

FINANCE AND POLICY COMMITTEE

MINUTES AND DECISION RECORD

16 May 2016

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

Present:

Councillor Christopher Akers Belcher (In the Chair)

Councillors: Kevin Cranney, Marjorie James, Brenda Loynes, George Springer and Paul Thompson.

Also Present: In accordance with Council Procedure Rule 5.2: -
Councillor Jim Lindridge as substitute for Councillor Allan Barclay;
Councillor Paul Beck as substitute for Councillor Carl Richardson.

Officers: Gill Alexander, Chief Executive
Andrew Atkin, Assistant Chief Executive
John Morton, Assistant Chief Finance Officer
Alyson Carman, Head of Legal Services
Denise Ogden, Director of Regeneration and Neighbourhoods
Alastair Rae, Public Relations Manager
David Cosgrove, Democratic Services Team

179. Apologies for Absence

Councillors Allan Barclay and Carl Richardson.

180. Declarations of Interest

None were made at the commencement of the meeting.
During consideration of Minute 186 “Durham Tees Valley Airport (DTVA) – Delivering the Masterplan” Councillor Kevin Cranney declared a personal interest as the Council’s appointed representative on the DTVA Board.

181. Minutes of the meeting held on 14 March 2016

Received.

182. Minutes of the meeting of the Health and Wellbeing Board held on 14 March, 2016

Received.

183. Minutes of the meeting of the meeting of the Safer Hartlepool Partnership held on 22 January, 2016.

Received.

184. HME/HMRN/HMS Trincomalee Review (*Director of Regeneration and Neighbourhoods*)

Type of decision

Key Decision (test (i) and (ii)) Forward Plan Reference No. RN 26 / 13.

Purpose of report

To seek Member approval to complete agreements for the implementation of a single site operation at Hartlepool Maritime Experience (HME) managed and operated by National Museum of the Royal Navy Hartlepool (NMRNH) a subsidiary of the National Museum of the Royal Navy, (NMRN) which operates a number of prestigious naval museums including those at Portsmouth, Gosport, Belfast and Yeovilton. To seek approval to fund the cost of outstanding building works on the site both before and after the transfer.

Issue(s) for consideration

The Director of Regeneration and Neighbourhoods reported that the initial impetus for the review of HME and HMS Trincomalee was focused on the potential to improve the overall management and financial circumstances of the site, the involvement of NMRN has brought in the potential for major enhancement of the attraction and wider benefits to both the immediate area and Hartlepool in general. At the same time, the Hartlepool Regeneration Masterplan had been finalised; building on the work of the Hartlepool Vision the Masterplan sets out a strategy to deliver fundamental change for the town and enable a new chapter in the economic growth of the borough. The proposals set out in this report for HME, therefore, needs to be considered in this context as the establishment of NMRN at the site will be a major driver for beneficial change.

The Director outlined in detail within the report how the development of the NMRN Hartlepool would enhance the tourism offer in Hartlepool, its links into the Masterplan and the positive benefits that NMRN had brought to other locations across the country. For example, the number of speculative enquiries for Jacksons Landing has increased since the NMRN announced their interest in HME.

The Director reminded Members that a report on this matter had been presented to Committee on 30 January 2015, when Members agreed to proceed with the implementation of a single site operation managed and

operated through the NMRN Hartlepool subject to Committee approval for the dilapidations costs. Since that time considerable work has been carried out to facilitate the transition to the new arrangements and further detailed discussions have taken place with NMRN in relation to the legal and commercial structure of an agreement to be entered into between the parties.

Whilst much progress had been made, a number of points had yet to be finalised though it was intended the start date for the new structure would be 1st June 2016 subject to a suite of legal agreements in relation to lease terms, options to purchase and financial and services contracts together with arrangements in relation to TUPE. The site would be leased to the NMRN Hartlepool but would be operated through the NMRN (Operations) and NMRN (Trading) to ensure compliance with the Charities and Company Law requirements.

Under the proposals the Council would contribute an increased subsidy for the first five years as set out in Confidential Appendix 4. The appendix contained exempt information under Schedule 12A of the Local Government Act 1972, (as amended by the Local Government (Access to Information) (Variation) Order 2006) namely, information relating to the financial or business affairs of any particular person (including the authority holding that information).

NMRN's business planning indicated a very substantial investment in the site on the basis of achieving major grants in order to considerably enhance the attraction and increase visitor numbers. The single site operation was intended to streamline the management of the facility. Through the introduction of new and refreshed exhibitions together with re-branding the site as the NMRN Hartlepool combined with improved marketing it was intended to make the museum financially sustainable. The major part of the investment is likely to be in the fifth and sixth years of the lease but more modest, though significant, investment was also being considered for the earlier years.

A vision document has recently been received from the Director General of NMRN expressing significant enthusiasm to develop the Museum to make Hartlepool the NMRN's northern base. The full vision document was set out in Appendix 3 to the report together with illustrations of some of NMRN's projects at Appendix 2.

As part of the agreement NMRN Hartlepool would also have an option to purchase the site after ten years with the Council retaining an option of first refusal to buy back the site should the NMRN Hartlepool decide to sell in the future. If the Council does not decide to repurchase and the site is sold to a third party, the Council would have the benefit of an overage arrangement, to share in future sale proceeds. The terms recommended for agreement were set out in Confidential Appendix 4. The appendix contained exempt information under Schedule 12A of the Local Government Act 1972, (as amended by the Local Government (Access to

Information) (Variation) Order 2006) namely, information relating to the financial or business affairs of any particular person (including the authority holding that information).

The detailed proposals and risk implications were set out in detail in the report and the Director highlighted in the Financial Considerations that ongoing repair and maintenance for the HME would be the responsibility of the NMRN Hartlepool after transfer, reducing this liability for the Council going forward. Although, as outlined in the previous report, the transfer does include a requirement for the Council to make good any defects currently outstanding on the site prior to the site being leased to NMRN Hartlepool. This issue had been reported to the Committee on 30th January, 2015 when Members sought a further report to be submitted to the Regeneration Services and Finance and Policy Committee detailing the proposed schedule of works, associated costs and timescales, prior to NMRN taking responsibility for repairs and maintenance.

As part of the transfer arrangement a detailed condition survey needed to be completed and an agreement reached between the Council and NMRN Hartlepool on works currently outstanding. A detailed assessment had now been completed. The cost had been reduced by agreeing for some of the works to be carried out by the Council's own in-house Building Maintenance service. A three year programme was being negotiated for building, mechanical and electric works and dry dock repairs to be completed as shown in Confidential Appendix 5 – table 1. The appendix contained exempt information under Schedule 12A of the Local Government Act 1972, (as amended by the Local Government (Access to Information) (Variation) Order 2006) namely, information relating to the financial or business affairs of any particular person (including the authority holding that information).

These costs would have been met over a number of years from the Council's Capital Fund as the need for the works arose. The Director stated that these were not additional works required as a result of the transfer. These repairs would have been required in the future and a funding decision would have been required at some point over the next three to five years regardless of the transfer.

These costs needed to be funded and it was proposed to use the Council's Capital Fund (CCF) to cover these costs over a three year period. After reflecting these commitments the uncommitted CCF budget is £182,000.

In addition to the schedule of works agreed with the NMRN Hartlepool negotiations were ongoing regarding other potential works which may be required as shown in Confidential Appendix 5 – table 2. The appendix contained exempt information under Schedule 12A of the Local Government Act 1972, (as amended by the Local Government (Access to Information) (Variation) Order 2006) namely, information relating to the financial or business affairs of any particular person (including the authority holding that information).

The cost of these potential works exceeds the uncommitted CCF budget of £182,000 and the Council may need to identify additional funding if all these works need to be completed over a three year period. As these costs would fall over three financial years it was recommended that these costs were funded from a combination of achieving a 2016/17 managed revenue budget underspend, or the over achievement of the existing capital receipts target.

The Capital costs associated with the Wingfield Castle would continue to be the Council's responsibility and the Wingfield Castle was expected to require major renovation works in the next five to ten years. Detailed structural survey work would be undertaken, and the results of which would be presented to Members by way of a future Committee report.

In relation to staffing, the Director reported that all the staff except one who had applied to take voluntary redundancy, would be transferred to NMRN Hartlepool under TUPE. NMRN had formulated a new structure and the process to achieve this had been ongoing since early 2016. The staffing arrangements to facilitate a proposed business transfer from the Council and HMSTT and Executive Catering were progressing well and on course for June 2016. Formal consultations had been undertaken, involving the recognised Trade Unions during February and March 2016 and a job matching exercise undertaken with recruitment selection processes have been underway during April 2016. The outcome was that all Council staff had secured employment and with one employee being granted voluntary redundancy.

The Director concluded by indicating that while this had been a long process the successful implementation of this project by NMRN had the potential to enhance the value and or bring forward the redevelopment of other Council assets in this location, although other town centre assets may also benefit through wider regeneration.

In discussion, Members referred to the transport links into the town and the site and considered that improvements at the Railway station in particular may be needed to address the potential increase in visitors to the attraction and the town in general. The Director agreed with the comments and indicated that the case for transport infrastructure improvements would need to be made through the Council and the Tees Valley Combined Authority. Members also considered that marketing would also be a key issue. After opening and national marketing, visitor numbers to the Historic Quay had been significant. It was hoped that this development would bring back such high visitor numbers.

Members also indicated that future consideration may need to be given to the potential of park and ride facilities away from the town centre. The Chair suggested that this issue should be considered as part of the wider Masterplan and, therefore, referred to the Regeneration Services Committee.

Members congratulated officers on the work undertaken to develop the proposal to this stage. The securing of the future of the Trincomalee was considered a key element of the proposal.

There was concern expressed by a Member at the risk involved in the scheme which he considered had not been fully mitigated. The subsidy being paid by the local authority was highlighted as a concern as this would result in funding being drawn from other services. The sharing of future profits was also considered to be ambitious. The Director stated that any profits would be shared between the Council and NMRN though for the first five years it had been agreed that any profits would be reinvested. The Director also indicated that NMRN Hartlepool and the Council would both be able to apply for various grants to assist in the development of the attraction, essentially doubling up on the opportunities for funding. The Director also stated that the budgets being transferred as part of the arrangement were at current budget levels.

A Member queried if the toilet block on the site would be re-opened as part of this proposal. The Director stated that it was within the site being transferred as part of the proposals and would be for NMRN to consider as the facility did need to be staffed. The non-inclusion of the Wingfield Castle in the proposed transfer to NMRN was questioned. The Director stated that the Wingfield Castle did not fit within the catalogue of attractions the NMRN would wish to offer.

Members supported the proposal and the Chair requested that the Director ensure that the Committees thanks be extended to all the staff that had worked to bring the proposal forward and complete all the work that had gone into developing what was a very exciting opportunity for Hartlepool.

Decision

1. That approval is given to complete agreements with NMRN for HME to become NMRN Hartlepool, a key facility within NMRN's national organisational structure, on the basis of the terms set out in Confidential Appendix 4 to the report. The appendices contained exempt information under Schedule 12A of the Local Government Act 1972, (as amended by the Local Government (Access to Information) (Variation) Order 2006) namely, (para. 3) information relating to the financial or business affairs of any particular person (including the authority holding that information).
2. That the maximum cost of the agreed dilapidations as outlined in Confidential Appendix 5 – table 1 be approved. The appendix contained exempt information under Schedule 12A of the Local Government Act 1972, (as amended by the Local Government (Access to Information) (Variation) Order 2006) namely, (para 3.) information relating to the financial or business affairs of any particular person (including the authority holding that information).

3. That delegated authority be given to the Chief Executive, Director of Regeneration and Neighbourhoods, Chief Finance Officer and Chief Solicitor, in consultation with the Leader, to conclude negotiations regarding other potential works which may be required as shown in Confidential Appendix 5 – table 2 to the report. The appendix contained exempt information under Schedule 12A of the Local Government Act 1972, (as amended by the Local Government (Access to Information) (Variation) Order 2006) namely, (para. 3) information relating to the financial or business affairs of any particular person (including the authority holding that information).
4. That the cost of the potential works detailed in recommendation 3 above (summarised in Confidential Appendix 5 – table 2) be noted. The appendix contained exempt information under Schedule 12A of the Local Government Act 1972, (as amended by the Local Government (Access to Information) (Variation) Order 2006) namely, (para. 3) information relating to the financial or business affairs of any particular person (including the authority holding that information). The Committee noted that the potential works may require additional funding and if this was necessary a further report would be submitted to Finance and Policy Committee and Full Council recommending that they be funded from a combination of the uncommitted CCF budget, achieving a 2016/17 managed revenue budget underspend and the over achievement of the existing capital receipts target.
5. That as part of the development of the 2017/18 Medium Term Financial Strategy, approval be sought to replenish the Council's Capital Fund on the following basis over the next three years:-
 - (i) any future uncommitted underspends at Budget Outturn; and
 - (ii) additional Income generated from Capital Receipts over and above the target currently included within the MTFS.
6. That approval be given to the payment of redundancy costs in relation to one voluntary redundancy from the existing redundancy reserve.
7. That the Committee recommends to Council that the Council representatives on the NMRN Hartlepool, should initially be the Chief Executive and Leader of the Council.

185. Senior Leadership Restructure (*Chief Executive*)

Type of decision

Key Decision – Test i applies, a General Exception Notice applies.

Purpose of report

The report made recommendations to Finance and Policy Committee in respect of the Chief Officer structure of the Council with particular reference

to Regeneration and Neighbourhoods Department.

Issue(s) for consideration

The Chief Executive reported that since taking up her post in June 2015 she had considered the current Corporate Structure and taken the opportunity to review the functional groupings in each Department as part of the ongoing financial situation facing the Council.

The Chief Executive indicated that the proposals set out in the report focused on the Regeneration and Neighbourhoods department which had a significant role to play in achieving the Council's ambition not only through the delivery of the Town Centre / Waterfront Masterplan, but also through the provision of responsive quality front line services in our neighbourhoods and communities. The department is the main trading arm of the Council and it is more important than ever we maximise our efforts to stimulate growth, generate income and develop commercial opportunities.

A fundamental review had been undertaken of the functions and policy areas against the Council's ambition (in conjunction with the Director of Regeneration and Neighbourhoods) and the Chief Executive proposed a number of functional changes to the existing structure. The aim being to provide a better alignment of services in terms of those focused on the regeneration of the town against the maintenance and trading arm of the Council. The existing structure had developed over time as senior officers have left the Council, enabling significant savings to be made, however the current structure had developed piecemeal without strategic planning and wasn't fit for purpose for the future direction of the Council and Local Government.

The proposals for these changes were included in Appendix 1 in the exempt section of the report. This item contained exempt information under Schedule 12A of the Local Government Act 1972 (as amended by the Local Government (Access to Information) (Variation) Order 2006) namely, Para 2 – Information which is likely to reveal the identity of an individual).

Outside of the proposals for the Regeneration and Neighbourhoods Department, there were no changes proposed at this time for the Child and Adult Services or Public Health departments. One change did affect the Chief Executive's department and that involved the transfer of the Corporate Procurement Unit to the department. The Unit provided a corporate function and should form part of the central services function of the Council.

The proposals in relation to the implementation of the recommended structure were submitted as Appendix 1 in the exempt section of the report. This appendix contained exempt information under Schedule 12A of the Local Government Act 1972 (as amended by the Local Government (Access to Information) (Variation) Order 2006) namely, Para 2 – Information which is likely to reveal the identity of an individual).

The Chief Executive indicated that the implementation of the proposed structure at an Assistant Director level was scheduled to take place following consideration and approval by Members. The other aspects of the proposals would be implemented following appropriate consultation.

The Chief Executive stated that the proposal recommended would produce a recurring annual saving in 2017/18 of £143,760 (at the maximum of the grade). As the restructure proposal was an integral element of the Departmental service restructuring and efficiency plan, this amount would help towards the delivery of the Regeneration and Neighbourhood Services savings plan.

The Chief Executive stated that there were a number of other areas where she was considering further potential changes and these included the strategic management of capital programmes across the council, options for enhancing the capacity of legal support and specialist advice, community safety, closer alignment of the various aspects of the skills agenda across the council, various aspects of service which contribute to the public health agenda and the management and delivery of corporate communications and events.

The Hartlepool Joint Trade Unions Committee (HJTUC) have been provided with a copy of this report in advance of the meeting and had submitted a formal written response which was circulated to the Committee at the meeting.

Decision

1. That the deletion of the post identified in the Not for Publication element of the report be approved.
2. That the gradings as set out in the Not for Publication element of the report be approved.
3. That the proposals included in the Not for Publication element of the report provide the basis for consultation with those staff affected. The Not for Publication section of the report referred to in recommendations 1, 2 and 3 above contained exempt information under Schedule 12A of the Local Government Act 1972 (as amended by the Local Government (Access to Information) (Variation) Order 2006) namely, Para 2 – Information which is likely to reveal the identity of an individual).
4. That the Committee notes that the Chief Executive would potentially be submitting a further report when she had concluded consideration of those aspects not specifically addressed in this report.

186. Durham Tees Valley Airport (DTVA) – Delivering the Masterplan (*Chief Executive*)

Type of decision

Key Decision – Test (i), a General Exception Notice applies.

Purpose of report

To update the Committee on progress in relation to the delivery of the DTVA/Peel Master Plan, and to highlight developments regarding the required package of support sought by DTVA/Peel in that respect.

Issue(s) for consideration

The Chief Executive reported that at the 21 September 2015 meeting the Committee considered a report regarding progress in relation to the DTVA Master Plan proposals. The background to that report was an earlier review (circa September/October 2014) undertaken by Stockton Borough Council's Regeneration and Transport Select Committee, which had examined how the Master Plan proposals would ensure a viable airport going forward, and how future investment would seek to develop the airport related businesses. The Select Committee produced and submitted its final report regarding this review, to Stockton's Cabinet, at their meeting on the 9 October 2014. Cabinet were advised that ongoing losses had prompted the production of, and consultation on a Master Plan proposing to put DTVA on a sustainable financial footing and to secure its long term future as an operating airport. A further update in September 2015 also considered ongoing losses, in the context of the impact and effect of the recession, the changes in the air passenger travel industry and the loss of holding charter programmes, resulting in reduced passenger numbers, had prompted the production of, and consultation on the Master Plan. Also the recent Lord Hesletine report identified DTVA as a key asset and made specific recommendations around supporting a sustainable future for it.

Since that report, the Local Growth Fund bid for £5M funding to provide for a new access road linking the Airport's Northside with the Southside, around the eastern end of the runway, had been approved (October 2015) by the Tees Valley LEP. Planning permission had also been granted for the construction of the link road. When built this would open up the Southside, to enable an employment park, and logistics and processing areas with a variety of employment uses, to be provided.

Progress had also been made by DTVA/Peel in discussion with Darlington Borough Council in connection with the preparation of a planning application for residential development on the northside of the airport. This would be supported by planning obligations in a Section 106 Agreement in relation to education, open space, play provisions etc. A bid was made for Enterprise Zone Status in October 2012 by Tees Valley Unlimited but

unfortunately was not supported by Government.

Against the backdrop of the Master Plan proposals, reports to the local authorities involved with the airport explained that DTVA/Peel had asked the Local Authority Shareholders to consider a further proposal. This proposal was, and continued to be seen by DTVA/Peel as an important part of a package of key measures aimed at securing the Airports future. The other measures were the reduction in the cost base and operations of the airport and diversifying its revenue base, in order to approach cash neutrality by the financial year 2023/24 (these measures were substantially completed at the time of the September 2015 report), together with approval for and implementation of the housing development referred to earlier in this latest report.

The Committee agreed to support the proposal by DTVA/Peel, in principle, subject to certain matters being satisfactorily agreed and concluded. Details of the proposal were again set out in the exempt Appendix (Appendix A). This item contains exempt information under Schedule 12A Local Government Act 1972 (as amended by the Local Government (Access to Information) (Variation) Order 2006) namely, (para 3 and 5) to this report. Together with details of the developments that have occurred since September 2015.

At this point in the meeting Councillor Kevin Cranney declared a personal interest as the Council's appointed representative on the DTVA Board and recorded at Minute 180.

At this point and at the request of Members the Chair sought a resolution to move the meeting into closed session.

Decision

The meeting moved into closed session and in accordance with the Access to Information Procedure Rules, the press and public were excluded from the meeting.

187. Local Government (Access to Information) (Variation Order) 2006

Under Section 100(A)(4) of the Local Government Act 1972, the press and public were 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 the paragraphs referred to below of Part 1 of Schedule 12A of the Local Government Act 1972 as amended by the Local Government (Access to Information) (Variation) Order 2006.

Minute 188 – Durham Tees Valley Airport (DTVA) – Delivering the Masterplan – This item contains exempt information under Schedule 12A Local Government Act 1972 as amended by the Local Government (Access to Information) (Variation) Order 2006 namely (para 3) information relating

to the financial or business affairs of any particular person (including the authority holding that information) and (para 5) information in respect of which a claim to legal professional privilege could be maintained in legal proceedings.

- 188. Durham Tees Valley Airport (DTVA) – Delivering the Masterplan** (*Chief Executive*) This item contains exempt information under Schedule 12A Local Government Act 1972 as amended by the Local Government (Access to Information) (Variation) Order 2006 namely (paras 3 and 5)

Type of decision

Key Decision – Test (i), a General Exception Notice applies.

Purpose of report

To update the Committee on progress in relation to the delivery of the DTVA/Peel Master Plan, and to highlight developments regarding the required package of support sought by DTVA/Peel in that respect.

Issue(s) for consideration

The meeting debated some of the issues detailed in the confidential appendices to the report.

THE MEETING RETURNED TO OPEN SESSION

The Chair referred to the discussions concluded in the exempt section of the meeting and proposed the recommendations as set out in the report.

Decision

1. That the Proposal as detailed in the exempt appendix to the report be approved. The appendix to the report contained exempt information under Schedule 12A Local Government Act 1972 as amended by the Local Government (Access to Information) (Variation) Order 2006 namely, (para 3) information relating to the financial or business affairs of any particular person (including the authority holding that information), and (para 5) information in respect of which a claim to legal professional privilege could be maintained in legal proceedings.
2. That the Chief Executive, in consultation with the Chair of Finance and Policy Committee, be given delegated authority to finalise and agree the specific details of the Proposal and the basis upon which it is to be concluded and implemented, and the authority through the Chief Solicitor to execute all necessary or appropriate legal documentation in that respect on behalf of the Council.

189. Any Other Items which the Chairman Considers are Urgent

None.

The Committee noted that the next meeting would be held on Monday 13 June 2016 commencing at 10.00 am at the Civic Centre, Hartlepool.

The meeting concluded at 10.55 am.

P J DEVLIN

CHIEF SOLICITOR

PUBLICATION DATE: 24 MAY 2016