

# **FINANCE AND POLICY COMMITTEE**

## **AGENDA**



**Monday 24 July 2017**

**at 10.00 am**

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

**MEMBERS:** FINANCE AND POLICY COMMITTEE

Councillors C Akers-Belcher, Clark, Cranney, Fleming, Hunter, James, Lindridge, Loynes, Moore, Thomas and Thompson.

**1. APOLOGIES FOR ABSENCE**

**2. TO RECEIVE ANY DECLARATIONS OF INTEREST BY MEMBERS**

**3. MINUTES**

- 3.1 To receive the minutes of the meeting of the Finance and Policy Committee held on 10 July, 2017. (To Follow)

**4. BUDGET AND POLICY FRAMEWORK ITEMS**

- 4.1 Medium Term Financial Strategy (MTFS) 2018/19 to 2020/21 – *Corporate Management Team*

**5. KEY DECISIONS**

- 5.1 Elwick Bypass and Grade Separated Junction – Prudential Borrowing report – *Director of Regeneration and Neighbourhoods*

**6. OTHER ITEMS REQUIRING DECISION**

- 6.1 Senior Leadership Restructure – *Chief Executive* (To Follow)  
6.2 Catering Arrangements at Summerhill – *Interim Director of Public Health*



**7. ITEMS FOR INFORMATION**

None.

**8. ANY OTHER BUSINESS WHICH THE CHAIR CONSIDERS URGENT**

**9. LOCAL GOVERNMENT (ACCESS TO INFORMATION) (VARIATION) ORDER 2006**

**EXEMPT ITEMS**

Under Section 100(A)(4) of the Local Government Act 1972, the press and public be excluded from the meeting for the following items of business on the grounds that it involves 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

**10. EXEMPT ITEMS FOR DECISION**

10.1 Approval for Compulsory Redundancies – *Director of Finance and Policy*

**FOR INFORMATION**

Future meeting dates –

Monday 18 September, 2017 at 10.00 am  
Monday 2 October, 2017 at 10.00 am  
Monday 30 October, 2017 at 10.00 am  
Monday 20 November, 2017 at 10.00 am  
Monday 8 January, 2018 at 10.00 am  
Monday 12 February, 2018 at 10.00 am  
Monday 12 March, 2018 at 10.00 am



# FINANCE AND POLICY COMMITTEE

24<sup>th</sup> July 2017



**Report of:** Corporate Management Team

**Subject:** MEDIUM TERM FINANCIAL STRATEGY (MTFS)  
2018/19 TO 2020/21

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## 1. TYPE OF DECISION/APPLICABLE CATEGORY

Budget and Policy Framework decision.

## 2. PURPOSE OF REPORT

2.1 The purposes of the report are to:-

- i) update Members on the Council's financial position for 2018/19 to 2019/20 and to highlight financial challenges and risks facing the Council in 2020/21;
- ii) enable Members to approve the proposed budget timetable, which reflects increased uncertainty arising from the outcome of the General Election.

## 3. BACKGROUND

3.1 The February 2017 MTFS report outlined the increasingly challenging financial position facing the Council over the next two years (2018/19 and 2019/20) as a result of continuing Government grants cuts. To begin to address these issues Members approved a three year financial strategy which enabled a balanced budget to be set for 2017/18.

3.2 The approved strategy includes forecast Council Tax increases in line with the Government's referendum limits and policy of shifting the burden for funding Council services from national taxation to Council Tax. The strategy also reflects forecast housing growth. By 2019/20 Council Tax increases and housing growth are forecast to provide additional recurring income of £3.577m. This means Council Tax income in 2019/20 will be £40.022m, compared to £36.445m in 2017/18. If this income is not achieved additional budget cuts will be required.

3.3 The approved strategy also includes the phased use of the Budget Support Fund and savings approved in February 2017 for implementation in 2018/19 and 2019/20. Whilst, these measures reduce the budget deficits facing the

Council over the next two years, further cuts of £2.320m will still need to be identified over the next two years, as summarised below:

	2018/19	2019/20	Total 2018/19 and 2019/20
	£'m	£'m	£'m
<b>Gross Deficit</b>	<b>7.288</b>	<b>3.762</b>	<b>11.050</b>
Less - Social Care Precept (3% 2018/19, 0% 2019/20)	(1.093)	0	(1.093)
Less - Council Tax increase 1.9%	(0.692)	(0.740)	(1.432)
Less - Growth in Council Tax base (742 Band D equivalent properties over the period 2018/19 and 2019/20)	(0.574)	(0.478)	(1.052)
<b>Sub Total – Deficit after Council Tax increases and forecast housing growth</b>	<b>4.929</b>	<b>2.544</b>	<b>7.473</b>
Less – Use of Budget Support Fund	(2.448)	(0.257)	(2.705)
Less – Savings approved February 2017	(1.659)	(0.789)	(2.448)
<b>Cuts still to be identified</b>	<b>0.822</b>	<b>1.498</b>	<b>2.320</b>

- 3.4 As previously reported and detailed later in this report the Council will face significant continuing financial challenges in 2020/21. It is therefore essential that the budget for 2019/20 is balanced on a recurring basis and use of one off funding in this year is minimised to avoid carrying an unfunded budget deficit into 2020/21.

#### 4. 2018/19 AND 2019/20 BUDGET

- 4.1 As indicated in the previous section the Council still needs to identify additional budget reductions of £2.320m over the next two years. Detailed proposals will be developed over the next few months and this will include consideration of the following areas:

- Review of corporate financial planning assumptions e.g. forecast phasing of National Living Wage increases;
- Identification of savings options/proposals for Members consideration;
- A review of reserves;
- A review of the Council Tax base;
- A review of Trading Activities.

- 4.2 Details in relation to the above issues will be reported to Members in line with the recommended budget timetable detailed at Appendix A.

- 4.3 The recommended budget timetable is underpinned by the continuation of principles adopted by the Council for many years whereby detailed savings proposals are:

- initially developed and approved by individual Policy Committees;
- individual Policy Committee proposals are then considered by Finance and Policy Committee; and
- final proposals are then referred by Finance and Policy Committee to full Council.

4.4 The timetable broadly complies with the requirements of the Council's constitution. However, the timetable has had to be amended to reflect the outcome of the General Election and the anticipation of a period of uncertainty arising from the political make up of Parliament and an initial priority being given to the commencement of Brexit negotiations. These amendments are designed to ensure the budget timetable provides time for the Council to assess any changes there may be in Government policy and the potential impact on decisions regarding the budgets for 2018/19 and 2019/20.

## **5. 2020/21 BUDGET**

5.1 There are a number of significant national policy issues which will impact on Local Government from 2020/21 and determine the future shape and financial viability of the sector. The outcome of the General Election has increased uncertainty regarding these issues and updates will be provided when more information becomes available. These issues are outlined in the following paragraphs.

### **5.2 100% Business Rates Retention**

5.3 The previous Government announced proposals to implement 100% Business Rates Retention and in February 2017 confirmed their intention to commence this change in 2019/20. Prior to the General Election the Local Government Finance Bill to implement these changes had been progressing through Parliament. However, the new Government's Queen's Speech did not include this bill and this therefore leaves a number of outstanding issues for business rates and wider local government funding reform:

- Will the government look to introducing some or all aspects of 100% business rates retention through a route other than primary legislation?
- What will happen to both those business rates Pilots launched in April 2017 and the plans for extending the Pilot process from April 2018? Will all Pilots be terminated or will the process be extended?
- Will there be a Business Rates baseline reset, which does not require legislation, as was intended under the move to 100% business rates retention?
- Will the review of Fair Funding, intended to be implemented in parallel with the move to 100% business rates retention, still be progressed?
- Will Revenue Support Grant continue post 2020?

5.4 Therefore, although there is no primary legislation for the reform of local government finance outlined in the Queens' Speech, there are many issues that need to be addressed that could have a significant impact on future local government funding. There are just as many, if not more, implications for local government funding in what is not included in the Queen's Speech than from what is included.

5.5 The government has indicated that it will be addressing the financing of two critical areas of funding:

- It will be bringing forward proposals for consultation that will set out options to improve the social care system and to put it on a more secure financial footing;
- Current arrangements for schools funding are unfair and the government remain committed to changing them.

#### 5.6 **Adult Social Care Funding**

5.7 The Chancellor's March 2017 budget recognised the financial pressures facing Adult Social Care and provided additional funding for the period 2017/18 to 2019/20. Under these arrangements the Council will receive total funding of £4m over the three years covered by this funding settlement. However, the recurring funding allocation in 2019/20 will be only £709,000, which is in line with the national tapering. Therefore, whilst this funding was welcomed it does not address the ongoing funding requirement in relation to Adult Social Care.

5.8 The new Government will need to develop a new funding system for Adult Social Care. During the election campaign the Conservative Party indicated that they would base this on a new charging system which reflected an individual's wealth, including the value of their home. The new system would cover both residential and non residential Adult Social Care.

5.9 As indicated in previous paragraphs it now seems unlikely that the above changes will be implemented and the Government has indicated that they will be consulting on future arrangements for funding of Adult Social Care.

#### 5.10 **Children's Services Funding**

5.11 As indicated previously the funding issues impacting on Children's Services are already affecting most Councils. However, this position has not yet been recognised by the Government at a national level. The continuation of cuts to Revenue Support Grant in 2018/19 and 2019/20 will reduce the ability of Councils to manage these continuing and increasing pressures. Therefore, it will be essential that the new Government recognises these pressures and provides additional funding.

5.12 At a local level the Council is meeting the increased cost in this area by using reserves in 2017/18 and 2018/19. This position is not sustainable as based on

current trends the existing reserve funding will run out half way through 2018/19. Proposals are currently being developed to provide additional one off funding for 2018/19 to provide a longer lead time to either reduce demand, or for the Government to provide additional recurring funding. If these measures do not address the cost pressures in relation to Children's Services the Council will have to cut services in other areas.

### 5.13 Council Tax

5.14 At a national level the following Council Tax policies have applied since 2011/12:

- 2011/12 to 2015/16 - Council Tax freeze;
- 2016/17 to 2019/20 - 1.9% Council Tax referendum threshold PLUS Social Care precept of either 2% for three years, or 3% for two years.

5.15 The Council was the only Tees Valley Authority to implement a Council Tax freeze for the five years i.e. 2011/12 to 2015/16.

5.16 Under a system of Councils being financially self sufficient from Council Tax and Business Rates income the national Council Tax policy for 2020/21 and beyond will have a key impact on the financial sustainability of Councils.

5.17 For areas with a low Council Tax base, such as Hartlepool, it is not anticipated that increases in Council Tax income achieved through a combination of annual Council Tax increases and housing growth will be sufficient to address the continuing impact of increased demand for services, particularly in relation to Adult Social Care and Children's Services. It is therefore essential that the Government addresses these issues when they reform the Local Government funding system.

5.18 There is also likely to be increased demands to reform the Council Tax system as this is one of the most visible of all taxes, as it is paid from net income based on receipt of an annual bill.

### 5.19 Public Sector Pay

5.20 Local Government employees have faced eight years of pay restraint. This position reflects the Government's national policy in relation to Public Sector pay. At the same time the value of take home pay has been affected by increases in national insurance, pension contributions and inflation. To put this into context pay grades for Local Government employees in 2017/18 will only be 5.2% higher than in 2010/11. Over the same period the impact of inflation has resulted in a significant real term reduction in pay.

5.21 The previous Government indicated that Public Sector pay increases would be capped at 1% for a further two years - 2018/19 and 2019/20. Councils have not received any additional Government funding to meet the additional costs of a 1% pay increase applying over the next two years.

- 5.22 Against this background it is anticipated that there will be increasing calls for the removal of the 1% pay cap and higher cost of living pay awards across the Public Sector in future years. If these additional costs are not funded at a national level they will either have to be funded from increased cuts, Council Tax increases or a combination of these factors.

### 5.23 Local Budget Issues 2020/21

- 5.24 In addition to the financial challenges and uncertainties outlined in the previous paragraphs the Council also faces a recurring annual “structural deficit” from 2020/21 as it is anticipated that unavoidable inflationary pressures on expenditure budgets will exceed the additional income which can be generated from increasing Council Tax and housing growth.
- 5.25 The annual level of the “structural deficit” will clearly depend on the level of inflation, including pay awards, and the Council Tax regime applying at the time. However, based on an initial assessment the structural deficit is likely to be in the range of £1.021m to £1.421m as follows:

	Scenario 1 1% Pay Cap plus General Inflation 2.5%	Scenario 2 2% Pay Cap plus General Inflation 2.5%
Inflation on 2019/20 pay and non pay budgets budget (net of inflation on income budgets)	1.529	1.929
National Living Wage increase	0.400	0.400
Replace use of 2019/20 Budget Support Fund	0.257	0.257
New Homes Bonus reduction – impact of national changes and phased reductions	0.145	0.145
<b>Sub Total</b>	<b>2.331</b>	<b>2.731</b>
Less Increase in Tax Base	(0.506)	(0.506)
Less 2% Council Tax increase	(0.804)	(0.804)
<b>Structural Deficit</b>	<b>1.021</b>	<b>1.421</b>

- 5.26 The structural deficit may be reduced if the Government provides additional funding for Adult Social Care and Children’s Services to offset inflationary pressures in these areas.

## 6. FINANCIAL CONSIDERATIONS

- 6.1 Detailed in previous paragraphs.



## **7. CONSULTATION**

- 7.1 Consultation will be progressed over two stages, stage one will involve Your Say, Our Future conversations involving the public and key partners which will be taken account of in the formulation of initial proposals. Stage two will involve a formal consultation on the specific budget proposals which will include any groups specifically impacted by the proposals, the business community and statutory partners.

## **8. LEGAL, EQUALITY AND DIVERSITY, CHILD AND FAMILY POVERTY, STAFF AND ASSET MANAGEMENT CONSIDERATIONS**

- 8.1 None – although there will be issues arising in relation to detailed savings proposals and these will be reported to future meetings of this Committee and / or the relevant Policy Committee, as appropriate.

## **9. CONCLUSIONS**

- 9.1 By 2019/20 Local Authorities will have faced 9 years of austerity (2011/12 to 2019/20). Government grant cuts implemented over this period have had a disproportionate impact on Authorities, including Hartlepool, with the greatest dependency on Government Grant, with the least ability to raise resources locally from Council Tax or Business Rates and higher levels of need and deprivation.
- 9.2 The Council has implemented significant efficiencies and budget reductions over the last 7 years to manage the impact of Government grant cuts. These measures cannot be repeated as the budgets have either been removed completely, or cut to a minimal level. These measures have had a fundamental impact on how services are delivered and on capacity.
- 9.3 To put the scale of the efficiencies and budget reductions implemented over the last 7 years in context the Council has removed approximately 470 posts over this period – this equates to a reduction of 13% on the 2010/11 staffing baseline.
- 9.4 The Council faces significant budget deficits over the next two years and has already reflected the following factors into the financial strategy to reduce the budget deficit:
- savings approved in February 2017 to be implemented over the next two years;
  - forecast housing growth in 2018/19 and 2019/20;
  - Council Tax increases in line with Government policy;
  - and the use of reserves to reduce the deficits.
- 9.5 However, further cuts still need to be identified over the next two years of £2.320m as summarised in the table overleaf:

	2018/19	2019/20	Total 2018/19 and 2019/20
	£'m	£'m	£'m
<b>Gross Deficit</b>	<b>7.288</b>	<b>3.762</b>	<b>11.050</b>
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<b>Cuts still to be identified</b>	<b>0.822</b>	<b>1.498</b>	<b>2.320</b>

- 9.6 Detailed proposals to address the above deficits will be reported to future meetings in line with the budget timetable detailed in Appendix A. The timescales detailed in Appendix A may be subject to change as a result of potential announcements by the Government in relation to Local Government funding. There is a risk that these announcements may not be made until late 2017, or early 2018 owing to the timing of the Chancellor's budget and the subsequent Local Government Finance Settlement. If this is the case the budget timetable will need to be adjusted to reflect the timing of any Government announcements which impact on the Council's financial position in 2018/19 or 2019/20. Members will be updated when more information is available.
- 9.7 The report also outlines the significant financial challenges and uncertainties facing the Council in 2020/21. These factors underline the importance of ensuring that by 2019/20 the Council has set a balanced budget and minimised the use of one off funding in 2019/20 to support the budget.
- 9.8 This strategy is designed to minimise the financial deficit carried forward to 2020/21 and therefore ensure the Council is in the best financial position to manage the significant financial challenges facing the Council in 2020/21.
- 9.9 These forecasts are based on the Government implementing the previously announced grant cuts for 2018/19 and 2019/20. The forecasts are also based on the 1% public sector pay cap continuing for this period; however there is increasing pressure on the Government to remove this pay cap. If this occurs and the Government does not provide additional funding for a higher public sector pay increase this will increase the deficits detailed in paragraph 8.5. For example, each 1% additional pay increase above the current pay cap would increase the Council's costs by approximately £400,000 per annum.

## **10. RECOMMENDATIONS**

10.1 It is recommended that Members:

- i) Note the report;
- ii) Approve the Budget and Consultation Timetable detailed at Appendix A.

## **11. REASONS FOR RECOMMENDATIONS**

11.1 The recommendations provide a framework to develop detailed MTFS proposals for 2018/19 to 2019/20.

## **12. BACKGROUND PAPERS**

Medium Term Financial Strategy 2017/18 to 2019/20 report Council 23<sup>rd</sup> February 2017.

## **13. CONTACT OFFICER**

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## APPENDIX A

**Recommended Budget and Consultation Process****Medium Term Financial Strategy Update – July**

The Corporate Management Team will present a report to the Finance and Policy Committee to provide an update on the financial position facing the Council for the period covered by the Medium Term Financial Strategy.

**Preliminary Consultation – August/September**

Your Say, Our Future Consultation sessions on budget and service priorities.

**Individual Policy Committees – September**

Develop and approve initial savings proposals to contribute towards achieving the overall savings requirements identified by the Finance and Policy Committee.

**Finance and Policy Committee – October**

Consider and approve initial savings proposal developed by individual Policy Committees and agree formal consultation arrangements with key stakeholders. The report will also include a review of the Council's reserves as at 31<sup>st</sup> March 2017 and commitments against these one off resources.

**Formal Consultation on Budget Proposals – November**

Formal consultation with key stakeholders and partners including Trade Unions.

**Finance and Policy Committee - November**

Consider consultation responses and approve savings proposals for referral to full Council.

**Council - December**

Consider budget proposed by Finance and Policy Committee and approve the Local Council Tax Support Scheme proposed by Finance and Policy Committee based on simple majority vote.

**Finance and Policy Committee - February**

Approve Council tax proposals to be referred to full Council.

**Council - February**

Consider and approve HBC Council Tax level proposed by Finance and Policy Committee. Consider and approve statutory Council Tax calculations incorporating precepts approved by Police and Crime Commissioner, Cleveland Fire Authority and Parish Councils.

# FINANCE AND POLICY COMMITTEE

24<sup>th</sup> July 2017



**Report of:** Director of Regeneration and Neighbourhoods

**Subject:** ELWICK BYPASS AND GRADE SEPARATED JUNCTION – PRUDENTIAL BORROWING REPORT

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## 1. TYPE OF DECISION/APPLICABLE CATEGORY

1.1 Budget and Policy Framework. Reference RN07/17.

## 2. PURPOSE OF REPORT

2.1 This report sets out the need and importance of delivering the Elwick Bypass and Grade Separated Junction in terms of the future growth and economic growth of Hartlepool. The costs of the scheme and the possible delivery routes in terms of funding are set out, including information of the external funding streams that have been applied to. Given the importance of these infrastructure improvements it is considered that it is necessary to have in place, as a final funding option, a commitment from the Council to agree to prudentially borrow to cover the full cost of the scheme or a lower amount if other sources of funding can be secured. Over the next 15 years the authority will be able to secure Section 106 payments from housing developments within the vicinity of the bypass which will assist in the repayment of the external funding and / or prudential borrowing.

## 3. BACKGROUND

3.1 **Hartlepool Local Plan** – The emerging Hartlepool Local Plan is at an advanced stage of preparation and was submitted to the Secretary of State (SoS) on the 23<sup>rd</sup> March 2017. An Inspector has been appointed by the SoS to examine the plan. The Inspector has provided some initial feedback on the plan and highlighted some additional areas of work which needed to be completed to aid the examination process and these are being or have already been produced. The Inspector has set a date for the Hearing Sessions for the Local Plan to begin in the last week in September, lasting for a period of three weeks.

- 3.2 The Local Plan covers a range of topics which set out a strategy for how Hartlepool will develop over the next 15 years. The plan identifies sites for employment, housing, retail, recreation and leisure, green spaces and a range of other uses. The housing and employment growth is closely aligned with the aspirations of the Tees Valley Strategic Economic Plan (TV SEP) which seeks to create 25,000 new jobs over the next 10 years across the Tees Valley area. The economic growth in the plan is based on the creation of 290 new jobs per annum in a range of sectors. Housing growth across the plan period starts from a base of the Sub-National Population Projections 2014 considering a range of factors to arrive firstly at an Objectively Assessed Need on an annual basis of 287 dwellings per year and then at the housing requirement of 409 dwellings per year when other factors such as demolitions and a 20% buffer for stalled sites and additional affordable housing is taken into account. The 409 is then rounded to 410. The plan therefore identifies a housing requirement for the next fifteen years of 6,150 dwellings.
- 3.3 There are already a large number of deliverable planning permissions approved which amount to 3,793. The remainder of the 6,150 therefore needs to be new allocations across the Borough. The Strategic Housing Land Availability Assessment (SHLAA) firstly considered urban area and brownfield locations, however these are limited in terms of viable and deliverable sites. Given the geography of the Borough and the employment designations to the south of the urban area, westward growth is the only practical option and a wide range of Greenfield sites submitted by landowners across the Borough for consideration. The plan identified two main westward growth areas, the South West Extension for just over 1,200 new homes which has planning permission (subject to the signing of the legal agreement) and growth in the Elwick Road area at High Tunstall (1200 homes) and Quarry Farm (220 homes). These locations not only relate well to existing facilities but also offer the opportunity to provide a range of new community facilities which will support growth in this area of the town. These locations are the only real additional area for westward growth when you consider the existing permissions which exist at the south of the town and the north at Upper Warren, however it is recognised that there are highway improvements which will be critical to the Elwick Road corridor to support these sites and future growth of the Borough given the current reliance on the A689 and the A179. The road infrastructure improvements proposed within the plan and the rationale for them is discussed at 3.4.
- 3.4 ***Elwick bypass and Grade Separated Junction at northern Elwick Junction*** - The concept of the grade separated junction and bypass has developed within the emerging Hartlepool Local Plan in conjunction with discussions between the local authority and Highways England. Historically the junctions at Elwick Village and Dalton Piercy have had safety issues and there has been a number of accidents, some of which were fatal; as such Highways England secured some funding to look at design options for the creation of a grade separated junction at one of the Elwick village junctions. The need for these works were subsequently shown to be needed as a result of capacity / safety concerns when a

camera was placed on the southern Elwick junction which showed cars queuing back in the deceleration lane for the right turn into the village – this is obviously a major concern as if cars queue into the outside northbound lane this could lead to serious safety concerns. These safety and capacity issues and concerns led to Highways England putting holding recommendations on planning applications which were coming forward which would intensify the traffic movements through Elwick Village, meaning that the Local Authority is unable to give planning permission until the highway issues are satisfactorily addressed.

- 3.5 The concerns highlighted above and wider concerns with increasing congestion on the two main routes into Hartlepool, the A689 and the A179, and the safety and amenity of residents within Elwick Village in terms of ever increasing levels of cars travelling through the village highlighted the need for the Council, through the Local Plan, to propose road infrastructure improvements which would address these concerns and improve the quality, safety and reliability of the network over the plan period (2016-31) and beyond. As such Local Plan Policy Inf2 (Improving Connectivity in Hartlepool) and the Local Infrastructure Plan require the development of a grade separated junction on the A19 and realignment of Elwick Road to provide a bypass to the north of Elwick Village.
- 3.6 Over the past 18 months as the Local Plan has developed through Preferred Options and the Publication Stage officers have worked closely with Highways England and the land owners to progress the development of a detailed design and route for the bypass. £600,000 of Growing Places loan funding was secured to pay for the detailed design and land acquisition costs. Early meetings with the landowners were important to ensure that the proposed route took account of operational needs of the farmers. The design has been developed in-house and site investigations have also informed the proposed design. A final draft design (**see Appendix 1**) and costing has now been completed and officers are in the process of meeting with the agent of the landowners to progress the process of agreement of the route and subsequent land acquisition.
- 3.7 **Costs of the grade separated junction and bypass** – As part of the development of the detailed design process a bill of quantities has been produced to cost the individual elements of the works. The summary of these works is shown below in table 1. It should be noted that the bridge costs are still being finalised and are subject to site investigation results but are based on other recent build costs for similar scale bridges elsewhere in the Tees Valley and north east region and are an upper estimate so the overall scheme cost is not under estimated. Table one also includes costs for a link road from the grade separated junction to link to Coal Lane. This is an element of the scheme which Highways England have suggested may not be necessary and the cost may outweigh the benefit of the limited amount of journeys which would be made using the link. For planning purposes this has been factored into the potential costs at this stage to provide a robust estimate.

**Table 1 – Cost of Grade Separated Junction and Bypass with Coal Lane link**

<b>Scheme Element</b>	<b>Amount</b>
Preliminaries	£1,500,000
Works to West of A19	£2,363,000
Works to East of A19	£4,545,000
Coal Lane link costs	£692,000
Bridge Costs (subject to SI's)	£8,300,000
Land & design costs	£600,000
<b>Total</b>	<b>£18,000,000</b>

3.8 **Funding Options to deliver the works prior to April 2020** – Given the current issues which have led to holding recommendations being placed on planning applications which would result in an increase of traffic movements at Elwick, it is necessary to install the proposed new road infrastructure in a timely manner. The exact manner in which the funding will be formed is not currently known, but the various delivery options are discussed below.

**Option 1 – Developer funds work up front** – This option is undeliverable as the developers do not have the capital available up front to fund the works and will need to sell homes first to raise finance to help repay the cost via Section 106 Legal Agreements. This has been confirmed through extensive and exhaustive discussion with the developers in the area.

**Option 2 – Work funded through the Local Growth Fund (LGF) loan (now referred to as Single Pot)** and repaid pro-rata as development progresses through securing s106 legal agreements on the developments – As the scheme was developing this was seen as a deliverable option and the local authority submitted a bid to the Tees Valley Combined Authority seeking £18m LGF funding and this was included as part of the overall Tees Valley Local Growth Deal bid that was submitted to the government asking for circa £130m across the Tees Valley. However, when the funding was announced for the Tees Valley it was only successful in attracting approximately £25m across the Tees Valley and as such it was considered highly unlikely that the LGF pot would be able to fund fully fund the infrastructure works at Elwick. There may be an opportunity for the Council to access a small element of the Single Pot funding towards the work, however at present there is no certainty over the amount that could be secured and as such no firm assumptions can be made within this report.

**Option 3 – National Productivity Investment Fund (grant) and Prudential Borrowing** - As part of the Autumn Statement the Government announced a new National Productivity Investment Fund (NPIF) will add £23 billion nationally in high-value investment from 2017-18 to 2021-22. The government will target this spending at areas that are critical for productivity: housing; research and development (R&D); and economic infrastructure. £2.6 billion of the total fund is dedicated to tackling congestion and to ensure the UK's transport networks are fit for the future.



One of the streams of the National Productivity Investment Fund, managed and determined by the Department for Transport, is the Local Road Network Application which was split into small (£2m-£5m) and large project bids (£5m-£10m). This fund is grant funding and, if successful, does not require repayment. The funding must be spent by 2019-20 and, although not mandatory, it suggests that 30% match funding should be secured. The Council has submitted a bid on the 30<sup>th</sup> June for £10m grant to support the development of the bypass and grade separated junction which states that the Council would prudential borrow the remainder of the total cost as match funding; the Council would then recoup this money through s106 payments as the housing developments progressed over the local plan period. It is anticipated that there will be an announcement on the successful NPIF bids in the Autumn Statement which could occur in October this year. This option would be the preferred option as the NPIF grant would mean the prudential borrowing needed would be circa £8 million (dependant on finalised design costs) which would result in developments becoming more viable as the cost per dwelling for the road infrastructure works would be £5,333, freeing up additional contributions to be directed towards other infrastructure such as affordable housing. The repayment of this option is covered in section four.

**Option 4 – HCA funding – Home Building Fund** is a scheme which has been introduced through the Homes and Communities Agency (HCA) to address the issue of accelerating housing development whilst recognising the issues of accessing finance for development. The scheme provides funding for developer finance or infrastructure finance (Loan funding for site preparation and the infrastructure needed to enable housing to progress and to prepare land for development.) As part of the work on the Tees Valley Housing Strategy, which involved the HCA, discussions began in late 2015 regarding HCA funding as an option to help pay for the bypass and grade separated junction. Over the course of 2016 further information became available on the HCA loan option and the Council liaised with the developers to put them in touch with the HCA to discuss the possibility of funding the bypass and grade separated junction through the Housing Infrastructure Fund. However, in the meetings with the HCA it became apparent that the loans are typically secured against property assets; in the case of the strategic development site at High Tunstall the developer does not own the land, they have options on the land which means that they do not have the property assets to secure the loan against and as such this route of funding does not appear deliverable. The other concern of officers is that the Home Building Fund is an agreement between the developer and the HCA and as such the local authority would not be involved in discussions regarding scheme finance and as such the transparency of the developer contributions process could be negatively impacted.

**Option 5 : The Housing Infrastructure Fund** - On 4 July 2017, the Secretary of State for Communities launched £2.3b Housing Infrastructure Fund that offers capital grant funding to local and combined authorities for infrastructure to support up to 100,000 new homes. The Housing

Infrastructure Fund is a government capital grant programme. Funding will be awarded to local and combined authorities on a competitive basis, providing grant funding for new infrastructure that will unlock new homes in the areas of greatest housing demand.

The fund is divided in 2 parts:

- a Marginal Viability Fund seeking bids from single and lower tier authorities of up to £10 million to provide the final or missing piece of infrastructure funding to get additional sites allocated or existing sites unblocked quickly.
- a Forward Fund seeking bids from uppermost tier authorities of up to £250 million for a small number of strategic and high-impact infrastructure projects.

The fund is to deliver physical infrastructure, which could include transport and travel, utilities, schools, community and healthcare facilities, land assembly and site remediation, heritage infrastructure, digital communications, green infrastructure (such as parks) and blue infrastructure (such as flood defences and sustainable drainage systems). Bids are invited by Thursday 28 September 2017.

**Option 6 – Prudential Borrowing** – If all other funding routes prove unsuccessful the last resort of funding the bypass and grade separated junction is through the use of prudential borrowing to cover the whole cost of implementing the scheme. This would mean the Council may have to prudential borrow finance over the course of 2018-2020 to pay for the works. This would bring financial pressure earlier than in the other funding options where there may be other sources of grant or loan funding available in 2018-19. The prudential borrowing would be repaid as the developments progressed, creating financial pressures in the short term prior to the completion of the first element of the housing. The cost of the prudential borrowing and financial pressures are discussed in more detail in section 4 of the report.

- 3.9 In summary, it is not considered options 1, 2 or 4 are realistically deliverable methods at this point in time and as such are not considered further in this report. Options 3 (NPIF & Prudential Borrowing) Option 5 - The Housing Infrastructure fund and Option 6 (Prudential Borrowing) are considered further in the section 4 below to consider the financial implications to the local authority and how borrowing could be repaid.

## 4. PROPOSALS

- 4.1 As outlined in section 3 there are two options which need approval from Members as they rely on prudential borrowing to enable the bypass and grade separated junction to be installed prior to April 2020. The funding will enable the proposals within the Local Plan deliver in a timely manner to improve road safety on the A19 at Elwick and within the village through

reducing the levels of through traffic, providing a third main access route into Hartlepool (for residential traffic) thus reducing congestion on the A689 and the A179 thus helping to stimulate economic through an attractive and efficient road network and also helping to release housing growth on the western edge of the conurbation which will enable the repayment of the prudential borrowing over the plan period.

- 4.2 Option 3 – NPIF grant funding of £10million with the remainder of the infrastructure cost forward funded by prudential borrowing and repaid through S106 contributions as the housing developments build out. In this scenario the NPIF grant funding would be spent first with prudential borrowing being needed during the 2019-20 financial year.
- 4.3 Option 5 – Housing Infrastructure grant funding was announced on the 4<sup>th</sup> July as set out above and applications must be submitted by the 28<sup>th</sup> September 2017. If successful this could be used alongside any grant funding secured via the NPIF funding stream and again help to reduce the levels of prudential borrowing required.
- 4.4 Option 6 – Prudential borrowing needed to fund the full cost of the infrastructure and repaid through S106 contributions tied to the development of housing developments. In this scenario the prudential borrowing is needed to pay for the infrastructure works from 2018 – 2020.
- 4.5 Further details on the funding options are provided in the Financial Section of this report.

## **5. RISK IMPLICATIONS**

- 5.1 All of the estimated costs are pre-tender estimates however given the scale of the project and complexity of the design, significant contingencies have been included to allow for additional costs associated with and necessary design changes and price risk associated with the procurement process. Concise site investigation at the detailed design stage will minimise the risk of any unforeseen ground conditions and any necessary changes will be incorporated within the design and funded from contingencies.
- 5.2 In the event that any contingencies are not required the overall scheme cost will reduce and the Council will seek to reduce the level of prudential borrowing in the first instance, subject to the final Grant Conditions associated with any external grant funders.
- 5.3 There is a risk that the Land Purchase Negotiations are delayed or have to progress through a CPO route if agreement cannot be reached. Negotiations are progressing positively and being monitored closely to minimise the risk of any delays and contracts for the work will be awarded when a clear start date on site is confirmed.

- 5.4 A timescale has been agreed with Highways England to deliver these infrastructure improvements by the end of March 2020 in order to minimize disruption to the A19 as further works delivered by Highways England are due to commence in 2020 between Wolviston and North. It is envisaged that by design most of the bypass can be constructed with minimal disruption to the A19.
- 5.5 As outlined in the Financial Section below there is a risk that the build out of Housing development is delayed and this will impact on the phasing of S106 Developer contributions and Council Tax Income generated by the new properties. This position will be monitored closely and factored into the future MTFS reports. This risk will reduce if the identified external funding is secured, and / or if development progresses faster than expected.

## **6. FINANCIAL CONSIDERATIONS**

- 6.1 In financial terms there are two potential funding options as detailed in the following paragraphs. In summary these options involve different levels of Prudential Borrowing which can be repaid from anticipated S106 monies over a period of between 6 and 15 years. In the event that the S106 monies are not received over this period the Council will need to repay the Prudential Borrowing from the General Fund Budget over a 40 year period to reflect the lifespan of the new road. On the worst case scenario this would commit £0.750m (Annual Loan Repayment plus Interest) of the £2.3m recurring Council Tax income achieved from completion of the anticipated housing developments.

### **6.2 Prudential Borrowing (Option 6)**

- 6.3 As outlined in section 4 it is anticipated that on a worst case basis whereby no grant funding is received the full cost of providing the Elwick Bypass can be fully funded from S106 Developer contributions of £18m received over a 15 year period. However, this proposal would fully commit the S106 monies and mean that no funding was available for a new Primary School which is anticipated will be required at some time over the next 15 years. Therefore grant funding for a new Primary School will be required and early discussions with the Education, Skills and Funding Agency (ESFA) have identified potential funding streams for sponsors to bid for. In addition developers have committed to provide a suitable quantum of land to facilitate the development of a Primary School; which does not impact on viability.
- 6.4 Whilst the S106 monies will be sufficient to fund the cost of providing the Elwick Bypass the Council will need to use Prudential Borrowing to fund the upfront Capital costs. There will therefore be an interest cost of using Prudential Borrowing which cannot be funded from S106 monies.
- 6.5 On the basis of forecast S106 payments over a 15 year period commencing in 2019/20 the Council will face a one-off interest cost for 2018/19 and 2019/20. This interest cost will depend on the interest rates

prevailing at the time and the total one-off costs are anticipated to be between £200k and £400k for 2018/19 and 2019/20. For planning purposes it is not anticipated that there will be any significant increase in interest rates over the next two years. Therefore the one-off interest costs are not anticipated to exceed £200k. Provision for this one-off cost will need to be made as part of the 2018/19 budget process.

- 6.6 In 2020/21 it is anticipated that the Council Tax income generated on the first two phases of the Housing developments (i.e. approximately 200 houses) will be sufficient to cover the recurring annual interest cost until the full loan is repaid in 2030/31. This will mean that this Council Tax income is not available to support the General Fund Budget in 2020/21.
- 6.7 From 2021/22 it is anticipated that further phases of this development will provide recurring annual Council Tax income and this will be available to support the MTFS from 2021/22 onwards. It should be noted that part of this recurring Council Tax income may need to be allocated to fund an additional Refuse collection round. At this stage further work is required to determine when an additional round will be required and this will be reflected in a future MTFS report.
- 6.8 There is a risk that the completion of properties is delayed and this may impact on the phasing of forecast increases in Council Tax Income detailed in the previous paragraphs. This position will be monitored closely.
- 6.9 NPIF Bid is Successful and reduced Prudential Borrowing (Option 3)**
- 6.10 In the event that the NPIF bid is successful the prudential borrowing requirement will reduce from £18m to £8m. Under this proposal there would be sufficient S106 monies to fully repay the loan by 2024/25. Alternatively the Council may wish to repay the loan over a longer period up to 2030/31 if it is necessary to release S106 monies for other Developer Contributions such as Education e.g. a New Primary School or Affordable Housing.
- 6.11 Under this scenario the Council will face reduced one-off interest costs for 2018/19 and 2019/20. This interest cost will depend on the interest rates prevailing at the time however the total one-off costs are anticipated to be fully funded by Council Tax income generated on the first phases of the Housing development (i.e. approximately 100 houses).
- 6.12 Under this scenario it is anticipated that the Council Tax income generated on the first phase of this development (i.e. approximately 100 houses) will be more than sufficient to cover the recurring annual interest cost until the full loan is repaid in 2023/24. However, this will mean that only 68% (£220k) of this Council Tax income is available to support the General Fund Budget in 2020/21.
- 6.13 Whilst the level of borrowing is lower under this option there is still a risk that the completion of properties is delayed and this may impact on the

phasing of forecast increases in Council Tax Income detailed in the previous paragraphs. This position will be monitored closely.

#### **6.14 The Housing Infrastructure Fund (Option 5)**

- 6.15 The recent announcement of the Housing Infrastructure Fund provides a further funding opportunity for the Council to apply, the deadline for submission is the 28<sup>th</sup> September 2017. Dates of successful applications have yet to be announced. In the event that the Council is successful with a funding application the Prudential Borrowing will be reduced accordingly.

### **7. LEGAL CONSIDERATIONS**

- 7.1 The key legal link associated with this report will relate to the Section 106 legal agreements which are signed as part of the identified developments which will need to contribute to the cost of the bypass. The legal agreements will need to allow for any saving to be directed to other infrastructure costs which may have been reduced during the viability process; this may for instance include affordable housing contributions. As the costs which have been developed are based on a higher end estimate for the bridge it is unlikely the costs would increase.

### **8. CONSULTATION**

- 8.1 The proposal for a grade separated junction and bypass at Elwick Village has been part of the emerging Local Plan through the Preferred Options Stage in 2016 and during the Publication Stage of the Local Plan in late 2016 / early 2017. Each of these stages were approved by Regeneration Services Committee for public consultation periods of eight weeks each. During the Publication Stage of the Local Plan a letter regarding the consultation was sent to every household within the borough as well as all the statutory consultees (such as Highways England, Natural England etc) and all stakeholders on the Local Plan consultation database. The Local Plan was Submitting to the Secretary of State on the 23<sup>rd</sup> March 2017 following full Council approval.
- 8.2 Consultation and liaison with the landowners of the land needed to construct the grade separated junction and bypass begun in February 2016 and is ongoing through their land agent to keep them informed in relation to the detailed designs.

### **9. CHILD AND FAMILY POVERTY**

- 9.1 Whilst this report is part of the Budget and Policy Framework, as indicated in the table in **Appendix 2**, there are no child and family poverty implications relating to this report.

**10. EQUALITY AND DIVERSITY CONSIDERATIONS**

- 10.1 There are no equality and diversity considerations relating to this report.

**11. SECTION 17 OF THE CRIME AND DISORDER ACT 1998 CONSIDERATIONS**

- 11.1 There are no Section 17 considerations relating to this report.

**12. STAFF CONSIDERATIONS**

- 12.1 There are no staff considerations relating to this report.

**13. ASSET MANAGEMENT CONSIDERATIONS**

- 13.1 Whilst the grade separated junction will form part of the strategic road network and will become the responsibility of Highways England to maintain, the bypass will create a new stretch of road which will form part of the local road network and will have to be managed and maintained by the local highway authority.

**14. RECOMMENDATIONS**

- 14.1
- (a) To note the strategic infrastructure required for the Local Plan specifically relating to highway infrastructure in the Elwick area.
  - (b) To note the delivery and funding mechanisms that the Council has considered and is currently pursuing.
  - (c) Recommend to Council, the proposal to prudentially borrow between £8m and £18m, which represents the amount of funding required by the Council to fund the cost of the Elwick Bypass and Grade Separated Junction; depending on the outcome of external funding applications.
  - (d) Note that the annual loan repayments (excluding interest) associated with recommendation (c) will be funded from the S106 Developer Contributions. Under these arrangements an £8m loan would be repaid by 2024/25 and a £18m loan will be repaid by 2030/31.
  - (e) Note that in the event that the S106 monies are not received the Council will need to repay the Prudential Borrowing from the General Fund Budget over a 40 year period to reflect the lifespan of the new road. For an £8m loan this would commit £0.340m (Annual Loan Repayment plus interest) of the £2.3m recurring Council Tax income achieved from completion of the anticipated housing developments. For an £18m loan this would commit £0.750m (Annual Loan

Repayment plus interest) of the £2.3m recurring Council Tax income achieved from completion of the anticipated housing developments.

- (f) Note that if no grant funding is achieved for this scheme the full S106 Developer contributions of £18m will need to be allocated to repay Prudential Borrowing and this would require external funding for a new Primary School.
- (g) Note that if grant funding of £10m is secured this will release £8m of S106 monies to either repay the loan by 2024/25, or provide funding towards other priorities such as a New Primary School or Affordable Housing.
- (h) Note that Prudential Borrowing of £18m will commit the Council to a one-off interest cost for 2018/19 and 2019/20 of £200k, and provision for this one-off cost will need to be made as part of the 2018/19 budget process.
- (i) Note that annual interest costs from 2020/21, until the loan is repaid, will be funded from Council Tax income generated from the first 200 properties.

## **15. REASONS FOR RECOMMENDATIONS**

- 15.1 This report has set out the need and importance of delivering the Elwick Bypass and Grade Separated Junction in terms of the future growth and economic growth of Hartlepool. Given the importance of these infrastructure improvements it is considered that it is necessary to have in place, as a final funding option, commitment from Council to agree to prudential borrowing to cover the full cost of the scheme or a lower amount if other sources of funding can be secured. Over the next 15 years the authority will be able to secure Section 106 payments from housing developments within the vicinity of the bypass which will repay the prudential borrowing however funding is needed up front to deliver the infrastructure.

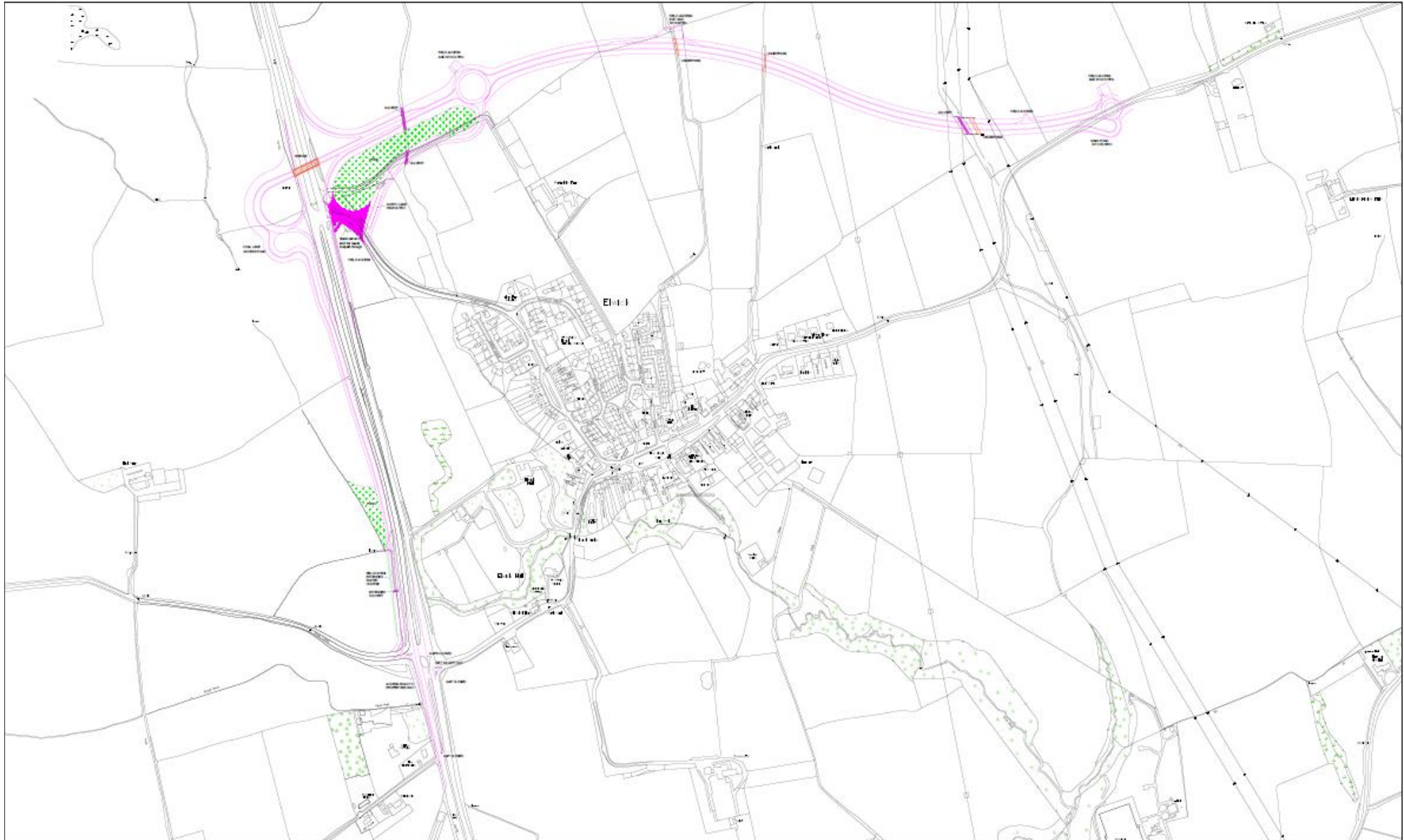
## **16. BACKGROUND PAPERS**

- 16.1 There are no additional background papers associated with this paper.

## **17. CONTACT OFFICER**

- 17.1 Denise Ogden  
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**DRAFT FINAL DESIGN OF GRADE SEPARTED JUNCTION AND ELWICK BYPASS**

## POVERTY IMPACT ASSESSMENT

1. Is this decision a Budget & Policy Framework or Key Decision? <u>YES</u> / NO If YES please answer question 2 below				
2. Will there be an impact of the decision requested in respect of Child and Family Poverty? YES / <u>NO</u> If YES please complete the matrix below				
GROUP	POSITIVE IMPACT	NEGATIVE IMPACT	NO IMPACT	REASON & EVIDENCE
Young working people aged 18 - 21				
Those who are disabled or suffer from illness / mental illness				
Those with low educational attainment				
Those who are unemployed				
Those who are underemployed				
Children born into families in poverty				
Those who find difficulty in managing their finances				
Lone parents				
Those from minority ethnic backgrounds				
Poverty is measured in different ways. Will the policy / decision have an impact on child and family poverty and in what way?				
Poverty Measure (examples of poverty measures appended overleaf)	POSITIVE IMPACT	NEGATIVE IMPACT	NO IMPACT	REASON & EVIDENCE
Overall impact of Policy / Decision				
NO IMPACT / NO CHANGE		ADJUST / CHANGE POLICY / SERVICE		

## POVERTY IMPACT ASSESSMENT

ADVERSE IMPACT BUT CONTINUE		STOP / REMOVE POLICY / SERVICE	
<b>Examples of Indicators that impact of Child and Family Poverty.</b>			
<b>Economic</b>			
Children in Low Income Families (%)			
Children in Working Households (%)			
Overall employment rate (%)			
Proportion of young people who are NEET			
Adults with Learning difficulties in employment			
<b>Education</b>			
Free School meals attainment gap (key stage 2 and key stage 4)			
Gap in progression to higher education FSM / Non FSM			
Achievement gap between disadvantaged pupils and all pupils (key stage 2 and key stage 4)			
<b>Housing</b>			
Average time taken to process Housing Benefit / Council tax benefit claims			
Number of affordable homes built			
<b>Health</b>			
Prevalence of underweight children in reception year			
Prevalence of obese children in reception year			
Prevalence of underweight children in year 6			
Prevalence of obese children in reception year 6			
Life expectancy			

# FINANCE AND POLICY COMMITTEE

24<sup>th</sup> July 2017



**Report of:** Chief Executive

**Subject:** SENIOR LEADERSHIP RESTRUCTURE

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## **1. TYPE OF DECISION/APPLICABLE CATEGORY**

1.1 None Key Decision.

## **2. PURPOSE OF REPORT**

2.1 This report is to make recommendations to Finance and Policy Committee in respect of the Chief Officer structure of the Council with particular reference to the Public Health Department and Child and Adult Services though there are also implications for Regeneration and Neighbourhoods Department.

## **3. BACKGROUND**

3.1 As Members are aware the Council is facing an ongoing financial challenge. I formally took up my post in June 2015 and since then I have considered the current Corporate Structure and taken the opportunity to review the functional groupings in each Department.

3.2 My previous reports to this Committee considered a number of options in respect of Regeneration and Neighbourhoods and Chief Executive's Departments which have been progressed and implemented. The Council has successfully made appointments to three Assistant Director Posts within these departments and these individuals are now all in post.

3.3 My intention in making any changes is to only make them where they will add value or where they are necessary to ensure the overall robustness of the senior leadership team of the Council.

3.4 Following the resignation of the Director of Public Health and continuing changes in the operating environment for Child and Adult Services I am proposing a range of changes in respect of the senior leadership structure of the Council which are outlined in this report and the attached confidential appendix.

## **4. PROPOSALS**

4.1 I have reviewed the remaining aspects of the structure not covered by previous reports in the light of a number of key considerations. It is

important that the Council has a structure which best meets the challenges it faces in both the short and medium to long terms.

- 4.2 My aim in doing this is to ensure that I have a senior leadership team clearly focused on the challenges faced, that makes best use of the expertise currently in the authority and delivers for the Council excellent and consistent services. The proposals to achieve this aim are included in **Appendix 1** in the exempt section of the report.

- 4.3 **This item contains 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).**

## **5. IMPLEMENTATION PROCESS**

- 5.1 The proposals in relation to the implementation of the recommended structure are attached as **Appendix 1** in the exempt section of the report.

**This item contains 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).**

## **6. TIMETABLE**

- 6.1 Implementation of the proposed structure is scheduled to take place following consideration by Finance and Policy Committee of this report with appropriate consultation undertaken in line with agreed policies.

## **7. RISKS**

- 7.1 It should be noted that with any change in structure there is a potential risk to service delivery and in respect of organisational knowledge. The proposal I have recommended to Committee is my best advice for the overall structure of the Council.

## **8. CHILD AND FAMILY POVERTY IMPACT**

- 8.1 The arrangements will strengthen our strategic focus on tackling child and family poverty.

## **9. LEGAL IMPLICATIONS**

- 9.1 The proposed structure will discharge the Council's statutory duties in relation functions of the Director of Children's Services, the Director of Adult Social Services and the Director of Public Health.

## 10. FINANCIAL IMPLICATIONS

- 10.1 The proposed structure can be funded on a recurring basis from existing resources.
- 10.2 In the short term there will be temporary savings as individuals progress through the grades. It is recommended that these resources are earmarked to fund temporary capacity which may be needed in the short term to address the challenges facing the Council and to support the achievement of the Council's priorities in these service areas.
- 10.3 Further information is provided in **Appendix 1** in the exempt section of the report.

**This item contains 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).**

## 11. CONSULTATION

- 11.1 The Hartlepool Joint Trade Unions Committee (HJTUC) have been provided with a copy of this report and asked for written comments in advance of your meeting which will be circulated as soon as possible after they are received. Consultation has also been undertaken with Centre Director for Public Health England.
- 11.2 All affected Chief Officers have been provided with a copy of this report. Comments and any revised recommendations arising from those comments will be presented at the Finance and Policy Committee meeting.

## 12. RECOMMENDATIONS

- 12.1 That Finance and Policy Committee:
- (a) Approves the deletion and addition of the posts, including noting the grading of the additional posts, identified in the Not For Publication element of this report at section 4.1;
  - (b) Approves the appointment arrangements identified in the Not For Publication element of this report at section 4.2 to 4.6;
  - (c) Notes that the proposals as set out in the Not For Publication element of this report will form the basis of appropriate communications and consultations with those staff affected;
  - (d) Approves the functional groupings identified in the Not For Publication element of this report at section 3.12 and 3.17 and the service realignments detailed in section 3.24;

- (e) Note the recurring costs of the proposed structure can be funded from existing resources as detailed in 9.1 above;
- (f) Note that in the short term there will be temporary savings as individuals' progress through the grades and approve the recommended that these resources are earmarked to fund temporary capacity which may be needed over the few years to address the challenges facing the Council and to support the achievement of the Council's priorities in these service areas
- (g) Note that on the basis of Members approving these proposals detailed in this report a review of the Heads of Service i.e. managers reporting to Assistant Directors will be undertaken. These reviews will be cost neutral and will be undertaken in consultation with the relevant Policy Chairs, in accordance with the Council's constitution.

### **13. BACKGROUND PAPERS**

Senior Leadership Restructure Report 16<sup>th</sup> May 2016 Finance and Policy Committee

Senior Leadership Restructure Report 26<sup>th</sup> September 2016 Finance and Policy Committee

### **14. CONTACT OFFICER**

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# FINANCE AND POLICY COMMITTEE

24<sup>th</sup> JULY 2017



**Report of:** Interim Director of Public Health

**Subject:** CATERING ARRANGEMENTS AT SUMMERHILL

## 1. TYPE OF DECISION/APPLICABLE CATEGORY

Non-key decision.

## 2. PURPOSE OF REPORT

2.1 To review the catering provision at Summerhill after one year of operation.

## 3. BACKGROUND

3.1 On 14<sup>th</sup> March 2016 Finance and Policy Committee approved the option of using an in-house provider for a catering facility at Summerhill, for a period of a year. It was agreed that a report be submitted to the Committee at the end of the year setting out the viability of the operation. Details of this are set out below.

## 4. Viability of the Internal Provider Partnership Arrangement

4.1 A full year of trading has recently been completed by the Council's internal catering team. The financial position for the Summerhill café for the period 27<sup>th</sup> May 2016 ending 31<sup>st</sup> May 2017 is summarised in Table 1 below.

Income/Expenditure	2016/17 Actual Position £	2017/18 Position to 31st May £	Total £
Income	(15,479)	(2,775)	(18,254)
Food Purchases	6,006	598	6,604
<b>Gross Profit</b>	<b>(9,473)</b>	<b>(2,177)</b>	<b>(11,650)</b>
Staffing Costs	10,491	5,252	15,743
Other Running Costs	1,053	201	1,254
<b>Total Operating Costs</b>	<b>11,544</b>	<b>5,453</b>	<b>16,997</b>
<b>Net Loss</b>	<b>2,071</b>	<b>3,276</b>	<b>5,347</b>



- 4.2 Last year, the café traded daily (excluding most Sundays and Bank Holidays) from 27<sup>th</sup> May 2016 to 30<sup>th</sup> September 2016. The cafe was closed for the winter months except for additional opening of the facility that took place during part of the October half term week and for a further six separate days between October and December 2016 when special events were held at the venue. Following the winter break, the café reopened again on 10<sup>th</sup> April 2017 and the in house team has an agreement with the Public Health Department to continue this service until 31<sup>st</sup> August 2017. The fixed term contracts of café staff that were redeployed to Summerhill when the Inspirations Coffee House closed are also due to end on this date.
- 4.3 Like any café business, the Summerhill facility depends on a sufficiently high level of footfall to generate the required income to cover its costs. It is evident that the popularity of the outdoor park area and therefore the numbers of visitors to the café itself is predominantly influenced by the weather. Records for the past 12 months show that, not surprisingly, the most profitable trading months were July and August in which over half of the year's total income was received. The takings for June 2016 were lower but overall, the average weekly income for this three month summer period was approximately £900.
- 4.4 Trading from September 2016 however did not generate enough income to break even nor were the takings sufficient in April and May 2017 when the café reopened. Several good days of trading during the Easter holiday period were unfortunately outweighed by low income periods as a result of poor weather in the latter part of April and during a number of days in May. For the combined autumn and spring seasons, an average income of only £400 per week was generated and this was the main contributory factor to the overall loss over the year. There are times when it is necessary during the six week holiday period to double up on staff so the break even figure is higher during the summer than at other times of the year. Outside of the 14 week period –May to September – the average breakeven level has been calculated by Finance as £660 per week, which is obviously well above the average £400 per week income generated.
- 4.5 From the trading data set out above it is felt that the Summerhill café can only be a viable trading proposition for the in house catering team during the main summer season, specifically the period running from the May Bank Holiday week to the end of August. An analysis has been carried out which shows average sales of £879 per week would be required over this 14 week summer period in order to achieve the break even position. Based on last summer's trading and assuming similar weather patterns occur, it is felt this target is achievable. Assuming the in house team was to continue delivering the café service in future years, opening the facility outside of this main 14 week summer period is likely to lead to the Council incurring financial losses.

## **5. PROPOSALS**

### **5.1 Option 1**

Continue with current in-house provision but only open from Monday to Saturday for 14 weeks from May bank holiday to the end of August. We will explore the potential for vending machines to be made available when cafe is closed.

It is not possible to open for Sundays and Bank Holidays as current staff terms and conditions make it prohibitively expensive. In addition, a second member of cafe staff would need to be present on Sundays and on Bank Holidays to comply with lone working criteria relating to handling cash, as there are no other Centre members of staff present on those days

The current in-house provider would be prepared to provide the service during this peak period and there is confidence that the average £879 per week costs could be covered unless the summer weather was a really complete disaster.

### **5.2 Option 2**

Seek an alternative commercial or not for profit/charity/community provider who would be able to open the cafe over a longer period of the year, which might enhance the offer at Summerhill. One organisation is interested in such a venture and is currently putting together a business case to this effect which will be completed by the end of July.

### **5.3 Option 3**

Close cafe completely and/or install vending machines

## **6. RISK IMPLICATIONS**

6.1 The lack of coffee shop could have a negative impact on the number of visitors and patrons at Summerhill, thereby decreasing income. The footfall at Summerhill Visitors Centre (centre only) was 137,075 in 2016/17.

6.2 There is however a high risk of financial loss to the Council if the in house catering team was to continue to provide the service and open the café outside of the main 14 week summer period described in section 4.

## **7. FINANCIAL CONSIDERATIONS**

7.1 As outlined in Section 4 above.

## **8. LEGAL CONSIDERATIONS**

8.1 None.

**9. CHILD AND FAMILY POVERTY (IMPACT ASSESSMENT FORM TO BE COMPLETED AS APPROPRIATE.)**

9.1 None.

**10. EQUALITY AND DIVERSITY CONSIDERATIONS (IMPACT ASSESSMENT FORM TO BE COMPLETED AS APPROPRIATE.)**

10.1 Summerhill is an accessible site and the review would not affect this.

**11. STAFF CONSIDERATIONS**

11.1 Any staffing would be the responsibility of the internal or external provider/contractor

**12. ASSET MANAGEMENT CONSIDERATIONS**

12.1 None.

**13. RECOMMENDATIONS**

13.1 It is recommended that Finance and Policy Committee:

- i. Note the position regarding the operation of the catering facility at Summerhill.
- ii. Approve the continuation of the service offer as outlined in Option 1 over 2017.
- iii. Authorise officers to progress Option 2 to take effect from Spring 2018.
- iv. Authorise the Chief Executive in consultation with the Chair of Finance and Policy to evaluate the business case and select the third party provider.

**14. REASONS FOR RECOMMENDATIONS**

14.1 To seek agreement for a preferred option for catering at Summerhill

**15. BACKGROUND PAPERS**

15.1 None

**16. CONTACT OFFICERS**

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