into.</p>	77,000	0	N/A	There is no anticipated impact. The saving arises from more efficient processes and a discount on invoices paid early.
				4,117,000	275,000		

Savings Proposals shown as an Increase in the Council Tax Base

Revenues and Benefits	Finance and Corporate Affairs	Revenues Collection and Maximisation	<p>Council Tax Support accuracy reviews</p> <p>The Council has the highest proportion of working age Council Tax support claimants in the country. 14.4% of the working age population receive support, compared to the Tees Valley average of 11.0% and the England average of 5.8%. We have the 16th highest claimant count for pensioners with 22.6% receiving support compared to the Tees Valley average of 17.8% and the England average of 12.2%. The cost of the scheme is £13.5m a year for the council. The reasons for the high numbers include deprivation, but also our approach to promoting the scheme to those eligible.</p> <p>The rest fraud prevention work on Single Person discount has seen the reduction of over 1,000 claimants (circa 5%). During this work, a number of cases were identified that pointed to fraud or out of date eligibility for council tax support.</p> <p>As such it is proposed to undertake ongoing accuracy and eligibility review of our council tax support caseload.</p> <p>It is envisaged that this could achieve a 3% reduction in costs of the scheme, equally to £400,000 of annual on-going savings. To do so, two additional benefit officers will be employed and data intelligence will be utilised to prioritise and reviews, thus reducing the net target to £325,000.</p> <p>It should be noted that those residents remaining on Housing Benefit within Hartlepool, are subject to similar checks instigated by the DWP on Housing Benefit eligibility.</p> <p>Anti-fraud work on our Single Person discount caseload will continue, and this will support an increase in the target to £375,000.</p> <p>In order to secure progress prior to April 2026, recruitment has commenced for the two additional posts.</p>	383,000	0	N/A	Accuracy reviews are intended to ensure the right support is provided to those eligible to receive it. Whilst the exercise will result in a reduction in the number of people receiving Council Tax support and/or a reduction in the value of support, it will ensure the appropriate amount of support is provided, and that fraud and error is reduced.
				4,500,000	275,000		

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

11(a)(ii) Annex A - APPENDIX C

	Forecast Use of Reserves					Forecast Balance as at 31st March 2029 £'000
	Balance as at 31st March 2025	2025/26	2026/27	2027/28	2028/29	
	£'000	£'000	£'000	£'000	£'000	
Revenue Reserve	5,500	0	0	0	0	5,500
Budget Support Fund (BSF)	7,672	(3,450)	(936)	0	0	3,286
BSF - Transformation Costs	2,000	0	(500)	(750)	(750)	0
BSF - Invest to Save	1,400	(700)	(350)	0	0	350
Revenue Grants Unapplied	9,107	(5,530)	(1,763)	(1,089)	(625)	100
Business Rates Risk Reserve	0	0	0	0	0	0
Insurance Fund	2,902	(65)	(65)	(65)	0	2,707
Children in our Care Reserve	1,230	(200)	(1,030)	0	0	0
BSF - Treasury Management Income	650	(650)	0	0	0	0
Asset Management Reserve	840	(840)	0	0	0	0
Earmarked Revenue Reserves under £1m	7,038	(2,655)	(2,774)	(846)	(378)	385
Revenue Reserves Total	38,339	(14,090)	(7,418)	(2,750)	(1,753)	12,328
Earmarked Capital Reserves	6,303	(5,940)	(363)	0	0	0
Capital Grants Unapplied	11,680	(5,993)	(5,687)	0	0	0
TOTAL	56,322	(26,023)	(13,468)	(2,750)	(1,753)	12,328
Cumulative Balance		30,299	16,831	14,081	12,328	
DSG Reserve	(4,932)	(4,866)	(6,995)	(5,254)	0	(22,047)
DSG Reserve Cumulative Balance		(9,798)	(16,793)	(22,047)	(22,047)	

Feedback on Savings Proposals from Policy Committees

Children's Services Committee – 2nd December 2025

Issue(s) for consideration

The Director of Finance, IT and Digital presented the report which reiterated that all councils across the country were facing significant financial challenges owing to the impact of inflation and demand on services along with historic inadequate increases in government funding to meet these challenges. As outlined at Finance and Corporate Affairs Committee in November, the Council had a forecast budget deficit of £8.572m for 2026/27 and £20.591m over the full MTFP period. It was noted that the main driver of this deficit was acute financial pressures within children's social care.

As in previous years, addressing the deficit needed to be managed through budget saving actions which sought to minimise the impact on services where possible and limited use of reserves. With regard to savings, proposals totalling £4.117m had been given for 2026/27. Pending publication of the local government finance settlement in late December, the acceptance of the proposals for 2026/27 would leave a remaining budget gap of £4.300m. This would mean the budget could not be signed off as robust without the significant increased Government funding, further significant budget cuts or savings and/or an increase in Council Tax for 2026/27. It was also noted that these figures were based on spending on children's social care remaining static.

Details of the individual savings were provided in Appendix B. £3.000m savings had been identified through the implementation of a comprehensive strategy aimed at reducing the number of children entering in care, while enabling those in care to return to their families as soon as is safe to do so. Several key initiatives were being progressed and the most costly placements would be reviewed and alternatives explored where possible.

Elected Members discussed the savings proposal. They were pleased with the proposals to reform the system both in terms of savings that might be achieved but also in terms of better outcomes for those children and young people in the care system. The Chair highlighted that this was not just a task for the Children's Services team and would involve parents, schools, outside agencies and the wider community. She urged everyone to get involved and share any ideas on how savings and improvements could be made.

Decision

The savings proposals detailed in Appendix B relating to the services within this Committee portfolio were approved to be reported back to Finance and Corporate Affairs Committee on 19 January 2026.

Adult Services and Public Health Committee – 4th December 2025

Issue(s) for consideration

The Executive Director of Adult Services and Public Health presented the report which reiterated that all councils across the country were facing significant financial challenges owing to the impact of inflation and demand on services along with historic inadequate increases in government funding to meet these challenges. As outlined at Finance and Corporate Affairs Committee in November, the Council had a forecast budget deficit of £8.572m for 2026/27 and £20.591m over the full MTFP period.

As in previous years, addressing the deficit needed to be managed through budget saving actions which sought to minimise the impact on services where possible and limited use of reserves. With regard to savings, proposals totalling £4.117m had been proposed for 2026/27. Pending publication of the local government finance settlement in late December, the acceptance of the proposals for 2026/27 would leave a remaining budget gap of £4.300m. This would mean the budget could not be signed off as robust without significant increased Government funding, further significant budget cuts or savings and/or an increase in Council Tax for 2026/27.

An outline of individual departmental savings was provided with further details provided in Appendix B. The proposals within the remit of this Committee related to sustainability and fees and charges.

Financial Assessment Reviews 2026/27 - £250,000

Use of technology to reduce ASC costs 2026/27 - £250,000 and 2027/28 - £150,000

Fees and Charges Review 2026/27 - £164,000 and 2027/28 - £64,000

A discussion ensued on the proposed savings and some concerns were raised in relation to the increase in fees and charges. The Executive Director of Adult Services and Public Health acknowledged that identifying potential savings had been very challenging especially given that significant savings had been delivered in previous years. Members were reassured that the fees and charges referred to in the report were part of a means tested financial assessment process with support provided to individuals to maximise benefits during the financial assessment process. The Executive Director of Adult Services and Public Health added that the biggest element of the savings from fees and charges related to appointeeships. This concerns people who receive adult social care support but do not have the capacity, or any family members, to manage their finances. Assistance to manage their finances was provided by Adult Social Care and the proposed administrative fee would partly offset the associated costs. It was proposed that fees were matched with those charged by Money Care to ensure an equitable approach.

The Chair recognised that there was an ageing population and that more people were likely to need support in the form of appointeeships in the future, meaning that the current approach is unsustainable. The Chair also commented that the use of new technology had the potential to be a game changer delivering improved outcomes for people and supporting them to be independent for longer. It was

recognised that not everyone would wish to pursue this option and noted that the use of new technology would be optional.

Decision

The savings proposals detailed in Appendix B relating to the services within this Committee portfolio were approved to be reported back to Finance and Corporate Affairs Committee on 19 January 2026.

Neighbourhood and Regulatory Services Committee – 8th December 2025

Issue(s) for consideration

The Director of Neighbourhoods and Regulatory Services presented the report which reiterated that all councils across the country were facing significant financial challenges owing to the impact of inflation and demand on services along with historic inadequate increases in government funding to meet these challenges. As outlined at Finance and Corporate Affairs Committee in November, the Council had a forecast budget deficit of £8.572m for 2026/27 and £20.591m over the full MTFP period.

As in previous years, addressing the deficit needed to be managed through budget saving actions which sought to minimise the impact on services where possible and limited use of reserves. With regard to savings, proposals totalling £4.117m had been proposed for 2026/27. Pending publication of the local government finance settlement in late December, the acceptance of the proposals for 2026/27 would leave a remaining budget gap of £4.300m. This would mean the budget could not be signed off as robust without significant increased Government funding, further significant budget cuts or savings and/or an increase in Council Tax for 2026/27.

An outline of individual departmental savings was provided with further details included within Appendix B. The proposals within the remit of this Committee related to waste and recycling and fees and charges.

A Member raised concerns at the financial challenges the local authority was currently facing and the savings being required from the Neighbourhoods and Regulatory Services Department given the provision of the most public facing services from this Department. In addition, clarification was sought on the length of time recycling had been undertaken across Hartlepool and how recycling was not being maximised across the Borough. The Director of Neighbourhoods and Regulatory Services confirmed that an additional officer would be recruited to raise awareness and maximise the benefits of the food waste collection. A Member highlighted that recycling and managing waste collection was about future sustainability.

In response to a request for the clarification, the Vice Chair confirmed that the financial settlement from the Government should be announced around 17 December.

Decision

The savings proposals detailed in Appendix B relating to the services within this Committee portfolio were approved to be reported back to Finance and Corporate Affairs Committee on 19 January 2026.

Housing Growth and Communities Committee – 9th December 2025

Issue(s) for consideration by the Committee

The Chief Executive presented the report which reiterated that all councils across the country were facing significant financial challenges owing to the impact of inflation and demand on services along with historic inadequate increases in government funding to meet these challenges. As outlined at Finance and Corporate Affairs Committee in November, the Council had a forecast budget deficit of £8.572m for 2026/27 and £20.591m over the full MTFP period. The Chief Executive added that the Government announcement of the financial settlement for local authorities should be made around mid-December and it would be a 3-year settlement which would enable to forward plan the provision of services.

As in previous years, addressing the deficit needed to be managed through budget saving actions which sought to minimise the impact on services where possible and limited use of reserves. With regard to savings, proposals totalling £4.117m had been proposed for 2026/27. Pending publication of the local government finance settlement in late December, the acceptance of the proposals for 2026/27 would leave a remaining budget gap of £4.300m. This would mean the budget could not be signed off as robust without significant increased Government funding, further significant budget cuts or savings and/or an increase in Council Tax for 2026/27.

An outline of individual departmental savings was provided with further details provided in Appendix B. The proposals within the remit of this Committee related to fees and charges.

A Member raised a number of concerns at the potential of a budget that was not signed off as robust. This included the possible increase in costs from Children's Services in relation to children in care. The Chief Executive recognised that costs for children in care were significant and added that it was a challenging task but all departments had savings targets, including Children's Services. In response to a request for clarification, the Chief Executive outlined the process for out of area placements that were placed within Hartlepool and it was highlighted that discussions were ongoing with the Local Government Association with regard to this. Members were informed that a significant amount of work was being undertaken on early help, prevention and intervention and changes were being identified although it was important to acknowledge that these changes will not happen over night. The Chair added that housing was an important part of supporting people who were disadvantaged and it was imperative that appropriate solutions were in place. A Member highlighted that Government funding was being provided to support early

intervention and preventative work and it was important to get the deployment of these resources effectively.

The Chief Executive concluded by requesting that any additional comments be forwarded before the Christmas break to ensure they were included within the budgetary considerations going forward.

Decision

The savings proposals detailed in Appendix B relating to the services within this Committee portfolio were approved to be reported back to Finance and Corporate Affairs Committee on 19 January 2026.

Business Group - Budget Consultation Meeting

5th January 2026, Hartlepool Borough Council.

Attendees – James Magog - Director of Finance IT and Digital of HBC

Denise McGuckin - Managing Director of HBC

Pamela Hargreaves - Leader of HBC

Darren Hankey - Northeast Chamber of Commerce Chair

Simon Corbett - Hartlepool Economic Business Forum Chair

Minutes of Meeting

The Director of Finance, IT and Digital Services, the Chief Executive, and the Leader of the Council met with representatives of the Business Community on 5th January 2026. A number of slides were presented setting out the latest budget position for HBC. A discussion took place around one of the highest outgoings for HBC being childrens social care costs and how we can look at additional savings without it having a detrimental effect on the service.

The MTFP was presented and a breakdown of savings proposals discussed. The MTFP reflected that presented to Finance and Corporate Affairs Committee in November 2025, with 2026/2027 being the year that will be the most challenging. The outcome of the provisional local government finance settlement was discussed and how this impacted on the Council's budget position. A budget gap was still envisaged and discussions would be held to propose a way forward to balance the budget. Further lobbying of government would also take place to seek to secure additional funding. The representatives asked questions which were answered by the Director, Chief Executive and leader of the Council.

Discussion took place around all the positive developments in the borough and the effect these are and will have. All agreed there were exciting times ahead for Hartlepool.

The representatives recognised the budget challenges ahead, understand the financial position facing the Council and recognise that difficult decisions may be required to balance the budget.

Trade Unions - Budget Consultation Meeting

7th January 2026, Civic Centre.

Attendees:

Denise McGuckin, Chief Executive, HBC
James Magog, Director of Finance IT and Digital Services, HBC
Councillor Pam Hargreaves, Leader, HBC
Councillor Martin Scarborough, Deputy Leader, HBC
Edwin Jeffries, UNISON
Craig Thompson, GMB Union
Stephen Williams, HJTUC
Simon Wilson, UNISON
Tracy Harvey, United the Union

Apologies:

Tony Watson, UNISON
Anthony Kelly, UNISON
Julie Seymour, UNISON

Minutes of Meeting

On Wednesday, January 7th, the Director of Finance, IT and Digital Services, the Chief Executive, and the Leader of the Council held a meeting with Trade Union Representatives. During the meeting, JM presented several slides that explained HBC's current budget situation, recapped on Fair Funding and detailed the costs associated with children's social care.

JM presented the MTFP, outlining a funding shortfall for 2026/2027 and proposed savings. The plan was shown to the Finance and Corporate Affairs Committee in November 2025. The outcome of the provisional local government finance settlement was discussed and how this impacted on the Council's budget position. A budget gap was still envisaged and discussions would be held to propose a way forward to balance the budget. Further lobbying of government would also take place to seek to secure additional funding.

The Director and the Chief Executive responded to several questions from the Trade Union representatives including concerns around recruitment freezing and increasing council tax.

The Trade Union representatives acknowledge the forthcoming challenges and are aware of the present financial pressures and difficulties.

Public Budget Consultation

Summary Report

Background

Following presentation of the budget proposals to Finance and Corporate Affairs Committee on 26th November 2025 a public consultation exercise was launched and ran until 4th January 2026. A survey was available both online through the Council's consultation and engagement platform, Your Say, and in paper format in the Council's main community accessible buildings.

Summary of Engagement

681 visits - There were a total of 681 visits to the online consultation page. Of those visits...

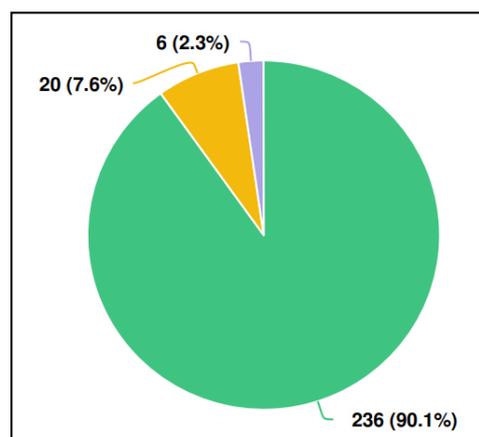
262 responses – In total there were 262 completed responses to the public survey. This gives a conversation rate of 38% i.e. just over one third of visitors to the page went on to complete the survey.

All of the responses where received via the online survey, no paper responses were received.

Results

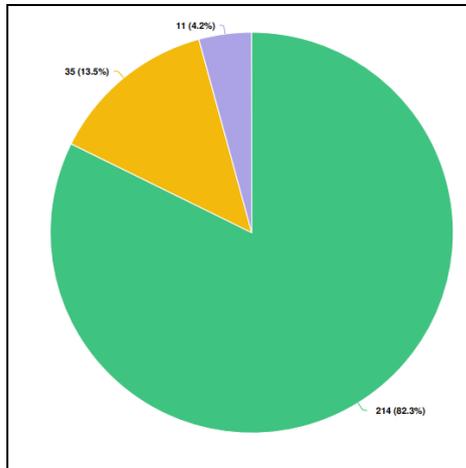
1. The Council is facing higher costs and more demand for services. Do you understand the financial pressures facing Hartlepool Borough Council?

Yes	90.1%
No	7.6%
Don't know / Not sure	2.3%



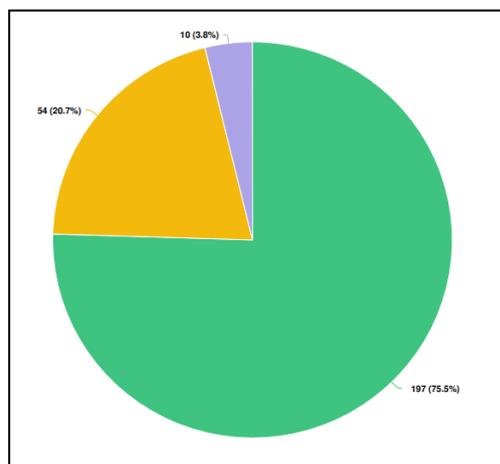
2. Do you understand these financial pressures are similar across the country?

Yes	82.3%
No	13.5%
Don't know / Not sure	4.2%



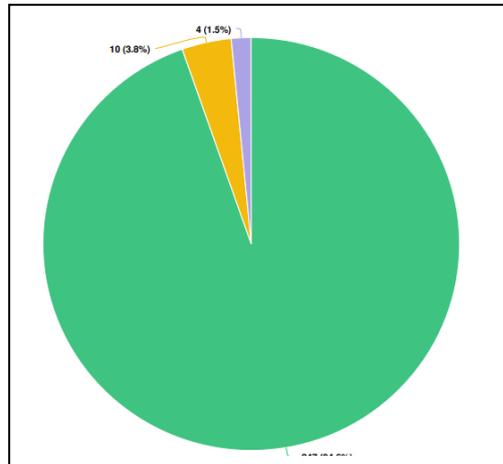
3. The Council needs to look after the most vulnerable in society. Do you understand that to cover the increasing costs in this area means that other services may be reduced?

Yes	75.5%
No	20.7%
Don't know / Not sure	3.8%



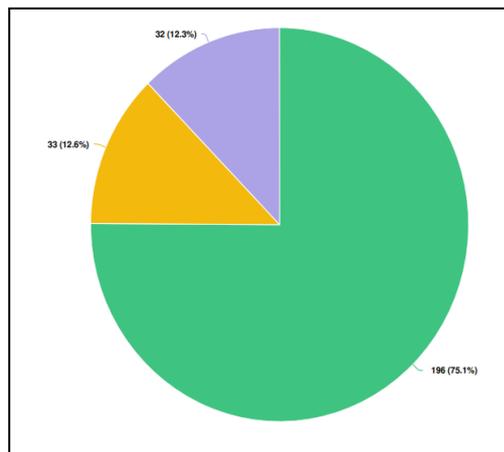
4. Do you think we should keep asking the Government for fairer and more funding for Hartlepool?

Yes	94.6%
No	3.8%
Don't know / Not sure	1.5%



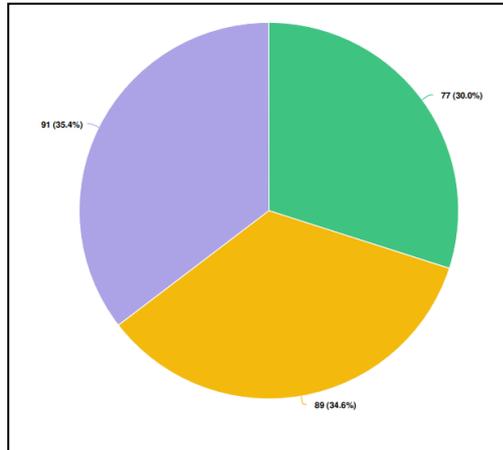
5. Do you think we should look at new ways of providing services? For example digital options?

Yes	75.1%
No	12.6%
Don't know / Not sure	12.3%



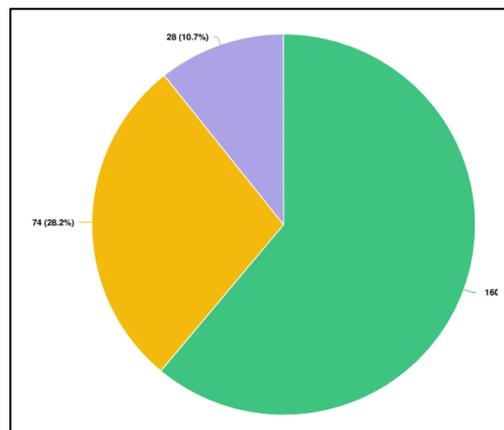
6. Do you agree with the savings proposals as set out?

Yes	30.0%
No	34.6%
Don't know / Not sure	35.4%



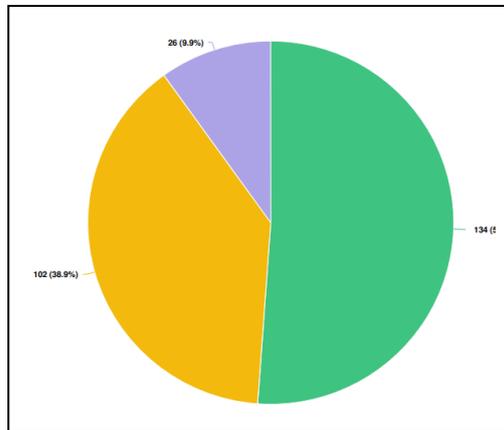
7. Hartlepool Labour Councillors have pledged to freeze Council Tax in 2026/27. Do you agree with this?

Yes	61.1%
No	28.2%
Don't know / Not sure	10.7%



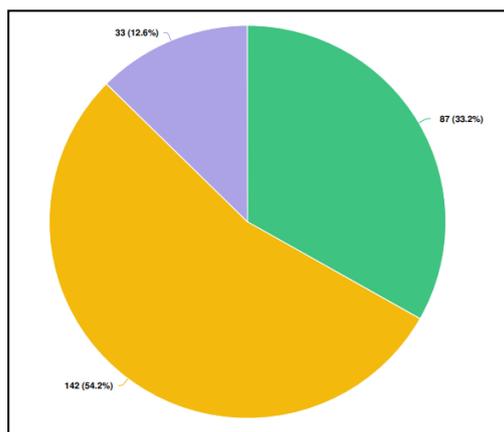
8. If we can't balance the budget, should we still freeze Council Tax even if services are cut?

Yes	51.1%
No	38.9%
Don't know / Not sure	9.9%



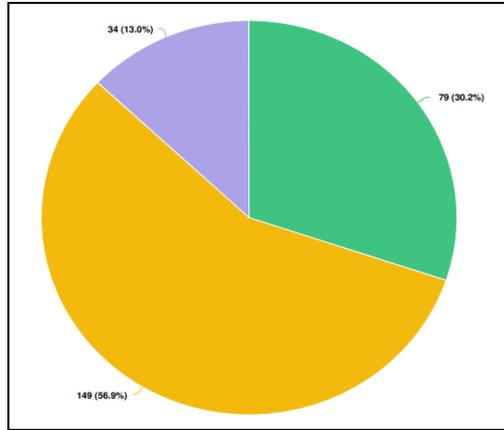
9. Would you support a 2% Council Tax rise for social care only?

Yes	33.2%
No	54.2%
Don't know / Not sure	12.6%



10. Would you support a Council Tax rise for specific services? (e.g. 1% for keeping the town clean)

Yes	30.2%
No	56.9%
Don't know / Not sure	13.0%



Statutory Section 25 Statement

Appendix G

Background

Section 151 of the Local Government Act 1972 requires local authorities to make arrangements for the proper administration of their financial affairs and to appoint a S151 Officer, also known as a Chief Financial Officer (CFO), to have responsibility for those arrangements. The Director of Finance, IT and Digital is the Council's appointed S151 Officer.

Local Authorities must decide every year how much they are going to raise from Council Tax. Decisions are based on a budget that sets out estimates of what the Council plans to spend on each of its services in the forthcoming year to deliver its strategic objectives as set out in the Council Plan.

The decision on the level of the Council Tax is taken before the financial year begins and it cannot be changed during the year. Once the decision is taken it is set. As such, allowance for risks and uncertainties that might increase service expenditure above that planned, must be made by:

- (a) making prudent allowance in the estimates for each of the services; and
- (b) ensuring that there are adequate reserves to draw on if the service estimates turn out to be insufficient or unexpected events occur that were not anticipated.

This requirement is covered by Section 25 of the Local Government 2003. It is a statutory duty.

With regard the question of adequate reserves, Section 26 of the same Act places an onus on the CFO to ensure the Council has established a minimum level of reserves to be retained to cover any unforeseen demands that could not be reasonably defined within finalising the proposed budget.

National and Local Context

Nationally, local authorities continue to face significant financial pressures. In addition to routine inflationary pressures, recent years have seen:

- Structural reductions in fees and charges income e.g. car parking and property rentals
- Significant post covid inflationary pressures
- Energy increases
- Recruitment and retention difficulties with associated pay pressures
- Demographic challenges, particularly Adult Social Care
- Housing, homelessness and supported accommodation demand increases
- Children's Social Care pressures
- Significant Special Educational Needs and Disability (SEND) overspends.

These pressures have come on the back of a long period of austerity, and whilst government funding has increased in recent years this is proving insufficient to meet these pressures.

Hartlepool is not immune. The increase in Childrens Social Care costs particularly is unprecedented and immensely challenging to address.

Regardless, local authorities must continue to provide council services, and specifically Statutory Services.

The period between 2018 and 2023 saw 12 Section 114 notices issued by local authorities, 10 of which were associated with budgetary difficulties. Section 114 notices are often referred to as bankruptcies in the press, and whilst technically local authorities cannot go bankrupt, a Section 114 notice effectively results in ceasing spend on all but statutory services or existing commitments.

In recent years, issuing of Section 114 notices have essentially been replaced by the governments Exception Financial Support (EFS) framework. Despite its name, there is no financial support that accompanies this framework, instead it allows councils to borrow or use capital receipts to fund day to day revenue expenditure.

For the 2025/26 financial year 30 councils were approved for EFS. This included 27 (18%) of Upper Tier authorities, i.e. those authorities like Hartlepool with Social Care responsibilities. Whilst we do not know EFS numbers for 2026/27, current suggestions are that the number will be higher than the current year.

Implications of entering EFS can include:

- External scrutiny of finances and local decision making that have led up to the request.
- The need to have a clear turnaround plan. EFS cannot be used for day to day spend without an agreed plan to exit the framework i.e. difficult decisions will be needed to balance budgets.
- The need for improvement boards with independent members, paid for by the council.
- Where money is borrowed to fund revenue expenditure, this needs to be paid back over 20 years, with associated interest rates. Current interest rates of 5.62% would result in a total cost of £4.740m to fund the equivalent of a 4.99% (£2.804m) council tax rise for 1 year, and the funding gap would remain and still be unfunded in year 2 without action to address this i.e. savings/cuts.
- In some instances, EFS can be accompanied by Best Value notices, commissioners being parachuted in to run the authority and higher than referendum council tax increases being imposed to address the budget gap.

In summary entering EFS is not a recommended option, it is effectively a sticking plaster for a year and it comes with a financial cost that current and future residents of Hartlepool will pay for. As a consequence, the council should continue to do its utmost to avoid this outcome.

Financial Management Arrangements

The Council has a sound record of financial management and governance. Despite increased pressures we have been able to set balanced budgets in recent years, albeit through careful use of one-off reserves. These increased pressures have often led to significant in year forecast overspends, but through robust financial control and strong management action, overspends have been substantially mitigated.

Our governance arrangements include monthly budget monitoring reports for all budget managers, regular budget meetings based on risk, Directorate budget clinics held with Directors and the Chief Executive and comprehensive quarterly reporting to members. The council has an appropriately experienced and qualified finance section and is investing in the team to safeguard and increase the number of trained accounting technicians and accountants we employ.

A good reliance can be placed on the council's financial management and governance arrangements to support our overall financial resilience through a challenging funding environment.

Robustness of Estimates

In preparing the budget, a rigorous estimate process is undertaken. This considers latest and best forecast financial data, current year's budget monitoring, and the combined knowledge of finance staff, budget holders, senior management team and members.

Details of assumptions and estimates forming the budget are detailed within the main body of the report.

For context, the current year's budget is forecasting an overspend of £3.2 million. Inherent within this position is an overspend of £6 million within Childrens Social Care. Recent years outturns have demonstrated the strong track record of improving the position by year end closure and every effort is being undertaken to do so again in the current year.

Overall, I can confirm that I consider the estimates made as part of budget setting to be robust. However, in doing so, I would point to the following key concerns / risks facing the budget.

- Delivery of Savings. The council has a good track record of delivering savings and efficiencies. However, as we move forward with our transformation agenda, the value and deliverability of savings naturally become more challenging and therefore less certain. This is mitigated by due diligence at the business plan approval stage, including through the new internal Transformation and Efficiency board. Nevertheless, it is an increased risk.
- Childrens Social Care. Recent years has seen an unprecedented increase in Childrens Social Care costs and pressures. The budget for 2026/27 re-bases to the current 2025/26 budget overspend, i.e. it does not allow for any future growth. It then further includes a £3m saving proposal. The extensive and

detailed plans being developed and implemented by the Executive Director of Childrens Services, in conjunction with lead members, provide some comfort that the budget assumptions can be delivered. However, this is a significant risk and close oversight and scrutiny will be needed to ensure delivery. Failure to “grip” Childrens Social Care expenditure could have a significant impact on the budget position.

- **Income Pressures.** The council has historical income pressures inherent within a number of budget areas. New pressures have emerged in recent years from more structural changes – e.g. reduced car parking income because of on-line shopping. The approach continues to be to address where we can and manage at a service and Directorate level where we cannot. More structural consideration may be required as we progress during the MTFP period.
- **Contingency Provision.** It is considered best practice to hold contingency budget to meet any unforeseen costs. Given the financial position of the council this is an unachievable objective. Recent years have seen one-off Interest on Balances coupled with the Budget Support Reserve be used as a de-facto contingency and have enabled the council to significantly mitigate pressures on Childrens Social Care. Given the reduced flexibility in both areas, this points to an increased tightness of the budget moving forward that will need careful managing.

These risks provide come context to the next section on adequacy of reserves.

Adequacy of Reserves

Determining the appropriate level of reserves and balances is a matter of professional judgement based on individual circumstances such as size of budgets and their robustness, risks identified and track record in budget management. They act as a safeguard against risks of a one-off nature and can only be replenished if in any one given year income exceeds expenditure.

The Council holds reserves for a variety of purposes, including those allocated for known commitments and risks, including capital schemes, the MTFP budget position and our insurance fund. As such the majority of our reserves are committed for future use to meet service requirements or mitigate the impact on the annual revenue budget. The only unallocated reserve is our general fund reserve of £5.5m, which serves as a reserve of last resort and acts as a buffer for cash flow and Treasury Management purposes. There is no set level for unallocated general fund reserve, but a minimum of 5% of net budget requirement is often the benchmark, and we meet this threshold based on 2025/26 budget, albeit just.

Revenue reserves have fallen over recent years, from a post covid high of £48.7m at 31 March 2022 to £38.3m as at 31 March 2025 and are forecast to fall further over the short to medium term to concerningly low levels. There are instances where ringfenced reserves may temporarily improve the position, linked to advanced payment of government grant funding, but these funds are very much linked to specific projects or initiatives.

The council has utilised these reserves on a one-off basis to achieve Treasury Management returns and delay borrowing, thus supporting and protecting the overall financial position of the council's budget. Without this level of reserves, the council's financial position would be in a significantly worse position than currently.

The Council holds a Budget Support Fund to smooth budget deficits, and critically to meet in year overspends. The balance on this fund is, at second review, forecast to be £4.2m as at 31 March 2026. The final position will be dependent on the outturn position for 2025/26.

In considering the adequacy of reserves, it is important to take a longer-term view. Indeed Cipfa, through their Financial Management Standard emphasize the requirement to have a long-term view on budget setting:

“While the statutory local authority budget setting process continues to be on an annual basis a longer-term perspective is essential if local authorities are to demonstrate their financial sustainability. Short-termism runs counter to both sound financial management and sound governance.”

“An authority must ensure that while the formal publication of the medium-term financial plan may only reflect government settlements, it is the responsibility of the leadership of the organisation, including elected members, senior management and the section 151, to have a long-term financial view acknowledging financial pressures”

In coming to judgement on the adequacy of reserves, I take the following into consideration:

- Earmarking of Reserves. All reserves other than the General Fund and Budget Support Fund are earmarked for specific purposes. Whilst this may flex over the period as commitments are delivered, diverting these reserves to support the budget position will have a detrimental impact on the council's budget since revenue funding would be required in the future to meet these commitments.
- Delivery of savings. As outlined above, whilst the authority has a good track record in the delivery of savings, of particular concern are the deliverability of savings associated with Childrens Social Care.
- Transformation Funding. The Council has set aside earmarked reserves to fund transformation – both for invest to save progression and to meet any one-off costs that may arise. Additional transformation funding may be required over the MTFP period.
- Inherent budget risks, specifically with regard Childrens Social Care. As with recent years the budget has effectively been re-baselined to the in-year overspend position but takes no account of potential growth in numbers or costs, above normal inflationary pressures. Based on recent years'

experience, this could have a material impact on the budget position in 2026/27.

- Inherent business rates risk. Whilst protection is built into the position for 2026/27 through the welcome change to the safety net, there is every likelihood that the council will be significantly detrimentally impacted by loss of business rates over the MTFP period.
- Planned Use of Reserves over the period. Should earmarked reserves be expended at the rate forecast, they will become concerningly low by the end of the 2026/27 financial year. As such based on current trajectory, it is possible that we will be faced with entering Exceptional Financial Support by the 2028/29 financial year, unless the revenue pressures have been adequately controlled and addressed. We need to make every effort to avoid EFS for the reasons set out above.
- The Medium-Term Financial Plan (MTFP) position over the period. Whilst the MTFP includes best estimates of known pressures, it assumes that a financial grip is achieved on the Childrens Social Care budget, that there are no significant additional demographic pressures on key demand areas, and that estimates for the likes of pay awards are accurate. Should this not be the case then reserves may be needed to temporarily support the in-year budget.
- The position with regard the Dedicated Schools Grant High Needs Block. Whilst the government have indicated support with historic balances accumulated by the 31 March 2028, the detail is not yet clear, with a clear message that "...any future support will not be unlimited.". There is every chance that Local Authorities may need to fund a proportion of these balances.

Given these factors, I deem it necessary to ensure a balance of at least £3m remains in the Budget Support Fund to cover any in year overspend and phasing delays that may occur in 2026/27. This is in addition to any remaining balance on our Social Care reserves. Failure to hold such levels would not be considered robust, given the financial risks faced by the council.

On this basis, this severely restricts the availability of reserves to support the budget in 2026/27 and furthermore prevents the budget gap in 2027/28 widening further.

Conclusion

In conclusion, I can confirm that the estimates are robust and we hold adequate reserves, subject to the provisos set out above. However, without a concerted effort to grip spend within Childrens Social Care and deliver transformation savings over the MTFP period, such a conclusion will become increasingly difficult.

Members are legally required to 'have regard' to this robustness advice and must carefully consider the detail of this advice before making any decisions on council tax increases.

In addition to the statutory advice:

For clarity given the budget position and risks faced, any decision to use reserves to balance the budget in lieu of a council tax increase is not an approach that I would recommend. Doing so defers a budget gap and difficult decisions for a year, whilst further weakening the financial resilience of the Council, at a time of increased risks.

My professional advice as the Councils S151 officer is that the Council should seek the maximum council tax increase permissible i.e. 4.99%.

ITEM (15)(d)

**Minutes of the meeting of the Cleveland
Police and Crime Panel held on 11
November 2025**

Cleveland Police and Crime Panel

A meeting of the Cleveland Police and Crime Panel was held on Tuesday, 11 November 2025.

Present: Councillor Tony Riordan (Chair), Councillor John Coulson, Councillor Graham Cutler, Councillor Chris Jones, Councillor Ann McCoy, Councillor Ian Blades and Mr Luigi Salvati

Officers: Steven Newton (Governance Director (Monitoring Officer)), Alison Pearson (Governance Manager) and Sarah Connolly (Senior Democratic Services Officer)

Also In attendance: Matthew Storey (Office of the Police and Crime Commissioner) and Lisa Oldroyd (Office of the Police and Crime Commissioner)

Apologies: Councillor Norma Stephenson OBE (Deputy Chair), Councillor Peter Chaney, Mayor Chris Cooke, Councillor Andrew Martin-Wells and Councillor Karen Oliver

PCP 34/25 Declarations of Interest

There were no interests declared.

PCP 35/25 Minutes of the meeting held on 16 September 2025 and attendance matrix

Consideration was given to the minutes of the meeting for 16 September 2025. It was noted that there was an error with Luigi Salvati's attendance record on the attendance matrix and that he should be recorded as being present at the last meeting.

RESOLVED that the minutes of the meeting held on 16 September 2025 be agreed as a correct record and the attendance matrix be amended.

PCP 36/25 Neighbourhood Policing Guarantee

The Panel considered the presentation provided by the Assistant Chief Constable (ACC) which outlined matters relating to the Neighbourhood Policing Guarantee and explained the key pillars of the guarantee which all supported the strategic priority of strengthening neighbourhood policing:

- Police back on the beat
- Community-led policing
- Clear performance standards and professional excellence
- A crackdown on anti-social behaviour
- Safer town centres

The Panel thanked the ACC for the presentation and in discussing its contents the following issues and comments were raised:

- A greater police presence at the recent Remembrance Parade would have been welcomed. The panel noted that this would have been problematic owing to resources required for the scale of the work, and a lack of legal powers in relation to required interventions. The Force, however, would be happy to support local authorities in planning events to ensure that they are able to go ahead.
- Although interventions relating to retail crime would initially be focussed in urban areas of high density, such as Redcar, there were plans to increase the number of neighbourhood police officers across the force, including across rural areas.
- It was noted that the relationship between ward councillors and Police Community Support Officers (PCSO) was vital, and every effort should be made to encourage a close working relationship. The Force remained committed to filling all vacant PCSO roles by the end of the March 2026, and would be open to suggestions regarding how a relationships might be strengthened.
- There was no policy governing police response to retail crime based on the value of the theft and all shoplifting offences were assessed and investigated as appropriate.
- In terms of the Neighbourhood Policing Guarantee, the ACC advised that it was impossible to give 100% commitment that an officer would be able to remain situated in one area owing to the need to direct resource to where a priority response was required. There was, however, an abstraction policy in place to ensure that Neighbourhood Officers were taken out of a location only in very specific circumstances.
- Issues relating to sourcing information on the website was acknowledged. The issue was complicated by the fact the site was based on a national model. It was suggested that instructions could be provided to assist members of the public with navigating the site and the OPCC may be able to support this through publishing information on their website.
- Powers available to PCSOs varied across the country and were reviewed every year by the Chief Constable. There were mixed views amongst PCSOs regarding their access to certain powers, with many hoping to retain the distinction between themselves and police officers in terms of role and responsibilities. In addition to this, PCSOs didn't have access to the same equipment or training opportunities as police officers, and changes to the current arrangements would fundamentally alter the nature of their role.

In responding to the Panel's comments, the Commissioner provided the following comments:

- PCSO engagement with ward Members was key to the neighbourhood safety and every effort should be made to facilitate regular communication.
- Local authorities should be involved in the effort to promote the guarantee where possible.
- The Force's website can be difficult to navigate but was constrained by the way the site was set up nationally. Similar concerns had been raised at a national level alongside other PCCs.

- Issues relating to rural retail crime had been discussed at a recent Retail Crime Summit. The Commissioner visited Loftus high Street and listened to the concern of retailers, which were similar in nature to those expressed by larger town traders. Work was ongoing to ensure that the voice of smaller rural areas is amplified.
- Issues relating to abstractions were discussed at monthly meetings between the Commissioner and the Chief Constable, to ensure that the policy is as tight as it can be and officers aren't drawn away from neighbourhoods.

RESOLVED that the issues outlined in the presentation be noted.

**PCP
37/25** **Police and Crime Plan Quarterly Performance Update**

The Commissioner presented an overview of the key points outlined in the report, highlighting the following key issues:

- Level of neighbourhood crime has reduced by 15.9% (1,161 crimes), with vehicle crime and residential burglary reducing by 29.3% (956 crimes) and 17.8% (471 crime) respectively.
- Project Salus had launched with the aim of tackling serious violence and ASB in Cleveland hotspots.
- A campaign had been launched for fairer police and victim support funding, which had been backed by local victim services and members of parliament.

The Panel considered the Performance Update, and the following issues were noted as part of the ensuing discussion:

- Metrics relating to crime and anti-social behaviour show an upward trend, which is a reflection of resources provided in Middlesbrough to address the issue. Data exemplified, however, that there is more work to do.
- Statistics relating to knife crime show that the area is currently third in the country in terms of performance. Addressing the issue would depend upon central government doing more to manage the sale of knives, and the continuing role out of successful education and preventative measures that will have an impact over the longer term. In addition to this, businesses involved in the night-time economy were being involved in discussions to improve safety, and a strategic approach was being instigated across the patch.
- Drug crime remains a major problem and feeds other criminal activity. Much of the Force's work was linked to tackling drugs, with funding provided for interventions designed to prevent the exploitation of young people. In addition to this, Public Health teams were exploring treatment-based interventions and were involved in fact finding meetings with partners to inform the direction. Tackling drug related crime would require a combination of prevention, treatment and enforcement.
- The Commissioner was invited to undertake a visit to the Recovery Connections clinic currently operating in Loftus.
- The Commissioner was developing a positive relationship with the Mental Health Trust and engaged regularly with the Chief Executive.

Discussions were also ongoing relating to the Right Person, Right Care approach, to ensure that better mental health support was available during police visits. The Safer Cleveland Board was looking at vulnerabilities and missing people in order to drill down into the detail of these cases.

- The Commissioner offered to provide an update on the Operation Encompass following completion of the scrutiny review relating to violence against women and children.

**PCP
38/25** **Commissioner's Scrutiny Programme**

The Panel considered the report of the Commissioner providing information on his scrutiny programme, and a discussion took place relating to the power and influence of the process.

RESOLVED that the Panel is reassured in terms of the process and report be noted.

**PCP
39/25** **Decisions of the Commissioner**

The Panel considered the report of the Commissioner providing information on the decisions made by the Commissioner since the last meeting.

The Police and Crime Commissioner made all decisions unless specifically delegated within the scheme of consent/delegation. All decisions demonstrated that they were soundly based on relevant information and that the decision-making process was open and transparent.

In addition, a forward plan was included and published on the OPCC's website which included items requiring a decision in the future. This was attached to the report.

Each decision made by the Commissioner was recorded on a decision record form with supporting background information appended. Once approved it was published on the OPCC's website.

Decisions relating to private/confidential matters would be recorded; although, it may be appropriate that full details were not published.

Decisions made since the last meeting of the Police and Crime Panel were attached to the report.

RESOLVED that the report be noted.

**PCP
40/25** **Sub-Committee Membership**

The Panel considered a report which sought to reaffirm the membership of the Cleveland Police & Crime Panel's sub-committees following recent changes in the Panel's composition.

RESOLVED

1. The membership of the Complaint Sub-Committee membership be agreed as follows:

Hartlepool – Councillor Andrew Martin-Wells
Middlesbrough – Councillor Ian Blades
Redcar and Cleveland – Councillor Chris Jones
Stockton – Councillor Norma Stephenson OBE
Non-Political Independent Member – Luigi Salvati

2. The membership of the Precept Task and Finish Group be agreed as follows:

Hartlepool – Councillor Andrew Martin-Wells
Middlesbrough – Mayor Chris Cooke
Redcar and Cleveland – Councillor Peter Chaney
Stockton – Councillor John Coulson
Non-Political Independent Member – Luigi Salvati

3. The membership of the Selection Sub-Committee be agreed as follows:

Hartlepool – Councillor Andrew Martin-Wells
Middlesbrough – Mayor Chris Cooke
Redcar and Cleveland – Councillor Chris Jones
Stockton – Councillors Tony Riordan and Norma Stephenson OBE

**PCP
41/25** **Members' Questions to the Commissioner**

The following question had been submitted by Councillor John Coulson for response by the Commissioner

“Could the Police and Crime Commissioner provide clarification on responsibilities for dealing with anti-social behaviour (ASB)?

Recently at Yarm Fair some travellers set up camp on Willey Flatts Field, Yarm. For two nights there was loud music, shouting, drunken behaviour and an accelerant thrown on a fire they had made. As a result a telephone call was made to the police. The complainant was directed to the Enforcement Team as the Police didn't deal with ASB. The complainant then phoned the Enforcement Team and was made aware that before midnight it was Enforcement Team who dealt with such matters and after midnight it was the Police.

Can the Commissioner clarify the correct protocol in dealing with such matters as it is very confusing to members of the public and can he confirm that the correct information given to the complainant by both parties?”

The Commissioner advised that, in view of an official complaint relating to the matter being addressed by his office, specifics would not be discussed. It was noted, however, that local council enforcement teams, as responsible landowners, would be expected to lead on noise and eviction processes, and that noise abatement issues would not sit with Cleveland police.

RESOLVED that, in view of a current official complaint being progressed, the

matter be noted.

**PCP
42/25** **Public Questions**

There were no questions from members of the public received.

**PCP
43/25** **Forward Plan**

Members reviewed the Forward Plan for the Panel 2025-26.

RESOLVED that the Forward Plan 2025-26 be noted.

**PCP
44/25** **Exclusion of the Press and Public.**

RESOLVED that under Section 100A(4) of the Local Government Act 1972 the public be excluded from the meeting for the following items of business on the grounds that they involved the likely disclosure of exempt information as defined in paragraphs 1 and 2 of Part 1 of Schedule 12A of the Act.

**PCP
45/25** **Complaint Update**

The Panel considered a report of the Monitoring Officer providing an update on the following complaint matters: 2025-01 and 2025-02.

RESOLVED

1. In relation to complaint 2025-01 the Panel:
 - confirmed its previous decision
 - confirmed that the latest “new complaint” would not be recorded as it did not appear to include any specific complaint about the conduct of the PCC;
 - Agreed that further handling of this complaint via informal resolution should be delegated to the Complaints Sub-Committee.

2. In relation to complaint 2025-02 the Panel:
 - accepted it was the correct panel to deal with the complaint but requested clarification on the detail of the complaint before making a decision as to the nature of an action required.