

FINANCE AND POLICY COMMITTEE

MINUTES AND DECISION RECORD

24 JULY 2017

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

Present:

Councillor Christopher Akers Belcher (In the Chair).

Councillors: Alan Clark, Kevin Cranney, Tim Fleming, Dave Hunter, Marjorie James, Jim Lindridge, Brenda Loynes, Shane Moore, Stephen Thomas and Paul Thompson.

Also Present: Councillor David Riddle.

Officers: Gill Alexander, Chief Executive
Peter Devlin, Chief Solicitor
Hayley Martin, Head of Legal Services (Place)
Chris Little, Director of Finance and Policy
Claire McLaren, Assistant Director, Corporate Services
Dr Paul Edmondson-Jones, Interim Director of Public Health
Denise Ogden, Director of Regeneration and Neighbourhoods
Ed Turner, Public Relations Officer
David Cosgrove, Democratic Services Team

28. Apologies for Absence

None.

29. Declarations of Interest

None at this point in the meeting.

During the discussions at Minute 34 “Catering Arrangements at Summerhill”, Councillor Hunter declared a personal interest.

30. Minutes of the meeting held on 10 July 2017

Confirmed.

31. Medium Term Financial Strategy (MTFS) 2018/19 to 2020/21 *(Corporate Management Team)*

Type of decision

Budget and Policy Framework.

Purpose of report

The purposes of the report were 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.

Issue(s) for consideration

The Director of Policy and Finance outlined the background to the Council's current financial position and the strategy adopted by Council in February 2017. The strategy still required the Council to make further savings in 2018/19 and 2019/20 amounting to £2.32m to address the budget deficit. Detailed proposals were being worked upon by the Corporate Management Team (CMT) to address the savings required and a proposed timetable for the consideration of these issues was set out in Appendix A to the report.

The Director reported that beyond 2019/20 there were significant issues that would impact upon local government, many of which were now clouded in uncertainty following the recent general election. These included –

- The 100% Business Rate Retention proposals which had not been included in the Queen's Speech and therefore needed to be addressed by government.
- Adult Social Care Funding – the recent additional precept had been welcomed but it failed to address the ongoing funding issues in adult social care.
- Children's Services Funding – this was just not only a local issue but one that needed to be addressed nationally.
- Council Tax – there were significant issues for areas such as Hartlepool with a low Council Tax base that government needed to address as part of its reform of the Local Government funding system.
- Public Sector Pay – local government employees had faced eight years of pay restraint and there were now many national calls to ease the restraint. Any lift of the pay cap of 1% in either 2018/19 or 2019/20 would require additional government funding or increased service cuts as budget forecasts had been based on the 1% public sector pay cap.

The Director highlighted that there were also a series of local budget issues as the Council faced a recurring annual "structural deficit" from 2020/21 which could be significantly affected by inflation and any relaxing of the

national pay cap. This “structural deficit” could be between £1.021m and £1.421m depending on a pay cap of 1% or 2% though could be reduced if government provided the additional funding required to offset the inflationary pressures in Adult Social Care and Children’s Services.

The Director, in concluding, highlighted that the Council had implemented significant efficiencies and budget reductions over the last seven years to manage the impact of Government grant cuts. These measures could not be repeated as the budgets had either been removed completely, or cut to a minimal level. These measures had had a fundamental impact on how services are delivered and on capacity. To put the scale of the efficiencies and budget reductions implemented over the last seven years in context the Council has removed approximately 470 posts over this period – this equated to a reduction of 13% on the 2010/11 staffing baseline.

A Member referred to the previous governments decision that the national living wage should reach £9 per hour by 2020; even if the government lifted the public sector pay cap to 2% that figure would not be reached by 2020. The Director indicated that when implementing the Hartlepool Living Wage, the Council had adopted a policy that until the national minimum wage caught up with that figure, there would be no financial impact on the Council for the Council’s own employees. This was still expected to be the case but until government set out a specific timetable on the national minimum wage that could not be confirmed. The Director confirmed that should the 2020 target for £9 per hour be imposed, there would be a funding gap. The Director also indicated that no additional Government funding is being provided for the national living wage, therefore the budget forecasts make provision for the impact of the national living wage on care contracts.

A Member of the public referred to the social care precept and the cumulative effect of the increase in future years. The Director stated that the precept did increase the council tax base and there had been some confusion around how it had been calculated but the authority had complied with the legislation in how the figures were shown on Council Tax bills.

Decision

That the report be noted and the Budget and Consultation Timetable detailed at Appendix A to the report be approved.

32. Elwick Bypass and Grade Separated Junction – Prudential Borrowing report *(Director of Regeneration and Neighbourhoods)*

Type of decision

Key decision. Forward Plan Reference RN07/17.

Purpose of report

The 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 were set out, including information of the external funding streams that had been applied to. Given the importance of these infrastructure improvements it was considered that it was 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 would assist in the repayment of the external funding and / or prudential borrowing.

Issue(s) for consideration

The Director of Regeneration and Neighbourhoods outlined the background for the need for the development of the new junction including the large number of deliverable planning permissions approved which amounted to 3,793 new homes.

The concept of the grade separated junction and Elwick bypass had 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 safety concerns 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.

Over the past 18 months as the Local Plan had 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. A final draft design (shown at Appendix 1 to the report) and costing had now been completed and officers were in the process of meeting with the agent of the landowners to progress the process of agreement of the route and subsequent land acquisition.

It was estimated that the total scheme would cost £18m (fuller details were set out in the report) though the estimated costs of the bridge works were yet to be fully finalised. With several of the housing developments already in construction, it was considered that delivering the proposed road scheme in a timely manner was now essential. Funding for the project was not fully finalised and the Director set out the options for funding which would

include one or a number of the following options –

- 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 would need to sell homes first to raise finance to help repay the cost via Section 106 Legal Agreements.
- 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. It was considered highly unlikely that the LGF pot would be able to fund fully fund the infrastructure works at Elwick, though there may be an opportunity for the Council to access a small element of the Single Pot funding towards the work.
- 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) which would add £23 billion nationally in high-value investment from 2017-18 to 2021-22. The Council had submitted a bid on the 30 June for £10m grant to support the development of the bypass and grade separated junction which stated that the Council would prudential borrow the remainder of the total cost as match funding.
- Option 4 – HCA funding – Home Building Fund - This was a scheme which had 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. It was considered an unlikely funding source at this time.
- Option 5 – The Housing Infrastructure Fund - On 4 July 2017, the Secretary of State for Communities launched £2.3bn Housing Infrastructure Fund that offered capital grant funding to local and combined authorities for infrastructure to support up to 100,000 new homes. The fund aimed to deliver physical infrastructure, which could include transport and travel amongst other infrastructure projects, and a bid was being developed for submission by the deadline of Thursday 28 September 2017.
- Option 6 – Prudential Borrowing – If all other funding routes proved unsuccessful the last resort of funding the bypass and grade separated junction was through the use of prudential borrowing to cover the whole cost of implementing the scheme.

The Director indicated that the proposal to the Committee was that a combination of Options 3, 5 and 6 be approved by Members. Any Housing Infrastructure Grant obtained, if the bid was successful (Option 5) could be used alongside and successful bid funding from the National Productivity Investment Fund. Any shortfall in the scheme could then be met by prudential borrowing (Option 6), though should no external funding be obtained, this would be the only means of funding the scheme.

A Member questioned if the proposed scheme budget of £18m was sufficient. The Director stated that the estimated costs had been calculated by both the Council's engineers and the Highways Agency and was the

upper end of the £15m-£18m projected costs.

A Member referred to the Highways Agency comment that a link road to serve Coal Lane may not be necessary and was concerned that would require traffic to have to use the A179 junction to 'u-turn' in order to travel south on the A19. The Director commented that as this stage the design was not yet finalised. There were a number of farm accesses that needed to be addressed. Members, and members of the public, raised concerns on the potential effects on traffic congestion in the town particularly around the Elwick Road / Wooler Road junction and generally on Catcote Road. The Director indicated that officers were aware of these issues and some detailed traffic modelling would be required to assess what additional measures may need to be taken. In the discussion reference was made to the potential western bypass for the town to alleviate the many problems that existed travelling north to south. The Director commented that this was a further scheme that was under consideration and would be the subject of detailed Member consideration in the future.

Decision

1. That the strategic infrastructure required for the Local Plan specifically relating to highway infrastructure in the Elwick area be noted.
2. That the delivery and funding mechanisms that the Council had considered and was currently pursuing be noted.
3. That it be recommended to Council that 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.
4. The Committee noted that the annual loan repayments (excluding interest) associated with recommendation 3 would 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.
5. That in the event that the S106 monies are not received it was noted that the Council would 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.
5. That if no grant funding was achieved for the scheme it was noted that

the full S106 Developer contributions of £18m would need to be allocated to repay Prudential Borrowing and this would require external funding for a new Primary School.

6. The Committee noted that if grant funding of £10m was secured this would 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.
7. The Committee noted that Prudential Borrowing of £18m would commit the Council to a one-off interest cost for 2018/19 and 2019/20 of £200,000 and provision for this one-off cost would need to be made as part of the 2018/19 budget process.
8. It was noted that annual interest costs from 2020/21, until the loan was repaid, would be funded from Council Tax income generated from the first 200 properties.

33. Senior Leadership Restructure (*Chief Executive*)

Type of decision

Non-key decision.

Purpose of report

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

Issue(s) for consideration

The Chair indicated that consideration of the report would be deferred to an additional meeting of the Committee to be held in August.

Decision

That the report be deferred.

Councillor Hunter declared a personal interest during the discussion on the following item.

34. Catering Arrangements at Summerhill (*Interim Director of Public Health*)

Type of decision

Non-key decision.

Purpose of report

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

Issue(s) for consideration

The Interim Director of Public Health reported that at the meeting on 14 March 2016 Members 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. Full details were set out in the report showing that the financial position to 31 May 2017 was that there was a total net loss from the operation of £5347. Last year, the café traded daily (excluding most Sundays and Bank Holidays) from 27th May 2016 to 30th 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 10th April 2017 and the in house team had an agreement with the Public Health Department to continue this service until 31 August 2017. The fixed term contracts of café staff that were redeployed to Summerhill when the Inspirations Coffee House closed were also due to end on this date.

The Director went on to outline the options for the future of the cafe at Summerhill beyond the end of August. The options were –

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. Also to explore the potential for vending machines to be made available when cafe is closed. 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.

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.

Option 3: - Close cafe completely and/or install vending machines

The Director highlighted that 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. There was, 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.

A Member expressed concern at the potential of the organisation referred to in option 2 submitting a business plan for operating the cafe when other

organisations had not had the same opportunity through an open tender process. The Chief Executive stated that the Council had been approached by a charitable organisation to operate a social enterprise operation. The Director of Regeneration and Neighbourhoods added that the organisation that had approached the Council was looking at a wider package providing a social value programme for veterans and this would involve more venues than just Summerhill and was not looking purely at a commercial operation but one centred on training. There would be a detailed report to Members on the proposal.

A Member commented that while such a proposal worthy of proper consideration when it came forward, the issue of the operation of the cafe at Summerhill raised greater concerns. It had been stated that when the Council operation was proposed, the Committee was assured by Members that it would make money when it hadn't and that the internal operation of the cafe went against the officer recommendation to invite tenders for operating the site. There had been a clear opportunity to create income which was missed. This was yet another report about a failed Council operated cafe.

Other Members commented that while the organisation that had approached the Council was worthy of support, there were other such groups who may wish to look to operating the cafe. It would be appropriate to put the operation out to tender to ensure the best opportunity for the Council and local tax payers. Reference was made to the recently approved social value policy of the Council's leased estate and it was confirmed that it would be up to individual organisations to demonstrate they met the criteria against the policy for discounted rents.

Members commented that one of the issues that had held back the cafe at Summerhill was the costs of staffing that had precluded Sunday and Bank Holiday opening. Members commented that any future operator should be required to open seven days a week during the opening season including bank holidays. Members also referred to the operation of the cafe at Christ Church by Catcote Futures.

A member of the public referred to previous cafe operations and expressed a hope that no further similar operations would be undertaken at tax payers expense. Another member of the public indicated that there had been reference to the new Community Hubs having a refreshment offer and was it intended these would be cafes as well. The Interim Director of Public Health indicated that the organisation referred to were looking at a package which may include Summerhill and the community hubs. Much depended on the viability of the proposal and which would be assessed once received. A Member of the public also highlighted that as the centre was closed on a Sunday at Summerhill, it also meant that the toilets were also unavailable to visitors.

The Chair suggested that option 2 be expanded to include the potential for other not for profit / charity / community providers to come forward with

proposals for the cafe and that if this proved to be unviable, then an open tender process as set out in option1 be adopted.

Decision

1. That the position regarding the operation of the catering facility at Summerhill be noted.
2. That the continuation of the service offer as outlined in Option 1 until the end of August be approved.
3. That officers to progress Option 2 to take effect from Spring 2018 on the basis that the operation of the cafe be initially open to not for profit / charity / community providers, potentially together with the operation of a refreshment offer at the three community hubs, and should this not prove to be viable, then an open tender procedure be undertaken.
4. That the Chief Executive be authorised, in consultation with the Chair and Vice-Chair of Finance and Policy Committee, to evaluate the business cases and select a third party provider should that prove to be a viable option.

35. Any Other Items which the Chairman Considers are Urgent

None.

The Chairman indicated that the date of the additional meeting to consider the Senior Leadership Restructure would be circulated to Members at the earliest opportunity.

36. 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 37 – Approval for Compulsory Redundancies – 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 1) information relating to an individual.

37. Approval for Compulsory Redundancies *(Director of Finance and Policy)* 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 1) information relating to an individual.

Type of decision

Non-key decision.

Purpose of report

The purpose of the report was to seek approval of compulsory redundancy of employees who are affected by budget savings proposals under consideration for 2017/18.

Issue(s) for consideration

Details of the report and the committee's considerations are set out in the exempt section of the minutes.

Decision

Details of the Committee's decisions are set out in the exempt section of the minutes.

The meeting concluded at 11.10 am.

P J DEVLIN

CHIEF SOLICITOR

PUBLICATION DATE: 31 JULY 2017