



Chief Executive's Department  
Civic Centre  
HARTLEPOOL

10 December, 2018

Councillors C Akers-Belcher, S Akers-Belcher, Barclay, Belcher, Black, Brewer, Brown, Buchan, Cassidy, Cook, Cranney, Fleming, Hall, Hamilton, Harrison, Hunter, James, Lauderdale, Lindridge, Little, Loynes, Marshall, McLaughlin, Moore, Dr. Morris, A Richardson, C Richardson, Robinson, Smith, Tennant, Thomas, Trueman and Young.

Madam or Sir,

You are hereby summoned to attend the COUNCIL meeting to be held on THURSDAY 20 DECEMBER 2018 at 7.00 p.m. in the Civic Centre, Hartlepool to consider the subjects set out in the attached agenda.

Yours faithfully

G Alexander  
Chief Executive

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# COUNCIL AGENDA



**Thursday 20 December 2018**

**at 7.00 pm**

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

- (1) To receive apologies from absent Members;
- (2) To receive any declarations of interest from Members;
- (3) To deal with any business required by statute to be done before any other business;
- (4) To approve the minutes of the last meeting of the Council held on 25 October 2018 as the correct record;
- (5) To answer questions from Members of the Council on the minutes of the last meeting of Council;
- (6) To deal with any business required by statute to be done;
- (7) To receive any announcements from the Chair, or the Head of Paid Service;
- (8) To dispose of business (if any) remaining from the last meeting and to receive the report of any Committee to which such business was referred for consideration;
- (9) To consider reports from the Council's Committees and to receive questions and answers on any of those reports;
- (10) To consider any other business specified in the summons to the meeting, and to receive questions and answers on any of those items;
- (11) To consider reports from the Policy Committees:
  - (a) proposals in relation to the Council's approved budget and policy framework; and

1. Medium Term Financial Strategy (MTFS) 2019/20 and Financial Outlook 2020/21 and 2021/22
    - (i) Presentation – Chair of Finance and Policy Committee
    - (ii) MTFS Recommendations referred by Finance and Policy Committee for Council’s Consideration and Approval
  2. Localised Council Tax Support Scheme 2019/20 – Report of Finance and Policy Committee
  3. Statement of Gambling Principles – Report of Licensing Committee
  4. Adoption of the Hartlepool Rural Neighbourhood Plan – Report of Regeneration Services Committee.
- (b) proposals for departures from the approved budget and policy framework;
1. Hartlepool Western Growth Corridor – Funding Strategy and Compulsory Purchase Order - Report of Finance and Policy Committee
- (12) To consider motions in the order in which notice has been received;

“We are extremely concerned that the National Funding Formula for Schools does not provide sufficient funding for Hartlepool schools. We are particularly concerned the funding within the High Needs Block of the national funding system for our most vulnerable pupils is inadequate.

It has been calculated that the funding shortfall for 2019/20 will be £1.030m for Hartlepool. Many other Councils face similar funding shortfalls.

To address this situation and ensure services continue to be provided to the most vulnerable children, the Council is required by national regulations to seek approval from the Secretary of State to transfer this funding from the Schools Block within the Dedicated Schools Grant. The necessary disapplication for 2019/20 has been submitted.

Whilst this approach discharges the Council’s responsibilities we share the concerns of our schools that this approach puts increased financial pressure on the Schools Block of funding and is not sustainable.

It is therefore proposed that the Council writes to the Secretary of State for Education requesting the Government, as part of the 2019 Spending Review, provides additional resources to fully fund the Dedicated Schools Grant such that all of the funding blocks are at least adequate to meet increasing needs. This will mean that ALL of our children and young people get the first-class education in Hartlepool that they deserve.”

Signed: Councillors James, Moore, Little, Loynes, Tennant and Harrison.

- (13) To receive the Chief Executive's report and to pass such resolutions thereon as may be deemed necessary;
- (14) To receive questions from and provide answers to the public in relation to matters of which notice has been given under Rule 11;
- (15) To answer questions of Members of the Council under Rule 12;
  - a) Questions to the Chairs about recent decisions of Council Committees and Forums without notice under Council Procedure Rule 12.1
  - b) Questions on notice to the Chair of any Committee or Forum under Council Procedure Rule 12.2
  - c) Questions on notice to the Council representatives on the Police and Crime Panel and Cleveland Fire Authority
  - d) Minutes of the meetings held by the Police and Crime Panel held on 18 September 2018.



# **COUNCIL**

## **MINUTES OF PROCEEDINGS**

### **25 October 2018**

The meeting commenced at 7.00 pm in the Civic Centre, Hartlepool

**PRESENT:-**

The Ceremonial Mayor (Councillor Barclay) presiding:

**COUNCILLORS:**

C Akers-Belcher	S Akers-Belcher	Black
Brewer	Brown	Buchan
Cassidy	Cook	Cranney
Hall	Hamilton	Harrison
Hunter	James	Lauderdale
Lindridge	Little	Marshall
Moore	Dr Morris	A Richardson
C Richardson	Smith	Tennant
Trueman	Young	

**Officers:** Gill Alexander, Chief Executive  
Hayley Martin, Chief Solicitor  
Denise Ogden, Director of Regeneration and Neighbourhoods  
Joan Stevens, Statutory Scrutiny Manager  
Ed Turner, Communications and Marketing Manager  
Amanda Whitaker, Denise Wimpenny, Democratic Services Team.

Prior to the commencement of the meeting, the Ceremonial Mayor welcomed Councillor Brewer to his first meeting of the Council since he was elected at the recent by-election.

#### **50. APOLOGIES FOR ABSENT MEMBERS**

Councillors Belcher, Fleming, Loynes, McLaughlin, Robinson and Thomas

#### **51. DECLARATIONS OF INTEREST FROM MEMBERS**

None

#### **52. BUSINESS REQUIRED BY STATUTE TO BE DONE BEFORE ANY OTHER BUSINESS**

None

53. MINUTES OF PROCEEDINGS

The Minutes of Proceedings of the Council held on the 13 September 2018, having been laid before the Council.

RESOLVED - That the minutes be confirmed.

The minutes were thereupon signed by the Chairman.

54. QUESTIONS FROM MEMBERS OF THE COUNCIL ON THE MINUTES OF THE PREVIOUS MEETING OF THE COUNCIL

None

55. BUSINESS REQUIRED BY STATUTE

None

56. ANNOUNCEMENTS

The Ceremonial Mayor referred to the availability of tickets for his Armistice Mayoral Dinner on 9 November.

57. TO DISPOSE OF BUSINESS (IF ANY) REMAINING FROM THE LAST MEETING AND TO RECEIVE THE REPORT OF ANY COMMITTEE TO WHICH SUCH BUSINESS WAS REFERRED FOR CONSIDERATION.

None

58. TO RECEIVE REPORTS FROM THE COUNCIL'S COMMITTEES

1.Periodic Review of the Council's Constitution – Report of Constitution Committee

Council was reminded that the Council's Constitution at Article 15 ("Review and Revision of the Constitution") required that the Monitoring Officer "will monitor and review the operation of the Constitution to ensure that the aims and principles of the Constitution are given full effect." It had been agreed by Council that in conducting a periodic review of the Council's Constitution a report should be submitted to the first ordinary meeting of Council in the new municipal year, unless otherwise directed by Council. It had been necessary to change the date of the Constitution Committee from 31 August 2018 to 13

September 2018. Council had agreed therefore, at its meeting on 13 September 2018 that the outcome of the Monitoring Officer's review would be considered at this Council meeting.

The Monitoring Officer advised Council that a review had been undertaken of Part 3 (Responsibility for Functions) and Part 5 (Codes and Protocols) of the Constitution. Some additional items, which had arisen during the review were also covered in the report. The following items were drawn to the attention of Members:-

- Part 3 (Responsibility for Functions)

A document reflecting the proposed changes to Section B of Part 3 had been appended to the report. The updated document aligned, where appropriate, the responsibilities of Committee with those of Officers. It was proposed that a comprehensive review be undertaken of Section C and be reported to a future meeting of the Constitution Committee prior to consideration by Council. The review of Section C would include the Proper Officer Functions, the Officer delegation Scheme and the Power to Act Generally.

- Part 5 (Codes and Protocols)

All the Codes and Protocols, included in Part 5 of the Constitution, had been reviewed with the exception of the Code of Conduct for Employees which had only recently been approved following a review. Proposed changes were highlighted in the appendices together with the comments received following referrals to the Audit and Governance and Planning Committee of appropriate Codes and Protocols.

Background to additional changes arising from the review had been detailed in the report in terms of the following:-

- Proposed Change to Financial Procedure Rule 4.6
- Proposed Changes to the Contract Procedure Rules
- Proposed Changes to Articles 4, 7, 9 and 12

Whilst supporting the proposed changes, the Committee had highlighted that any references to "officers and employees" should be consistent throughout the Constitution. Council was recommended to approve the recommendations of the Committee as follows:-

- the proposed changes to Part B of the delegation scheme are approved by Council and that a further report be submitted following the comprehensive review of Part C of the scheme.
- the proposed changes to the Codes and Protocols, appended to the report, be approved and the changes proposed for the Planning Code of Practice by the Planning Committee be supported.
- the proposed additional changes be approved.
- That the Monitoring Officer be authorised to make the consequential changes to Part 3 of the Constitution.

On moving the recommendations Councillor Christopher Akers-Belcher advised Council that for consistency purposes, any reference in documents to 'Members' should be replaced with 'Elected Members'.

The recommendations were seconded by Councillor Cranney.

The recommendations were agreed. It was noted that there was no dissent.

#### 59. TO CONSIDER ANY OTHER BUSINESS SPECIFIED IN THE SUMMONS OF THE MEETING

##### 1.Address by the Armed Forces Champion

A tabled report of the Armed Forces Champion, Councillor Barclay, updated Council on the Armed Forces Covenant progress in 2017/18. Members were reminded that in 2012 the Council had signed the North East Armed Forces Community Charter and had established its own Armed Forces Community Covenant to encourage support from the Armed Forces Community in the town. The Community Covenant required that progress be reported annually in relation to the implementation of the Covenant and, in accordance with this requirement; details of progress, activity and achievements during 2017/18 had been outlined in the Armed Forces Champion's report tabled at the meeting. Details of this year's armed forces activities and achievements were also outlined in the report. It was highlighted that a considerable amount of work continued to be done, within the financial and staffing resources available and the Armed Forces Champion thanked all those involved across the Authority and its partners for their help in delivering the achievements so far.

Members were advised that In 2015/16 the Council had been awarded a Bronze Award, from the Ministry of Defence Employer Recognition Scheme (ERS) and the Council now holds the Silver Award. In going forward into 2018/19, the commitment remained to supporting armed forces personnel and their families. Council was informed that it was intended to continue to explore all possible opportunities to:

- Better identify service personnel and their needs, looking at how this local authority work with partners to deliver services and maximise funding opportunities.
- Represent armed forces community's needs on a local, regional and national basis;
- Develop working relationships with Hartlepool's Armed Forces Associations and the town's 883 Postal and Courier Squadron and Rifles detachment;
- Support and participate in Armed Forces Events and Parades across the town and wider region; and
- Work towards obtaining Gold Ministry of Defence Employer Recognition Scheme Award.



Following presentation of the report, tribute was paid to the work undertaken, and leadership demonstrated, by the Armed Forces Champion. Appreciation was expressed to the Armed Forces Champion and to the Statutory Scrutiny Manager who had supported the Champion in the activities and achievements detailed in the report.

A vote of thanks to the Armed Forces Champion was moved by Councillor Stephen Akers-Belcher and was seconded by Councillor Christopher Akers-Belcher.

## 60. REPORT FROM THE POLICY COMMITTEES

(a) Proposal in relation to the Council's budget and policy framework

None

(b) Proposal for Departure from the Budget and Policy Framework

### 1. Seaton Carew Additional Car Parking Facilities – Report of Finance and Policy Committee

The Chair of the Finance and Policy Committee presented a report which enabled Council to consider the Committee's recommendation to extend the existing Sea View Car Park in Seaton which was a self funded business case. At its meeting on the 8<sup>th</sup> October, the Finance and Policy Committee had approved the extension of Sea View Car Park in Seaton to create more car parking spaces for visitors (a copy of the Committee report was appended to the Council report). This had been in response to a request from businesses in the area to increase the parking provision to help support the local economy and following an increased number of visitors following the recent regeneration works undertaken by the Council.

The following recommendations were moved by Councillor Christopher Akers-Belcher and seconded by Councillor Cranney:-

- That the Council approves prudential borrowing of £540,000 to fund the extension of the Sea View Car Park at Seaton Carew and to note that the annual loan repayment costs will be fully funded by the additional car parking income.
- On the basis of Council approving the above recommendations to approve the inclusion of these schemes within the Capital Programme and Prudential Indicators.

Members welcomed the proposal as much needed additional parking capacity with particular reference to the ongoing regeneration of Seaton Carew. A Member referred to the question he had raised at the Committee regarding the number of disabled parking bays which the Member proposed should be an

increase on the current requirements. Another Member referred to car parking machines in Seaton Carew which were not utilised and suggested that those machines should be utilised in the extended Sea View Car Park. The Chair of the Committee responded by providing assurances regarding the disabled parking bays and agreed to liaise with the Director of Regeneration and Neighbourhoods regarding the Member's suggestion relating to car parking machines.

The recommendations of the Committee were agreed. It was noted that there was no dissent.

#### 61. MOTIONS ON NOTICE

None.

#### CHIEF EXECUTIVE'S REPORT

#### 62. MERGER OF THE TEESSIDE AND HARTLEPOOL CORONER AREAS

Further to a previous Business report item on the 21 June 2018 regarding the amalgamation of the Teesside and Hartlepool area coroner service, the Chief Executive reported that an order had been laid before Parliament on the 28 June and had come into force on the 1<sup>st</sup> August 2018 creating a new coroner area known as the 'Teesside and Hartlepool' coroner area.

RESOLVED – That the report be noted.

#### 63. BY-ELECTION RESULT

The Chief Executive reminded Members that her previous report to Council had noted the resignation of Paul Beck as Ward Councillor for the Hart Ward and that a by-election would be held on Thursday 11 October, 2018. At that election James Brewer had been duly elected to serve in the office of Councillor for that Ward until the local government elections in 2019.

The Chief Executive updated Members that since preparation of the report, a notice of composition of political group form had been received. The form had been signed by Cllr Brewer confirming his membership of the Hartlepool Independent Group.

RESOLVED – That the report and update be noted.

#### 64. COMMITTEE AND OUTSIDE BODY - VACANCIES

Members were reminded of the report to the September meeting of Council when it was agreed that the vacancies arising from the resignation of Paul Beck, and other vacancies, be reconsidered by Council after the by-election. As

the by-election had been held, the Committee and Outside Body vacancies arising from the resignation were set out in the report. Nominations were made at the meeting and following the nominations of both Councillor Cassidy and Councillor Little to the Licensing Committee vacancy a vote was taken with the majority of votes given in favour of Councillor Cassidy.

The Chief Executive reported at the meeting that notification had been received from the Hartlepool Independent Group of the following Committee membership changes:-

- Councillor Brewer to replace Councillor Cassidy on Finance and Policy Committee
- Councillor Brewer to replace Councillor Tennant on Adult Services Committee.

RESOLVED – (i) That the following appointments be agreed:-

Audit and Governance Committee – Councillor Lindridge  
 Children's Services Committee, including Corporate Parent Forum –  
 Councillor Marshall  
 Vice Chair of Neighbourhood Services Committee- Councillor Marshall  
 Licensing Committee – Councillor Cassidy  
 Chair of North and Coastal Community Forum – Councillor Moore

(ii) It was noted that there were no nominations to the following organisations:-

Hartlepool and District Sports Council  
 School Admissions Forum  
 Durham Tees Valley Airport Board

#### 65. REFERRAL FROM COUNCIL – AWARD OF MEDALS TO RETIRING CEREMONIAL MAYOR

Members were reminded that at the meeting of Council held on 21 June 2018, it was moved that the Council remove the awarding of a medal, to a retiring Ceremonial Mayor, if the cost of the medal is met by the Council. In response, it was proposed that the issue be referred to the Constitution Committee for consideration. Following concern expressed by the Member, it was highlighted that the outcome of the Constitution Committee would be reported to Council.

At the meeting of the Constitution Committee held on 13 September 2018, the Committee had been advised that it had been a longstanding tradition in this Council as well as other local authorities that the Mayor be presented with a medal or gift to recognise their service to the community and the town. Reference had been made to the inaccuracies that had been reported prior to the Annual Council meeting regarding the costs associated with medals presented to Mayors following the conclusion of their term of office. The views of the Committee had been sought as to whether the longstanding tradition in relation to medals should continue.

Members were advised that the Committee was keen to continue the tradition of presenting the retiring Ceremonial Mayor with a medal or gift to express appreciation and recognition for their service to the town. Emphasis had been placed upon the need for future medals to be produced at a minimal cost and that sponsorship opportunities with key partners be examined. In relation to the type of medal that would be appropriate, Members were of the view that the medal should represent the history of Hartlepool and that a steel or gun metal type medal be considered.

The recommendations of the Constitution Committee were agreed.

RESOLVED - (i) That the current tradition in relation to awarding of medals to a retiring Ceremonial Mayor should continue.

(ii) That the option to produce a steel or gun metal medal to represent the history of Hartlepool be explored.

(iii) That Officers from the Economic Development Team explore sponsorship opportunities with key partners in terms of the design and production of future medals and that medals be produced at a minimal cost.

#### 66. ELECTORAL REVIEW OF HARTLEPOOL BOROUGH COUNCIL

Members were reminded of previous reports to Council that the Local Government Boundary Commission ('Commission') for England had formally commenced an electoral review of Hartlepool Borough Council. Following the consultations on council numbers and warding arrangements, the Commission had opened a public consultation on its draft recommendations for new electoral arrangements for Hartlepool Borough Council. The consultation opened on the 2 October 2018 and would close on 10 December 2018.

Council was advised that the draft recommendations proposed that 36 borough councillors should be elected to Hartlepool Borough Council in future. The recommendations also proposed new electoral ward boundaries across the Borough. Once the Commission had considered all the responses to the consultation, the Commission would publish final recommendations in February 2019. This would be followed by a draft order in both Houses of Parliament under the negative resolution procedure. Subject to parliamentary scrutiny, the new electoral arrangements were scheduled to come into effect at the borough elections in 2020.

Following discussion arising from a suggestion by a Member that a meeting of the Electoral Review Working Group should be convened to comment on the recommendations, the Member added that he considered there would be added value to the working group meeting as it would facilitate a cross party view being conveyed to the Commission.

RESOLVED – That a meeting of the Electoral Review Working Group be convened to respond to the Commission on its draft recommendations for new electoral arrangements for Hartlepool Borough Council.

#### 67. DESIGNATION OF MONITORING OFFICER

The Chief Executive reminded Members that Council, at its meeting on 15 March 2018, had agreed that Hayley Martin be appointed to cover the duties of the Chief Solicitor and Monitoring Officer on an interim basis following the retirement of the Chief Solicitor and the appointment of a new Chief Solicitor. Following a recommendation by the Finance and Policy Committee, the Appointments Panel had agreed to the appointment of Hayley Martin to the post of Chief Solicitor and the appointment of the Interim Assistant Chief Solicitor (current Head of Legal Services – People), Neil Wilson, to the Assistant Chief Solicitor post.

Members were advised that it was necessary for the Council to make the appointment of a Monitoring Officer; a statutory appointment required by Section 5 of the Local Government and Housing Act 1989 and which is the responsibility of the Chief Solicitor. Council was requested, therefore, to confirm Hayley Martin as Monitoring Officer.

RESOLVED – That Hayley Martin be appointed the Authority's Monitoring Officer.

#### 68. PUBLIC QUESTION

None

#### 69. QUESTIONS FROM MEMBERS OF THE COUNCIL

- a) Questions to the Chairs about recent decisions of Council Committees and Forums without notice under Council Procedure Rule 12.1

None

- b) Questions on notice to the Chair of any Committee or Forum under Council Procedure Rule 12.2

None

- c) Questions on notice to the Council representatives on the Police and Crime Panel and Cleveland Fire Authority

None

- d) Minutes of the meetings held by the Cleveland Fire Authority and the Police and Crime Panel

The minutes of the meeting of the Cleveland Police and Crime Panel held on 3<sup>rd</sup> July 2018.

The meeting concluded at 7.30 p.m.

CEREMONIAL MAYOR

# COUNCIL REPORT

20 December 2018



**Report of:** Finance and Policy Committee

**Subject:** MEDIUM TERM FINANCIAL STRATEGY (MTFS)  
2019/20 AND FINANCIAL OUTLOOK 2020/21 AND  
2021/22



## 1. PURPOSE OF REPORT

- 1.1 The purposes of the report are to enable Council to consider the recommendations from the Finance and Policy Committee in relation to the 2018/19 budget and Council Tax level for Hartlepool Council services.

## 2. BACKGROUND

- 2.1 In accordance with the Constitution the Finance and Policy Committee is required to develop budget and Council Tax proposals for the forthcoming year for consideration by Council. A detailed report on these issues will be considered by Finance and Policy Committee on 17<sup>th</sup> December 2018 and is attached to enable Members to familiarise themselves with the financial issues facing the Council.
- 2.2 The Finance and Policy Committee report reminded Members that reductions in Government funding and Council Tax referendum limits set by the Government, including the introduction of the Adult Social Care precept, have shifted the burden of funding local authority services from national tax payers on to Council Tax, as summarised in the following table:

### Change in National funding 2015/16 to 2019/20

	Council Tax		Govt. funding
2015/16	49.3%		50.7%
2019/20	<u>61.5%</u>		<u>38.5%</u>
Change	<b>+12.2%</b>		<b>-12.2%</b> 

Note - Government funding consists of Revenue Support Grant, Top-up Grant, Business Rates income, Improved Better Care Fund, New Homes Bonus & Rural Services Delivery Grant

### 3. ISSUES TO BE CONSIDERED BY FINANCE AND POLICY COMMITTEE ON 17<sup>th</sup> DECEMBER 2018

- 3.1 The detailed report to be considered by the Finance and Policy Committee covers the following areas:
- Review of Reserves;
  - Strategy for Managing 2019/20 to 2021/22 Budget Deficits;
  - Savings Strategy 2020/21 and 2021/22;
  - Capital Strategy 2018/19 to 2021/22;
  - Risks Issues and Robustness of Budget Forecasts – Director of Finance and Policy's Professional Advice.
- 3.2 2019/20 will be the ninth year of Government funding reductions and for Hartlepool this means that Government Funding (Revenue Support Grant and Top up grant) in 2019/20 will be approximately **£25.5m**, compared to **£46.4m** in 2013/14, which is a reduction of **£20.9m** i.e. a reduction of **45%**. This includes a 2019/20 cut of **£2.794m**, which is a reduction from 2018/19 of 13%.
- 3.3 The Council also faces significant budget pressures in 2019/20 in relation to Looked after Children and national pay awards, which are not funded from additional Government grant.
- 3.4 As a result of these issues the Council faces a 2019/20 budget deficit of £8.162m. As cuts have already been made for the last eight years this makes 2019/20 the most difficult year the Council has ever faced.
- 3.5 This deficit can be reduced to **£3.847m** by implementing the proposed core Council Tax increase, Adult Social Care precept, achieving forecast housing growth, budget savings and the use of forecast additional Social Care funding as summarised below:

#### 2019/20 Budget Deficit

	£'m
Deficit <b>before</b> Council Tax increase & forecast housing growth	<b>8.162</b>
Less – Core Council Tax increase of 2.9%	(1.128)
Less – Adult Social Care precept of 1%	(0.389)
Less – Forecast housing growth	(0.658)
Deficit <b>after</b> Council Tax increase and forecast housing growth	<b>5.987</b>
Less – Budget Savings	(1.040)
Less – Forecast Social Care funding	(1.100)
<b>Deficit still to be addressed</b>	<b>3.847</b>



- 3.6 To support the process to achieve further savings/efficiencies a comprehensive review of reserves has been completed. This has identified one off resources to support the 2019/20 to 2021/22 budgets. On this basis it is proposed that the 2019/20 budget can be balanced by using £3.847m of reserves.
- 3.7 In adopting this strategy Members need to recognise that it is not without risks as it:
- Does not provide a recurring solution to the known 2019/20 deficit and simply delays these cuts until 2020/21;
  - Reduces uncommitted reserves available to manage ongoing, or new, financial risks that may arise in 2019/20 and future years. This is a significant potential risk owing to the range of changes proposed by the Government for 2020/21.
- 3.8 The recommended strategy can be adopted provided Members commit to the development of a detailed savings strategy to achieve recurring saving in 2020/21.
- 3.9 The financial outlook for 2020/21 and 2021/22 remains uncertain. However, even if Government funding is frozen for these years the Council will still face a forecast deficit for the three years up to 2021/22 of **£5.662m**. This would increase to **£7.436m** if 2% Government grant cuts are made for 2020/21 and 2021/22.
- 3.10 **Risks Issues and Robustness of Budget Forecasts – Director of Finance and Policy’s Professional Advice.**
- 3.11 The information presented in the Finance and Policy Committee in relation to these issues is equally valid for full Council when considering the 2019/20 budget proposals.
- 3.12 The Director of Finance and Policy can advise Members that in his professional opinion the budget proposals for 2019/20 are robust and this advice is based on a range of key factors being in place, including:
- Confirmation of the 2019/20 indicative core Council Tax increase of 2.9% and 1% Social Care precept, which in total will secure recurring additional income of £1.517m;
- 3.13 The Director of Finance and Policy advised the Finance and Policy Committee that if the Council Tax increase is not confirmed the Council will need to identify additional recurring budget cuts of £1.517m before the start of 2019/20. This will increase the total forecast savings over the period of the MTFS by this amount. As summarized in the following table this would increase the overall budget deficit to between £7.179m and £8.953m, depending on the level of Government funding in 2020/21 and 2021/22.

2020/21 and 2021/22 Forecast Budget Deficits

	Total Budget Deficit based on 2020/21 and 2021/22 Government Grant Freeze £'m	Total Budget Deficit based on 2020/21 and 2021/22 Government Grant cut of 2% per year £'m
Deficit if 2019/20 Council Tax increase implemented	5.662	7.436
Deficit if 2019/20 Council Tax increase <b>NOT</b> implemented	7.179	8.953

- 3.14 The Director of Finance and Policy also advised Finance and Policy Committee that it will not be possible to offset the loss of recurring Council Tax income by using more reserves as this would defer an unmanageable budget deficit to 2020/21. This is not an approach he could support as the Council's Section 151 officer as it reduces the recurring Council Tax base, at a time when Government policy is continuing to switch the burden for funding local services from grant funding on to Council Tax.
- 3.15 In addition, the Director of Finance and Policy could not support an increase in the use of reserves in 2019/20 as this would reduce the resources available to support implementation of the 2020/21 savings plan from £4.062m to £2.545m. The reduced amount would not provide adequate resources to support the safe implementation of the savings plan. It would also increase the risk that the Council, as has happened in other areas, would have to implement emergency budget reductions to avoid even more drastic action, including responding to a potential section 114 notice from the Section 151 officer, or a section 24 report from the Council's external auditor.
- 3.16 The package of measures, including the proposed 2019/20 Council Tax increase, outlined in this report are designed to put the Council in the best possible financial position to manage these financial risks and challenges. This in turn provides the foundations for minimising the impact on services, whilst recognising that cuts will be unavoidable in 2020/21.
- 3.17 As a result of continuing Government grant cuts and unfunded budget pressures Local Authorities are face with the difficult choice of either increasing Council Tax, in line with Government Referendum Limits, or making greater cuts in local services.
- 3.18 The proposed Council Tax increase for 2019/20 reflects the final year of the Government's current Council Tax referendum limits, including the Adult Social Care precept. This provides recurring income of **£1.517m**, which only equates to approximately **54%** of the 2019/20 Government funding cut of **£2.794m**.

#### **4. MTFS RECOMMENDATIONS REFERRED BY FINANCE AND POLICY COMMITTEE FOR COUNCIL'S CONSIDERATION AND APPROVAL**

4.1 In summary the Finance and Policy Committees final recommendations for Council to consider and approve are as follows:

1. Note that on the basis of the Chancellor's Budget announcement on 29<sup>th</sup> October 2018 the cuts in Government funding implemented over the nine years up to 2019/20 will not be reversed,
2. Note the 2019 Spending Review will determine the Government's spending priorities for 2020/21 to 2023/24, which in total for Government departments (other than NHS England) will not see any real terms increase in funding;
3. Note the additional Social Care funding allocated to Hartlepool for 2019/20 is £1.1m, which equates to approximately 40% of the 2019/20 Government Grant cut of £2.794m;
4. Note that in his Budget statement to Parliament the Chancellor's stated "we are giving Councils greater control over the monies they raise through the Adult Social Care precept". To also note that the Government has confirmed the Council Tax referendum limits for 2019/20, including the Adult Social Care precept;
5. Note the 2019/20 Government Grant cut of £2.794m – a 26% cut;
6. Approve the indicative core Council Tax increase of 2.9%, plus 1% Adult Social Precept, which will achieve total additional recurring income of £1.517m to help protect services;
7. Approve the detailed departmental and corporate saving proposals of £1.040m detailed in Appendix F:
8. Note that after reflecting the 2019/20 Social Care funding allocation, 2019/20 Council Tax increase and departmental/corporate savings the Council still faces a 2019/20 budget deficit of £3.847m;
9. Approve the outcome of the Reserves Review which has identified one off resources of £7.909m which can be re-allocated to establish a "Budget Support Fund 2019/20 to 2021/22 reserve";
10. Approve the use of £3.847m of the "Budget Support Fund 2019/20 to 2021/22 reserve" to address the remaining 2019/20 budget deficit;
11. Approve the proposal to earmark the remaining "Budget Support Fund 2019/20 to 2021/22 reserve" of £4.062m to support Invest to Save initiatives, or the phased implementation of 2020/21 savings which require a longer lead time to implement, as detailed in paragraph 5.18;

12. Note that recommendation (j) defers a £3.847m budget deficit to 2020/21;
13. Note that on the basis of grant freezes in 2020/21 and 2021/22 a detailed savings plan will need to be developed to achieve further savings of £4.830m in 2020/21 (including £3.847m deferred from 2019/20) and £0.832m in 2021/22, based on the work streams detailed in paragraph 6.1;
14. Note the 2020/21 and 2021/22 deficits may increase if further Government grants are implemented in these years and the 2019/20 Social Care funding is not sustained;
15. Following a change in the law, to note that approval from the Secretary of State is not required to release the Civic Lottery Reserve of £411,000, and therefore approve the proposal to use this amount over five years to provide annual support towards the Cultural and Events programme, to match fund external grant funding;
16. Note that as the Civic Lottery Reserve is spent the annual interest available to support Ward Member budget will reduce from £500 in the current year to £300 in 2019/20, then £200 in 2020/21, then nil in 2021/22;
17. Approve the capital expenditure proposals detailed in section 7 and summarised in Appendix H, which covers:
  - Capital expenditure funded from external funding secured by the Council;
  - Requirements in relation to operational vehicles;
  - Student Accommodation;
  - Coast Protection.
18. Delegate Authority to the Director of Finance and Policy, in consultation with the Chair of Finance and Policy Committee, the Chief Executive and Chief Solicitor, to determine the capital financing strategy for 2018/19 and 2019/20 which maximises future financial flexibility of the Council;
19. Note the advice of the Director of Finance and Policy in relation to budget risks and robustness advice detailed in section 12. This includes the Directors advice that if the proposed 2019/20 Council Tax increase is not approved recurring budget reductions of £1.517m income will need to be identified and approved by Council for implementation from 1<sup>st</sup> April 2019 before the Director can sign an alternative budget proposal off as robust.
20. To note that the Director of Finance and Policy will not be able to sign off an increased use of reserves for 2019/20 above the recommended level of £3.847m as robust, as this would defer an increased deficit to

2020/21 and also reduce uncommitted reserves available to support the implementation of the 2020/21 savings plan.

21. Approve the proposal that a review of Civic arrangements be undertaken to consider alternative operating models, including charges for Members use of the Civic Centre car park, as soon as practical and if in-year savings can be achieved these will be used to reduce the planned use of Reserves.

## **5. CONTACT OFFICER**

Chris Little  
Director of Finance and Policy  
Email: [chris.little@hartlepool.gov.uk](mailto:chris.little@hartlepool.gov.uk)  
Tel: 01429 523003

# FINANCE AND POLICY COMMITTEE

17<sup>th</sup> December 2018



**Report of:** Director of Finance and Policy

**Subject:** MEDIUM TERM FINANCIAL STRATEGY (MTFS)  
2019/20 AND FINANCIAL OUTLOOK 2020/21 AND  
2021/22

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## 1. TYPE OF DECISION/APPLICABLE CATEGORY

Budget and Policy Framework.

## 2. PURPOSE OF REPORT

- 2.1 The purpose of this report is to enable Members to approve the budget proposals to be referred to Council.

## 3. BACKGROUND

- 3.1 A comprehensive report was presented to the Finance and Policy Committee on 3<sup>rd</sup> September 2018 and Members may wish to re-read that report to familiarise themselves with financial issues facing the local government sector and the Council.
- 3.2 In summary the previous MTFS report advised Members that the Council faces a significant deficit in 2019/20 and this reflects three key factors:

- **2019/20 will be the ninth year of Government funding reductions**

For Hartlepool this means that Government Funding (Revenue Support Grant and Top up grant) in 2019/20 will be approximately **£25.5m**, compared to **£46.4m** in 2013/14, which is a reduction of **£20.9m** i.e. a reduction of **45%**. This includes a 2019/20 cut of £2.794m, which is a reduction from 2018/19 of 13%.

- **2019/20 Unfunded budget pressures**



The main budget pressures impacting on the 2019/20 budget relate to Looked after Children (£3.5m) and the national pay award (£2.150m). Both these pressures are national issues and by 2020 the Local

Government Association are forecasting a funding shortfall of £2 billion in relation to Looked after Children pressures.

- **Funding switch from Government funding on to Council Tax**

The reductions in Government funding and Council Tax referendum limits set by the Government, including the introduction of the Adult Social Care precept, have shifted the burden of funding local authority services from national tax payers on to Council Tax, as summarised in the following table:

Change in National funding 2015/16 to 2019/20

	Council Tax		Govt. funding
2015/16	49.3%		50.7%
2019/20	<u>61.5%</u>		<u>38.5%</u>
Change	<b>+12.2%</b>		<b>-12.2%</b> 

Note - Government funding consists of Revenue Support Grant, Top-up Grant, Business Rates income, Improved Better Care Fund, New Homes Bonus & Rural Services Delivery Grant

- 3.3 Financial year 2019/20 will be the most challenging financial year the Council has ever faced, as cuts have now been made for the last eight years. For 2019/20 the Council is facing a budget deficit of nearly **£6 million**. Appendix A details the factors driving the budget deficit, which in summary reflects the following key issues:

	£'m
Core Deficit (includes Government funding cut of <b><u>£2.794m</u></b> and inflation)	3.891
Add - Pay Award	2.150
Add - Looked After Children costs	3.500
Less - Approved savings & corporate savings	(1.379)
Less - Forecast Housing Growth	(0.658)
Less - Core Council Tax increase	(0.389)
Less - Social Care Council Tax increase	(1.128)
<b>Budget Deficit</b>	<b>5.987</b>

- 3.4 As highlighted in the above table the budget deficit is net of the indicative 2019/20 Council Tax increase of 3.9% approved in February 2019; which includes the final year of the current Adult Social Care precept. This

increase is in line with Government's Council Tax referendum limit, which continues to shift the burden for funding local services from Government grant on to Council Tax. In total this increase generates recurring income of **£1.517m**, which only covers **54%** of the cut in Government funding of **£2.794m**.

- 3.5 The previous report advised Members that the financial position for 2020/21 and future years is extremely uncertain. This uncertainty reflects proposals by the Government to make significant changes to the national funding system for local authorities. These changes are fundamental and will determine whether local authorities remain financially sustainable in 2020/21 and future years. As detailed in Appendix B and summarised below these issues cover three key areas:

- 2020/21 - Fair Funding Review & Implementation of 75% Business Rates
- Adult Social Care funding arrangements
- Council Tax regime 2020/21 and future years

- 3.6 At the Conservative Party conference in early October the Prime Minister stated that austerity would end. The Chancellor provided further information in his Budget and the key issues are detailed later in the report. However, until the Government complete the next Spending Review in 2019 the impact on different Government departments and individual councils will remain unclear. This makes financial planning for 2020/21 and 2021/22 extremely challenging.

3.7 **Chancellor's Budget 29<sup>th</sup> October 2018**

- 3.8 It is clear from the Chancellor's October 2018 Budget that funding cuts implemented over the last eight years will not be reversed.

- 3.9 The Chancellor's Budget statement outlined the following issues in relation to Local Government and the Spending Review 2019:

2018/19 Local Government issues

- One off additional £55m for Disabled Facilities Grant;
- One off additional £420m to tackle potholes, repair damaged roads, and invest in keeping bridges open and safe.

2019/20 Local Government issues

- Additional adult social care funding of £240m announced for 2018/19 will continue;
- A further £410m for adults and children's social care. The Chancellor's detailed budget document states "Where necessary, local councils should use this funding to ensure that adult social care pressures do not create additional demand on the NHS. Local councils can also use it to improve their social care offer for older people, people with disabilities and children".



### Spending Review 2019

- The Budget did not provide departmental resource budgets for 2020/21 and future years. Instead it provided details of total departmental resource budgets split between NHS England and all other Departmental spending. When account is taken of the Government's commitment to increase NHS spending the rest of Government Departments will see a cash increase of just 8.4% over the period 2019/20 to 2023/24.

This increase is broadly in line with forecast increases in CPI (Consumer Prices Inflation), which means that other Government Departments will not see any real term increase in funding over the period up to 2023/24. Therefore, whilst the Government has stated austerity has ended the public sector will continue to face a very challenging financial position up to 2023/24.

The 8.4% increase is an average for all Government departments, (excluding NHS England), including education, defence, police, prisons and local government. The amount allocated to individual Government departments will depend on the priorities the Government gives to individual areas in the 2019 Spending Review. There is therefore a risk that areas the Government do not prioritise may still face further funding cuts beyond 2019/20.

- 3.10 The impact of the additional funding announced for Social Care for 2019/20 partially recognises the financial pressures facing the sector. However, this additional funding needs to be considered against the background of previous significant cuts in funding and increased demand, particularly in relation to Looked after Children.
- 3.11 As detailed later in the report part of this funding can be used to meet financial pressures in relation to Adult and Children's Services. This will therefore reduce the call on reserves in 2019/20.
- 3.12 This approach will maximise future financial flexibility as the continuation of this funding in 2020/21 and future years will depend on the outcome of the Government's 2019 Spending Review. For planning purposes it is assumed that having recognised the financial challenges facing councils the Government will maintain this funding, which is partly designed to mitigate demand reaching the NHS. However, there is a risk that this may not be recurrent funding beyond 2019/20. There is also a risk that if this funding is mainstreamed in 2020/21 that individual authorities funding allocations may change if different allocation formulae are used under the Fair Funding Review.

## **4. REVIEW OF RESERVES**

- 4.1 The Council's reserves are earmarked to fund known expenditure commitments and to manage financial risks, including:

- resources already set aside to support the revenue budget over the period 2018/19 to 2019/20;
- revenue funding received from external funders which can only be spent on the specific project the funding has been provided for. These resources are known as 'Revenue Grants Unapplied';
- capital funding received from external funders which can only be spent on the specific project the funding has been provided for. These resources are known 'Earmarked Capital Reserves'.

4.2 In view of the significant budget deficit facing the Council in 2019/20 a comprehensive review of reserves has been completed. The principles underpinning this review and the outcome of the review are detailed in Appendices C and D.

4.3 The outcome of the review is summarised below and shows:

- the reserves which need to be retained to meet existing commitments, or to manage existing financial risks;
- the reserves which relate to specific Revenue and Capital Grants received by the Council which can only be spent on the projects/schemes the funding has been secured for risks. At 1 April 2018 these reserves total **£14.392m**, which is **32%** of the total reserves;
- the value of reserves which can be released to create a "Budget Support Fund 2019/20 to 2021/22 reserve" of £7.909m.

Summary of Reserves Review

	Reserves to be retained to meet existing commitments or to manage existing financial risks £'m	Reserves released to create Budget Support Fund 2019/20 to 2021/22 £'m	Total restated balance as at 01.04.18 £'m
Unearmarked General Fund Reserve	4.417	0	4.417
Budget Support and Investment Reserve	6.281	2.930	9.211
Earmarked Revenue Reserves	12.120	3.499	15.619
Business Rates Safety Net Grant Reserve	0	1.480	1.480
<b>Sub Total – Locally determined reserves</b>	<b>22.818</b>	<b>7.909</b>	<b>30.727</b>
Revenue Grants Unapplied	4.195	0	4.195
Earmarked Capital Reserves	10.197	0	10.197
<b>Sub Total – Revenue and Capital Grant Reserves</b>	<b>14.392</b>	<b>0</b>	<b>14.392</b>
<b>Total All Reserves</b>	<b>37.210</b>	<b>7.909</b>	<b>45.119</b>

- 4.5 On the basis of existing planned use of reserves and the use of the Budget Support Fund 2019/20 to 2021/22 it is anticipated that existing reserves will reduce to £8.521m by 31<sup>st</sup> March 2022, as summarised in Appendix E. The reduction in reserves reflects the significant planned use over the next few years. The remaining reserves will consist of the following elements and is the minimum recommended level:

	Forecast 31.03.22 £'m
Unearmarked General Fund Reserve	4.417
Budget Support and Investment Reserve	0
Earmarked Revenue Reserves #	4.104
Business Rates Safety Net Grant Reserve	0
Budget Support Fund 2019/20 to 2021/22	0
<b>Sub Total – Locally determined reserves</b>	<b>8.521</b>
Revenue Grants Unapplied	0
Earmarked Capital Reserves	0
<b>Total</b>	<b>8.521</b>

# This includes the Insurance Fund (£2.268m), Treasury Management Risk Reserve (£1.380m) and Local Council Tax Support scheme risk reserve (£0.3m).

## 5. RISK IMPLICATIONS

5.1 The immediate financial issue facing the Council is the 2019/20 deficit of **£5.987m**. It is proposed that this deficit is addressed through a combination of the following measures:

- Use of Social Care funding provided for 2019/20 in the Chancellor's October budget;
- Implement budget savings;
- Use of Reserves.

5.2 Further information on these issues is provided in the following paragraphs.

### 5.3 Use of Social Care Funding

5.4 As indicated earlier in the report the Chancellor's Budget announced additional funding for Social Care for 2019/20. This consists of £240m for Adult Social Care and £410m for Adults and Children's Social Care.

5.5 Details of individual authorities provisional allocations were announced on 21<sup>st</sup> November 2018 and are expected to be confirmed as part of the main Local Government funding announcement on 5<sup>th</sup> December 2018. Hartlepool's provisional allocation is £1.357m. This amount needs to be considered in the context of a cut in 2019/20 Government Grant of £2.794m and cut in overall funding since 2013/14 of approximately £21m.

5.6 The majority of the £1.357m is new funding for Adult and Children's services for local authorities to determine how best to use these resources. The remaining part relates to the continuation of 2018/19 Adult Social Care winter funding, and plans for this resource need to be developed in discussion with NHS partners.

5.7 For planning purposes it is estimated that the Council will be able to use £1.1m to fund Adult and Children's services budget pressures impacting on the MTFS. The remaining £0.257m will be used to alleviate winter pressures and delivered in conjunction with plans developed with the NHS on Adult Social Care. As the actual amount of Social Care Funding may vary from the provisional figure it is recommended that any change is managed by varying the amount of reserves used in 2019/20.

### 5.8 Implement Budget Savings

5.9 Detailed reports on savings proposals were reported to individual Policy Committees in November and the savings are summarised in Appendix F, which also includes corporate savings. The total net savings is £1.040m. Individual Policy Committees generally commented that in light of the financial position facing the Council they reluctantly supported the proposed savings and made the following observations:

- **Adult Services** - recognised work undertaken by officer to minimise the impact of savings at the front line. However, even a stand still budget made managing services extremely difficult and until the issue of funding for adults social care was tackled nationally, there appeared to be little light at the end of the tunnel;
- **Children's Services** – the Chair concluded that the Council had been put into an insidious position by Central Government through the reduction in budgets for the provision of children's services but had every confidence in Officer doing their very best to mitigate the risks. It was important that the lobbying of Central Government continue to highlight how badly people were being affected by the continuous reductions in budgets.

## 5.10 Use of Reserves

5.11 As indicated in the previous MTFs report the release of resources from the reserves review makes it possible to defer part of the 2019/20 deficit to 2020/21. This approach will provide a longer lead time to implement sustainable savings. However, this strategy is not without risks as it:

- Does not provide a recurring solution to the known 2019/20 deficit and simply delays these cuts until 2020/21;
- Reduces uncommitted reserves available to manage new financial risks that may arise in 2019/20 and future years. This is a significant potential risk owing to the range of changes proposed by the Government for 2020/21. Additionally, authorities will not find out indicative funding allocations for 2020/21 until summer/autumn. At best this will give councils only six months to plan their budgets for 2020/21.

In practise Councils will not know the actual funding allocations for 2020/21 until the Local Government Settlement is issued. The Government has recently confirmed that settlements from 2019/20 will be issued around 5<sup>th</sup> December. On this basis the 2020/21 settlement will be issued around 5<sup>th</sup> December 2019 which means councils will have less than three months to finalise their 2020/21 budgets.

5.12 On the basis of the net savings, provisional Social Care funding and a 3.9% Council Tax increase the Council still faces a 2019/20 deficit of **£3.847m**, as summarised below:

	£'m
Deficit <b>before</b> Council Tax increase & forecast housing growth	<b>8.162</b>
Less – Core Council Tax increase of 2.9%	(1.128)
Less – Adult Social Care precept of 1%	(0.389)
Less – Forecast housing growth	(0.658)
Deficit <b>after</b> Council Tax increase and forecast housing growth	<b>5.987</b>
Less – Budget Savings	(1.040)
Less – Forecast Social Care funding	(1.100)
<b>Deficit still to be addressed</b>	<b>3.847</b>

- 5.13 It is proposed to address the remaining 2019/20 deficit by using reserves. This proposal will not change the total value of saving which need to be made over the next three years and simply defers a significant deficit to 2020/21. Whilst, this will provide a longer lead time to make savings, it is essential that a robust and deliverable savings plan is developed during 2019/20 and further information is provided later in the report.
- 5.14 As the Local Government sector is at a financial crossroads and does not know the funding system which will be in place for 2020/21 and future years, this approach provides a pragmatic solution – provided Members recognise:
- It does not remove the need to make these savings and defers a recurring budget deficit of £3.847m to 2020/21; and
  - will require the development and approval of a detailed savings plan before the start of 2020/21.
- 5.15 However, even if there are no further Government grant cuts in 2020/21 and 2021/22 the Council will still need to make budget cuts of approximately **£5.7m** before the start of 2021/22.
- 5.16 The impact of using reserves in 2019/20 on the phasing of savings is summarised below:-

Impact of using reserves on budget deficits –  
based on grant cash freeze in 2020/21 and 2021/22

	2019/20 Known Deficit £'m	2020/21 Forecast Deficit £'m	2021/22 Forecast Deficit £'m	Total £'m
Budget Deficit	5.987	0.983	0.832	7.802
Proposed Budget Savings	(1.040)			(1.040)
Forecast Social Care Funding - Chancellor's October Budget	(1.100)			(1.100)
Sub Total	3.947	0.983	0.832	5.662
Deficit Deferred from previous year by using reserves	0.000	3.847	0.000	
Less - Use of Reserve	(3.847)	0.000	0.000	
Revised Deficit	0.000	4.830	0.832	5.662

- 5.17 The above figures are based on Hartlepool receiving forecast Social Care Funding of £1.1m in 2019/20. If this funding is not sustained in future years the three year forecast deficit would increase from **£5.662m** to **£6.762m**.
- 5.18 Using one off resources released from the reserves review in 2019/20 would leave £4.062m (i.e. £7.909m less £3.847m) of uncommitted one off resources. In the event that no additional unforeseen budget pressures arise in 2018/19 or 2019/20, for example a further increase in Looked after Children, the uncommitted resources would be available to:

- **Support “Invest to save initiatives”**

This investment would need to be based on robust business cases which provide recurring saving from 2020/21. For example recurring savings in electricity costs may be achievable by investing in energy savings initiatives for Council buildings; or new service delivery options may require pump priming to achieve recurring savings; or rationalisation of accommodation to achieve recurring savings may require funding for one off transition costs;

- **Support the achievement of recurring 2020/21 budget savings**

This support would be targeted at initiatives where there is a robust business case which provides a recurring saving, but the full year value cannot be achieved in 2020/21 and will not be achieved until 2021/22 owing to the lead in time required. For example, there may be a specific consultation requirement and timescale to implement the service change, or a slightly longer lead is needed to design and implement a new service model.

- 5.19 At this stage it is not recommended that these one off resources are relied upon until the position for 2020/21 is more certain. Therefore, a plan will need to be developed and approved during 2019 to achieve budget cuts of **£4.830m** to address the 2020/21 budget deficit.

5.20 **Impact of alternative grant settlements 2020/21 and 2021/22**

- 5.21 In addition to a grant freeze for 2020/21 and 2021/22, two alternative grant scenarios have been considered. These scenarios reflect the continued uncertainty regarding Government Funding beyond 2019/20 owing to proposed major reforms of the Local Government funding system and the 2019 Spending Review.
- 5.22 The scenarios highlight the impact on the forecast budget deficit of relatively small changes in Government grant funding (i.e. plus or minus 2%) from a cash freeze position.
- 5.23 The following table summarises these scenarios and for **all scenarios the 2020/21 deficit includes £3.847m deferred from 2019/20 by using reserves**. This shows that even under the most optimistic scenario for annual

grant increases of 2% the deficit deferred from 2019/20 is not addressed and will require permanent cuts to be identified in 2020/21.

Impact of using reserves on budget deficits –  
based alternative grant scenario in 2020/21 and 2021/22

Grant funding scenario for 2020/21 and 2021/22	2020/21 Forecast Deficit £'m	2021/22 Forecast Deficit £'m	Total £'m
Cash Freeze 20/21 and 21/22	4.830	0.832	5.662
Grant increase 2% 20/21 and 21/22	3.938	0	3.938
Grant cut 2% 20/21 and 21/22	5.726	1.710	7.436

- 5.24 The three scenarios assume that the new 2019/20 Social Care funding is recurring in 2020/21 and 2021/22. If this is not the case the total deficit figures shown above will increase by £1.1m.

## 6. SAVINGS STRATEGY 2020/21 AND 2021/22

- 6.1 The Corporate Management Team has commenced initial work on the development of a savings strategy to address the recurring budget deficit facing the Council. This initial work is based around six work streams, as follows:

- Review of commissioned services
- Reduce overheads
- Reduce demand in Children's and Adults Services
- Waste Management and reducing demand
- Income maximisation
- Strategic prioritisation of Services

- 6.2 At this stage it is not possible to quantify the potential value or timing of savings for these work streams. The work streams will be underpinned by work to further develop the Council's internal financial management culture and systems. In addition, an external communications strategy will be developed to explain to residents the financial position facing the Council and to seek views on proposals for addressing the budget deficit.

- 6.3 Further details will be reported to a future meeting to enable Members to agree a plan to ensure savings can be implemented in 2020/21. It is anticipated that this plan may need to be supported by using reserves to either pump prime savings, or to manage the part year implementation of 2020/21 savings which may have a longer lead time to achieve.



## **7. CAPITAL STRATEGY 2018/19 TO 2021/21**

7.1 A large part of capital expenditure relates to scheme specific projects where the Council has secured external funding. For 2019/20 these funding regimes will provide £12.512m.

7.2 There are also a range of local projects as detailed in the following paragraphs.

### **7.3 Operational Vehicles**

Details of capital expenditure for operational vehicles were considered and endorsed by Neighbourhood Services Committee on 10<sup>th</sup> October 2018 and for 2019/20 total £1.663m.

### **7.4 Western Growth Corridor**

This is a key local scheme and will be delivered over the period of the MFTS. A detailed report on this scheme was considered at the Finance and Policy Committee on 26<sup>th</sup> November 2018. The report informed Members that external grant funding of £8.345m is anticipated to be secured, or which £4.172m has been secured and the balance is expected to be confirmed early in 2019. This funds 45% of the estimated cost of the scheme.

The report detailed the strategy for using Prudential Borrowing to manage the phasing of section 106 contributions which will be received towards the capital costs of this scheme over a number of years. On the basis of the grant secured Prudential Borrowing of £10.161m will be required, which is less than the maximum indicative amount approved by Council on 28<sup>th</sup> September 201 of £18m.

The Finance and Policy Committee report also provided a detailed risk assessment and comprehensive analysis of financial factors in relation to these schemes. These issues were reflected in the recommendation approved by Finance and Policy Committee, which will be referred to Council on the 20<sup>th</sup> December 2018 for consideration.

The completion of this scheme will underpin the future delivery of housing growth and the achievement of additional Council Tax income to support services in future years.

### **7.5 Student Accommodation**

The Council acquired a block of 12 apartments known as Avondene at 59-64 Church Street. Ownership of this property puts the Council in control and this helps underpin the development of the new college building by the Northern School of Art and the environmental improvements completed by the Council.

It was initially intended to manage this property as part of the Housing Revenue Account. However, since acquiring this property it has been

determined that there is demand for Student Accommodation and the location of this property fits well with The Northern School of Art. It is, therefore, recommended that this property is moved out of the Housing Revenue Account (HRA).

This proposal requires a change in funding arrangements as section 106 housing contributions cannot be used outside the HRA. Therefore, to replace this funding it is recommended that former Right to Buy resources of £421,000 are used, as these monies can either be used for HRA purposes, or other housing purposes, including Student Accommodation. The project requires £39,000 of Prudential Borrowing which will be repaid from rental income. The Business Model anticipates lettings commencing in September 2019 and a small annual surplus (£7,800), which can be reflected in the 2020/21 budget.

## 7.6 Coast Protection

It was previously reported that this scheme has suffered delays as a result of an objection raised in August 2016 as part of the planning process and license to carry out works. This resulted in work to a particular section of the sea wall being rephased until March 2018. Other ongoing work had continued, albeit with restricted access and additional plant hire requirement which resulted in increased costs. The delay also meant that the work was exposed to the exceptional weather conditions in March 2018, as well as some of the worst storm surges in recent years which caused numerous damages to the wall requiring repair.

As reported to Finance and Policy Committee on 26<sup>th</sup> November 2018 the additional costs have now been quantified at £1m. To manage the complexities and risks of delivering this project revenue contributions of £0.244m had been set aside. In addition, headroom within the revenue budget for potential additional prudential borrowing had not been committed. Therefore, the remaining £0.756m can be funded using prudential borrowing. The repayment costs can be funded from the existing revenue budget which now fully commits the loan repayment element of the budget.

7.7 Details of the above issues are summarised in Appendix G.

## 8. LEGAL CONSIDERATIONS

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

- the Local Government Finance Act 1992 requires local authorities to set a balanced budget – approval of the proposed recommendations in this report enables the Council to meet this requirement;
- the Local Government Act 2003 requires local authorities to consider the advice of their Section 151 Chief Finance Officer (the Director of Finance and Policy) when making budget decisions. This advice must include details of the robustness of the estimates made for the purposes of the

calculations and the adequacy of the proposed financial reserves. These requirements are addressed in section 12;

- The requirements of the Prudential Code in relation to the use of Prudential Borrowing – the capital proposals detailed in this report comply with these requirements. The more detailed technical requirements arising from the approval of the proposals in this report will be included in the Treasury Management Strategy which will be referred to Council separately, following scrutiny by Audit and Governance Committee.

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

- 9.1 The proposals reported to Children's Services Committee on 14<sup>th</sup> November 2018 will reduce resources available to support children and families. However, the aim is to refocus resources towards those children and families most vulnerable and ensure they are effectively deployed.

## **10. STAFF CONSIDERATIONS**

- 10.1 An assessment of the staffing impact of the 2019/20 savings proposals has been completed and this has identified that 19 (14.13 FTE) posts are proposed to be deleted from 1<sup>st</sup> April 2019 as part of the recommended savings proposals.
- 10.2 This includes 6 posts which can be managed through a combination of managing vacancies, or approving voluntary redundancies where this can be accommodated within operational requirements. At this stage it is anticipated that the remaining 13 posts may unfortunately result in compulsory redundancies.
- 10.3 However, as was the case in previous years, the Corporate Management Team will seek to maximise staffing reductions which can be achieved by managing vacancies and accepting requests for voluntary redundancies, to reduce the number of compulsory redundancies. This approach will also seek to maximise redeployment opportunities.

## **11. ASSET MANAGEMENT CONSIDERATIONS**

- 11.1 The savings proposals for Children's Service include the rationalisation of a number of properties which are currently delivery points for Early Help services to reflect the recommended service delivery model.

**12. RISK ISSUES AND ROBUSTNESS OF BUDGET FORECASTS –  
DIRECTOR OF FINANCE AND POLICY'S PROFESSIONAL ADVICE**

- 12.1 As indicated in previous years the Local Government Act 2003 introduced a statutory requirement on an Authority's Section 151 Chief Finance Officer to advise Members on the robustness of the budget forecasts and the adequacy of the proposed level of reserves. If Members ignore this advice, the Act requires the Authority to record this position. This later provision is designed to recognise the statutory responsibilities of the Section 151 Officer.
- 12.2 In response to the continuing financial challenges facing councils CIPFA (Chartered Institute of Public Finance and Accountancy) issued guidance last year reminding Section 151 Officers and their authorities of the statutory responsibilities when setting budgets. This advice reinforces statutory requirements and provides practical guidance to help Section 151 Officer's discharge their responsibilities.
- 12.3 The Director of Finance and Policy can advise Members that in his professional opinion the budget proposals for 2019/20 are robust and this advice is based on the following key factors being in place:
- Confirmation of the 2019/20 indicative core Council Tax increase of 2.9% and 1% Social Care precept, which in total will secure recurring additional income of £1.517m;
  - Approval of the proposed 2019/20 savings of £1.040m;
  - Approval of the reserves review which has identified £7.909m to support the 2019/20 to 2021/22 MTFS;
  - Approval of the recommendation to use £3.847m of the one off resources identified from the reserves review to support the 2019/20 budget. The retention of the remaining £4.062m to support invest to save initiatives which will provide recurring budget saving in 2020/21, or to support the implementation of permanent budget reductions in 2020/21 which have a longer lead time to implement;
  - The detailed work undertaken by individual Directors (and their senior managers) in conjunction with my staff regarding the preparation of detailed budget forecasts, including income forecasts;
  - A prudent provision for inflation on non pay budgets and income budgets for the next three years. Following the Brexit referendum the risks in relation to inflation have increased. These factors will need to be reviewed on an annual basis;
  - A prudent view of the net costs of the Authority's overall cash flow, including the repayment of Prudential Borrowing;

- An assessment of financial risks and the measures to mitigate these risks as detailed in Appendix H;
- An assessment of the key financial assumptions underpinning the 2019/20 budget as detailed in Appendix I.

12.4 Previous reports identified a number of significant financial risks over the period of the MTFS and indicated that there may need to be flexibility around the timing of funding for individual risks. These risks remain and strategies adopted for managing these issues also underpin the Director of Finance and Policy advice on the robustness of the budget. These issues cover the following:

**i) Redundancy and Early Retirement costs**

This risk reflects the scale of the budget deficits over the MTFS period and the impact these cuts may have on staffing levels. The existing provision for redundancy and early retirement costs is still the level recommended by the Director of Finance and Policy. There is an increasing risk that this provision may not be sufficient in future years, which would mean that higher cuts need to be implemented to pay for these one off contractual obligations. This position will be reviewed when the 2020/21 budget is prepared.

**ii) Achievement of remaining Capital Receipts target of £2.648m**

This risk has reduced over the last two years owing to the completion of land sales. As previously reported the capital receipt in relation to the Hart land sale is anticipated to be the largest capital receipt achieved over the next three years but owing to the phased basis on which monies are likely to be received it will not make a significant contribution to the target until 2020/21. In the short-term the position can be managed on a temporary basis using Prudential Borrowing.

**iii) Business Rate Retention Risks**

Financial risks continue in relation to Business Rates income over the period 2018/19 to 2019/20, including appeals against the 2017 rating list and risks arising from NHS Foundation Trusts applying for Mandatory Business Rate Relief. This is a national issue and subject to legal proceedings. The Local Government Association has raised concerns regarding this issue with the Department for Communities and Local Government as the NHS funding regime is based on Business Rates being payable by individual Trusts.

From 2020/21 there is a risk that the implementation of the 75% Business Rates retention system will place additional financial risks on local authorities. These risks will need to be assessed when the Government provide more details on how the 75% Business Rate retention system will operate, including the arrangements for equalising resources across the country. In addition, at a national level, the value of additional Business Rates income to be allocated to local authorities will exceed Revenue

Support Grant which will be removed when the 75% system is implemented. This is an extremely complex issue and whilst the Government may get the balance of additional services and funding right at a national level, there is a significant risk that this may not be the case at a local level. There have been a number of examples over recent years where additional responsibilities transferred to the Council have not been matched by additional funding allocations, particularly where additional responsibilities are driven by deprivation factors. For example, localisation of Council Tax support has had the greatest impact on deprived areas and these authorities suffered disproportionate grant cuts over the last eight years.

#### **iv) Achievement of Housing Growth**

The MTFS forecasts are predicated on achieving annual housing growth equivalent to 400 band D properties for the next three years. By 2021/22 this equates to additional recurring income of £2.1m. This is an ambitious target, which it is currently anticipated is achievable. Progress in achieving this target will be monitored closely.

### **13. EQUALITY AND DIVERSITY**

- 13.1 The majority of proposals put forward will not impact on the delivery of frontline services or service users. However, there are some proposals which simply by the nature of the service area that they cover will impact on those with protected characteristics e.g. children. Due to the financial challenges facing the Council we have no choice but to change and redesign services to reduce costs. Where we need to change and redesign services we are working to minimise the impact on those with protected characteristics and are focusing on securing services for those who are the most vulnerable within those protected characteristics e.g. the most vulnerable children.

### **14. CONCLUSIONS**

- 14.1 The financial position and sustainability of Local Government has been significantly affected by a range of external factors, including;
- The impact of austerity which by 2019/20 will have resulted in nine successive years of Government Funding cuts. Under the current funding system, which has operated since 2013/14, this has resulted in a cut in core Government funding received by the Council of **£20.9m - a cut of 45%**;
  - The Government's policy of shifting a greater proportion of funding from Government grant to Council Tax, including the introduction of the Adult Social Care precept in 2016/17. Nationally this change means that in 2019/20 Council Tax will fund 62% of expenditure, compared to 50% in 2015/16;

- Unfunded budget pressures, including the increased cost of Looked after Children, pay awards for 2018 and 2019 and the apprenticeship levy.
- 14.2 Local Authorities already know the scale of the funding cuts they need to manage for 2019/20. In addition, the financial positions for 2020/21 and 2021/22 are extremely uncertain and will be affected by a range of Government policies, including;
- The increase in Business Rates Retention from 50% to 75%;
  - The Fair Funding Review, particularly the review of Looked After Children funding;
  - The Green Paper on Adult Social Care funding which will need to provide a sustainable funding base;
  - Future Government Council Tax policy;
  - The 2019 Spending Review – which will determine funding for 2020/21 and future years.
- 14.3 The Chancellor's October 2018 Budget did provide additional funding for Social Care, both Adult and Children for 2019/20. However, this funding does not reverse previous funding cuts, or address continuing significant service pressures.
- 14.4 **Impact on Hartlepool**
- 14.5 The Council had previously adopted a multi-year MTFS covering 2016/17 to 2019/20. To balance previous years' budgets the Council has implemented difficult decisions in relation to:
- The delivery of significant recurring savings. Over the last eight years this has included reducing staffing levels by approximately 500 posts, providing a recurring saving of £12.4m (inclusion of employers National Insurance and Pension costs);
  - Implemented Council Tax increases (including the Adult Social Care precept) in line with Government Council Tax referendum limits;
  - Used reserves to help provide a lead time to implement permanent budget cuts.
- 14.6 Despite the Prime Minister's statement to the Conservative Party Conference that austerity has ended, and the additional funding for Social Care announced by the Chancellor, this is not the case for Local Authorities for 2019/20. For austerity to end for Hartlepool in 2019/20 the Government would need to provide:
- A 27% grant increase to cover the 2019/20 Revenue Support Grant cut;

Or

- A 41% grant increase to cover the deficit and enable Council Tax to be frozen

#### 14.7 2019/20 Budget

- 14.8 The immediate challenge facing the Council is the 2019/20 known budget deficit of **£5.987**. This deficit reflects the impact of a ninth successive Government Revenue Support Grant cut and unfunded budget pressures (national pay award and increased Looked after Children costs) outside the Council's control.
- 14.9 Work completed over the last few months has highlighted how difficult it will be to address this deficit on a sustainable basis. This reflects the impact of the cuts the Council has had to implement over the last eight years. It is clear that a longer lead time is needed to develop a savings strategy to address the known 2019/20 budget deficit.
- 14.10 This deficit can be reduced to **£3.847m** by implementing proposed budget savings of £1.040m and the use of forecast additional Social Care funding of £1.1m to protect services.
- 14.11 To support the process to achieve further savings/efficiencies a comprehensive review of reserves has been completed. This has identified significant one off resources to support the 2019/20 to 2021/22 budgets. On this basis it is proposed that the 2019/20 budget can be balanced by using £3.847m of reserves.
- 14.12 In adopting this strategy Members need to recognise that it is not without risks as it:
- Does not provide a recurring solution to the known 2019/20 deficit and simply delays these cuts until 2020/21;
  - Reduces uncommitted reserves available to manage ongoing, or new, financial risks that may arise in 2019/20 and future years. This is a significant potential risk owing to the range of changes proposed by the Government for 2020/21.
- 14.13 The recommended strategy can be adopted provided Members commit to the development of a detailed savings strategy to achieve recurring saving in 2020/21.
- 14.14 The 2019/20 deficit reflects the indicative Council Tax increase approved in February 2018 of 3.9%, which is in line with the Government's Council Tax referendum limit and consists of:
- a 2.9% core increase which will generate additional recurring income of £1.1m and effectively funds 31% of the recurring Looked after Children's unfunded budget pressures;



- a 1% Adult Social Care precept, which only covers 35% of inflation and pay pressures for these services.
- 14.15 As a result of the Government's Council Tax policy covering the period 2016/17 to 2019/20 and continuing annual cuts in Government grant, councils have either had to increase Council Tax to protect services, or make even greater budget and service cuts.
- 14.16 If the Council Tax increase is not confirmed the Council will need to identify additional recurring budget cuts of £1.517m before the start of 2019/20. This will increase the total forecast savings over the period of the MTFS by this amount. As summarised in the following table this would increase the overall budget deficit to between £7.179m and £8.953m, depending on the level of Government funding in 2020/21 and 2021/22.

	Total Budget Deficit based on 2020/21 and 2021/22 Government Grant Freeze £'m	Total Budget Deficit based on 2020/21 and 2021/22 Government Grant cut of 2% per year £'m
Deficit if 2019/20 Council Tax increase implemented	5.662	7.436
Deficit if 2019/20 Council Tax increase <b>NOT</b> implemented	7.179	8.953

- 14.17 Clearly, an increase in the overall savings target will be significantly more challenging to achieve and have a greater adverse impact on the services the Council is able to sustain.
- 14.18 It will not be possible to offset the loss of recurring Council Tax income by using more reserves as this would defer an unmanageable budget deficit to 2020/21. This is not an approach I can support as the Council's Section 151 officer as it reduces the recurring Council Tax base, at a time when Government policy is continuing to switching the burden for funding local services from grant funding on to Council Tax.
- 14.19 In addition, I could not support an increase in the use of reserves in 2019/20 and this would reduce the resources available to support implementation of the 2020/21 savings plan from £4.062m to £2.545m. The reduced amount would not provide adequate resources to support the safe implementation of the savings plan. It would also increase the risk that the Council, as has happened in other areas, having to implement emergency budget reductions to avoid even more drastic action, including responding to a potential section 114 notice from the Section 151 officer, or a section 24 report from the Council's external auditor.

14.20 The Council External Auditors will be submitting their Audit Progress Report to the Audit and Governance Committee on 13<sup>th</sup> December 2018 and they have advised that they will be making the following comments:

- The forecast budget deficit of £6m presents a significant financial challenge to the Council, as it comes after a prolonged period of austerity and year-on-year budget cuts, as central government funding has been reduced.
- Even this scenario is after assuming that the Council will increase the council tax by the maximum allowable without triggering a referendum of 3.9%, including a 1% Social Care precept. We understand that the Council will consider the level of increase in council tax to this level on 20 December 2018, and in the circumstances we can see that there is little rational alternative than to implement the proposed increase.
- We understand that the Council is in process of identifying savings, but that there are no easy choices as any measures that might impact minimally on front line services have already been taken. The savings identified to date for implementation in 2019/20 fall far short of the budget gap. Work is ongoing to identify the areas where future savings should be made, including cutting services. It is important, faced with such choices, that an assessment is made of the impact of these cuts such that the options are ranked in terms of the impact on communities. It is unlikely that any of the choices will be easy, so this ranking will be in terms of 'least worst' through to 'worst worst'.
- It is clear that the Council will face some of the most difficult decisions it has ever faced in balancing the 2019/20 budget. Although the Council does have some reserves to minimise the immediate impact, in accordance with the Council's own strategy, these are a temporary or transitional cushion while the savings needed are identified and delivered. In addition, the reserves available to support the budget are reducing and the available balances will soon reach the minimum needed to deal with unforeseen circumstances and risk, and will not be available to support the revenue budget in the way that they have in recent years.
- The key message from those councils that have already faced a financial crisis, such as Northamptonshire and others, is the importance of taking early action to secure financial sustainability before the position become unmanageable.
- The position beyond 2019/20 is very uncertain as so much depends on the outcome of the fair funding review and the measures that will be taken in relation to the future operation of the business rate system. However, it seems unlikely that the overall financial position for the Council will improve sufficiently to allow it to defer any of the difficult decisions that are now needed.

**14.21 2020/21 and 2021/22 Budget**

- 14.22 The financial outlook for these years remains uncertain and will be impacted by the 2019 Spending Review and reform of the Local Government funding system. These issues represent significant financial risks and the outcome will not be known until late 2019. This makes financial planning extremely challenging.
- 14.23 The Chief Executive's of the five Tees Valley councils have begun developing a briefing papers on the impact of austerity across the area for public services and to set the case to the fair funding review that if we get the necessary radical overhaul of the funding regime, which properly reflects need in the Tees Valley, we will be able to deliver even more benefit to the people of the Tees Valley and support the economic growth of the country as a whole. The draft document is attached at Appendix J.
- 14.24 It is clear from the Chancellor's October Budget that the end of austerity does not mean a return to increased public spending outside the NHS. At best total Departmental spending outside the NHS will see a cash freeze over the period 2020/21 to 2023/24. However, until the Government completes the planned spending review, it is not clear what the impact will be on individual Government Departments:-
- **The key question is - How will Local Government fair when compared to other areas, including Education, Defence. Police, Prisons and Fire, in the 2019 Spending Review?**
- 14.25 The package of measures, including the proposed 2019/20 Council Tax increase, outlined in this report are designed to put the Council in the best possible financial position to manage these financial risks and challenges. This in turn provides the foundations for minimising the impact on services, whilst recognising that cuts will be unavoidable in 2020/21.
- 14.26 The proposed Council Tax increase for 2019/20 reflects the final year of the Government's current Council Tax referendum limits, including the Adult Social Care precept. This provides recurring income of **£1.517m**, which only equates to approximately **54%** of the 2019/20 Government funding cut of **£2.794m**.

**15. RECOMMENDATIONS**

It is recommended that the following proposals are referred to full Council on 20<sup>th</sup> December:

1. Note that on the basis of the Chancellor's Budget announcement on 29<sup>th</sup> October 2018 the cuts in Government funding implemented over the nine years up to 2019/20 will not be reversed,

2. Note the 2019 Spending Review will determine the Government's spending priorities for 2020/21 to 2023/24, which in total for Government departments (other than NHS England) will not see any real terms increase in funding;
3. Note the additional Social Care funding allocated to Hartlepool for 2019/20 is £1.1m, which equates to approximately 40% of the 2019/20 Government Grant cut of £2.794m;
4. Note that in his Budget statement to Parliament the Chancellor's stated "we are giving Councils greater control over the monies they raise through the Adult Social Care precept". To also note that the Government has confirmed the Council Tax referendum limits for 2019/20, including the Adult Social Care precept;
5. Note the 2019/20 Government Grant cut of £2.794m – a 26% cut;
6. Approve the indicative core Council Tax increase of 2.9%, plus 1% Adult Social Precept, which will achieve total additional recurring income of £1.517m to help protect services;
7. Approve the detailed departmental and corporate saving proposals of £1.040m detailed in Appendix F:
8. Note that after reflecting the 2019/20 Social Care funding allocation, 2019/20 Council Tax increase and departmental/corporate savings the Council still faces a 2019/20 budget deficit of £3.847m;
9. Approve the outcome of the Reserves Review which has identified one off resources of £7.909m which can be re-allocated to establish a "Budget Support Fund 2019/20 to 2021/22 reserve";
10. Approve the use of £3.847m of the "Budget Support Fund 2019/20 to 2021/22 reserve" to address the remaining 2019/20 budget deficit;
11. Approve the proposal to earmark the remaining "Budget Support Fund 2019/20 to 2021/22 reserve" of £4.062m to support Invest to Save initiatives, or the phased implementation of 2020/21 savings which require a longer lead time to implement, as detailed in paragraph 5.18;
12. Note that recommendation (j) defers a £3.847m budget deficit to 2020/21;
13. Note that on the basis of grant freezes in 2020/21 and 2021/22 a detailed savings plan will need to be developed to achieve further savings of £4.830m in 2020/21 (including £3.847m deferred from 2019/20) and £0.832m in 2021/22, based on the work streams detailed in paragraph 6.1;

14. Note the 2020/21 and 2021/22 deficits may increase if further Government grants are implemented in these years and the 2019/20 Social Care funding is not sustained;
15. Following a change in the law, to note that approval from the Secretary of State is not required to release the Civic Lottery Reserve of £411,000, and therefore approve the proposal to use this amount over five years to provide annual support towards the Cultural and Events programme, to match fund external grant funding;
16. Note that as the Civic Lottery Reserve is spent the annual interest available to support Ward Member budget will reduce from £500 in the current year to £300 in 2019/20, then £200 in 2020/21, then nil in 2021/22;
17. Approve the capital expenditure proposals detailed in section 7 and summarised in Appendix H, which covers:
  - Capital expenditure funded from external funding secured by the Council;
  - Requirements in relation to operational vehicles;
  - Student Accommodation;
  - Coast Protection.
18. Delegate Authority to the Director of Finance and Policy, in consultation with the Chair of Finance and Policy Committee, the Chief Executive and Chief Solicitor, to determine the capital financing strategy for 2018/19 and 2019/20 which maximises future financial flexibility of the Council;
19. Note the advice of the Director of Finance and Policy in relation to budget risks and robustness advice detailed in section 12. This includes the Directors advice that if the proposed 2019/20 Council Tax increase is not approved recurring budget reductions of £1.517m income will need to be identified and approved by Council for implementation from 1<sup>st</sup> April 2019 before the Director can sign an alternative budget proposal off as robust.
20. To note that the Director of Finance and Policy will not be able to sign off an increased use of reserves for 2019/20 above the recommended level of £3.847m as robust, as this would defer an increased deficit to 2020/21 and also reduce uncommitted reserves available to support the implementation of the 2020/21 savings plan.
21. Approve the proposal that a review of Civic arrangements be undertaken to consider alternative operating models, including charges for Members use of the Civic Centre car park, as soon as practical and if in-year savings can be achieved these will be used to reduce the planned use of Reserves.

**16. REASON FOR RECOMMENDATIONS**

- 16.1 To enable the Finance and Policy Committee to approve the 2019/20 budget proposal to be referred to Council.

**17. BACKGROUND PAPERS**

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

Finance and Policy Committee - Medium Term Financial Strategy (MTFS)  
2018/19 to 2019/20 – 3<sup>rd</sup> September 2018

**18. CONTACT OFFICER**

Chris Little  
Director of Finance and Policy  
Email: [chris.little@hartlepool.gov.uk](mailto:chris.little@hartlepool.gov.uk)  
Telephone: 01429 523003



Summary of 2019/20 net budget deficit of £5.987m

	Initial Forecast £'m	Current Forecast £'m	
Core Deficit (includes Government funding cut of £2.794m)	3.891	3.891	
Pay Cap removed for 2018 and 2019	0.000	2.150	
Looked After Children Pressures – recurring pressure	0.000	2.500	(a)
Gross Deficit	3.891	8.541	
Less – Use Reserves/Collection Fund surplus	(0.384)	(0.384)	
Less – Savings approved February 2017	(0.785)	(0.785)	
Less – Savings approved December 2017	(0.135)	(0.135)	
Less - Growth in Council Tax base (290 Band D equivalent properties)	(0.488)	(0.488)	(b)
Less - Council Tax increase of 1.9% (before change in national referendum limits)	(0.736)	(0.736)	(c)
<b>Net budget deficit report February 2018</b>	<b>1.363</b>	<b>6.013</b>	
<b><u>Changes since February</u></b>			
Add - Looked After Children Pressures – increase in pressure	0.000	1.000	(a)
Add - Removal of proposed Youth Service saving	0.000	0.296	(d)
Add - Removal of proposed Environmental Services saving	0.000	0.160	(e)
Add - Environmental Services pressures	0.000	0.040	(e)
Less - Income from previous Council House sales	0.000	(0.200)	(e)
Less - Additional forecast Council Tax base growth (100 Band D equivalent properties)	(0.170)	(0.170)	(b)
Less - Additional Council Tax income from moving from 1.9% to 3.9% (includes 1% Adult Social Care precept and national change in referendum limits)	(0.781)	(0.781)	(c)
Less - Update of planning assumptions as detailed in Appendix C.	(0.371)	(0.371)	
<b>Revised 2019/20 Budget Deficit</b>	<b>0.041</b>	<b>5.987</b>	

(a) Total 2019/20 LAC pressure £3.5m.

(b) Total forecast recurring income from growth in Council Tax base is £0.658m (£0.488 plus £0.170m).

(c) Forecast recurring income from Council Tax increase up to referendum limit of 3.9% is £1.517m. (i.e. £0.736 plus £0.781m)

(d) Saving had already been included in the base budget on the basis of the service transferring to mutual. The detailed work on the Business case has identified that this is not achievable. Therefore, this amount has been to added back.

(e) Removal of savings offset by replacement income stream.



**Summary of the Government's proposed changes to the funding system for local authorities planned for 2020/21 and related issues**

- **2020/21 - Fair Funding Review and implementation of 75% Business Rates**

The Government has indicated that these changes will include Revenue Support Grant and Public Health grants being replaced by an increase in the proportion of Business Rates income retained by local authorities from 50% to 75%.

There is currently uncertainty in relation to the arrangements the Government will adopt for removing the ring fenced Public Health grant and transferring this grant to the new funding system. Under one scenario the Government may apply a revised ACRA (Advisory Committee on Resource Allocation) formula before removing the ring fence. This would result in re-distribution of funding, with most North East councils, including Hartlepool, facing a significant funding reduction. Alternatively, the existing (i.e. 2019/20) Public Health allocations may be transferred into the new funding system. This is the planning scenario reflected in the MTFS for 2020/21 and 2021/22.

The Fair Funding Review includes future funding arrangements for Children's services, including Looked after Children.

These proposed changes are a significant risk to Hartlepool as the amount received in Revenue Support Grant and Public Health Grant in 2019/20 will exceed the increased Business Rates income from increasing retention from 50% to 75% by approximately **£8.7m**, as summarised below. It will be essential that the new funding system addresses this issue.

	<b>2019/20 Allocations £'m</b>
Revenue Support Grant	7.780
Public Health Grant	8.533
Less increase in locally retained Business Rates income from increasing retention from 50% to 75%	(7.587)
<b>Potential Shortfall to be addressed by FFR</b>	<b>8.726</b>

The increase in Business Rates retention from 50% to 75% will also increase risk in relation to the Power Station, as 75% of any Business Rates reduction will be borne by the Council. This makes it even more important that the Government either transfers power stations to the 'central list' so that this risk is managed nationally, which continues to be the Council's preferred option, or implements improved safety net arrangements.

- **Adult Social Care funding arrangements**

To date the Government has addressed Adult Social Care pressures through a combination of the Better Care Fund and the Adult Social Care precept. The Adult Social Care precept provides a greater financial benefit for more affluent areas, as each 1% Council Tax increase raises more recurring income in these areas. The Government sought to address this issue by targeting Better Care Funding to areas with a lower Tax Council base.

Whilst, these measures have helped authorities in the period up to 2019/20, they do not provide a permanent funding solution. Therefore, it is essential that the Government's promised green paper provides a sustainable funding basis for Adult Social Care for all areas from 2020/21.

- **Council Tax regime 2020/21 and future years**

Over the period 2016/17 to 2019/20 the Government's Council Tax Referendum regime shifted a greater proportion of the cost of funding local authority services onto Council Tax.

An analysis of Government forecasts for tax revenues for 2020/21 to 2022/23 suggests that the Government will revert to a 2% Council Tax referendum limits for these years. However, Council Tax referendum limits for these years will not be determined by the Government until late 2019 and may only cover 2020/21. The Government may determine to continue with higher Council Tax referendum limits than 2% in 2020/21 and future years.

### **Review of Reserves**

1.1. In previous years the Review of Reserves report highlighted the findings of an Audit Commission national report published early in 2013 on the level of reserves that Councils hold and the decisions Councils make relating to them. The report made the following statements:

- reserves are an essential part of good financial management. They help Councils cope with unpredictable financial pressures and plan for their future spending commitments. The level, purpose and planned use of reserves are important factors for elected Members and Council Officers to consider in developing medium-term financial plans and setting annual budgets;
- having the right level of reserves is important. Where Councils hold very low reserves, there may be little resilience to financial shocks and sustained financial challenges. Where reserves are high, Councils may hold more than they need;
- there is no set formula for deciding what level of reserves is appropriate, too low or too high – Councils are free to determine the reserves they hold. Chief Finance Officers have a duty to provide Elected Members with the advice they need to make good decisions.

1.2 Whilst, the Audit Commission report was published in 2013 the report identified a range of questions which remain relevant and help Members in their decision making on reserves, which includes a 'good-quality, annual review to ensure the purpose and level of reserves align with medium-term financial planning'. The report identified five key areas for Members to consider:-

- i) How much is held in reserves;
- ii) What are reserves held for, including information provided to Members;
- iii) Does the Authority hold any contingency fund other than reserves to protect against unplanned costs;
- iv) The relationship between reserves and Council Tax;
- v) Unplanned movements on reserves.

1.3 In relation to items (i) and (ii) the next section of the report and the detailed Appendices provide an explanation of these issues. In relation to items (iii) to (v) these are covered below:

- Contingency funds other than reserves to protect against unplanned costs

The Council does not provide contingency funds within the overall revenue budget to protect against unplanned costs. The Council's approach is to base the revenue budget on the most accurate assessment available for demand led budgets and to then monitor progress against the budget throughout the year at a corporate level. This approach is

designed to enable corrective action to be taken at a corporate level if this is necessary to fund unplanned costs.

This approach is underpinned by the strategic approach adopted by the Council for managing risk through the establishment of risk based reserves and the annual review of these risks and reserves.

- Relationship between reserves and Council Tax

The level of Council Tax for 2019/20 will reflect the fundamental shift in the Government's Council Tax policy, which recognises the financial pressures on Authorities with Adult Social Care responsibility. The Government's national Council Tax forecasts assume that all Social Care Authorities will implement Adult Social Care precepts.

There is no direct link between the level of reserves and Council Tax as both sources of funding are being used over the period of the current MTFS to partly mitigate the impact of Government grant cuts. However, these resources do not provide sufficient funding to fully address the impact of Government grant cuts, consequently the Council will need to make further budget cuts in 2019/20.

The MTFS recognises that reserves are a finite resource and cannot be relied upon to fund services in the long term. Therefore, in previous years, the use of reserves was front loaded in 2017/18 and 2018/19. This strategy was designed to minimise reliance on the use of reserves in 2019/20 to avoid deferring an unmanageable budget deficit to 2020/21.

However, owing to the increasing budget pressures facing the Council in 2019/20, a fundamental review of reserves has been completed to support the 2019/20 budget and provide a longer lead time to identify permanent budget reductions.

- Unplanned movements on reserves

Detailed in-year financial management reports are submitted to Members to monitor progress in the planned use of reserves and to identify where these reserves may be carried forward to fund rephased expenditure commitments or financial risks.

These reports also provide details of forecast outturns for corporate and departmental budgets. For 2018/19 an overspend is forecast and an update of the outturn strategy report was considered at the Finance and Policy Committee on 26<sup>th</sup> September.

**1.4 Details of General Fund reserves held at 31<sup>st</sup> March 2018**

1.5 The starting point for the review is the level of reserves held at 31<sup>st</sup> March 2018, which in summary covered the following categories:

- Unearmarked General Fund Reserve
- Budget Support and Investment Reserve
- Revenue Grants Unapplied
- Earmarked Revenue Reserves
- Earmarked Capital Reserves
- Business Rates Safety Net Grant Reserve

1.6 The following paragraphs provide details of the value of reserves at 31<sup>st</sup> March 2018 and the outcome of the review.

**1.7 Unearmarked General Fund Reserve £4.417m**

This reserve is earmarked to meet one off emergency expenditure not covered from existing resources. Any required use of this reserve would need to be repaid in the following year to ensure resources were available for the next emergency. The reserve equates to 5% of the net budget, which is within the recommended range of 3% to 5%.

The level of this reserve reflects two key factors. Firstly, Hartlepool is the second smallest unitary council and faces the same service risks as all unitary authorities, but has less financial flexibility to meet unforeseen issues. Secondly, the Council has a Nuclear Power Station which accounts for nearly 27% (£4.5m) of Business Rates income retained by the Council. There are specific financial risks to the Council as this income reduces if the Power Station is not generating electricity.

**1.8 Budget Support and Investment Reserve £9.211m**

The majority of this reserve (£6.181m) is already committed to supporting the revenue budget over the period 2018/19 to 2019/20. A further £0.845m is earmarked for approved capital expenditure. These commitments were approved as part of the previous MTFS.

Part of this reserve was earmarked to manage Business Rates risks. This included the significant impact of the Power Station rateable value reduction in 2015 (which related to the rateable value set in 2010), which has taken a number of years to work through the system owing to the complexity of the national regulations and timing of Government returns. However, the backdated cost was less than initially anticipated. Therefore, this element of the reserve, which amounts to £1.823m, can be released to support the revenue budget.

The reserves also included resources to support the budget over a number of years and an amount of £0.362m has not yet been committed.

Therefore, in total £2.930m can be released and allocated to support the budget in 2019/20 and future years.

### **1.9 Revenue Grants Unapplied £4.195m**

These grants have been received from twenty seven different external funders to deliver specific projects/initiatives over more than one financial year. These resources can only be spent in accordance with the conditions determined by the external funders. Therefore, the Council either spends these monies as agreed, or has to return these resources to the external funder.

These resources will be spent in 2018/19 and 2019/20.

However, the Council may, if it continues to be successful in bidding for resources, have new Revenue Grants Unapplied at the end the current or future financial years.

This situation makes it difficult for councils to explain reserves at the end of the financial year as the statutory accounts only provide a 'snap shot' as at 31<sup>st</sup> March. We will aim to explain this position more clearly when the 2018/19 statutory accounts are published.

### **1.10 Earmarked Revenue Reserves £15.619m**

As detailed in Appendix D the Council has twenty three earmarked reserves ranging from £2,000 to £4.468m. These reserves cover a range of one off commitments and financial risks. A comprehensive review of these reserves has been completed and £3.499m can be released.

In addition, the Civic Lottery Reserve of £0.411m can now be released. As approved at Finance and Policy Committee on 29<sup>th</sup> October 2018 this amount will be used over five years to provide annual support towards the Cultural and Events programme, to match fund external grant funding.

### **1.11 Earmarked Capital Reserves £10.197m**

These grants have been received from different external funders to deliver eighty specific capital specific projects which are implemented over more than one financial year, including £1.5m for ISQ Church/Stockton Street and £1.4m for Schools. These resources can only be spent in accordance with the conditions determined by the external funders. Therefore, the Council either spends these monies as agreed, or has to return these resources to the external funder.

These resources will be spent in 2018/19 and 2019/20.

However, the Council may, if it continues to be successful in bidding for resources, have new Earmarked Capital Reserves at the end the current or future financial years.

This situation makes it difficult for councils to explain reserves at the end of the financial year as the statutory accounts only provide a 'snap shot' as at 31<sup>st</sup> March. We will aim to explain this position more clearly when the 2018/19 statutory accounts are published.

### **1.12 Business Rates Safety Net Grant Reserve £1.480m**

This reserve was established to supplement the resources held within the Budget Support Fund (detailed in paragraph 1.8) earmarked to manage the impact of the Power Station Rateable Value reduction. As referred to earlier in the report this issue has taken a number of years to work through the system owing to the complexity of the national regulations and timing of Government returns.

The reserve was originally established in 2015/16 to deal with the timing difference between the receipt of Safety Net Grant received from the Government and resources set aside from Council's own resources to meet Business Rates repayments being made over the period 2016/17 and 2017/18. A total of £21.4m was set aside and the majority of this amount was Government Safety Net Grant to cover back dated Business Rates repayments.

These issues have now worked through the system and the financial impact on the Council's share of these costs is less than previously forecast. This releases the current balance of £1.480m.

**EARMARKED REVENUE RESERVES****11 (a) (1) Appendix D**

Department	Balance as at 31st March 2018	2018/19	2019/20	2020/21	2021/22	Transfer to 2019/20 BSF	Balance as at 31st March 2022
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Chief Executives	426	(262)	(117)	(40)	(7)	0	0
Chief Executives - Corporate	11,680	(2,044)	(1,406)	(1,244)	244	(3,182)	4,048
Children & Joint Commissioning	2,500	(1,525)	(488)	(175)	(17)	(239)	56
Adult & Community Based	17	0	(17)	0	0	0	0
Regeneration and Neighbourhoods	996	(222)	(261)	(162)	(273)	(78)	0
Departments Total	15,619	(4,053)	(2,289)	(1,621)	(53)	(3,499)	4,104



**EARMARKED REVENUE RESERVES**

Cost Centre	Reserve	Balance as at 31st March 2018	Planned Use of Reserve						Reason for/purpose of the Reserve
			2018/19	2019/20	2020/21	2021/22	Reserves to be released to support 2019/20 to 2021/22 MTFS	Estimated Balance at 31/03/22	
		£'000	£'000	£'000	£'000	£'000	£'000	£'000	
25946	Health and Safety Officer	25	(25)	0	0	0	0	0	To support the Health and Safety Budget and fund new initiatives where no departmental resources are earmarked.
25946	Loss of Income HR	25	(25)	0	0	0	0	0	Reserve created to ensure the sustainability of services to schools in current year as schools convert to academy.
25946	Corporate Training Programme	13	(13)	0	0	0	0	0	Delivery of the Corporate Training programme.
25946	HR Extension of Fixed Term Contract	24	(24)	0	0	0	0	0	Extension of HR Fixed Term contract.
25946	HR Resourcelink Project	80	(40)	(40)	0	0	0	0	Project work on Resourcelink for introduction of work stream recruitment.
25949	Reserve for Civic Responsibilities	2	(2)	0	0	0	0	0	This reserve is committed in year for Civic items.
25949	Election Equalisation Reserve	80	(30)	(30)	(20)	0	0	0	Created as part of MTFS savings.
25943	Corporate Strategy - Public Relations	8	(8)	0	0	0	0	0	Allocated to fund new Council signage and branding in 2018/19.
25948	Corporate Strategy - Performance Management	10	(5)	(5)	0	0	0	0	To support the costs of the performance management system.
25948	Corporate Strategy - MPS Sinking Fund	13	0	0	(13)	0	0	0	MPS -created to fund future replacement of printer hardware. Usage will depend on when equipment needs replacing and is an initial assessment.
25948	System Development Projects 2018	56	(32)	(24)	0	0	0	0	Reserve created to fund ICT developments in Integra.
25806	PSN Compliance & Contingency	23	(12)	(11)	0	0	0	0	Reserve created to ensure sustainability of services in future years as schools convert to Academy status. Retained funding to manage the on going delivery of Education Services to Schools. The timing of the use of this reserve is uncertain and the phasing is based on the initial assessment of need.
25945	Registrars	15	0	(5)	(5)	(5)	0	0	To be used for Registrars software maintenance costs over 3 years.
25945	Registrars Marriage Room	6	0	(2)	(2)	(2)	0	0	To be used for the Marriage Room maintenance and phasing is an initial assessment.
25944	Firmstep	46	(46)	0	0	0	0	0	Reserve created to assist with the implementation of the Council's new digital solution - Firmstep. It is anticipated that this reserve will be utilised during 2018/19.
		426	(262)	(117)	(40)	(7)	0	0	

**CHIEF EXECUTIVES - CORPORATE**  
**EARMARKED REVENUE RESERVES**

11 (a) (1) Appendix D

EARMARKED REVENUE RESERVES			Planned Use of Reserve						Reason for/purpose of the Reserve
Cost Centre	Reserve	Balance as at 31st March 2018	2018/19	2019/20	2020/21	2021/22	Reserves to be released to support 2019/20 to 2021/22 MTFS	Estimated Balance at 31/03/22	
		£'000	£'000	£'000	£'000	£'000	£'000	£'000	
25804	Insurance Fund	4,468	0	0	0	0	(2,200)	2,268	This reserve provides for all payments that fall within policy excesses or relate to self-insured risks. The reserve currently covers the estimated value of unpaid outstanding claims.
25959	Strategic One Off Costs	3,323	(1,100)	(1,100)	(1,123)	0	0	0	This reserve was created to cover one-off strategic financial issues including redundancy and early retirement costs over the period of the MTFS.
25321	Capital Risk Strategy Reserve	901	0	0	0	0	(901)	0	This reserve was created to manage potential capital receipt risks.
25952	Treasury Management Risk Reserve	795	0	25	210	350	0	1,380	This reserve was created as part of the 2017/18 budget which implemented a revised MRP policy which achieved an annual financial saving of £2m for 2017/18. To enable the £2m annual saving to be sustained until 2028/29 members approved the establishment of the Treasury Management Risk Reserve. Annual contributions will be made to this reserve over a number of years. Use of this reserve will commence in 2027/28 which will enable a saving of £1m to be sustained until the loans are fully repaid.
25800	Lotteries Reserve	411	(78)	(84)	(84)	(84)	(81)	0	The Lotteries Reserve, which consists of the proceeds of the Civic Lottery and donations received, is an earmarked reserve and the investment income generated is used for grants and donations to local organisations.
25298	Income Risk Reserve	400	(200)	(200)	0	0	0	0	This reserve was created as part of the MTFS and is earmarked to offset in year income shortfalls.
25288	Supporting Family Poverty	358	(288)	(25)	(25)	(20)	0	0	This reserve was created to Support Family Poverty over the period of the MTFS.
25328	Regeneration Projects	324	(324)	0	0	0	0	0	This reserve was created from one-off funding to support Regeneration Priorities.
25290	Support for Local Council Tax Support	300	0	0	0	0	0	300	This reserve was created to partly mitigate the impact of the change to the Council Tax Benefit regime and the resulting cut in Government Grant.
26018	Better Care Fund Reserve	220	0	0	(220)	0	0	0	This reserve was created as a contingency to support the Adult Social Care budgets in future years arising from the impact of the Better Care Fund.
25803	Museums Acquisition	70	0	0	0	0	0	70	The Museums Acquisition Reserve was set up from external donations for the acquisition of items for the Museum.
25984	Funding for Modern Apprentices	48	(48)	0	0	0	0	0	This amount was previously set to provide re-training of staff on the redeployment register. Council agreed on the 17th October, 2013 to use this reserve to provide Modern Apprenticeships. This amount will be used over the period of the MTFS.
25333	Proceeds of Crime Reserve	30	0	0	0	0	0	30	This has been earmarked to fund future prosecution costs.
25295	Vodafone Reserve	19	0	(19)	0	0	0	0	This reserve was created from previous savings to pump prime further initiatives which will provide additional ongoing savings in relation to telephony costs.
23919	HCIPIG committee (Crucial Crew)	13	(6)	(3)	(2)	(2)	0	0	Hartlepool Children's Injury Prevention Group Committee Held in Trust to contribute to activities run by Crucial Crew
		11,680	(2,044)	(1,406)	(1,244)	244	(3,182)	4,048	

**CHILDREN & JOINT COMMISSIONING**  
**EARMARKED REVENUE RESERVES**

11 (a) (1) Appendix D

earmarked revenue reserves			Planned Use of Reserve						Reason for/purpose of the Reserve
Cost Centre	Reserve	Balance as at 31st March 2018	2018/19	2019/20	2020/21	2021/22	Reserves to be released to support 2019/20 to 2021/22 MTFS	Estimated Balance at 31/03/22	
		£'000	£'000	£'000	£'000	£'000	£'000	£'000	
25844	Public Health Grant Reserve	1,406	(841)	(346)	(50)	0	(169)	0	This reserve was created from an in-year underspend against the ring-fenced Public Health Grant. In accordance with the grant conditions a ring-fenced reserve has been created to support public health services in future years.
25318	School Improvement Reserve (Innovation Fund)	543	(306)	(127)	(110)	0	0	0	This reserve was created to improve School Attainment. Combined with Education & Academy Risk Reserves
25330	Tees Education & Skills Reserve - Held in Trust	217	(217)	0	0	0	0	0	This reserve was created from pooled resources from the local authorities of Hartlepool, Middlesbrough, Stockton and Redcar & Cleveland, to enable a collaborated approach to tackle the root cause of underperformance and deliver a first class education and skills system.
25331	Education Commission Reserve	118	(118)	0	0	0	0	0	This reserve was created to identify and address key priorities to support sustainable educational improvement across the town.
25954	Selective Licensing/Housing	59	(12)	(15)	(15)	(17)	0	0	Reflects income generated from selective licensing fees which is required to fund staffing costs over the life of the project.
25857	Youth Justice Service Reserve	116	(20)	0	0	0	(40)	56	The YJ budget has experienced significant grant cuts over the last few years with further cuts expected. This reserve is managed by the Youth Justice Management Board and will be used as a contingency against further grant reductions as well as to fund one-off service initiatives following approval from the Board.
25856	Youth Service	30	0	0	0	0	(30)	0	Reserve was created in 2017/18 from underspends / increased income within the Youth Service to support the potential creation of a Youth Mutual Trust. As this is not progressing this reserve is no longer required.
25856	Children & Families - Local Safeguarding Board (Partnership Funding)	11	(11)	0	0	0	0	0	This is Partnership Funding with other bodies so not all HBC funding; relates to underspends carried forward to support the work of the Board and any serious case reviews over the next few years. The phasing of spend is an initial estimate.
		2,500	(1,525)	(488)	(175)	(17)	(239)	56	

**ADULT & COMMUNITY BASED SERVICES**

11 (a) (1) Appendix D

**EARMARKED REVENUE RESERVES**

Cost Centre	Reserve	Balance as at 31st March 2018	Planned Use of Reserve						Reason for/purpose of the Reserve
			2018/19	2019/20	2020/21	2021/22	Reserves to be released to support 2019/20 to 2021/22 MTFS	Estimated Balance at 31/03/22	
		£'000	£'000	£'000	£'000	£'000	£'000	£'000	
25942	Library RFID Reader Replacement Fund	17	0	(17)	0	0	0	0	Sinking-Fund reserve created to fund the replacement of RFID Library Readers.
		17	0	(17)	0	0	0	0	

**REGENERATION & NEIGHBOURHOOD SERVICES**  
**EARMARKED REVENUE RESERVES**

11 (a) (1) Appendix D

EARMARKED REVENUE RESERVES			Planned Use of Reserve						Reason for/purpose of the Reserve
Cost Centre	Reserve	Balance as at 31st March 2018	2018/19	2019/20	2020/21	2021/22	Reserves to be released to support 2019/20 to 2021/22 MTFS	Estimated Balance at 31/03/22	
		£'000	£'000	£'000	£'000	£'000	£'000	£'000	
25057	Royal Navy Museum Reserve	295	(100)	(100)	(95)	0	0	0	This reserve was created to fund the contributions required to support the Hartlepool Maritime Experience and developments with the National Museum of the Royal Navy (NMRN).
25994	Trading Account Reserves	175	(57)	0	0	(65)	(53)	0	This reserve is earmarked to manage future financial risks on Trading Operations.
25882	Regeneration and Planning Reserve (Housing and Project Management Reserve)	133	0	(42)	(42)	(42)	(7)	0	To fund regeneration manager, timing to be confirmed.
25882	BIS Reserve	95	(54)	(41)	0	0	0	0	To Fund BIS in the early years.
25981	Transport & Engineering Reserve	91	0	0	0	(91)	0	0	£50k Winter Maintenance & £40k Flood Prevention.
25982	Neigh Services Strategic Change Reserve	60	0	0	0	(60)	0	0	Cremator Maintenance Fund
25291	Members Ward Budget Reserve	41	0	(41)	0	0	0	0	This reserve is to be used by Members to support minor issues within their Wards.
25990	Concessionary Fare	38	0	0	(20)	0	(18)	0	This reserve is to cover the tri-annual cost of replacing Concessionary Fare passes.
25853	Local Plan Reserve	30	(5)	(20)	(5)	0	0	0	This reserve will cover estimated one off costs in relation to the Local Plan.
25322	Environmental Apprenticeships Scheme	17	0	(17)	0	0	0	0	This reserve was created to fund costs in relation to Apprentices.
25289	Works in Default Empty Homes	15	0	0	0	(15)	0	0	This reserve has been created to provide a cash backed fund for the completion of housing works in default.
25941	Cultural Services Reserves	6	(6)	0	0	0	0	0	Used to fund specific Archaeology projects and is expected to be fully utilised in 2018/19.
		996	(222)	(261)	(162)	(273)	(78)	0	

**ALL RESERVES EXCLUDING SCHOOL BALANCES, HRA AND UNUSABLE RESERVES**
**11 (a) (1) Appendix E**

Department	Balance as at 31st March 2018	Transfer to 2019/20 BSF	Planned Use of Reserves				Balance as at 31st March 2022
			2018/19	2019/20	2020/21	2021/22	
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
General Fund	4,417	0	0	0	0	0	4,417
Budget Support Fund & Investment Reserves	9,211	(2,930)	(4,339)	(257)	(843)	(842)	0
Earmarked Revenue Reserves	15,619	(3,499)	(4,053)	(2,289)	(1,621)	(53)	4,104
Business Rates Safety Net Grant Reserve	1,480	(1,480)	0	0	0	0	0
2019/20 Budget Support Fund	0	7,909	0	(3,947)	(3,962)		0
<b>Sub Total - Locally Determined Reserves</b>	<b>30,727</b>	<b>0</b>	<b>(8,392)</b>	<b>(6,493)</b>	<b>(6,426)</b>	<b>(895)</b>	<b>8,521</b>
Revenue Grants Unapplied	4,195	0	(2,050)	(2,145)	0	0	0
Earmarked Capital Reserves	10,197	0	(5,400)	(4,797)	0	0	0
<b>Total</b>	<b>45,119</b>	<b>0</b>	<b>(15,842)</b>	<b>(13,435)</b>	<b>(6,426)</b>	<b>(895)</b>	<b>8,521</b>

**Summary of savings proposals 2019/20****Childrens Services Committee (report 13<sup>th</sup> November)**

- 1.1 For 2019/20 the total value of savings proposed for this Committee is £0.510m, the details of which are outlined below:

**Reshaping Early Help - £450,000**

The children's community health service which includes the health visiting and school nursing services transferred to the council in May 2017. Members agreed this transfer at a meeting of Finance and Policy Committee on 31 October 2016. At the same meeting, it was also agreed that £350k savings could be realised from the service based on an initial analysis of efficiencies to be achieved on transfer. It became clear on transfer that £350k could not be taken from the budget allocated to the service transferring in due to the quality issues that need to be addressed and capacity required for change. It became apparent that the council needed to understand the statutory responsibilities to be met in relation to the healthy child programme and how this fit with the local authority Early Help arrangements. It was therefore agreed that a full review of Early Help would be undertaken in order to ensure that the savings identified were appropriate within the context of the local integrated health and care offer.

In addition the MTFS (Medium Term Financial Strategy) identified the need to find a further £100k within Early Help for 2019/2020 therefore a total of £450k has been identified within the Early Help review.

A full review of Early Help has been completed and **Appendix A** sets out the details of this review. The proposal is to reorganise the Early Help service moving from four to two locality teams where health, family support and children's centres activities will be fully integrated. This offers the most opportunity for improved outcomes whilst ensuring that the service can be delivered within the budget and has the right resources necessary to meet the statutory duties. The integrated teams would consist of a team manager, principal practitioners (social care and health), health visitors, community nursery nurses, children's centre workers, school nurses, staff nurses, family support workers.

The proposals for reshaping early help include a rationalisation of buildings and resources to achieve the savings target whilst seeking to minimise the impact on front line service delivery. There are, however, implications arising from these proposals as follows:

- reduces the number of managerial, operational and administrative staff and therefore a number of staff will be at risk of redundancy;

- Closure of one former children's centre premises which currently operates as an office base and centre for facilitating contact for children looked after (service to be relocated);
- Reduces the number of delivery points for healthy start programme based on an assessment of usage and take up, consolidating resources at Rossmere, Miers Avenue and the centre of town (Lynnfield, Middleton Grange and the Community hub Central). Work will be undertaken with the community hubs to ensure that the available community resources are maximised to enhance the children's offer.
- **Children's Social Care family support arrangements - £60,000**  
Children's social care employs a number of family support workers to deliver direct services to children and their families. A review of these arrangements has identified the opportunity to merge some services to better integrate arrangements and realise efficiency. It is proposed the service is reduced by two posts, one of which is currently vacant.

## 1.2 Risk implications of proposed savings

There are a number of risks implicit in the delivery of any package of savings and it is important to recognise these as part of any decision making. The primary risk relates to maintaining capacity to deliver the front line services and support to the Council/departments.

These proposals refocus reduced resource in a number of ways. It firstly refocuses early help resource to universal health provision with the requirement for health practitioners to further develop their targeted work. The proposal also refocuses resource towards those children and families most vulnerable. This means that the reduced resource available needs to be effectively deployed therefore there will be a reduction in some services such as a review of the healthy start drop ins.

There are risks when reducing the budget significantly that the public will see a reduced service. This is inevitable however the model proposed reduces management and closes some buildings and aims to sustain as many front line practitioners as possible with the appropriate range of skills and expertise to offer a preventative service.



**Neighbourhood Services Committee (report 13<sup>th</sup> November)**

- 1.1 For 2019/20 the total value of savings proposed for this Committee is £36K, as follows:

Public Protection – £36,000

Environmental Health - Changes in legislation and government direction have resulted in the need for the environmental health service to be restructured providing greater resilience, flexibility and the ability to work across all fields. The move to generic working within this team will allow us to move our resources to the area of demand and maintain service provision. This proposal will result in a restructure which could lead to one compulsory redundancy and the reduction of hours in an administrative support post.

- 1.2 Risk implications of proposed savings

There are a number of risks implicit in the delivery of any package of savings and it is important to recognise these as part of any decision making. The primary risk relates to maintaining capacity to deliver the front line services and support to the Council/departments.

Reduced budgets and resources can lead to a reduced ability to deliver key targets, outputs and outcomes. This proposal will mitigate against the loss of budget and provide more flexibility and resilience within the service enabling officers to carry out work across Food, Health & Safety, Environmental Protection and Housing, rather than officers working within a specific area.

**Adult Services Committee (report 15<sup>th</sup> November)**

- 1.1 For 2019/20 the total value of savings proposed for consideration by the Adult Services Committee is £237,500 which is made up as follows:

Review of Grant Income - £97,500

A review of grant income has identified two areas where savings can be made with minimal or no impact for people using services.

The first proposal relates to the Disabled Facilities Grant (DFG), specifically the administration / management fee that is payable from the grant to offset costs incurred by the Council in administering and managing the DFG process. This is currently set at 12% and it is proposed to increase this to 15%, generating a saving of £37,500. This increase would not result in the Council being an outlier for administration / management fees as other local authorities in the region apply fees of 15%. There would be no impact on individuals receiving grants as the administration / management fee will be top sliced, and the maximum grant award maintained at £30,000. The increase in the administration / management fee will enable the service to absorb the pay award, as required by other grant regimes, as well as maintaining current waiting times.

The second proposal relates to a grant made to councils linked to financial assessment and the implementation of new duties. The grant was made to compensate local authorities for income lost as a result of the changes; however the new duties were already being undertaken within Hartlepool, managed from within existing resources. Payment of this grant effectively recognises the impact of good practice previously adopted by the Council and means the Council does not have to subsidise this service from the General Fund. The £60,000 can therefore be used to contribute to offset the Council's financial position.

Recovery of Direct Payment Contingencies - £65,000

A new approach to contingency funding within Direct Payments was introduced in April 2017. Historically, personal budgets for people who chose to take a direct payment and employ personal assistants were calculated based on the hourly rate paid to the person, plus on-costs with an element of contingency funding included in order to meet any unforeseen costs associated with sickness and / or redundancy. In the majority of cases, the contingency funding has not been required and work has been undertaken over the last two years to recover this funding through reconciliation of Direct Payment accounts. In future, departmental reserves will be used to meet any unforeseen costs associated with Direct Payments. Ongoing payments to users of service have reduced to remove funding for contingencies, which will avoid significant sums of money building up in service user bank accounts in the future. Based on work undertaken to date

and the number of outstanding reconciliations, it is estimated that a further saving of £65,000 can be achieved in 2019/20.

Inflation Freeze / Salary Abatement - £75,000

In addition to the potential savings identified relating to income (outlined above), it is proposed that Adult Services implements an inflation freeze for all non pay budgets (excluding contracts that include annual inflationary uplifts). This, combined with a review of all supplies and services budgets that have historically underspent, will achieve a saving of £25,000.

A departmental salary abatement target of £200,000, which accounts for vacant posts and incremental drift across the department, was introduced from April 2016. This has been closely monitored and it is proposed that the target can be increased by a further £50,000 for 2019/20. This may only be a short term proposal as, when officers move through the pay grade towards the top of their pay scale, the ability to contribute towards this target will reduce, but is dependent upon staff turnover and recruitment.

**1.2 Risk implications of proposed savings**

There are a number of risks implicit in the delivery of any package of savings and it is important to recognise these as part of any decision making. The primary risk relates to maintaining capacity to deliver front line services and support to the Council / departments.

There are specific risks associated with a further increase to the departmental salary abatement target as vacancies may not arise during the year or may be filled immediately and staff may move through pay grades and reach the top of pay scale quicker than anticipated i.e. qualification and experience based progression for Social Workers and Social Care Officers.

In relation to Direct Payment contingencies, there is a risk that departmental reserves are exhausted at some point in the future, leaving one-off costs to be managed in future years. The potential financial implications cannot be quantified at the present time but this is considered a relatively low risk given the minimal call on contingency funds to date.

**Regeneration Services Committee (report 19<sup>th</sup> November)**

- 1.1 For 2019/20 the total value of savings proposed for this Committee is £50K, as follows:

Economic Growth - £50,000

Historically each of the 5 Tees Valley Local Authorities have contributed financially to a strategic administrative function at the Tees Valley level. This financial contribution has reduced over the years and is currently at approx. £50k. It is proposed to cease this contribution as the Tees Valley Combined Authority is now a central Government funded organisation.

- 1.2 Risk implications of proposed savings

There are a number of risks implicit in the delivery of any package of savings and it is important to recognise these as part of any decision making. The primary risk relates to maintaining capacity to deliver the front line services and support to the Council/departments.

Reduced budgets can lead to a reduced ability to deliver key targets, outputs and outcomes. However this is mitigated against as the TV Combined Authority is funded by central government.

TVCA Governance arrangements are well embedded and HBC Elected Members and senior officers are involved in all decision making.

**Finance and Policy Committee (report 26<sup>th</sup> November)**

- 1.1 Public health services are funded through a ring-fenced specific Public Health grant. Since local authorities assumed responsibility for public health from the NHS in April 2013 the specific grant allocated to Hartlepool will have been cut in cash terms by £1.2m (a reduction of over 12%) by April 2019.

The 2019/20 grant allocation is £8.533m, a reduction of £228,000 (a cash reduction of 2.6% on the 2018/19 allocation).

This report identifies the proposals for dealing with the 2019/20 reduction in grant while also looking at how public health can contribute towards the unfunded wider budget pressures identified in Section 3 of this report.

In order to achieve the required savings a detailed assessment of all service areas funded by the grant has been undertaken. The five main service areas are:

- early years nursing;
- drugs and alcohol;
- healthy weight and healthy lives;
- sexual health
- smoking cessation.

A standard options appraisal approach was used to evaluate each service against weighted criteria. The criteria used, and weightings (out of 100) were as follows:

- service benefit is felt by many people (15);
- benefit is substantial and long-lasting (15);
- it reduces inequalities in health or wellbeing (15);
- it empowers people and communities (10); it improves efficiency (10);
- it reduces demand on other Council services (10);
- it reduces demand on other public services eg NHS (5);
- there is a safety net if the Council does not provide this service (5);
- it enjoys public support and protects reputation (5);
- it is sustainable and provides environmental benefit (5);
- the evidence base for all the above is strong (5).

Rather than curtail all areas slightly and render them less efficient and effective, it is proposed that all the cuts fall on the lowest priority service, thereby protecting those at higher priority. Attention has been paid to trends in health need and uptake of services, focussing on areas of falling demand and least value for money.

Hartlepool, along with all other Tees Valley local authorities makes annual contributions to Fresh North East (the regional dedicated tobacco control programme) and Balance North East (the regional dedicated alcohol information and support group) totalling £55,000. A decision was made in 2017 by all Tees Valley Authorities to cease these contributions from 1<sup>st</sup> April 2019 on the basis that the lobbying and press relations that Fresh and Balance offered was poorer value for money than other priorities, and also not closely aligned to local authorities core business. Formal notice has been served and that saving is therefore secured.

A summary of the proposed savings is provided in the Table below:-

	<b>£'000</b>
Public Health Grant Reduction	228
Cease contributions to 'Fresh' and 'Balance'	(55)
Other Public Health Savings #	(360)
<b>Additional Saving</b>	<b>(187)</b>

The savings identified above generate an additional £187,000 more than the grant reduction. However, in recognition of the wider financial pressures faced by the Council and the significant budget deficit it is proposed that this additional funding is used by the MTFS to support the changes in children's health and early help services, which will help deliver better public health outcomes.

Only £130,000 of additional funding will be available in 2019/20 to support the MTFS, with the balance being made available in 2020/21.

## 1.2 Risk implications of proposed savings

There are a number of risks implicit in the delivery of any package of savings and it is important to recognise these as part of any decision making. The primary risk relates to maintaining capacity to deliver front line services. A secondary risk is to relationships with the local NHS.

Other Risks are identified below:-

- Reduced budgets can lead to a reduced ability to deliver key targets, outputs and outcomes.
- Reputational damage for the Council. There may be an increase in the number of complaints or a reduction in the level of customer satisfaction. These complaints may come from partner organisations, especially the NHS Clinical Commission Group.
- Reductions in public health resources and health promotion activities so opportunities to inform and educate the public are reduced
- Notice is not served on the existing contract in a timely manner meaning the full savings are not achieved in 2019/20.

**Corporate Savings**

Corporate savings of £370,000 have been identified and reflect lower costs in relation to the national living wage/ pay award and holiday pay than previously anticipated, and other operational changes.

**Overall Summary**

	£'000
Children's Services Committee (Gross saving £510k less saving already reflected in base budget £350k)	160
Neighbourhood Services Committee	36
Adult Services Committee	237
Regeneration Services Committee	50
Finance and Policy Committee	187
Corporate	370
<b>Total</b>	<b>1,040</b>

**FORECAST CAPITAL RESOURCES AND EXPENDITURE COMMITMENTS 2019/20 TO 2021/22**

TABLE 1 - FORECAST CAPITAL RESOURCES

	Additional Schemes 2018/2019				Forecast Resources 2019/2020 (Provisional)				Forecast Resources 2020/2021 (Provisional)				Forecast Resources 2021/2022 (Provisional)			
	Prudential Borrowing	Other Capital Funding	Capital Grants	Total	Prudential Borrowing	Other Capital Funding	Capital Grants	Total	Prudential Borrowing	Other Capital Funding	Capital Grants	Total	Prudential Borrowing	Other Capital Funding	Capital Grants	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b><u>Service Specific Capital Grants</u></b>																
Devolved Formula Capital (Schools) - Note 1					0	0	130	130	0	0	130	130	0	0	130	130
Disabled Facilities Grant (Better Care Fund) - Note 2					0	0	998	998	0	0	998	998	0	0	998	998
Local Transport Plan - Structural Highways Maintenance - Note 3					0	0	1,054	1,054	0	0	1,054	1,054	0	0	1,054	1,054
Local Transport Plan - Integrated Transport Block - Note 3					0	0	719	719	0	0	719	719	0	0	719	719
Schools Capital Programme - Note 4					0	0	1,099	1,099	0	0	655	655	0	0	655	655
					0	0	4,000	4,000	0	0	3,556	3,556	0	0	3,556	3,556
<b><u>Departmental Prudential Borrowing - Funded from Specific Business Cases</u></b>																
Replacement Wheelie Bins					90	0	0	90	90	0	0	90	90	0	0	90
Special Provisions Fund - Note 5					0	0	167	167	0	0	167	167	0	0	0	0
Vehicle Procurement (Tables 2 - 4)					1,663	0	0	1,663	942	0	0	942	530	0	0	530
Western Growth Corridor - Note 6					10,161	0	8,345	18,506	0	0	0	0	0	0	0	0
Student Accommodation (Church Street) - Note 7	39	421	0	460	0	0	0	0	0	0	0	0	0	0	0	0
Headland Town Wall and Block Sands Scheme - Note 8	756	244	0	1,000	0	0	0	0	0	0	0	0	0	0	0	0
	795	665	0	1,460	11,914	0	8,512	20,426	1,032	0	167	1,199	620	0	0	620
<b><u>Corporately Funded Schemes</u></b>																
ICT Licensing - Note 9	648	0	0	648	0	0	0	0	0	0	0	0	0	0	0	0
	648	0	0	648	0	0	0	0	0	0	0	0	0	0	0	0
<b>Total Forecast Resources</b>	<b>1,443</b>	<b>665</b>	<b>0</b>	<b>2,108</b>	<b>11,914</b>	<b>0</b>	<b>12,512</b>	<b>24,426</b>	<b>1,032</b>	<b>0</b>	<b>3,723</b>	<b>4,755</b>	<b>620</b>	<b>0</b>	<b>3,556</b>	<b>4,176</b>

Note 1 - Devolved Formula Capital allocation for Schools is an estimate based on the 2018/19 allocation. Government has stated that the 2018/19 allocations could be used as an indication of future allocations.

Note 2 - Better Care Fund is continuing in 2019/20, however detailed DFG allocations have yet to be announced by the Government. Estimates are based on 2018/19 allocations and an assumption that the Better Care Fund will continue in 2020/21 and 2021/22.

Note 3 - Local Transport Plan allocation for 2019/20 is based on an indicative allocation and future years' allocations are based on this estimate.

Note 4 - Schools Capital Programme includes an estimate of £0.655m Schools Condition Grant for 2019/20 and future years as actual allocations have yet to be announced by the Government. This is based on the 2018/19 allocation which the Government has stated is indicative of future allocations. In addition the Council has received a Basic Need funding allocation of £0.444m for 2019/20, this is reflected in the above figures.

Note 5 - A grant of £0.500m was awarded to the Council in 2018/19. However, as the funding was used to provide additional capacity at our Special School, Children's Services Committee approved full use of the grant in 2018/19. The above Table reflects the receipt of the grant.

Note 6 - This scheme is likely to be phased over a number of years however it is currently shown in 2019/20 as detailed phasing is not yet known.

Note 7 - The Council acquired a block of 12 apartments known as Avondene at 59-64 Church Street with the initial intention of managing this property as part of the Housing Revenue Account. However, since acquiring this property it has been determined that there is demand for Student Accommodation and the location of this property fits well with The Northern School of Art. It is therefore recommended that this property is move out of the Housing Revenue Account (HRA). This proposal requires a change in funding arrangements as section 106 housing contributions cannot be used outside the HRA. Therefore, to replace this funding it is recommended that former Right to Buy resources of £421,000 are used, as these monies can either be used for HRA purposes, or other housing purposes, including Student Accommodation. The project requires £39,000 of Prudential Borrowing which will be repaid from rental income.

Note 8 - This scheme has suffered delays as a result of an objection raised in August 2016 as part of the planning process and license to carry out works. This resulted in work to a particular section of the sea wall being rephased until March 2018. Other ongoing work had continued, albeit with restricted access and additional plant hire leading to increased costs. The delay also meant that the work was exposed to the exceptional weather conditions in March 2018, as well as some of worst storm surges in recent years which caused numerous damages to the wall requiring repair. Additional costs have now been quantified of £1m. To manage the complexities and risks of delivering this project revenue contributions of £0.244m had been set aside. In addition, headroom within the revenue budget for potential additional prudential borrowing has not been committed. Therefore, the remaining £0.756m can be funded using prudential borrowing. The repayment costs can be funded from the existing revenue budget which now fully commits the loan repayment element of the budget.

Note 9 - A change in the contracting arrangements for computer licenses is required following recent changes in the Microsoft licensing policy and the removal of discounts available to Government bodies. This change reflects Microsoft's policy of encouraging organisations to migrate to a Cloud based solution. These changes would increase annual IT license costs by 115% unless a new contracting approach is adopted. These licenses cover all Microsoft products from server operating systems to desktop Office products, including Exchange e-mail and the Lync telephony system. Without these licenses the Council cannot operate the current IT systems. The use of prudential borrowing to buy licenses outright provides the lowest cost to the Council.



**FORECAST CAPITAL RESOURCES AND EXPENDITURE COMMITMENTS 2019/20 TO 2021/221 (a) (1) APPENDIX G**

**TABLE 2 - 2019/20 VEHICLE REPLACEMENT PROGRAMME**

Type	Service Area	Total £'000
Telehandler 550-80 Wastemaster	Waste Management	88.0
RORO Hooklift Container/ Recycling Skip 40cu yds	Waste Management	3.5
RORO Hooklift Container/ Recycling Skip 40cu yds	Waste Management	3.5
RORO Hooklift Container/ Recycling Skip 40cu yds	Waste Management	3.5
RORO Hooklift Container/ Recycling Skip 40cu yds	Waste Management	3.5
RORO Hooklift Container/ Recycling Skip 40cu yds	Waste Management	3.5
RORO Hooklift Container/ Recycling Skip 40cu yds	Waste Management	3.5
RORO Hooklift Container/ Recycling Skip 40cu yds	Waste Management	3.5
RORO Hooklift Container/ Recycling Skip 40cu yds	Waste Management	3.5
RORO Hooklift Container/ Recycling Skip 40cu yds	Waste Management	3.5
RORO Hooklift Container/ Recycling Skip 40cu yds	Waste Management	3.5
RORO Hooklift Container/ Recycling Skip 40cu yds	Waste Management	3.5
Replace NX59 AKP with 16T Backstreet RCV	Waste Management	135.0
Iveco 68 Seat Irisbus C Class 15000Kg Yellow Scolabus	Passenger Transport	160.0
Iveco 68 Seat Irisbus C Class 15000Kg Yellow Scolabus	Passenger Transport	160.0
Iveco 68 Seat Irisbus C Class 15000Kg Yellow Scolabus	Passenger Transport	160.0
17 seater low floor accessible welfare bus	Passenger Transport	80.0
17 seater low floor accessible welfare bus	Passenger Transport	80.0
16 Seat Minibus	Passenger Transport	36.0
16 Seat Minibus	Passenger Transport	36.0
Triple flail ride-on-mower	Horticulture	18.0
Triple flail ride-on-mower	Horticulture	18.0
Triple flail ride-on-mower	Horticulture	18.0
Triple flail ride-on-mower	Horticulture	18.0
Ford Transit 350 LWB Double Cab Chassis/Tipper	Horticulture	23.0
Tractor mounted narrow area rotary mower	Horticulture	23.0
Ford Transit 350 LWB Double Cab Chassis/Tipper	Horticulture	23.0
Beach Rake tractor towed	Cleansing	50.0
Iveco 6.5T 65C18 Encl. Tipper c/w side mount bin lift - see below	Cleansing	50.0
16T Backstreet RCV - Possibly replace asset 3036 requirement	Cleansing	135.0
Medium Panel Van	M&E	15.0
Medium Panel Van	M&E	15.0
Crewcab tipper	M&E	23.0
Crewcab tipper	M&E	23.0
IVECO35C12D Crew cab tipper	M&E	23.0
Small Panel van	Community Services	12.5
Medium Panel Van	Fleet Workshop	15.0
Medium Panel Van	Parks & Countryside	15.0
Small Panel van	M&E	12.5
4x4 Quad bike c/w chemical spraying equipment	Transfer to Cleansing	10.0
4x4 Quad bike c/w chemical spraying equipment	Transfer to Cleansing	10.0
Lifeguard service Jet ski	Beach safety	9.5
Price contingency *		130.0
		<b>1,663.0</b>

**TABLE 3 - 2020/21 VEHICLE REPLACEMENT PROGRAMME**

Type	Service Area	Total £'000
26T RCV 6x2 rear steer	Waste Management	185.0
26T RCV 6x2 rear steer	Waste Management	185.0
26T RCV 6x2 rear steer	Waste Management	185.0
RORO Hooklift Container/ Recycling Skip 40cu yds	Waste Management	3.5
RORO Hooklift Container/ Recycling Skip 40cu yds	Waste Management	3.5
RORO Hooklift Container/ Recycling Skip 40cu yds	Waste Management	3.5
RORO Hooklift Container/ Recycling Skip 40cu yds	Waste Management	3.5
RORO Hooklift Container/ Recycling Skip 40cu yds	Waste Management	3.5
17 seater low floor accessible welfare bus	Passenger Transport	80.0
Courier van Peugeot Partner S L1 Hdi 92	Passenger Transport	12.5
Iveco 6.5T Crew Cab Tipper	Horticulture	45.0
Timberwolf TW S426TDKB green waste shredder	Horticulture	35.0
Iveco 6.5T Tipper	Horticulture	42.0
Kubota L3830 42 hp tractor West View Cemetery	Horticulture	40.0
Kubota L3830 42 hp tractor Stranton Cemetery	Horticulture	40.0
Price contingency *		75.0
		<b>942.0</b>

**TABLE 4 - 2020/21 VEHICLE REPLACEMENT PROGRAMME**

Type	Service Area	Total £'000
26T RCV 6x2 rear steer extra capacity Growth of Town	Waste Management	185.0
Large mechanical sweeper	Cleansing	150.0
Large mechanical sweeper	Cleansing	150.0
Price contingency *		45.0
		<b>530.0</b>

\* To allow for differences compared to the estimates used in the above tables in relation to the final purchase price of vehicles.

**2019/20 FINANCIAL RISK MANAGEMENT****Risk Rating**

A simplified version of the Risk Assessment criteria used in the Council's Risk Management Strategy has been used to rank budget risks. This assessment rates risk using the convention of green/amber/red, as defined below, although different levels of risk within each category have not been defined. The risk assessment helps inform the Council's budget monitoring process as it identifies areas that need to be monitored more closely than other budgets. These procedures help ensure that departments can manage budgets and services within the overall departmental resource allocation and the Council's overall financial management framework, which enable departments to establish reserves for significant risks and to carry forward under and over spends between financial years.

The value of expenditure/income on individual areas, together with the percentage of the authority's net budget, are shown in the table below to highlight the potential impact on the Council's overall financial position.

Green - these are unlikely events which would have a low financial impact.

Amber - these are possible events which would have a noticeable financial impact.

Red - these are almost certain to occur and would have a very significant impact. Provision would need to be made for such events in the budgets.

**CORPORATE RISKS**

Financial Risk	Risk Rating	2019/20 Base Budget £'000	Budget as %age net budget	Description of Risk and Summary of Risk Management Arrangements
Pay	Green	59,172	79%	The MTFS includes an average 2.802% pay award from 1st April 2019 which reflects the national pay offer agreed in December 2017 as part of a two year settlement.
Higher costs of borrowing and/ or lower investment returns	Green	3,051	4%	This budget covers annual principal repayments and net interest on the Council's borrowings and investments. Interest payable on Council's borrowings or interest earned on investments could be higher or lower than forecast.  The Treasury Management Strategy details how these risks will be managed and establishes an appropriate framework of controls for managing these risks. This strategy is based upon the Director of Finance & Policy's assessment of future interest rates, which is itself supported by the detailed interest rate forecasts and market intelligence provided by the Council's Treasury Management Advisors.  The unprecedented low levels of interest rates have resulted in a significant reduction in investment income. This change has not had a significant impact on the MTFS as the MTFS takes a prudent approach and only includes investment income on an annual basis.
Planned Maintenance Budget	Amber	236	0.3%	Much of the Council's building stock is in poor condition and the Corporate Risk Register identifies this as a "red" risk. From 2002/03 the Council provided 2.5% real term growth for this budget to start addressing these issues.
Schools Buy-Back Income	Amber	5,044	6.8%	Buy back income underpins a range of services provided by the Council. This income budget is reliant on the Schools continuing to buy back the services.
Education Services Grant	Red	614	0.8%	The grant is distributed between LA's and Academies pro-rata to the number of pupils for whom each is responsible. As schools in Hartlepool convert to Academy status in the future then the funding for education services received by the LA will reduce which could impact on service delivery.
Failure to comply with relevant local authority financial legislation/regulations, NI and taxation regulations.	Amber	0	N/A	The Council will take appropriate steps to ensure it keeps up to date with changing legislation and regulations. There is nothing to indicate that the Council faces any specific material risk in these areas.

**CHILDREN & JOINT COMMISSIONING**

Financial Risk	Risk Rating	2019/20 Base Budget £'000	Budget as %age net budget	Description of Risk and Summary of Risk Management Arrangements
Increased Demand for Looked After Children Placements	Red	8,900	11.9%	There is a national trend of increasing numbers and increased costs for the placement of children looked after. This particular area is highly volatile and potentially subject to unexpected increases in the numbers of children. This area includes in-house foster placements, independent foster placements with an agency, special guardianship, child arrangement orders and leaving care allowances as well as residential placements. The budget figure reflects an additional £2.5m of base budget funding which was included in the 2018/19 budget with a further £1.0m in 2019/20. These funding commitments are reflected in the identified MTFS budget deficit.
Dedicated Schools Grant - High Needs Block	Red	10,931	14.7%	The indicative allocation for Hartlepool under the new formula shows an increase of 3.99%. However, this is not sufficient to meet the current demand for services for children and young people with special educational needs.
Dedicated Schools Grant - De-Delegated Services	Amber	595	0.8%	There are a number of services provided by the LA which are funded from retained DSG. The LA delegates this funding into school budgets and then requesting approval from Schools Forum to de-delegate these budgets back to the LA for all non-Academy schools. Academy schools retain this funding although they would have the opportunity to 'buy-back' these services from the LA. As schools in Hartlepool convert to Academy status in the future then there is the potential for funding to be reduced which could impact on service delivery.

ADULT AND COMMUNITY BASED SERVICES

Financial Risk	Risk Rating	2019/20 Base Budget £'000	Budget as %age net budget	Description of Risk and Summary of Risk Management Arrangements
Demographic changes in Older People	Red	10,800	14.5%	Increasing number of elderly people, high percentage of chronic health problems and market pressures on price, including the National Living Wage. The individual nature of contribution towards social care provision is such that the financial circumstances of each individual can differ substantially. The level of the value of people's assets and savings can differ significantly and demographic changes can impact on levels of contribution. Other risks include increased pressure on intermediate care service, ensuring discharge from hospital is not delayed and older people's needs becoming more complex due to increased life expectancy.
Demographic changes in Working Age Adults	Red	8,700	11.7%	Increasing numbers of people with learning disabilities with increasingly complex needs.  The changes reflect the increased demand from those moving from Children's Services through the transition process into Adult Services.
Better Care Fund	Amber	6,949	9.3%	The Better Care Fund consists of revenue funding and capital funding (not shown). The Pooled Budget Partnership Board and Health and Wellbeing Board approve schemes and monitor BCF expenditure. The risks include BCF grant funding not continuing in future years and funding being reduced. The figure shown excludes the Improved Better Care Fund allocation (iBCF).
Non-achievement of income targets - CCG contributions towards Joint Packages.	Amber	4,800	6.4%	CCG (Clinical Commissioning Group) income is received to contribute towards the costs of packages for individuals with social care needs. There is a risk that the CCG seek to reduce their contribution towards individual packages of care - increasing the costs to the LA.
Non-achievement of income targets - Sport, Leisure and Recreation	Amber	1,600	2.1%	The nature of Sport, Leisure and Recreation budgets are such that the majority of income is generated through admissions/usage of the services on offer. If this usage falls below targets then income will be reduced. Non-achievement of income targets in this area over the last couple of years has been the main reason for the overspends. Position will be monitored closely throughout the year.

REGENERATION & NEIGHBOURHOODS

Financial Risk	Risk Rating	2019/20 Base Budget £'000	Budget as %age net budget	Description of Risk and Summary of Risk Management Arrangements
Car Parking	Amber	1,440	1.9%	Budget forecasts reflect the latest fee levels and future additional places at Seaton.
Fee Income - Planning & Building Control	Amber	765	1.0%	The fee income target must be achieved to fund part of the department's expenditure budget. This income cannot be controlled or easily estimated.  Achieving the target depends on sufficient numbers/size of applications being received, national economic conditions such as interest rates being sufficiently favourable to encourage development and, in the case of Building Control, the section being able to successfully compete with the private sector.
Highways Maintenance	Amber	1,540	2.1%	A lack of major investment from Central Government is leading to a deterioration in the network. This is a national position and funding is needed to raise conditions generally. Maintenance budgets are under pressure as a result and the position will be closely monitored each month. Conditions surveys will be used to support the Highways Five Year Maintenance Programme and Capital and Revenue budgets will be applied accordingly. This budget includes winter maintenance which can vary between years depending on weather conditions.
Non-achievement of income targets - Cultural Services	Amber	390	0.5%	The nature of Cultural Services budgets are such that the majority of income is generated through admissions/usage of the services on offer. If this usage falls below targets then income will be reduced. The amount of income at risk has reduced as a result of the transfer of the Maritime Experience to the National Museum of the Royal Navy.
Home to School Transport Costs	Amber	1,330	1.8%	The Department's home to school transport contracts are regularly reviewed to ensure competitive prices and best value. The provision of transport is a demand led service and influenced by the needs of pupils which vary from term to term. The highest area of spending relates to the requirement to transport special needs pupils which invariably requires escorts and is difficult to control other than to ensure all individual arrangements are procured as economically as possible by the Passenger Transport service.
Trading Accounts	Amber	21,000	28.1%	The department has a wide range of trading operations which generate income by charging clients both internal and external to the Council. This includes services such as school catering, highways, building maintenance, garage, passenger transport as well as professional fees which funds the salaries of staff in property and engineering related services. This income is not certain and depends on local and national economic conditions and can be volatile in response to reductions in client budgets and the Council's capital programme.
Non-achievement of income targets - Licensing	Amber	470	0.6%	The council reviews the fees that it can set at regular intervals to ensure that the fee being charged recovers the cost of the application process, and is legally robust and transparent.

**SUMMARY OF KEY FINANCIAL ASSUMPTIONS UNDERPINNING THE BUDGET**

<b>Budget Assumption</b>	<b>Financial Standing and Management</b>
The treatment of inflation and interest rates	<p>The resource allocations for 2019/20 include 2.5% for anticipated general inflation on non pay expenditure and an average 2.802% for pay expenditure. This reflects the national pay offer agreed as part of a two year settlement in December 2017.</p> <p>In addition, where it is anticipated that costs will increase by more than inflation these issues have been specifically reflected in the pressures included within the budget requirement.</p> <p>Interest exposure is managed through the Treasury Management Strategy.</p>
The treatment of demand led pressures	<p>Individual Policy Chairs and Directors are responsible for managing services within the limit of resource allocations and departmental Risk and Strategic Change Provisions. If these resources are inadequate the Council's Managed</p> <p>Under/Overspends Policy provides flexibility to manage the change over more than one financial year.</p>
The treatment of planned efficiency savings/productivity gains	<p>Where departmental efficiencies are planned it is the individual Directors responsibility to ensure they are implemented. Any under achievement would be dealt with on a temporary basis through the managed overspend rules until a permanent efficiency is achieved. The main areas of efficiencies in 2019/20 are departmental savings. Work undertaken during 2018/19 to deliver these savings in advance makes the 2019/20 budget position more robust and sustainable.</p>
The availability of other funding to deal with major contingencies and the adequacy of provisions	<p>The Council's approved Managed Underspend and Strategic Risk and Change initiatives are well understood and provide departments with financial flexibility to manage services more effectively. These arrangements help to avoid calls on the Council's corporate reserves.</p> <p>The Council's insurance arrangements are a balance between external insurance premiums and internal self insurance. The value of the Council's insurance fund has been assessed and is adequate to meet known reserves on outstanding claims.</p>
The strength of financial reporting arrangements and the Authority's track record of budget monitoring	<p>The Council's financial reporting arrangements include the identification of forecast outturns for both revenue and capital areas. These arrangements ensure problems are identified and corrective action taken before the year end, either at departmental or corporate level. These arrangements have worked well and have enabled the Council to strengthen the Balance Sheet over the last few years.</p>

**Tees Valley Chief Executives****Fair Funding Review****Summary:**

1. The impact of austerity cuts has meant a direct increase in deprivation in the population, coupled with a severe decrease in funding and new demands on services emerging, in particular in children's services; and this has had a disproportionate effect on the people of the Tees Valley compared to more affluent areas.
2. Despite the impact of funding reductions, Tees Valley authorities have continued to promote economic growth in their areas and to transform their delivery models to innovate so that they can continue to deliver for the most vulnerable in society. Gross Value Added across the Tees Valley has increased substantially since 2010. Had the funding regime since 2010 been fairer to the increased needs of Tees Valley authorities – and even if the cuts to local government budgets had been shared more equitably – there would have been much more potential to grow the area further.

**Tees Valley Picture – funding levels and impact of austerity on the population**

3. The LGA has said there is a £3.9bn funding gap across the sector to fund existing services which rises to £7.8bn by 2024-25.
4. Figures obtained from the National Audit Office via Freedom of Information suggest that there has been a clearly disproportionate effect of the austerity cuts on local authorities in deprived areas such as the North East compared to national averages and to more affluent areas such as Surrey and Berkshire. Some comparators are set out below.

Authority	Budget change in real terms since 2010-11
National	-29%
Darlington	-28%
Hartlepool	-37%
Middlesbrough	-36%
Redcar and Cleveland	-35%
Stockton	-31%
Surrey	-15%
Wokingham	-16%

5. The impact of austerity has also led to a direct impact on the population of the Tees Valley through an increase in the levels of deprivation. More people are now in receipt of welfare benefits; and more people have fallen below the poverty level. This is true in both absolute terms and in relative terms for the Tees Valley compared to elsewhere in the country.

6. Three of the Tees Valley authorities have moved negatively in relative poverty as measured by the index of multiple deprivation since 2010. Middlesbrough is now the 6<sup>th</sup> most deprived local authority area overall and Hartlepool is now the 18<sup>th</sup> most deprived local authority area.
7. While funding has been cut disproportionately, the demand for services has also increased disproportionately in the North East as a whole and in the Tees Valley in particular. There has been a 50% increase in the rate of Looked after Children from **61** per 10,000 children in 2010 to **92** per 10,000 children in 2017 (which is now the highest rate of any region). The North East has seen a 50% increase in numbers of looked after children in the last 8 years at a time when the national increase has been less than 15%. In both Stockton and Redcar the proportionate increase is over 80%. Middlesbrough and Hartlepool have some of the very highest rates of looked after children nationally.
8. The growing gap between funding and demand is disproportionately impacting on the most deprived areas of the country such as the North-East. Some cuts have inevitably therefore had to be made in the region in non-statutory areas of the children's social care budget and heavy cuts elsewhere in council budgets.

### **Impact on police**

9. Cleveland Police funding has decreased by £39m in real terms since 2010-11, a reduction of 36%, while demand has risen.
10. Cleveland Police is the area with the 5<sup>th</sup> highest level of victim-based crime in the country (out of 43) and the 9<sup>th</sup> largest reduction in funding in the country in percentage cash terms. Similarly, Durham Police has the 6<sup>th</sup> highest victim-based crime rate in the country and the 5<sup>th</sup> largest reduction in funding in the country. Some examples of relative reductions and link to victim-based crime are set out below:

Force	Victim based crime per 1000	Rank victim based crime	Cash cut since 2010	Rank Cash Cut since 2010
Cleveland	98	5	-10%	9=
Durham	96	6	-12%	5=
Metropolitan	92	7	-19%	1
Greater Manchester	121	1	-12%	5=
Northumbria	103	4	-15%	2=
North Yorkshire	47	43	-3%	33=
Surrey	62	33=	+1%	43

### **Impact on NHS**

11. The South Tees CCG has seen an approximate 8.3% increase in spend per capita between 2013/14 and 2017/18 taking its total expenditure from £397.482m to £437.017m. Much of this is demand-led and reflects the increase in demand

across a range of health services from the population, which again is a potential effect of austerity.

12. Expenditure on mental health services has increased much more quickly than that, increasing by 19.7%, which may reflect a greater need from the population to access these services in times of austerity.
13. The South Tees CCG is now in special measures. In the face of a recent projected £17.3m overspend in 2018-19 (including an agreed £5m deficit) it is planning to deliver £22m of savings in 2018-19 across a range of areas.

### **Impact on outcomes**

14. This has had an impact across a wide range of key measures given the link between deprivation; reductions in funding and outcomes. For example:
  - a. Child poverty in the Tees Valley area has increased from 28.7% in 2013 to 31.3% in 2017 and the gap against the national average has widened by 3.3%; and
  - b. Between 2009 and 2015 the gap in healthy life expectancy between the national average for men and the worst performing local authority area in the Tees Valley effectively doubled to 12.4 years; and for females it more than trebled to 14.9 years.

### **Economic Growth in the Tees Valley**

15. Despite the clear impact of austerity on the people and the local authorities and other public authorities of the Tees Valley, local authorities have continued to promote economic growth successfully. According to the Office for National Statistics, Gross Value Added in Darlington per head of the population increased by 20% between 2009 and 2015 and increased substantially in all other areas.
16. Authorities are delivering housing growth in the Tees Valley with ambitious plans in each authority area. In the past five years, 8650 homes have been built across the Tees Valley and the annual rate of build is planned to rise from an average of 1730 to 2160.
17. And there are some fantastic examples of transformative economic projects in the Tees Valley:
  - a. Central Park, Darlington is being regenerated as a strategic mixed use site including housing, jobs, education and innovation;
  - b. Queen's Meadow Business Park in Hartlepool has been successfully developed as part of the Tees Valley Enterprise Zone;
  - c. Middlesbrough has worked with Tees Valley Combined Authority and invested in the Tees Advanced Manufacturing Park which will regenerate the area, bring up to 1000 new jobs and make a commercial return;
  - d. Kirkleatham, Redcar and Cleveland is being developed as an inspirational place with a walled garden and catering and horticultural academy; and

- e. Stockton has remediated the North Shore site including the development of the iconic Infinity Bridge and enhanced connectivity via major highway improvements.

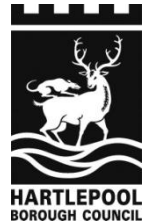
## **Conclusion**

- 18. These levels of economic growth have occurred despite the pressures caused by funding reductions in local authorities, the impact of economic shocks such as the closure of SSI and the impact of austerity on the wider population. It is clear that had these pressures not constrained the efforts of local authorities then economic growth would have been even better.
- 19. Our case to the fair funding review is therefore that if we get the necessary radical overhaul of the funding regime which properly reflects need in the Tees Valley we will be able to deliver even more benefit to the people of the Tees Valley and support the economic growth of the country as a whole.



# COUNCIL

20th December 2018



**Report of:** Finance and Policy Committee

**Subject:** LOCALISED COUNCIL TAX SUPPORT  
SCHEME 2019/20

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## 1. PURPOSE OF REPORT

- 1.1 To present details of the final proposals for the Localised Council Tax Support Scheme for 2019/20 as part of the Budget and Policy Framework.

## 2. BACKGROUND.

- 2.1 The agenda papers for this meeting include a copy of the report considered by Finance and Policy Committee on 29<sup>th</sup> October 2018 to assist familiarisation by Members of the issues and financial risks associated with the operation of the Local Council Tax Support scheme.
- 2.2 The former national Council Tax Benefit scheme was abolished on 31<sup>st</sup> March 2013 and local authorities are required by Government to establish their own Local Council Tax Support Schemes (LCTS). For 2013/14 the Government reduced its funding nationally to operate these new local schemes by 10% (over 13% in Hartlepool).
- 2.3 From 2014/15, the Government ceased making a specific grant for LCTS schemes but instead mainstreamed the grant paid to support LCTS schemes within the Core Revenue Grant paid to Councils. However, the Government's financial settlement for 2014/15 and successive years have included significant ongoing cuts in Revenue Grant funding.
- 2.4 Sustainability and affordability are key principles that underpin the operation of the LCTS scheme. The report to Finance and Policy Committee of 29<sup>th</sup> October 2018, set out financial analysis which confirmed that a 2019/20 LCTS scheme that maintains a level of award cut at 12% (the same as for the last 5 years) is viable and sustainable as:
- Total claimant numbers have continued to gradually reduce; and
  - Collection of Council Tax from working age LCTS households is positive, reflecting the Council's decision to retain a 12% scheme, which reduces the financial burden on low income households.

- 2.5 Other Tees Valley councils have historically operated LCTS schemes involving cuts of 20%, albeit Redcar and Cleveland moved to a 17.5% scheme from 2017/18 and Middlesbrough introduced a 15% scheme from 2018/19.
- 2.6 As highlighted in paragraph 7.1 of the Finance and Policy Committee report (**Appendix 1**) the Council's LCTS schemes have provided significant support for households compared to a 20% scheme. If a 12% cut is maintained for 2019/20, the support over the period 2013/14 – 2019/20 will be:
- Band A £711.00
  - Band B £829.00

### 3. PROPOSALS

- 3.1 The proposal put forward by Finance and Policy Committee is to maintain the 2019/20 LCTS scheme award cut at 12% the same level as for the last 5 years. The proposed continuation of a 12% LCTS scheme for 2019/20 is viable and maintains financial support for low income working age households affected by the ongoing impacts of the wider national welfare reforms, including the roll out of Universal Credit.

### 4. RECOMMENDATIONS

- 4.1 Council are recommended to:
- i) Approve the continuation, for the sixth year, of a 12% LCTS scheme in 2019/20.
  - ii) Approve the continuation in 2019/20 of the existing LCTS scheme Principles detailed in paragraph 5.7 of the Finance and Policy Committee report.
  - iii) Approve the passporting of about £4,000 of the 2019/20 Core Revenue Grant to Parish Councils in accordance with national regulations.
  - iv) Note that the approved Local Council Tax Support Scheme will be subject to close monitoring and annual review.

### 5. BACKGROUND PAPERS

- 5.1 Local Council Tax Support 2019/20 – Finance and Policy Committee 29th October 2018 as attached Appendix 1.

### 6. CONTACT OFFICER

John Morton  
Assistant Director Finance and Customer Services  
01429 523093  
[John.morton@hartlepool.gov.uk](mailto:John.morton@hartlepool.gov.uk)

**APPENDIX 1**

**Finance and Policy Committee**

**29th October 2018**



**Report of:            Director of Finance and Policy**

**Subject:            LOCAL COUNCIL TAX SUPPORT 2019/20**

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

1.1    Budget and Policy Framework Decision.

**2.    PURPOSE OF REPORT**

The purposes of the report are to:

- i)        Update Members on the operation of the Local Council Tax Support (LCTS) scheme and the scheme's future financial risks associated with the Government's national welfare reforms;
- ii)       set out a proposed LCTS scheme for 2019/20.

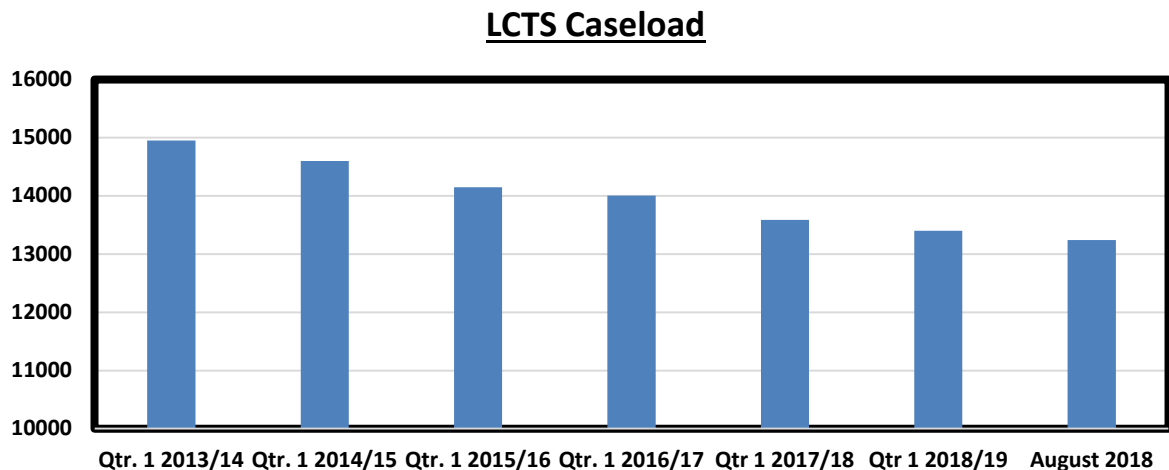
**3.    BACKGROUND**

- 3.1    The Coalition Government abolished the former national Council Tax Benefit scheme on 31<sup>st</sup> March 2013 and replaced it with a requirement for Councils to determine and operate their own LCTS schemes from April 2013.
- 3.2    This was a fundamental change to the Welfare State which transferred responsibility for Council Tax support from the national Government to individual Councils. Previous reports to Members have set out three key issues arising from this change:-
  - (i)       Funding transferred by the Government for 2013/14 LCTS schemes was cut overall by 10% nationally. However, when account was taken of the value of awards the initial grant cut for Hartlepool for 2013/14 was 13.4%;
  - (ii)       Councils are required to fully protect low income Pensioners eligible for LCTS support, which means the initial funding cut falls on working age households and effectively built a 20% reduction for this group into the system;

- (iii) Since April 2014 Central Government funding for LCTS is no longer provided as a separate grant allocation but has been included in the annual Core Revenue Grant allocation for individual Councils.
- 3.3 It would have been much clearer for Councils and the public, if funding for LCTS schemes had continued to be paid as a specific grant. The new arrangements have a significantly greater impact on Councils which are more dependent on Government Grant and have higher levels of deprivation.
- 3.4 Previous Medium Term Financial Strategy reports have highlighted the implications of this change and the ongoing annual reductions in Revenue Support Grant. Despite these challenges, the Council has determined, as part of its strategy to support vulnerable households affected by the national Welfare Reforms, to avoid implementing LCTS cuts of 20% over the last five years and has implemented the following LCTS schemes:
- 8.5% in 2013/14;
  - 12% in 2014/15;
  - 12% in 2015/16;
  - 12% in 2016/17;
  - 12% in 2017/18;
  - 12% in 2018/19.
- 3.5 Details of the number of households and the value of support they have received in Hartlepool, as compared to a 20% LCTS scheme are provided in section 7.1. Other Tees Valley councils have operated LCTS schemes involving cuts of 20% since April 2013, albeit Redcar and Cleveland moved to a 17.5% scheme from 2017/18 and Middlesbrough have introduced a 15% scheme from 2018/19.
- 3.6. The actual cost of the Council's LCTS scheme is determined by a range of external factors including, the total number of households accessing support, the balance of claimants between pensionable age and working age and the particular financial circumstances of individual claimants as Council Tax support continues to be means tested support.
- 3.7. The Council now has six years experience of operating a LCTS scheme covering:
- 2013/14, 2014/15, 2015/16, 2016/17, 2017/18 – both estimated costs and outturn costs;
  - 2018/19 – estimated costs
- 3.8 On the basis of this experience, the LCTS financial model has been updated to reflect changes in the key cost drivers – i.e. claimant

numbers and Council Tax collection levels, as detailed in the following paragraphs.

- 3.9 **Claimant numbers** - Since June 2013, there has been a gradual reduction in the numbers of households receiving LCTS covering both Pensioner Households (a protected group under LCTS) and Working Age Households, from approximately 15,000 households in June 2013 to about 13,000 in August 2018.



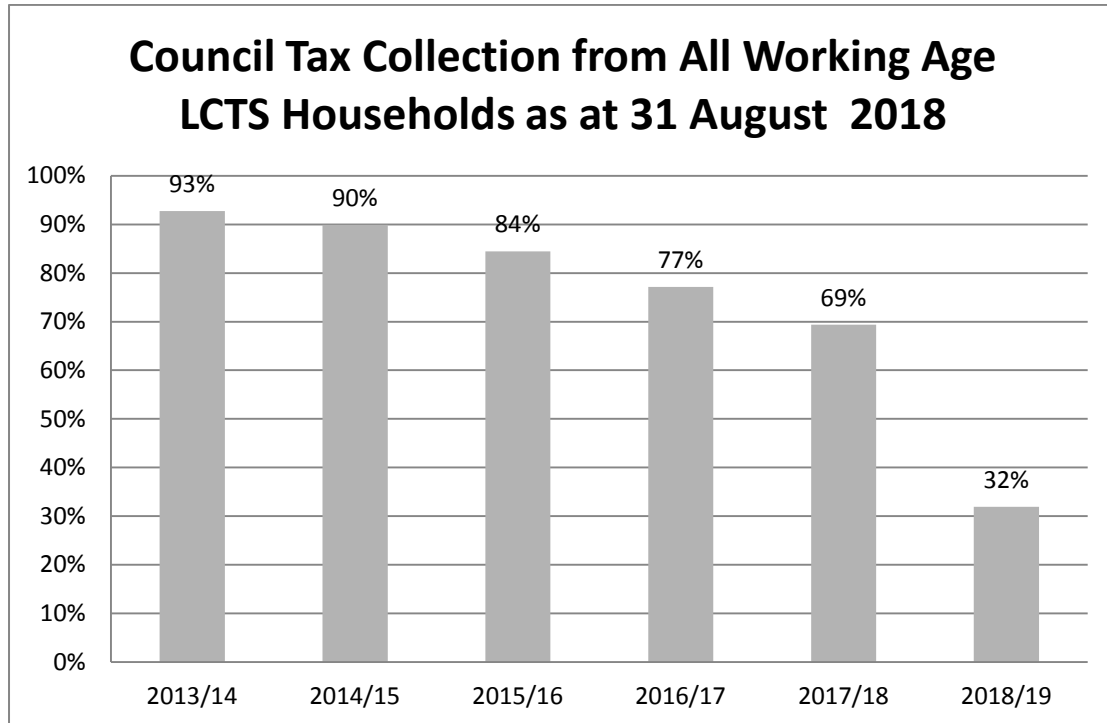
- 3.10 This trend was reflected in the 2018/19 LCTS scheme modelling. An updated assessment of caseload trends has been completed and further incremental reductions in claimant numbers are anticipated for future years and these have been factored into scheme forecasts. However, as well as global economic volatilities, there are economic and employment uncertainties following the decision to leave the European Union, which may impact in the short to medium term. In addition, the LCTS scheme will in future years continue to be impacted by further national welfare reforms.

- 3.11 **Collection Levels** – in Hartlepool, the operation of the LCTS scheme means that in 2018/19 about 5,900 working age households have received a Council Tax Bill who would have been exempt under Council Tax Benefit; and a further 2,100 working age households have received a higher Council Tax Bill. Robust and proportionate arrangements for collecting Council Tax from LCTS households are embedded within the Council's recovery arrangements to reflect the financial circumstances of households, whilst balancing the needs of the Council to collect this income to pay for services.

- 3.12 Collecting Council Tax from LCTS households is more difficult and resource intensive, as these households are less likely to pay by Direct Debit and make payments in different ways i.e. Attachment of Benefit

Order and a greater proportion who pay by cash, either at the Civic Centre or via the Post Office and Paypoint network at local shops.

- 3.13 The Council monitors the levels of collection from LCTS households. The graph below shows that collection of Council Tax from these households is positive, albeit there is the anticipated time lag in securing collection. This positive level of collection reflects the Council's decision to retain a 12% scheme, which significantly reduces the financial burden on low income households. The collection performance has been reflected in the revised scheme forecasts for 2019/20 onwards



- 3.14 Modelling the LCTS scheme costs beyond 2019/20 is complex and challenging owing to the many variables affecting scheme costs, including the total number of claimants, both pensioner households and working age households, individual claimants' financial circumstances and eligibility for support.

#### **4. PROPOSALS**

- 4.1. Members need to determine a LCTS scheme for 2019/20 that is financially viable and balanced providing for sustainability in future year's schemes.
- 4.2. Updated financial modelling indicates that the 2019/20 LCTS scheme reduction should be able to be maintained at 12%, the same level as financial years 2014/15 to 2018/19. This is predicated on the actual

central government grant cut for 2019/20 being consistent with the indicative data provided in the DCLG multi-year settlement offer and a range of forecast scheme cost pressures and savings linked to welfare reforms, economic factors and fraud / error initiatives. If the future settlement funding profile and the Council's Tax Base projections are significantly different to current forecasts, the ability of the Council to sustain a scheme involving a 12% LCTS cut will need to be re-evaluated.

- 4.3. As previously reported to Members, a LCTS Risk Reserve has been established to support the LCTS scheme and to provide one-off funding to manage the risk of an unexpected in-year increase in LCTS costs arising from increased caseloads. It is proposed to maintain this reserve at £0.3m to manage any in-year financial risks that may emerge.
- 4.4. LCTS entitlements are determined using a complex means tested calculation. Many councils are applying within their LCTS schemes those changes being applied by the DWP to the national Housing Benefit scheme. This approach has historically been followed in the Hartlepool LCTS scheme and it is proposed that this continues for 2019/20 to "mirror" national changes to promote consistency and simplify administrative processes.
- 4.5. A number of core principles as set out in section 5.7. underpin the Council's LCTS scheme and have been in place since 2013/14. These principles are embedded and robust and it is proposed that these principles are carried forward into the 2019/20 scheme.

## 5 FINANCIAL CONSIDERATIONS

- 5.1. The LCTS scheme forecasts for 2019/20 and future years have been updated to reflect experience of operating the LCTS scheme to date and the latest caseload forecasts. These scheme cost forecasts are based on the indicative 2019/20 Council Tax increases approved in February 2018, which reflects the Government's Council Tax referendum limits (including the Adult Social Care precept) and continued shift of funding of local services from Government grant to Council Tax.
- 5.2. In summary, the updated financial forecasts for the LCTS scheme for the period 2018/19 to 2020/21 are based on the following planning assumptions:

### Key Planning assumptions underpinning LCTS forecasts for 2018/19 to 2020/21

- i) The actual future grant cut for 2019/20 is in line with the existing planning assumptions and the multi-year settlement offer from DCLG;

- ii) The existing Working Age caseload continuing to incrementally reduce;
  - iii) The retention of an un-committed LCTS Risk Reserve of £0.3m to manage LCTS financial risks to provide a slightly longer lead time for the Council to respond to changes in forecasts;
  - iv) LCTS entitlements continue to reduce linked to the impacts of DWP counter fraud and error initiatives.
- 5.3. Regular reviews of these factors will continue to be undertaken to assess the implications of any changes in these planning assumptions which are inevitable and unavoidable, as the majority of factors are outside the Council's direct control.
- 5.4. There is a direct inter- relationship between the LCTS scheme, the level of cut in LCTS awards, adjustments for forecast non collection of Council Tax from LCTS households and the Council Tax Base calculation. The Council Tax Base calculation is also significantly impacted by future housing growth within the Borough.
- 5.5. The following table summarises how the value of LCTS awards is forecast to increase over the period of the Medium Term Financial Strategy (MTFS) (based on sustaining a 12% LCTS cut). This has been factored into the MTFS Tax Base forecasts reported separately to Members.

Forecast Cost of LCTS Awards  
2018/19 to 2020/21

	18/19 £m	19/20 £m	20/21 £m
Cost of LCTS Support	12.90	13.32	13.48
Working Age Contribution 12%	0.94	0.98	1.00
Net Cost of LCTS Awards	<u>11.96</u>	<u>12.33</u>	<u>12.48</u>

- 5.6. Continuing with a 12% LCTS cut for 2019/20 would avoid an increase in the Council Tax liability of low income working age households at a time when households continue to be impacted by the Government's ongoing welfare savings programme. This level of LCTS support will also increase the likelihood of the Council maintaining high levels of Council Tax collection in 2019/20. A report by the New Policy Institute in August



2017 concluded that local authorities with the highest levels of cut in LCTS had the largest increases in uncollected Council Tax.

- 5.7. In common with LCTS schemes established by many other Councils, the Hartlepool LCTS scheme has been centred on a number of core principles for the period 2013/14 to 2018/19. These core principles are clear, fair and are now embedded. In summary these principles are that:

**A - Every working age household should pay something towards Council Tax**

All Working age claimants will have their LCTS entitlements recalculated and reduced to ensure an affordable and sustainable scheme.

**B - Everyone in the Household should contribute appropriately**

Hartlepool will implement Central Government changes to the value of non dependant adult deductions from Council Tax Support entitlements.

**C - The LCTS scheme should encourage work**

Claimants will be allowed to keep more of their earnings before they are taken into account in the LCTS award calculation. The Hartlepool LCTS scheme increases earnings disregards by £5 per week; to £10, £15 and £30 for single person, couple and single parent households respectively.

**D - Streamline / Simplify the LCTS Scheme**

The Hartlepool LCTS scheme will continue to remove 2<sup>nd</sup> Adult Rebate, and restrict backdating of LCTS to a maximum of 4 weeks.

**E - Retain War Widows / War Pensions Local disregards framework**

Under the national CTB regulations Local Authorities are required to disregard the first £10 per week of War Pension Scheme and Armed Forces Compensation Scheme payments. In addition Local Authorities have the discretion to top up the disregard to the full amount. Hartlepool have historically applied the discretionary top up and this continues to apply in the Council's LCTS scheme.

- 5.8. In relation to Parish Councils, the national regulations require Billing Authorities (ie. Hartlepool Borough Council) to pass on an element of the Council Tax Support Grant received to individual Parish Councils. For some Local Authorities with a large number of Parish Councils levying relatively high Parish Council Tax precepts this may be a significant issue. This is not the case for Hartlepool as the total share of the grant for all Parish Councils is estimated at around £4,000 for 2019/20.

## 6 LEGAL CONSIDERATIONS

- 6.1. Councils are required to determine and operate their own LCTS scheme for each financial year. Once a LCTS scheme has been set for a financial year it cannot be altered for that year.

## 7 CHILD / FAMILY POVERTY CONSIDERATIONS

- 7.1. Households in receipt of welfare benefits continue to be impacted by the breadth of the national welfare reforms. The Council recognises these issues and has sustained a LCTS scheme involving a 12% cut since 2014/15. If the Council were to approve a 12% LCTS cut for 2019/20, the table below shows that the Council's locally approved LCTS scheme will have provided important financial support to low income working age households compared to cuts of 20%. Other Tees Valley Councils have historically operated LCTS schemes involving cuts of 20%, albeit Redcar and Cleveland moved to a 17.5% scheme from 2017/18 and Middlesbrough have introduced a 15% scheme from 2018/19.

Impact of Hartlepool's actual 2013/14 to 2018/19 LCTS scheme and proposed 2019/20 LCTS cut compared to annual cuts of 20%.

	Band A	Band B
Council Tax Liability with a 20% LCTS cut in 2013/14, to 2019/20.	£ 1,678	£ 1,958
Council Tax Liability with <u>HBC phased LCTS cuts</u> of 8.5 % in 13/14 and 12% in 14/15, 15/16, 16/17, 17/18, 18/19 and 19/20.	£ 967	£ 1,129
<b>Cumulative Support to Households 2013/14 to 2019/20</b>	<b>£ 711</b>	<b>£ 829</b>
Number of Households Supported (i.e. who previously received 100% Council Tax Benefit)	5,224	433
Percentage of LCTS Households (i.e. who previously received 100% Council Tax Benefit)	89%	7%

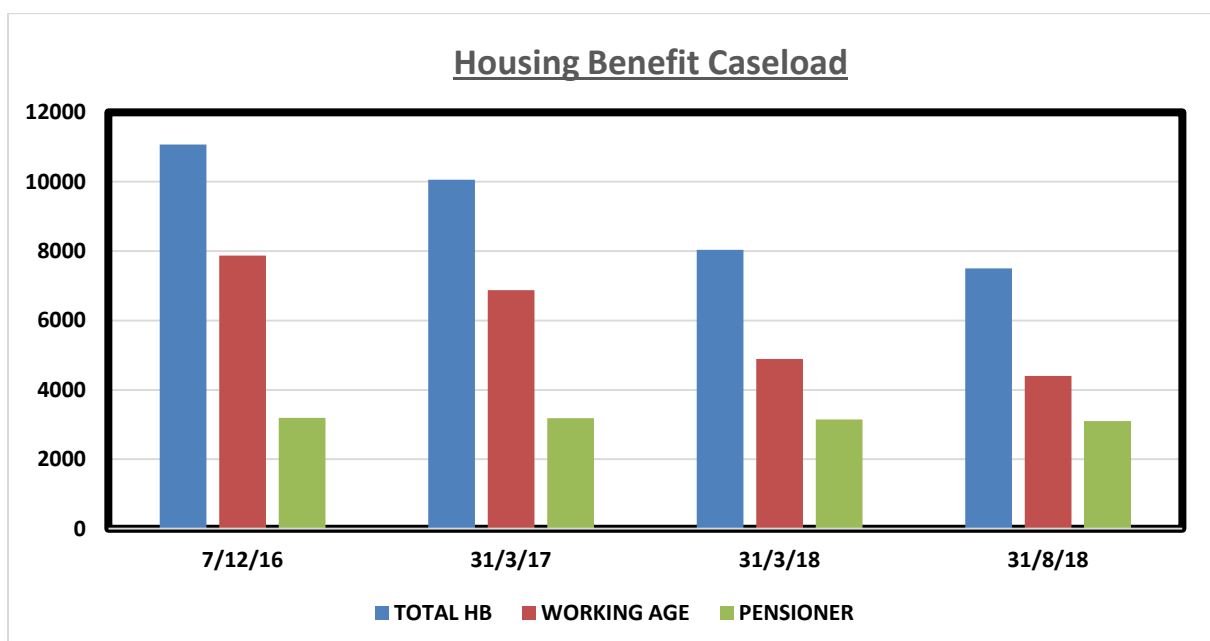
- 7.2. Furthermore, the Hartlepool LCTS scheme complements the recently approved local policy of exempting Hartlepool Care Leavers from Council Tax until the age of 25. The Care Leaver policy removes a key financial challenge and provides an additional foundation as Care Leavers move to independence and adult life.

## 8. EQUALITY AND DIVERSITY CONSIDERATIONS

- 8.1. An Impact Assessment covering LCTS has been reviewed and is included as **Appendix A**.

## 9. STAFF CONSIDERATIONS

- 9.1. There are current economies and efficiencies in administering LCTS as many of the underlying principles mirror the national Housing Benefit scheme. Funding is provided annually by the DWP to councils to administer Housing Benefit and by the Ministry for Housing, Communities and Local Government (MHCLG) for Local Council Tax Support. Many claims for support are dual, covering both Housing Benefit and LCTS and the process and calculations of entitlement are currently undertaken together.
- 9.2. However, the scope of the DWP's Universal Credit (UC) initiative continues to expand as councils move to "full service UC" whereby working age benefit claimants of all types are moved onto UC when their personal circumstances change. These households transferring no longer receive housing benefit from the Council but instead receive housing support as part of their Universal Credit.
- 9.3. Nationally, as at May 2018 there were about 920,000 working age people receiving UC. In Hartlepool 44% of working age housing benefit claimants have already transferred to UC. This caseload transfer is closely monitored as shown in the graph below. The DWP has future plans to increase the numbers transferring through a managed migration process. Current confirmed DWP plans are for managed migration pilots to commence in January 2019, with full national roll out commencing July 2019. However, it is anticipated that these plans will be delayed and a future formal announcement will be made by the DWP on revised dates for the managed migration process.



- 9.4. DWP funding to individual councils to cover their costs of administering housing benefit is notified in an annual funding allocation. Core DWP

funding for Hartlepool has been declining reflecting caseload reductions and also because the DWP national funding for Housing Benefit administration grant has been cut as part of savings targets for central government departments.

- 9.5. In future, Hartlepool together with all other Councils will face the challenge of administering LCTS and a reduced Housing Benefit caseload (pensioner housing benefit will continue to be delivered by Councils) against a background of reduced overall central government administration funding.
- 9.6. For 2019/20 the forecast reduction in DWP Housing Benefit administration grant funding can be covered by an earmarked reserve. However, from 2020/21 depending on the future pace of the managed migration to UC process, the Council will potentially be faced with a General Fund budget pressure or alternatively will need to develop a new simpler way of administering LCTS at a lower cost. A future report on potential options will be submitted to members for consideration. The development of a new LCTS scheme will require comprehensive consultation and engagement with a range of stakeholders.

## **10. ASSET MANAGEMENT CONSIDERATIONS**

- 10.1 There are no asset management considerations.

## **11. APPENDICES**

- 11.1 Appendix A – Equality and Diversity Impact Assessment.

## **12. RECOMMENDATIONS**

- 12.1 It is recommended that Members:
- i. Note the future financial and administrative risks associated with the LCTS scheme;
  - ii. Approve a 2019/20 LCTS scheme involving a cut of 12% to be referred to full Council.

## **13. REASONS FOR RECOMMENDATIONS**

- 13.1 To update Finance and Policy Committee on latest available data on the LCTS scheme costs and the future risks associated with the Government's national welfare reforms.

13.2.To enable Members to agree a LCTS scheme for 2019/20 to refer to full Council.

#### **14. BACKGROUND PAPERS**

14.1 There are no background papers.

#### **15. CONTACT OFFICER**

John Morton  
Assistant Director Finance and Customer Services  
01429 523093  
[John.morton@hartlepool.gov.uk](mailto:John.morton@hartlepool.gov.uk)

## APPENDIX A

Department	Division	Section	Owner/Officer
Chief Executives	Finance	Revenues & Benefits	John Morton
Function/ Service	Local Council Tax Support Scheme 2019/20, Universal 12% reduction in LCTS Awards (excl. low income pensioners).		
Information Available	HBC data on caseload / awards, financial modelling of local scheme ,CLG full EIA, Family Resources Survey data, Census 2011, ONS population statistics, DWP data.		
Relevance	<p><b>Age</b></p> <p>The Government considered the position of low income pensioners associated with the abolition of Council Tax Benefit and the introduction of LCTS. The Government determined that unlike most other groups, pensioners cannot reasonably be expected to seek paid employment to increase their income. Therefore the Government determined that as a specific vulnerable group, low income pensioners should be protected from any reduction in support as a result of this reform. The Government has not changed its position on this core principle for 2019/20.</p> <p><b>In Hartlepool 5,180 low income pensioners account for 39% of all LCTS claimants and the Council is required by Government to continue to protect this group.</b></p> <p><b>Disability</b></p> <p>It is difficult to quantify accurately either the number of disabled people living in Hartlepool or the number of households in receipt of LCTS and where an individual in that household is receiving a disability related benefit.</p> <p><b>Fundamentally, the 2019/20 Hartlepool LCTS scheme continues with the core equity Principle that every working age household should pay something to towards Council Tax and that the level of cut should be equal. The Council endeavours to minimise the impact of LCTS but the LCTS scheme does not provide for protection / detriment for any specific working age group.</b></p> <p><b>Race / Gender / Gender Re-assignment</b></p> <p>The Government does not believe 'that this nationally driven policy change will disproportionately affect any particular gender or ethnicity'. The Government has not changed its position on this core principle for 2019/20. However both nationally and locally, there are significantly more female than male council tax support claimants, reflecting the number of single female claimants with child dependants.</p> <p>Only about 2.3% of Hartlepool's population are non-white. It is not known how many of this group claim LCTS, as data within the LCTS system is incomplete for this group.</p> <p><b>The 2019 /20 Hartlepool LCTS scheme does not</b></p>		

	provide for protection / detriment for any specific working age group			
	Religion			
	No effect			
	Sexual Orientation			
	No effect			
	Marriage & Civil Partnership			
	No effect			
	Pregnancy & Maternity			
	No effect			
Information Gaps	Nil.			
What is the Impact	<ul style="list-style-type: none"><li>• Every working age household will pay some Council Tax</li><li>• Other non dependant adults in the household will be expected to contribute to council tax</li><li>• The scheme will encourage work</li><li>• The 2019/20 LCTS scheme will continue to be based on the key features of the former CTB scheme and will “mirror” national Housing Benefit regulation changes</li><li>• A universal 12% reduction in the value of the award will be made for all working age low income households.</li><li>• Low income pensioner households are protected in line with Central Government Policy.</li><li>• The 2019/20 LCTS scheme will continue to comply with the Armed Forces Covenant.</li><li>• The 2019/20 LCTS scheme will continue to fully disregard child maintenance when assessing LCTS awards. This is consistent with national Housing Benefit regulations.</li></ul>			
Addressing the impact	<b>1. No Major Change</b> - The proposal is robust there is no potential for discrimination across working age claimants. (The council has no choice on the protection of low income pensioners).			
	The maintenance in the level of cuts to LCTS awards for 2019/20 at 12% sustains financial support as households adjust to the impacts of the wider national benefit reforms. The 2019/20 Hartlepool scheme continues to provide no protection/ detriment for any specific working age group and is centred on equality of impact.			
Actions				
The 2019/20 LCTS scheme has been developed with the aim of removing any potential for discrimination.				
Action identified	Responsible Officer	By When	How will this be evaluated?	
Scheme Principles review	Liz Cook Principal Benefits Officer	Sept 19	Peer review by Chief Executive’s Department Diversity Lead officer.	



**Report of:** Licensing Committee

**Subject:** STATEMENT OF GAMBLING PRINCIPLES

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

1.1 Budget and Policy Framework.

**2. PURPOSE OF REPORT**

2.1 To enable Council to consider recommendations referred from the Licensing Committee to adopt a Statement of Gambling Principles (a Licensing Policy) that details the principles the Council will apply when exercising its licensing functions under the Gambling Act 2005, including consideration of passing a 'No Casino' resolution.

**3. BACKGROUND**

3.1 The Gambling Act 2005 requires licensing authorities to publish, every three years, a statement of the principles that they propose to apply in exercising their functions under the Act.

3.2 Hartlepool's current Statement of Gambling Principles was published in January 2016 and, as such, a new one must be published no later than January 2019.

3.3 A draft new Statement was presented to the Licensing Committee at its meeting on 13<sup>th</sup> June 2018 and approval was given for a consultation exercise to be undertaken.

3.4 The consultation period ended on 21<sup>st</sup> September 2018 and no responses were received. This is not unusual as the draft Statement does not contain any significant alterations to Hartlepool's current/previous statement and there have been no noteworthy local or national developments that would require any policy changes.



- 3.5 Following the conclusion of the consultation process, the Licensing Committee re-considered the draft Statement on 10<sup>th</sup> October 2018 and determined that it should be recommended to full Council for approval and adoption. The proposed Statement of Gambling Principles is attached as **Appendix 1**.

#### **4. PROPOSALS**

- 4.1 Licensing authorities are required to publish a Statement of Gambling Principles every three years.
- 4.2 Hartlepool's current Statement was published in January 2016 and, as such, a new policy must be published no later than January 2019.
- 4.3 As with previous policies, the draft Statement contains a 'no casino' resolution and Council is required to consider whether such a resolution should remain. Whilst such a resolution is permitted by the Gambling Act it does not, in reality, carry any weight as casinos can only be developed in areas that have been pre-approved by the Gambling Commission and Hartlepool is not one of those areas.
- 4.4 However, Council may feel that retaining the 'no casino' resolution makes an important statement that Hartlepool would not welcome any interest from developers should regulations change.
- 4.5 Formal adoption of the Statement of Gambling Principles must be made by full Council.

#### **5. RISK IMPLICATIONS**

- 5.1 There are no risks associated with this report.

#### **6. FINANCIAL CONSIDERATIONS**

- 6.1 There are no financial considerations associated with this report.

#### **7. LEGAL CONSIDERATIONS**

- 7.1 Section 349 of the Gambling Act 2005 requires Licensing authorities to adopt and publish a Statement of Gambling Principles every three years. The Statement of Gambling Principles forms part of the Council's Budget and Policy Framework contained within Article 4 of the Constitution. The current Statement was published in January 2016 therefore the Council is legally required to publish its new Statement in January 2019.

**8. CHILD AND FAMILY POVERTY CONSIDERATIONS**

- 8.1 There are no Child and Family Poverty considerations associated with this report.

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

- 9.1 There are no Equality and Diversity considerations associated with this report.

**10. STAFF CONSIDERATIONS**

- 10.1 There are no Staff considerations associated with this report.

**11. ASSET MANAGEMENT CONSIDERATIONS**

- 11.1 There are no Asset Management considerations associated with this report.

**12. RECOMMENDATIONS**

- 12.1 That Council accept the Licensing Committee's recommendation and approve the adoption of the draft Statement of Gambling Principles as detailed in **Appendix 1** with effect from 3<sup>rd</sup> January 2019.
- 12.2 That Council accept the Licensing Committee's recommendation and approve the adoption of a 'No Casino' resolution for the reasons detailed in paragraph 3.4 above.

**13. REASONS FOR RECOMMENDATIONS**

- 13.1 Licensing authorities are required to adopt and publish a Statement of Gambling Principles every three years and, as the current policy was published in January 2016, the Council is legally required to publish its new Statement no later than January 2019.

**14. BACKGROUND PAPERS**

- 14.1 There are no background papers associated with this report.

**15. CONTACT OFFICER**

Tony Hanson  
Assistant Director (Environment & Neighbourhood Services)  
Hartlepool Borough Council  
Civic Centre  
Hartlepool  
TS24 8AY

(01429) 523400

[Tony.hanson@hartlepool.gov.uk](mailto:Tony.hanson@hartlepool.gov.uk)

# STATEMENT OF PRINCIPLES

## Gambling Act 2005

*(Published 3rd January 2019)*



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*This Statement of Licensing Principles was approved by Hartlepool Borough Council on 20th December 2018.*

*All references to the Guidance refer to the Gambling Commission's Guidance to Licensing Authorities, 5<sup>th</sup> Edition, published September 2015 (and updated September 2016).*

## **PART A**

### **1. The Licensing Objectives**

- 1.1 In exercising most of their functions under the Gambling Act 2005, licensing authorities must have regard to the licensing objectives as set out in section 1 of the Act. The licensing objectives are:
- Preventing gambling from being a source of crime or disorder, being associated with crime or disorder or being used to support crime
  - Ensuring that gambling is conducted in a fair and open way
  - Protecting children and other vulnerable persons from being harmed or exploited by gambling
- 1.2 It should be noted that the Gambling Commission has stated: “The requirement in relation to children is explicitly to protect them from being harmed or exploited by gambling”.
- 1.3 This licensing authority is aware that, as per Section 153, in making decisions about premises licences and temporary use notices it should aim to permit the use of premises for gambling in so far as it thinks it:
- In accordance with any relevant code of practice issued by the Gambling Commission
  - In accordance with any relevant guidance issued by the Gambling Commission
  - Reasonably consistent with the licensing objectives and
  - In accordance with the authority’s statement of licensing policy

### **2. Introduction**

- 2.1 Hartlepool is situated on the North East coast of England. The Borough consists of the town of Hartlepool and a number of small outlying villages. The total area of the Borough is 9,390 hectares.
- 2.2 Hartlepool is a unitary authority, providing a full range of services. It adjoins Durham to the north, Sedgefield District Council to the west and Stockton on Tees Borough Council to the south. The residential population is 90,161 of which ethnic minorities comprise 1.2% (2001 census).
- 2.3 Licensing authorities are required by the Gambling Act 2005 to publish a statement of the principles which they propose to apply when exercising their functions. This statement must be published at least every three years. The statement must also be reviewed from “time to time” and any amended parts re-consulted upon. The statement must be then re-published.
- 2.4 Hartlepool Borough Council consulted widely on this statement before it was published. A list of those persons consulted is detailed in Appendix 3.
- 2.5 The Gambling Act requires that the following parties are consulted by licensing authorities:
- The Chief Officer of Police;

- One or more persons who appear to the authority to represent the interests of persons carrying on gambling businesses in the authority's area;
- One or more persons who appear to the authority to represent the interests of persons who are likely to be affected by the exercise of the authority's functions under the Gambling Act 2005.

2.6 Our consultation took place between 19<sup>th</sup> June 2018 and 21<sup>st</sup> September 2018 and we took into consideration the Code of Practice on Consultations published by HM Government in 2008 which is available at <http://www.bis.gov.uk/files/file47158.pdf>.

2.7 The policy was approved at a meeting of the Full Council on 20<sup>th</sup> December 2018 and was published via our website on 3<sup>rd</sup> January 2019. Hard copies of the policy are available on request from the address detailed below.

2.8 Should you have any comments as regards this policy statement, or the consultation process, please send them via e-mail or letter to the following contact:

Trading Standards & Licensing Manager  
Hartlepool Borough Council  
Civic Centre  
Victoria Road  
Hartlepool  
TS24 8AY

e-mail: [licensing@hartlepool.gov.uk](mailto:licensing@hartlepool.gov.uk)

2.9 It should be noted that this statement of licensing principles will not override the right of any person to make an application (other than for a casino), make representations about an application, or apply for a review of a licence, as each will be considered on its own merits and according to the statutory requirements of the Gambling Act 2005.

#### 2.10 Gambling Prevalence Survey 2010

Overall, 73% of the adult population (aged 16 and over) participated in some form of gambling in the previous year. This equates to around 35.5 million adults. The most popular gambling activity was the National Lottery. In 2010, 59% of adults had bought tickets for the National Lottery Draw, a slight increase from the rates observed in 2007 (57%) but lower than rates observed in 1999 (65%).

2.11 Excluding those who had only gambled on the National Lottery Draw, 56% of adults participated in some other form of gambling in the past year. This highlights a significant increase in past year participation on other gambling activities, such as an increase in betting on other events i.e., events other than horse races or dog races with a bookmaker (3% in 1999, 9% in 2010), buying scratch cards (20% in 2007, 24% in 2010), buying other lotteries tickets (8% in 1999, 25% in 2010), gambling online on poker, bingo, casino and slot machine style games (3% in 2007, 5% in 2010) and gambling on fixed odds betting terminals (3% in 2007, 4% in 2010).

- 2.12 Two measures of problem gambling showed rates of problem gambling in the general population of 0.6% and 0.5%. A significant association was found between problem gambling and being male with regular parental gambling. It was also associated with poor health, being single and being Asian/British Asian. The highest prevalence of problem gambling was found among those who participated in spread betting (14.7%), Fixed Odds Betting Terminals (FOBTs) (11.2%) and betting exchanges (9.8%). Of these, only FOBTs are regulated under the Gambling Act 2005.

### **3. Declaration**

- 3.1 In producing the final statement, this licensing authority declares that it has had regard to the licensing objectives of the Gambling Act 2005, the Guidance to Licensing Authorities issued by the Gambling Commission, and any responses from those consulted on the statement.

### **4. Responsible Authorities**

- 4.1 **The licensing authority is required by regulations to state the principles it will apply in exercising its powers under Section 157(h) of the Act to designate, in writing, a body which is competent to advise the authority about the protection of children from harm. The principles are:**

- the need for the body to be responsible for an area covering the whole of the licensing authority's area; and
- the need for the body to be answerable to democratically elected persons, rather than any particular vested interest group.

- 4.2 Hartlepool Borough Council designates the Local Safeguarding Children Board for this purpose.

- 4.3 The contact details of all the Responsible Authorities under the Gambling Act 2005 are available via the Council's website at: [www.hartlepool.gov.uk/licensing](http://www.hartlepool.gov.uk/licensing).

### **5. Interested parties**

- 5.1 Interested parties can make representations about licence applications, or apply for a review of an existing licence. These parties are defined in the Gambling Act 2005 as follows:

- lives sufficiently close to the premises to be likely to be affected by the authorised activities
- has business interests that might be affected by the authorised activities
- represents persons in either of these two groups.

- 5.2 There are a number of factors that the Council may take into account when determining whether a person lives 'sufficiently close to the premises'. These include: -

- the size of the premises
- the nature of the premises
- the distance of the premises from the location of the person making the representation
- the potential impact of the premises such as the number of customers, routes likely to be taken by those visiting the establishment

- the circumstances of the person who lives close to the premises. This is not their personal characteristics, but their interests which may be relevant to the distance from the premises.

5.3 Relevant factors will depend on the particular application. For example the Council may consider that living sufficiently close to premises to likely be affected could have a different meaning for (a) a private resident, (b) a residential school for children with truanting problems and (c) a residential hostel for vulnerable adults.

5.4 For those with business interests, the licensing authority should be satisfied that the relevant business is likely to be genuinely affected. Factors that are likely to be relevant include:

- the size of the premises
- the 'catchment' area of the premises, that is, how far people travel to visit the premises
- whether the person making the representation has business interests in that catchment area that might be affected.

5.5 In addition to the above, interested parties can be persons who are democratically elected such as councillors and MP's. No specific evidence of being asked to represent an interested person will be required as long as the councillor / MP represents the ward likely to be affected. Likewise, parish councils likely to be affected will be considered to be interested parties. Other than these however, this authority will generally require written evidence that a person/body (e.g. an advocate / relative) 'represents' someone who either lives sufficiently close to the premises to be likely to be affected by the authorised activities and/or has business interests that might be affected by the authorised activities. A letter from one of these persons, requesting the representation is sufficient.

5.6 If individuals wish to approach councillors to ask them to represent their views then care should be taken that the councillors are not part of the Licensing Committee dealing with the licence application. If there are any doubts then please contact the licensing department at the Civic Centre, Hartlepool.

## **6. Exchange of Information**

6.1 Licensing authorities are required to include in their statements the principles to be applied by the authority in exercising the functions under sections 29 and 30 of the Act with respect to the exchange of information between it and the Gambling Commission, and the functions under section 350 of the Act with the respect to the exchange of information between it and the other persons listed in Schedule 6 to the Act.

6.2 The principle that this licensing authority applies is that it will act in accordance with the provisions of the Gambling Act 2005 in its exchange of information which includes the provision that the Data Protection Act 1998 will not be contravened. The licensing authority will also have regard to any Guidance issued by the Gambling Commission on this matter, as well as any relevant regulations issued by the Secretary of State under the powers provided in the Gambling Act 2005.

6.3 Should any protocols be established as regards information exchange with other bodies then they will be made available.

## **7. Enforcement**



7.1 Licensing authorities are required by regulation under the Gambling Act 2005 to state the principles to be applied by the authority in exercising the functions under Part 15 of the Act with respect to the inspection of premises; and the powers under section 346 of the Act to institute criminal proceedings in respect of the offences specified.

7.2 This licensing authority's principles are that:

7.3 It will be guided by the Gambling Commission's Guidance to Licensing Authorities and will endeavour to be:

- Proportionate: regulators should only intervene when necessary: remedies should be appropriate to the risk posed, and costs identified and minimised;
- Accountable: regulators must be able to justify decisions, and be subject to public scrutiny;
- Consistent: rules and standards must be joined up and implemented fairly;
- Transparent: regulators should be open, and keep regulations simple and user friendly; and
- Targeted: regulation should be focused on the problem, and minimise side effects.

7.4 As per the Gambling Commission's Guidance to Licensing Authorities this licensing authority will endeavour to avoid duplication with other regulatory regimes so far as possible.

7.5 This licensing authority has adopted and implemented a risk-based inspection programme, based on;

- The licensing objectives
- Relevant codes of practice
- Guidance issued by the Gambling Commission
- The principles set out in this statement of licensing policy

7.6 The main enforcement and compliance role for this licensing authority in terms of the Gambling Act 2005 is to ensure compliance with the premises licences and other permissions which it authorises. The Gambling Commission is the enforcement body for the operating and personal licences. It is also worth noting that concerns about manufacture, supply or repair of gaming machines are not dealt with by the licensing authority but should be notified to the Gambling Commission.

7.7 This licensing authority also keeps itself informed of developments as regards the work of the Better Regulation Executive in its consideration of the regulatory functions of local authorities.

7.8 Bearing in mind the principle of transparency, this licensing authority's enforcement/compliance protocols/written agreements are available upon request to the licensing department, Hartlepool Borough Council, Civic Centre, Hartlepool, TS24 8AY. Our risk methodology is also available upon request.

## **8. Licensing authority functions**

8.1 Licensing authorities are required under the Act to:

- Be responsible for the licensing of premises where gambling activities are to take place by issuing *Premises Licences*

- Issue *Provisional Statements*
- Regulate *members' clubs* and *miners' welfare institutes* who wish to undertake certain gaming activities via issuing Club Gaming Permits and/or Club Machine Permits
- Issue *Club Machine Permits* to *Commercial Clubs*
- Grant permits for the use of certain lower stake gaming machines at *unlicensed Family Entertainment Centres*
- Receive notifications from alcohol licensed premises (under the Licensing Act 2003) for the use of two or fewer gaming machines
- Issue *Licensed Premises Gaming Machine Permits* for premises licensed to sell/supply alcohol for consumption on the licensed premises, under the Licensing Act 2003, where there are more than two machines
- Register *small society lotteries* below prescribed thresholds
- Issue *Prize Gaming Permits*
- Receive and Endorse *Temporary Use Notices*
- Receive *Occasional Use Notices*
- Provide information to the Gambling Commission regarding details of licences issued (see section above on 'information exchange')
- Maintain registers of the permits and licences that are issued under these functions

8.2 It should be noted that licensing authorities are not to be involved in licensing remote gambling at all, which is regulated by the Gambling Commission via operating licences.

**PART B**  
**PREMISES LICENCES: CONSIDERATION OF APPLICATIONS**

**9. General Principles**

- 9.1 Premises licences are subject to the requirements set out in the Gambling Act 2005 and regulations, as well as specific mandatory and default conditions which are detailed in regulations issued by the Secretary of State. Licensing authorities are able to exclude default conditions and also attach others, where it is believed to be appropriate.
- 9.2 **(i) Decision-making**
- 9.3 This licensing authority is aware that in making decisions about premises licences it should aim to permit the use of premises for gambling in so far as it thinks it:
- in accordance with any relevant code of practice issued by the Gambling Commission;
  - in accordance with any relevant guidance issued by the Gambling Commission;
  - reasonably consistent with the licensing objectives; and
  - in accordance with the authority's statement of licensing policy.
- 9.4 It is appreciated that as per the Gambling Commission's Guidance to Licensing Authorities "moral objections to gambling are not a valid reason to reject applications for premises licences" (except as regards any 'no casino resolution') and also that unmet demand is not a criterion for a licensing authority.
- 9.5 Each case will be decided upon its merits. This authority will not apply a rigid rule to its decision making. It will consider the examples of considerations provided in the Gambling Commission's Guidance to Licensing Authorities. It will also consider the Gambling Commission's Guidance that "has business interests" should be given the widest possible interpretation and include partnerships, charities, faith groups and medical practices.
- 9.6 **Definition of "premises"** – In the Act, "premises" is defined as including "any place". Section 152 therefore prevents more than one premises licence applying to any place. But a single building could be subject to more than one premises licence, provided they are for different parts of the building and the different parts of the building can be reasonably regarded as being different premises. This approach has been taken to allow large, multiple unit premises such as a pleasure park, pier, track or shopping mall to obtain discrete premises licences, where appropriate safeguards are in place. However, licensing authorities should pay particular attention if there are issues about sub-divisions of a single building or plot and should ensure that mandatory conditions relating to access between premises are observed.
- 9.7 The Gambling Commission states in the fifth edition of its Guidance to Licensing Authorities that: "In most cases the expectation is that a single building / plot will be the subject of an application for a licence, for example, 32 High Street. But, that does not mean 32 High Street cannot be the subject of separate premises licences for the basement and ground floor, if they are configured acceptably. Whether different parts of a building can properly be regarded as being separate premises will depend on the circumstances. The location of the premises will clearly be an important consideration and the suitability of the division is likely to be a matter for discussion between the

operator and the licensing officer. However, the Commission does not consider that areas of a building that are artificially or temporarily separated, for example by ropes or moveable partitions, can properly be regarded as different premises.”

9.8 This licensing authority takes particular note of the Gambling Commission’s Guidance to Licensing Authorities which states that: licensing authorities should take particular care in considering applications for multiple licences for a building and those relating to a discrete part of a building used for other (non-gambling) purposes. In particular they should be aware of the following:

- The third licensing objective seeks to protect children from being harmed by gambling. In practice that means not only preventing them from taking part in gambling, but also preventing them from being in close proximity to gambling. Therefore premises should be configured so that children are not invited to participate in, have accidental access to or closely observe gambling where they are prohibited from participating.
- Entrances to and exits from parts of a building covered by one or more premises licences should be separate and identifiable so that the separation of different premises is not compromised and people do not “drift” into a gambling area. In this context it should normally be possible to access the premises without going through another licensed premises or premises with a permit.
- Customers should be able to participate in the activity names on the premises licence.

9.9 The Guidance also gives a list of factors which the licensing authority should be aware of, which may include:

- Do the premises have a separate registration for business rates
- Is the premises’ neighbouring premises owned by the same person or someone else?
- Can each of the premises be accessed from the street or a public passageway?
- Can the premises only be accessed from any other gambling premises?

9.10 This authority will consider these and other relevant factors in making its decision, depending on all the circumstances of the case.

9.11 **The Gambling Commission’s relevant access provisions for each premises type are reproduced below:**

#### 9.12 **Casinos**

- The principal access entrance to the premises must be from a street
- No entrance to a casino must be from premises that are used wholly or mainly by children and/or young persons
- No customer must be able to enter a casino directly from any other premises which holds a gambling premises licence

#### 9.13 **Adult Gaming Centre**

- No customer must be able to access the premises directly from any other licensed gambling premises

#### 9.14 **Betting Shops**

- Access must be from a street or from another premises with a betting premises licence
- No direct access from a betting shop to another premises used for the retail sale of merchandise or services. In effect there cannot be an entrance to a betting shop from a shop of any kind and you could not have a betting shop at the back of a café – the whole area would have to be licensed.

### **9.15 Tracks**

- No customer should be able to access the premises directly from:
  - a casino
  - an adult gaming centre

### **9.16 Bingo Premises**

- No customer must be able to access the premise directly from:
  - a casino
  - an adult gaming centre
  - a betting premises, other than a track

### **9.17 Family Entertainment Centre**

- No customer must be able to access the premises directly from:
  - a casino
  - an adult gaming centre
  - a betting premises, other than a track

Part 7 of the Gambling Commission's Guidance to Licensing Authorities contains further guidance on this issue, which this authority will also take into account in its decision-making.

### **9.18 Premises “ready for gambling”**

9.19 The Guidance states that a licence to use premises for gambling should only be issued in relation to premises that the licensing authority can be satisfied are going to be ready to be used for gambling in the reasonably near future, consistent with the scale of building or alterations required before the premises are brought into use.

9.20 If the construction of a premises is not yet complete, or if they need alteration, or if the applicant does not yet have a right to occupy them, then an application for a provisional statement should be made instead.

9.21 In deciding whether a premises licence can be granted where there are outstanding construction or alteration works at a premises, this authority will determine applications on their merits, applying a two stage consideration process:-

- First, whether the premises ought to be permitted to be used for gambling
- Second, whether appropriate conditions can be put in place to cater for the situation that the premises are not yet in the state in which they ought to be before gambling takes place.

9.22 Applicants should note that this authority is entitled to decide that it is appropriate to grant a licence subject to conditions, but it is not obliged to grant such a licence.

9.23 More detailed examples of the circumstances in which such a licence may be granted can be found in the Gambling Commission's Guidance to Licensing Authorities.

9.24 **Location** - This licensing authority is aware that demand issues cannot be considered with regard to the location of premises but that considerations in terms of the licensing objectives are relevant to its decision-making. As per the Gambling Commission's Guidance to Licensing Authorities, this authority will pay particular attention to the protection of children and vulnerable persons from being harmed or exploited by gambling, as well as issues of crime and disorder. Should any specific policy be decided upon as regards areas where gambling premises should not be located, this statement will be updated. It should be noted that any such policy does not preclude any application being made and each application will be decided on its merits, with the onus upon the applicant showing how potential concerns can be overcome.

9.25 **Planning** - The Gambling Commission Guidance to Licensing Authorities states:

7.58 – In determining applications, the licensing authority should not take into consideration matters that are not related to gambling and the licensing objectives. One example would be the likelihood of the applicant obtaining planning permission or building regulations approval for their proposal. Licensing authorities should bear in mind that a premises licence, once it comes into effect, authorises premises to be used for gambling. Accordingly, a licence to use premises for gambling should only be issued in relation to premises that the licensing authority can be satisfied are going to be ready to be used for gambling in the reasonably near future, consistent with the scale of building or alterations required before the premises are brought into use. Equally, licences should only be issued where they are expected to be used for the gambling activity named on the licence. This is why the Act allows a potential operator to apply for a provisional statement if construction of the premises is not yet complete, or they need alteration, or he does not yet have a right to occupy them. [Part 11](#) of this guidance gives more information about provisional statements.

9.26 This authority will not take into account irrelevant matters as per the above guidance. In addition this authority notes the following excerpt from the Guidance:

7.65 - When dealing with a premises licence application for finished buildings, the licensing authority should not take into account whether those buildings have or comply with the necessary planning or building consents. Those matters should be dealt with under relevant planning control and building regulation powers, and not form part of the consideration for the premises licence. Section 210 of the 2005 Act prevents licensing authorities taking into account the likelihood of the proposal by the applicant obtaining planning or building consent when considering a premises licence application. Equally the grant of a gambling premises licence does not prejudice or prevent any action that may be appropriate under the law relating to planning or building.

9.27 **Duplication with other regulatory regimes** - This licensing authority seeks to avoid any duplication with other statutory / regulatory systems where possible, including planning. This authority will not consider whether a licence application is likely to be awarded planning permission or building regulations approval, in its consideration of it. It will though, listen to, and consider carefully, any concerns about conditions which are not able to be met by licensees due to planning restrictions, should such a situation arise.

- 9.28 When dealing with a premises licence application for finished buildings, this authority will not take into account whether those buildings have to comply with the necessary planning or buildings consents. Fire or health and safety risks will not be taken into account, as these matters are dealt with under relevant planning control, buildings and other regulations and must not form part of the consideration for the premises licence.
- 9.29 **Licensing objectives** - Premises licences granted must be reasonably consistent with the licensing objectives. With regard to these objectives, this licensing authority has considered the Gambling Commission's Guidance to Licensing Authorities and some comments are made below.
- 9.30 **Preventing gambling from being a source of crime or disorder, being associated with crime or disorder or being used to support crime** - This licensing authority is aware that the Gambling Commission takes a leading role in preventing gambling from being a source of crime. The Gambling Commission's Guidance does however envisage that licensing authorities should pay attention to the proposed location of gambling premises in terms of this licensing objective. Thus, where an area has known high levels of organised crime this authority will consider carefully whether gambling premises are suitable to be located there and whether conditions may be suitable such as the provision of door supervisors. This licensing authority is aware of the distinction between disorder and nuisance and will consider factors (for example whether police assistance was required and how threatening the behaviour was to those who could see it) so as to make that distinction.
- 9.31 Ensuring that gambling is conducted in a fair and open way - **This licensing authority has noted that the Gambling Commission states that it generally does not expect licensing authorities to be concerned with ensuring that gambling is conducted in a fair and open way as this will be addressed via operating and personal licences.**
- 9.32 **Protecting children and other vulnerable persons from being harmed or exploited by gambling** - This licensing authority has noted the Gambling Commission's Guidance that this objective means preventing children from taking part in gambling (as well as restriction of advertising so that gambling products are not aimed at or are, particularly attractive to children). The licensing authority will therefore consider, as suggested in the Gambling Commission's Guidance, whether specific measures are required at particular premises, with regard to this licensing objective. Appropriate measures may include supervision of entrances / machines, segregation of areas etc.
- 9.33 This licensing authority is also aware of the Gambling Commission Codes of Practice as regards this licensing objective, in relation to specific premises.
- 9.34 As regards the term "vulnerable persons" it is noted that the Gambling Commission does not seek to offer a definition but states that "it will for regulatory purposes assume that this group includes people who gamble more than they want to; people who gambling beyond their means; and people who may not be able to make informed or balanced decisions about gambling due to a mental impairment, alcohol or drugs." This licensing authority will consider this licensing objective on a case by case basis.
- 9.35 **Conditions** - Any conditions attached to licences will be proportionate and will be:
- relevant to the need to make the proposed building suitable as a gambling facility;
  - directly related to the premises and the type of licence applied for;

- fairly and reasonably related to the scale and type of premises; and
  - reasonable in all other respects.
- 9.36 Decisions on individual conditions will be made on a case by case basis, although there will be a number of measures this licensing authority will consider utilising should there be a perceived need, such as the use of supervisors, appropriate signage for adult only areas etc. There are specific comments made in this regard under some of the licence types below. This licensing authority will also expect the licence applicant to offer his/her own suggestions as to way in which the licensing objectives can be met effectively.
- 9.37 This licensing authority will also consider specific measures which may be required for buildings which are subject to multiple premises licences. Such measures may include the supervision of entrances; segregation of gambling from non-gambling areas frequented by children; and the supervision of gaming machines in non-adult gambling specific premises in order to pursue the licensing objectives. These matters are in accordance with the Gambling Commission's Guidance.
- 9.38 This authority will also ensure that where category C or above machines are on offer in premises to which children are admitted:
- all such machines are located in an area of the premises which is separated from the remainder of the premises by a physical barrier which is effective to prevent access other than through a designated entrance;
  - only adults are admitted to the area where these machines are located;
  - access to the area where the machines are located is supervised;
  - the area where these machines are located is arranged so that it can be observed by the staff or the licence holder; and
  - at the entrance to and inside any such areas there are prominently displayed notices indicating that access to the area is prohibited to persons under 18.
- 9.39 These considerations will apply to premises including buildings where multiple premises licences are applicable.
- 9.40 This licensing authority is aware that tracks may be subject to one or more than one premises licence, provided each licence relates to a specified area of the track. As per the Gambling Commission's Guidance, this licensing authority will consider the impact upon the third licensing objective and the need to ensure that entrances to each type of premises are distinct and that children are excluded from gambling areas where they are not permitted to enter.
- 9.41 It is noted that there are conditions which the licensing authority cannot attach to premises licences which are:
- any condition on the premises licence which makes it impossible to comply with an operating licence condition;
  - conditions relating to gaming machine categories, numbers, or method of operation;
  - conditions which provide that membership of a club or body be required (the Gambling Act 2005 specifically removes the membership requirement for casino and bingo clubs and this provision prevents it being reinstated; and
  - conditions in relation to stakes, fees, winning or prizes.



9.42 **Door Supervisors** - The Gambling Commission advises in its Guidance to Licensing Authorities that if a licensing authority is concerned that a premises may attract disorder or be subject to attempts at unauthorised access (for example by children and young persons) then it may require that the entrances to the premises are controlled by a door supervisor, and is entitled to impose a premises licence to this effect.

9.43 Where it is decided that supervision of entrances/machines is appropriate for particular cases, a consideration of whether these need to be SIA licensed or not will be necessary. It will not be automatically assumed that they need to be licensed, as the statutory requirements for different types of premises vary (as per the Guidance, Part 33).

#### 9.44 **Local Risk Assessments**

9.45 Since 6 April 2016, the Gambling Commission's 'Licence Conditions Code of Practice' (LCCP) has required all existing licensees that provide gambling facilities at their premises, to assess the local risks to the licensing objectives and have policies, procedures and control measures to reduce those risks. Licensees must take into account any relevant matters identified in the licensing authorities (gambling) Statement of Policy when making their risk assessments.

9.46 In making risk assessments, licensees must take into account relevant matters identified in this policy.

9.47 The LCCP also states that licensees must review (and update as necessary) their local risk assessments:

- To take account of significant changes in local circumstances, including those identified in this policy;
- When there are significant changes at a licensee's premises that may affect their mitigation of local risks;
- When applying for a variation of a premise licence; and
- In any case, undertake a local risk assessment when applying for a new premise licence.

9.48 The licensing authority will expect the local risk assessment to consider as a minimum:

- Whether the premise is in an area with high levels of crime and/or disorder
- Whether the premise is in an area of high deprivation
- The demographics of the area in respect of vulnerable groups of people including those with gambling dependencies, where this information is available
- Location of services and amenities for children in the area such as schools, playgrounds, leisure facilities and other areas where children may gather.

9.49 The risk assessment may also include:

- Procedures in place to ensure staff are adequately trained in how to monitor and deal with customers suspected of excessive gambling (including brief intervention training for staff), vulnerable persons or children and also details and regularity of training given
- Details of supervisory and management procedures in place including number of staff available and their designated duties and responsibilities

- Details of any consideration given to the need for CCTV in the premise and if installed how the system will be operated and monitored and what coverage it is designed to give in the premise.
- Details of the signage and documents relating to games rules, gambling care providers and other relevant information including a consideration of whether information needs to be provided in another language that may be prevalent in the locality.

9.50 Such information may be used to inform the decision the Authority makes about whether to grant a licence, to grant a licence with special conditions or to refuse the application. The policy does not prevent an application made and each application will be decided on its merits with the onus being on the applicant to show how the concerns.

## **10. Adult Gaming Centres**

10.1 This licensing authority will specifically have regard to the need to protect children and vulnerable persons from harm or being exploited by gambling and will expect the applicant to satisfy the authority that there will be sufficient measures to, for example, ensure that under 18 year olds do not have access to the premises.

10.2 This licensing authority may consider measures to meet the licensing objectives such as:

- Proof of age schemes
- CCTV
- Supervision of entrances / machine areas
- Physical separation of areas
- Location of entry
- Notices / signage
- Specific opening hours
- Self-exclusion schemes
- Provision of information leaflets / helpline numbers for organisations such as GamCare.

This list is not mandatory, nor exhaustive, and is merely indicative of example measures.

## **11. (Licensed) Family Entertainment Centres:**

11.1 This licensing authority will specifically have regard to the need to protect children and vulnerable persons from harm or being exploited by gambling and will expect the applicant to satisfy the authority, for example, that there will be sufficient measures to ensure that under 18 year olds do not have access to the adult only gaming machine areas.

11.2 This licensing authority may consider measures to meet the licensing objectives such as:

- CCTV
- Supervision of entrances / machine areas
- Physical separation of areas
- Location of entry

- Notices / signage
- Specific opening hours
- Self-exclusion schemes
- Provision of information leaflets / helpline numbers for organisations such as GamCare.
- Measures / training for staff on how to deal with suspected truant school children on the premises

11.3 This list is not mandatory, nor exhaustive, and is merely indicative of example measures.

11.4 This licensing authority will, as per the Gambling Commission's guidance, refer to the Commission's website to see any conditions that apply to operating licences covering the way in which the area containing the category C machines should be delineated. This licensing authority will also make itself aware of any mandatory or default conditions on these premises licences, when they have been published.

## **12. Casinos**

12.1 This licensing authority has passed a 'no casino' resolution on the basis that whilst it recognises that gambling can be an enjoyable and harmless activity for many, it believes that a casino may provide an environment that may harm vulnerable persons who may gamble beyond their means.

12.2 Potential licence applicants should note that as a 'no-casino' resolution has been passed by this authority no applications for casino premises licences will be considered. Any applications received will be returned with a notification that a 'no-casino' resolution is in place.

## **13. Bingo premises**

13.1 This licensing authority notes that the Gambling Commission's Guidance regarding the unusual circumstances in which the splitting of a pre-existing premises into two adjacent premises might be permitted: -

*18.5 Licensing authorities need to satisfy themselves that bingo can be played in any bingo premises for which they issue a premises licence. An operator may choose to vary their licence to exclude a previously licensed area of that premises, and then apply for a new premises licence, or multiple new premises licences, with the aim of creating separate premises in that area. Essentially providing multiple licensed premises within a single building or site. Before issuing additional bingo premises licences, licensing authorities need to consider whether bingo can be played at each of those new premises.*

## **14. Betting premises**

14.1 *Betting machines* - This licensing authority will, as per the Gambling Commission's Guidance, take into account the size of the premises, the number of counter positions available for person-to-person transactions, and the ability of staff to monitor the use of the machines by children and young persons (it is an offence for those under 18 to bet) or by vulnerable people, when considering the number/nature/circumstances of betting machines an operator wants to offer.

## **15. Travelling Fairs**

- 15.1 This licensing authority is responsible for deciding whether, where category D machines and / or equal chance prize gaming without a permit is to be made available for use at travelling fairs, the statutory requirement that the facilities for gambling amount to no more than an ancillary amusement at the fair is met.
- 15.2 The licensing authority will also consider whether the applicant falls within the statutory definition of a travelling fair.
- 15.3 It is noted that the 27-day statutory maximum for the land being used as a fair applies on a per calendar year basis, and that it applies to the piece of land on which the fairs are held, regardless of whether it is the same or different travelling fairs occupying the land. This licensing authority will work with its neighbouring authorities to ensure that land which crosses our boundaries is monitored so that the statutory limits are not exceeded.

## **16. Provisional Statements**

- 16.1 Developers may wish to apply to this authority for provisional statements before entering into a contract to buy or lease property or land to judge whether a development is worth taking forward in light of the need to obtain a premises licence. There is no need for the applicant to hold an operating licence in order to apply for a provisional statement.
- 16.2 S204 of the Gambling Act provides for a person to make an application to the licensing authority for a provisional statement in respect of premises that he or she:
- expects to be constructed;
  - expects to be altered; or
  - expects to acquire a right to occupy.
- 16.3 The process for considering an application for a provisional statement is the same as that for a premises licence application. The applicant is obliged to give notice of the application in the same way as applying for a premises licence. Responsible authorities and interested parties may make representations and there are rights of appeal.
- 16.4 In contrast to the premises licence application, the applicant does not have to hold or have applied for an operating licence from the Gambling Commission (except in the case of a track) and they do not have to have a right to occupy the premises in respect of which their provisional application is made.
- 16.5 The holder of a provisional statement may then apply for a premises licence once the premises are constructed, altered or acquired. The licensing authority will be constrained in the matters it can consider when determining the premises licence application, and in terms of representations about premises licence applications that follow the grant of a provisional statement, no further representations from relevant authorities or interested parties can be taken into account unless:
- they concern matters which could not have been addressed at the provisional statement stage, or
  - they reflect a change in the applicant's circumstances.

- 16.6 In addition, the authority may refuse the premises licence (or grant it on terms different to those attached to the provisional statement) only by reference to matters:
- which could not have been raised by objectors at the provisional statement stage;
  - which in the authority's opinion reflect a change in the operator's circumstances; or
  - where the premises has not been constructed in accordance with the plan submitted with the application. This must be a substantial change to the plan and this licensing authority notes that it can discuss any concerns it has with the applicant before making a decision.

## **17. Reviews**

- 17.1 Requests for a review of a premises licence can be made by interested parties or responsible authorities; however, it is for the licensing authority to decide whether the review is to be carried-out. This will be on the basis of whether the request for the review is relevant to the matters listed below;
- in accordance with any relevant Code of Practice issued by the Gambling Commission;
  - in accordance with any relevant guidance issued by the Gambling Commission;
  - reasonably consistent with the licensing objectives; and
  - in accordance with the authority's statement of principles.
- 17.2 The request for the review will also be subject to the consideration by the authority as to whether the request is frivolous, vexatious, or whether it will certainly not cause this authority to wish to alter/revoke/suspend the licence, or whether it is substantially the same as previous representations or requests for review.
- 17.3 The licensing authority can also initiate a review of a particular premises licence, or a particular class of premises licence on the basis of any reason which it thinks is appropriate.
- 17.4 Once a valid application for a review has been received by the licensing authority, representations can be made by responsible authorities and interested parties during a 28 day period. This period begins 7 days after the application was received by the licensing authority, who will publish notice of the application within 7 days of receipt.
- 17.5 The licensing authority must carry out the review as soon as possible after the 28 day period for making representations has passed.
- 17.6 The purpose of the review will be to determine whether the licensing authority should take any action in relation to the licence. If action is justified, the options open to the licensing authority are:-
- (a) add, remove or amend a licence condition imposed by the licensing authority;
  - (b) exclude a default condition imposed by the Secretary of State or Scottish Ministers (e.g. opening hours) or remove or amend such an exclusion;
  - (c) suspend the premises licence for a period not exceeding three months; and
  - (d) revoke the premises licence.

- 17.7 In determining what action, if any, should be taken following a review, the licensing authority must have regard to the principles set out in section 153 of the Act, as well as any relevant representations.
- 17.8 In particular, the licensing authority may also initiate a review of a premises licence on the grounds that a premises licence holder has not provided facilities for gambling at the premises. This is to prevent people from applying for licences in a speculative manner without intending to use them.
- 17.9 Once the review has been completed, the licensing authority must, as soon as possible, notify its decision to:
- the licence holder
  - the applicant for review (if any)
  - the Commission
  - any person who made representations
  - the chief officer of police or chief constable; and
  - Her Majesty's Commissioners for Revenue and Customs

**PART C**  
**Permits / Temporary & Occasional Use Notice**

**18. Unlicensed Family Entertainment Centre gaming machine permits**

- 18.1 Where a premises does not hold a premises licence but wishes to provide gaming machines, it may apply to the licensing authority for this permit. It should be noted that the applicant must show that the premises will be wholly or mainly used for making gaming machines available for use (Section 238).
- 18.2 Gambling Commission Guidance states: "...An application for a permit may be granted only if the licensing authority is satisfied that the premises will be used as an unlicensed FEC, and if the chief officer of police has been consulted on the application....Licensing authorities might wish to consider asking applicants to demonstrate:
- a full understanding of the maximum stakes and prizes of the gambling that is permissible in unlicensed FECs;
  - that the applicant has no relevant convictions (those that are set out in Schedule 7 of the Act; and
  - that staff are trained to have a full understanding of the maximum stakes and prizes.
- 18.3 It should be noted that a licensing authority cannot attach conditions to this type of permit.
- 18.4 This licensing authority will expect the applicant to show that there are policies and procedures in place to protect children from harm. Harm in this context is not limited to harm from gambling but includes wider child protection considerations. The efficiency of such policies and procedures will each be considered on their merits, however, they may include appropriate measures / training for staff as regards suspected truant school children on the premises, measures / training covering how staff would deal with unsupervised very young children being on the premises, or children causing perceived problems on / around the premises.

**19. (Alcohol) Licensed premises gaming machine permits - Automatic entitlement: 2 machines**

- 19.1 There is provision in the Act for premises licensed to sell alcohol for consumption on the premises to automatically have 2 gaming machines, of categories C and/or D. The premises merely need to notify the licensing authority.
- 19.2 The licensing authority can remove the automatic authorisation in respect of any particular premises if:
- provision of the machines is not reasonably consistent with the pursuit of the licensing objectives;
  - gaming has taken place on the premises that breaches a condition of section 282 of the Gambling Act (i.e. that written notice has been provided to the licensing authority, that a fee has been provided and that any relevant code of practice issued by the Gambling Commission about the location and operation of the machine has been complied with);
  - the premises are mainly used for gaming; or

- an offence under the Gambling Act has been committed on the premises.

### **19.3 Permit: 3 or more machines**

- 19.4 If a premises wishes to have more than 2 machines, then it needs to apply for a permit and the licensing authority must consider that application based upon the licensing objectives, any guidance issued by the Gambling Commission and “*such matters as they think relevant.*”
- 19.5 This licensing authority considers that “*such matters*” will be decided on a case by case basis but generally there will be regard to the need to protect children and vulnerable persons from harmed or being exploited by gambling and will expect the applicant to satisfy the authority that there will be sufficient measures to ensure that under 18 year olds do not have access to the adult only gaming machines. Measures which will satisfy the authority that there will be no access may include the adult machines being in sight of the bar, or in the sight of staff who will monitor that the machines are not being used by those under 18. Notices and signage may also be help. As regards the protection of vulnerable persons, applicants may wish to consider the provision of information leaflets / helpline numbers for organisations such as GamCare.
- 19.6 It is recognised that some alcohol licensed premises may apply for a premises licence for their non-alcohol licensed areas. Any such application would most likely need to be applied for, and dealt with as an Adult Gaming Centre premises licence.
- 19.7 It should be noted that the licensing authority can decide to grant the application with a smaller number of machines and/or a different category of machines than that applied for. Conditions (other than these) cannot be attached.
- 19.8 It should also be noted that the holder of a permit must comply with any Code of Practice issued by the Gambling Commission about the location and operation of the machine.

### **20. Prize Gaming Permits**

- 20.1 In making its decision on an application for this permit the licensing authority does not need to (but may) have regard to the licensing objectives but must have regard to any Gambling Commission guidance.
- 20.2 It should be noted that there are conditions in the Gambling Act 2005 by which the permit holder must comply, but that the licensing authority cannot attach conditions. The conditions in the Act are:
- the limits on participation fees, as set out in regulations, must be complied with;
  - all chances to participate in the gaming must be allocated on the premises on which the gaming is taking place and on one day; the game must be played and completed on the day the chances are allocated; and the result of the game must be made public in the premises on the day that it is played;
  - the prize for which the game is played must not exceed the amount set out in regulations (if a money prize), or the prescribed value (if non-monetary prize); and
  - participation in the gaming must not entitle the player to take part in any other gambling.



## **21. Club Gaming and Club Machines Permits**

- 21.1 Members Clubs and Miners' welfare institutes (but not Commercial Clubs) may apply for a Club Gaming Permit or a Clubs Gaming machines permit. The Club Gaming Permit will enable the premises to provide gaming machines (3 machines of categories B, C or D), equal chance gaming and games of chance as set-out in forthcoming regulations. A Club Gaming machine permit will enable the premises to provide gaming machines (3 machines of categories B, C or D).
- 21.2 Gambling Commission Guidance states: "Members clubs must have at least 25 members and be established and conducted "wholly or mainly" for purposes other than gaming, unless the gaming is permitted by separate regulations. The Secretary of State has made regulation and these cover bridge and whist clubs, which replicates the position under the Gambling Act 1968. A members' club must be permanent in nature, not established to make commercial profit, and controlled by its members equally. Examples include working men's clubs, branches of Royal British Legion and clubs with political affiliations."
- 21.3 The Commission Guidance also notes that "licensing authorities may only refuse an application on the grounds that:
- (a) the applicant does not fulfil the requirements for a members' or commercial club or miners' welfare institute and therefore is not entitled to receive the type of permit for which it has applied;
  - (b) the applicant's premises are used wholly or mainly by children and/or young persons;
  - (c) an offence under the Act or a breach of a permit has been committed by the applicant while providing gaming facilities;
  - (d) a permit held by the applicant has been cancelled in the previous ten years; or
  - (e) an objection has been lodged by the Commission or the police.
- 21.4 There is also a 'fast-track' procedure available under the Act for premises which hold a Club Premises Certificate under the Licensing Act 2003 (Schedule 12 paragraph 10). As the Gambling Commission's Guidance to Licensing Authorities states: "Under the fast-track procedure there is no opportunity for objections to be made by the Commission or the police, and the ground upon which an authority can refuse a permit are reduced." and "The grounds on which an application under the process may be refused are:
- (a) that the club is established primarily for gaming, other than gaming prescribed under schedule 12;
  - (b) that in addition to the prescribed gaming, the applicant provides facilities for other gaming; or
  - (c) that a club gaming permit or club machine permit issued to the applicant in the last ten years has been cancelled."
- 21.5 There are statutory conditions on club gaming permits that no child uses a category B or C machine on the premises and that the holder complies with any relevant provision of a code of practice about the location and operation of gaming machines.

## **22. Temporary Use Notices**

- 22.1 Temporary Use Notices allow the use of premises for gambling where there is no premises licence but where a gambling operator wishes to use the premises temporarily for providing facilities for gambling. Premises that might be suitable for a Temporary Use Notice, according to the Gambling Commission, would include hotels, conference centres and sporting venues.
- 22.2 The licensing authority can only grant a Temporary Use Notice to a person or company holding a relevant operating licence, i.e. a non-remote casino operating licence.
- 22.3 The Secretary of State has the power to determine what form of gambling can be authorised by Temporary Use Notices, and at the time of writing this Statement the relevant regulations (SI no 3157: The Gambling Act 2005 (Temporary Use Notices) Regulations 2007) state that Temporary Use Notices can only be used to permit the provision of facilities for equal chance gaming, where the gaming is intended to produce a single winner, which in practice means poker tournaments.
- 22.4 There are a number of statutory limits as regards Temporary Use Notices. The meaning of "premises" in Part 8 of the Act is discussed in Part 7 of the Gambling Commission Guidance to Licensing Authorities. As with "premises", the definition of "a set of premises" will be a question of fact in the particular circumstances of each notice that is given. In the Act "premises" is defined as including "any place".
- 22.5 In considering whether a place falls within the definition of "a set of premises", the licensing authority needs to look at, amongst other things, the ownership/occupation and control of the premises.
- 22.6 This licensing authority expects to object to notices where it appears that their effect would be to permit regular gambling in a place that could be described as one set of premises, as recommended in the Gambling Commission's Guidance to Licensing Authorities.

## **23. Occasional Use Notices**

- 23.1 The licensing authority has very little discretion as regards these notices aside from ensuring that the statutory limit of 8 days in a calendar year is not exceeded. This licensing authority will though consider the definition of a 'track' and whether the applicant is permitted to avail him/herself of the notice.

END

## **CONTACT DETAILS, ADVICE & GUIDANCE**

Further details regarding the licensing application process, including application forms, can be obtained from:

The Licensing Team  
Hartlepool Borough Council  
Civic Centre  
Victoria Road  
Hartlepool  
TS24 8AY

Tel No: 01429 523354  
Fax No: 01429 523308  
Email: [licensing@hartlepool.gov.uk](mailto:licensing@hartlepool.gov.uk)  
Web Site: [www.hartlepool.gov.uk/licensing](http://www.hartlepool.gov.uk/licensing)

## Local Area Profile

The Gambling Commission recommends that licensing authorities provide a 'local area profile' to assist gambling operators to understand the risks, or potential risks, associated with particular geographical areas.

As an area profile can change with time, Hartlepool Borough Council refers licence holders, or potential applicants, to the following sources of information about Hartlepool: -

Tees Valley Combined Authority - <https://teesvalley-ca.gov.uk/research-intelligence/area-profile/>

Government website – Indices of deprivation 2015 -  
<https://www.gov.uk/government/statistics/english-indices-of-deprivation-2015>

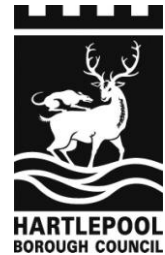
## SUMMARY OF LICENSING AUTHORITY DELEGATIONS PERMITTED UNDER THE GAMBLING ACT

<b>Matter to be dealt with</b>	<b>Full Council</b>	<b>Sub-Committee of Licensing Committee</b>	<b>Officers</b>
Final approval of three year Statement of licensing principles	X		
Policy not to permit casinos	X		
Application for premises licence		Where representations have been received and not withdrawn	Where no representations received/representati ons have been withdrawn
Application for a variation to a licence		Where representations have been received and not withdrawn	Where no representations received/representati ons have been withdrawn
Application for a transfer of a licence		Where representations have been received from the Commission	Where no representations received from the Commission
Application for a provisional statement		Where representations have been received and not withdrawn	Where no representations received/representati ons have been withdrawn
Review of a premises licence		X	
Application for club gaming/club machine permits		Where objections have been made (and not withdrawn)	Where no objections made/objections have been withdrawn
Cancellation of club gaming/club machine permits		X	
Applications for other permits			X
Cancellation of licensed premises gaming machine permits			X
Consideration of temporary use notice			X
Decision to give a counter notice to a temporary use notice		X	

## **CONSULTATION**

The following individuals/agencies and organisations were consulted about this Statement of Licensing Principles between June and August 2018: -

Hartlepool Borough Council councillors  
Chief of Cleveland Police  
Cleveland Fire Service  
Hartlepool Borough Council Planning Department  
Hartlepool Borough Council Trading Standards Service  
Hartlepool Borough Council Environmental Health  
Combined Authority  
HMRC  
Gamblers Anonymous  
GamCare  
British Beer and Pub Association  
Association of British Bookmakers  
Bingo Association  
Remote Gambling Association  
Business in Sport & Leisure  
Casino Operators Association  
BACTA  
British Holiday & Home Parks Association  
British Race Courses Association Ltd  
British Casino Association



**Report of:** Regeneration Services Committee

**Subject:** ADOPTION OF THE HARTLEPOOL RURAL  
NEIGHBOURHOOD PLAN

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

1.1 Forms part of the Budget and Policy Framework.

**2. PURPOSE OF REPORT**

2.1 As the result of a positive result in a public referendum .the Council is required to adopt the Hartlepool Rural Neighbourhood Plan (HRNP). The outcome of the referendum has been reported to Regeneration Services Committee and is referred to Council for formal adoption. Once adopted the HRNP will form part of the Development Plan for Hartlepool.

**3. BACKGROUND**

3.1 On 4 September 2017 a report on the HRNP was presented to Regeneration Services Committee asking Members to consider the independent examiner's report, to confirm the Rural Plan could proceed to referendum and to note the local planning authority must undertake duties in relation to modifying the Rural Plan and arranging the referendum.

3.2 Permission was given by Committee to proceed to a referendum and this took place on the 4 October 2018. The question which was asked at the referendum was:

“Do you want Hartlepool Borough Council to use the Neighbourhood Plan for the Hartlepool Rural Area to help it decide planning applications in the neighbourhood area?”

3.3 At the referendum there were a total of 405 votes cast with 330 voting in favour and 75 against. This means there has been a majority vote in favour of the HRNP.

- 3.4 The Regeneration Services Report is attached as **Appendix 1** to this report.

#### **4. PROPOSALS**

- 4.1 Given the positive vote at referendum in favour of the HRNP and the fact that the independent examiner considered at page nine of his report that the EU and Human Rights obligations had been met, in accordance with the Neighbourhood Planning (General) Regulations the Local Authority is now required to “make” (adopt) the HRNP so it forms part of the Development Plan for Hartlepool.

#### **5. RISK IMPLICATIONS**

- 5.1 If the HRNP were not to be made (adopted) as part of the Development Plan the Council would be open to legal challenge.

#### **6. FINANCIAL CONSIDERATIONS**

- 6.1 There are no financial implications regarding the adoption of the HRNP.

#### **7. LEGAL CONSIDERATIONS**

- 7.1 A detailed legislative framework for undertaking neighbourhood planning was set out in the Planning and Compulsory Purchase Act 2004, the Town and Country Planning Act 1990 and the Neighbourhood Planning (General) Regulations 2012. The Rural Neighbourhood Plan has been prepared and is in conformity with these and as such the local authority now has a duty to adopt the Rural Neighbourhood Plan as to form part of the Development Plan for Hartlepool.

#### **8. CONSULTATION**

- 8.1 The HRNP has been subject to public consultation throughout its production and was the subject of a public referendum on the 4 October 2018 which voted in favour of the adoption of the HRNP.

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

- 9.1 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 issues associated with the adoption of the HRNP. Equality and Diversity have been considered throughout the production of the plan and the Inspector had noted that the Basic Condition Tests had been met, including meeting the obligations under the Human Rights Act.

**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 There are no asset management considerations relating to this report.

**14. RECOMMENDATIONS**

- 14.1 That Council formally adopts the HRNP to form part of the Development Plan for Hartlepool.

**15. REASONS FOR RECOMMENDATIONS**

- 15.1 The local authority is now required to adopt the HRNP following the positive vote at Referendum.

**16. BACKGROUND PAPERS**

- 16.1 Details regarding the HRNP, including the main document and the Inspector's report can be viewed at the following link:

[https://www.hartlepool.gov.uk/downloads/download/589/hartlepool\\_rural\\_neighbourhood\\_plan](https://www.hartlepool.gov.uk/downloads/download/589/hartlepool_rural_neighbourhood_plan)

**17. CONTACT OFFICER**

Denise Ogden  
Director of Regeneration and Neighbourhoods

Civic Centre  
Victoria Road  
Hartlepool  
TS24 8AY  
Email [denise.ogden@hartlepool.gov.uk](mailto:denise.ogden@hartlepool.gov.uk)  
Tel: 01429 523301

# REGENERATION SERVICES COMMITTEE

17<sup>th</sup> December 2018



**Report of:** Assistant Director (Economic Growth and Regeneration)

**Subject:** RURAL NEIGHBOURHOOD PLAN

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## 1. TYPE OF DECISION/APPLICABLE CATEGORY

1.1 Budget and Policy Framework.

## 2. PURPOSE OF REPORT

2.1 To notify Members of the outcome of the public referendum which took place on the 4 October 2018 and to note that the Hartlepool Rural Neighbourhood Plan (HRNP) is to be referred to full Council to formally adopt the HRNP as part of the Development Plan for Hartlepool.

## 3. BACKGROUND

3.1 The 2011 Localism Act allowed for local communities to shape their areas by enabling Town and Parish Councils and other designated bodies to prepare neighbourhood development plans. A detailed legislative framework for undertaking neighbourhood planning was set out in the Planning and Compulsory Purchase Act 2004 and the Town and Country Planning Act 1990 as well as the Neighbourhood Planning (General) Regulations 2012.

3.2 On 4 September 2017 a report on the HRNP was presented to Regeneration Services Committee asking Members to consider the independent examiner's report, to confirm the HRNP could proceed to referendum and to note the local planning authority must undertake duties in relation to modifying the Rural Plan and arranging the referendum. The report also indicated that, in the event of a positive referendum result, the council would be required, by the legislation to adopt the HRNP. In this case that adoption is to be made by Full Council.

3.3 Permission was given by Committee to proceed to a referendum and this took place on the 4 October 2018. The question which was asked at the referendum was:

“Do you want Hartlepool Borough Council to use the Neighbourhood Plan for the Hartlepool Rural Area to help it decide planning applications in the neighbourhood area?”

- 3.4 At the referendum there were a total of 405 votes cast with 330 voting in favour and 75 against. This means there has been a majority vote in favour of the HRNP.

#### **4. PROPOSALS**

- 4.1 Given the positive vote at referendum in favour of the HRNP and the fact that the independent examiner considered at page nine of his report that the EU and Human Rights obligations had been met, in accordance with the Neighbourhood Planning (General) Regulations the Local Authority now has to “make” (adopt) the HRNP so it forms part of the Development Plan for Hartlepool.

#### **5. RISK IMPLICATIONS**

- 5.1 If the HRNP were not to be made (adopted) as part of the Development Plan the Council would be open to legal challenge.

#### **6. FINANCIAL CONSIDERATIONS**

- 6.1 There are no financial implications regarding the adoption of the HRNP.

#### **7 LEGAL CONSIDERATIONS**

- 7.1 A detailed legislative framework for undertaking neighbourhood planning was set out in the Planning and Compulsory Purchase Act 2004, the Town and Country Planning Act 1990 and the Neighbourhood Planning (General) Regulations 2012. The Rural Neighbourhood Plan has been prepared and is in conformity with these and as such Council is now required to adopt the HRNP so as to form part of the Development Plan for Hartlepool.

#### **8. CONSULTATION**

- 8.1 The HRNP has been subject to public consultation throughout its production and was the subject of a public referendum on the 4 October 2018 which voted in favour of the HRNP.

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

- 9.1 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 issues associated with the adoption of the HRNP. Equality and Diversity have been considered throughout the production of the plan and the Inspector had noted that the Basic Condition Tests had been met, including meeting the obligations under the Human Rights Act.

**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 There are no asset management considerations relating to this report.

**14. RECOMMENDATIONS**

- 14.1 It is recommended that the committee note the result of the Public Referendum and note that the HRNP is to be referred to full Council to formally adopt the Neighbourhood Plan as part of the Development Plan for Hartlepool.

**15. REASONS FOR RECOMMENDATIONS**

- 15.1 Council is required to adopt the HRNP following the positive vote at Referendum.

**16. BACKGROUND PAPERS**

- 16.1 The report which was brought to Committee on the 4<sup>th</sup> September 2017 can be viewed at the following link:

[https://www.hartlepool.gov.uk/meetings/meeting/3656/regeneration\\_services\\_committee](https://www.hartlepool.gov.uk/meetings/meeting/3656/regeneration_services_committee)

- 16.2 Other details regarding the Rural Neighbourhood Plan, including the main document and the Inspector's report can be viewed at the following link:

[https://www.hartlepool.gov.uk/downloads/download/589/hartlepool\\_rural\\_neighbourhood\\_plan](https://www.hartlepool.gov.uk/downloads/download/589/hartlepool_rural_neighbourhood_plan)

**17. CONTACT OFFICER**

Andrew Carter  
Assistant Director (Economic Growth and Regeneration)  
Civic Centre  
Hartlepool Borough Council  
TS24 8AY

Tel: (01429) 523596  
E-mail: [andrew.carter@hartlepool.gov.uk](mailto:andrew.carter@hartlepool.gov.uk)

Matthew King  
Planning Policy Team Leader  
Civic Centre  
Hartlepool Borough Council  
TS24 8AY

Tel: (01429) 284084  
E-mail: [matthew.king@hartlepool.gov.uk](mailto:matthew.king@hartlepool.gov.uk)

# COUNCIL

20<sup>th</sup> December 2018



**Report of:** Finance and Policy Committee

**Subject:** HARTLEPOOL WESTERN GROWTH CORRIDOR–  
FUNDING STRATEGY and COMPULSORY  
PURCHASE ORDER

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## 1. PURPOSE OF REPORT

- 1.1 To enable Council to approve the use of prudential borrowing to fund the upfront cost of delivering the Hartlepool Western Growth Corridor (Formally the Elwick Bypass) and initiate the Compulsory Purchase Order (CPO) Process in order to deliver the required future growth of Hartlepool.

## 2. BACKGROUND

- 2.1 On the 26 November 2018, and in accordance with paragraph 5 of the Budget and Policy Framework Procedure Rules (the Rules), the Council's Finance and Policy Committee resolved to refer a decision outside of the Budget and Policy Framework (**attached at Appendix A**).

## 3. PROPOSALS

- 3.1 The report to Finance & Policy Committee set out both the importance of delivering these works and the associated requirement for funding. It is important that the construction of these works can progress because at present Highways England have placed a holding restriction on future developments affecting Elwick and the A19 junctions until completion of the bypass and grade separated junction.
- 3.2 The Council has secured £4.172m from Tees Valley Combined Authority (TVCA). The Council is being supported by TVCA to find additional funding and is in advanced discussions with Homes England for a further £4.173m which is anticipated will be confirmed in the near future. On this basis the Council will have secured external funding of £8.345m.
- 3.3 The remaining estimated costs of £10.161m will need to be funded from prudential borrowing. It is expected that this will be fully repaid from anticipated S106 monies over a period of 7 to 10 years.

- 3.4 The report considered by Council on the 28<sup>th</sup> September, 2017 informed Members that the options involve Prudential Borrowing which can be repaid from anticipated S106 monies. Whilst the S106 monies will be sufficient to fund the cost of providing the scheme the Council will need to use Prudential Borrowing to fund the upfront Capital costs. There will be an interest cost of using Prudential Borrowing which cannot be funded from S106 monies.
- 3.5 On the basis of forecast S106 payments commencing in 2020/21 it is anticipated that a 10 year loan will be required to fund the upfront capital costs and allow for potential variations in the profile of S106 receipts to repay the loan. It is anticipated that annual interest costs in relation to a £10.161m loan will be £0.265m based on current interest rates. This would commit Council Tax income from approximately 157 properties of housing growth.
- 3.6 A CPO may also be required to progress the scheme. Negotiation with the land owners to resolve the matter without the need for the Council to invoke CPO powers are ongoing. However in the event that these negotiations cannot ensure the acquisition by agreement of all the interests required for the scheme within a reasonable timescale then a CPO will be required. At the present time it is intended that the CPO would be made under powers under the Highways Act 1980 but it may also be necessary to obtain delegated CPO powers from the Secretary of State or enter into additional agreements with Highways England as the design work is progressed. In the event that a CPO is required Human Rights and Public Sector Equality Duty issues will be addressed as part of that process.

#### **4. RECOMMENDATIONS**

- 4.1 It is recommended that Council approves the recommendations of the Committee as follows:
- i. The addition to the capital programme £18.506m for the Western Growth Corridor and associated Grade Separated Junction.
  - ii. Note that grant funding of £8.345m is anticipated to be secured in relation to this scheme in early 2019 of which £4.172M has been confirmed.
  - iii. The use of prudential borrowing of £10.161m and to note this is below the maximum previously approved by Council on 28 September 2017 of £18m.
  - iv. Note that the annual loan repayments (excluding interest) of using prudential borrowing will be funded from S106 Developer Contributions. Under these arrangements the prudential borrowing of £10.161m will be repaid over a 7 to 10 year period.



- v. Note that the full annual interest cost currently expected in 2021/22 until the loan is repaid, will be funded from Council Tax income generated from approximately 157 properties.
- vi. Note that a future report will be brought to Elected Members in relation to the Local Road Network.
- vii. Resolve to use CPO powers to acquire the land shown hatched on the plan at **Appendix 1** to deliver the Hartlepool Western Growth Corridor. Subject to negotiation with the land owners to resolve the matter without the need for the Council to invoke its CPO powers and receive a further report to formally invoke the CPO (including Statement of Reasons and Schedule of land to be acquired) if negotiations with the land owners are unsuccessful.



# FINANCE AND POLICY COMMITTEE

26th November 2018



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

**Subject:** HARTLEPOOL WESTERN GROWTH CORRIDOR–  
FUNDING STRATEGY

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## 1. TYPE OF DECISION/APPLICABLE CATEGORY

1.1 Budget and Policy Framework item.

## 2. PURPOSE OF REPORT

2.1 This report sets out the need and importance of delivering the Hartlepool Western Growth Corridor and associated Grade Separated Junction in terms of the future growth of Hartlepool. The costs of the scheme and the proposed funding are set out within the report, including information on the external funding that has been secured towards this project.

2.2 Given the importance of these infrastructure improvements it is necessary to prudentially borrow upfront in order to cover the shortfall in funding and to relieve pressure on the existing road network. Over the next 10 years the authority will be able to secure Section 106 payments (Town and Country Planning Act 1990) from housing developments within the vicinity of the bypass which will should the repay the prudential borrowing.

## 3. BACKGROUND

3.1 Hartlepool Local Plan – Following receipt of the Planning Inspectors Final Report, Hartlepool Borough Council adopted the new Local Plan on 22<sup>nd</sup> May 2018. The Local Plan now forms part of the Development Plan for the Borough and covers the period 1 April 2016 to 31<sup>st</sup> March 2031.

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.

- 3.3 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. Housing growth across the plan period equates to 410 dwellings per year. The plan therefore identifies a housing requirement for the next fifteen years of 6,150 dwellings.
- 3.4 There are already a large number of planning permissions approved which amount to over 3,500. The remainder of the 6,150 therefore needs to be new allocations across the Borough. Given the geography of the Borough and the employment designations to the south of the urban area, westward growth is the only practical option.
- 3.5 The plan identified two main westward growth areas, the South West Extension for just over 1,200 new homes which Planning Committee has previously been minded to approve 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. 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. The road infrastructure improvements proposed within the plan and the rationale for them is detailed within the remainder of the report.

#### **4. PROPOSAL**

- 4.1 The Hartlepool Western Growth Corridor has developed through the Hartlepool Local Plan in conjunction with discussions between the Local Authority and Highways England. Historically the junctions at Elwick Village and Dalton Piercy have raised safety concerns and there have been a number of accidents, some of which were fatal and improvements were recommended following a coroner's inquest into one of those deaths. As a result Highways England secured funding to look at design options for the creation of a grade separated junction at the northern Elwick/ A19 junction.
- 4.2 The further need for these works was demonstrated as a result of traffic monitoring surveys undertaken on the A19, where a camera was placed on the Elwick junctions. This showed vehicles queuing back into the deceleration lane waiting to the right turn into the village. This clearly demonstrated a major safety concern as vehicles queuing back into the outside northbound lane of the A19 could lead to further serious road traffic accidents.
- 4.3 These safety and capacity issues resulted in to Highways England putting a holding recommendation on planning applications which were forthcoming which would intensify the traffic movements through Elwick Village. This means that the Local Authority is unable to give planning permission until the highway issues are satisfactorily addressed.

- 4.4 The aforementioned safety concerns coupled with the wider issues of increasing congestion on the two main routes into Hartlepool namely the A689 and the A179 highlighted the need for the Council, through the Local Plan, to propose road infrastructure improvements. These improvements will address these concerns and improve the quality, safety and reliability of the network over the plan period (2016-31) and beyond. The proposed highway network upgrade will also improve the safety and amenity of residents within Elwick Village in terms of reducing the level of traffic travelling through the village. 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.
- 4.5 Over the last 18 months officers have worked closely with Highways England, Land Agent(s) and in house Engineers to progress the development of a detailed design for the bypass. A Growing Places loan for £600,000 was secured to pay for the detailed design and land acquisition costs. This loan will be converted to grant and be included within the Tees Valley Combined Authority contribution to the scheme.
- 4.6 Meeting with the landowners was important to ensure that the proposed route took account of operational needs of the farmers and mitigation could be incorporated into the overall scheme. The design has been developed in-house and site investigations have also informed the proposed design. A final design (**see Appendix 1**) and estimated costings have now been completed. Officers are in the process of meeting with the land agents representing the landowners to progress the land acquisition. If these negotiations fail then a Compulsory Purchase Order (CPO) will be required.
- 4.7 Should there be a requirement for a CPO to acquire the land then this will have an impact on both programme and budget. It is estimated that a CPO could add a further two years onto the delivery programme for the bypass and a further £0.1m in legal fees.
- 4.8 It is anticipated that a planning application will be submitted early 2019 for the bypass and grade separated junction.
- 4.9 As part of the development of the detailed design, detailed costings for individual elements of the works have been produced. The summary of these works is shown below in Table 1. It should be noted that the scheme will be subject to a competitive tender process and as such the costs provided are an estimate. The programming of the works themselves are subject to Highways England approval for the construction of the bridge and these details are still being finalised. At this stage Highways England have not raised concerns regarding the programming of the works. The estimated costs have been based on other recent build costs for similar scale bridges elsewhere in the Tees Valley and are an upper estimate so there is contingency built in to the figures provided. Section 6 further covers sensitivity analysis in relation to contingency sums.

<b>Scheme Element</b>	<b>Amount</b>
Preliminaries	£1,500,000
Bypass construction	£7,696,000
Bridge Costs	£7,500,000
Land, design, utility and supervision costs	£1,000,000
A19 safety improvements	£750,000
Street Lighting	60,000
<b>Total</b>	<b>£18,506,000</b>

**Table 1 – Cost of Grade Separated Junction and Bypass**

- 4.10 In addition to the bypass, further works will be required to the Local Road Network. These works will require an upgrade to the Elwick Road/ Wooler Road junction and the Hart Lane/ Serpentine Road signalised junction. Detailed design is yet to commence on these schemes although, a budget estimate for the works is currently £4.0m. These works are not conditional on any planning application and further funding will be required to cover this, some of which may become available through the recycling of the section 106 monies following the repayment of the borrowing. Further information on this is presented in Section 6. A future report covering the Local Road Network will be brought back to Committee once further feasibility work has been undertaken.
- 4.11 To further improve safety along the A19 it is proposed to close the three existing junctions at Elwick and Dalton Piercy as well as restricting U-turn manoeuvres on the remaining gaps between the A179 and the A689. This work will be subject to a Traffic Regulation Order which will be undertaken by Highways England. An allowance for these works has been identified in Table 1 above.

## **5. RISK IMPLICATIONS**

- 5.1 All of the estimated costs are pre-tender estimates and given the scale of the project and complexity of the design, significant contingencies have been included to allow for potential additional costs associated with any 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, this will be proportional in conjunction with any external grant funders.
- 5.3 There is a risk that the land purchase negotiations are delayed or have to progress through a Compulsory Purchase Order (CPO) if agreement cannot be reached. The CPO may add an approximate two years onto the delivery programme. The progress of negotiations is being monitored

closely to minimise the risk of any delays. A CPO process would also add an approximate £0.1m in legal fees.

- 5.4 Discussions have been ongoing with Highways England to deliver the proposed infrastructure improvements in order to minimise disruption to the Strategic Road Network (A19). Further works delivered by Highways England are due to commence in 2020 between Wolviston and Norton. It is not anticipated that the Wolviston works will delay the bypass delivery as by design most of the bypass can be constructed with minimal disruption to the A19. Discussions with Highways England will remain ongoing throughout the detailed design.
- 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 future Medium Term Financial Strategy (MTFS) reports.
- 5.6 The repayment of the prudential borrowing is to be repaid from contributions in the various S106 agreements. A risk was identified that there was a possibility that Developers might seek to avoid repayment of the highways contributions after the junction and bypass were in use. Counsels advice was taken and appropriate provisions are to be imposed in the S106 agreements to mitigate this risk. There still remains the possibility that a developer might exercise their right to apply to have the obligations removed after five years on the grounds that they are no longer necessary. The possibility of such an application applies to all S106 Agreements but recent case law suggests that, in the present circumstances, such an application would be unlikely to succeed.

## **6. FINANCIAL CONSIDERATIONS**

### **6.1 Overview**

- 6.2 As reported to Council on 28<sup>th</sup> September 2017 two potential funding scenarios have been further examined. One highlighted the financial impact if no external grant funding was secured for this scheme; the other reflected anticipated potential National Productivity Investment Fund (NPIF) and Housing Infrastructure Fund (HIF) grant funding.
- 6.3 Since the report was considered the Council's NPIF and HIF bids were unsuccessful as the funding pots were oversubscribed and the Council was not prioritised for funding. The Council has however secured £4.172m grant from Tees Valley Combined Authority (TVCA). The Council is being supported by TVCA to find additional funding and is in advanced discussions with Homes England for a further £4.173m which is anticipated will be confirmed in the near future. On this basis the Council will have secured external funding of £8.345m.

- 6.4 As previously reported the remaining estimated costs of £10.161m will need to be funded from prudential borrowing which will be fully repaid from S106 developer contributions over a period of 7 to 10 years, depending upon the build out rate of the developments referred to in Section 4 of this report.
- 6.5 As outlined above the Council will have achieved £8.345m in grant funding and S106 money of £18.703m is anticipated to be secured in relation to the associated grade separated junction and bypass and the local road network. The potential S106 monies exceeds the estimated costs of the bypass and local road network owing to the receipt of grant monies by approximately £4.5m. On the basis that the overall road costs are within budget, this amount will be able to be released to fund other S106 contribution objectives, i.e. affordable housing, school places and leisure facilities. However these monies cannot be released until;
- The road schemes are complete and the amount funded from S106 is known; and,
  - The S106 monies have been received, as these monies will be received over a 15 year period and the first priority is the repayment of prudential borrowing to avoid an unfunded budget pressure. It is anticipated that money received over the next 7 to 10 years will pay back the prudential borrowing.
- 6.6 **Risk Assessment**
- 6.7 Interest Rate Risk – 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 not funded from grant. There will therefore be an interest cost of using prudential borrowing which cannot be funded from S106 monies.
- 6.8 On the basis of forecast S106 payments commencing in 2020/21 it is anticipated that a 10 year loan will be required to fund the upfront capital costs and allow for potential variations in the profile of S106 receipts to repay the loan. It is anticipated that annual interest costs in relation to a £10.161m loan will be £0.265m based on current interest rates. This would commit Council Tax income from approximately 157 properties of housing growth.
- 6.9 The full annual impact of interest costs are currently expected in 2021/22 as initial costs of the project will be funded by grant. However the timing of drawing down this loan will be dependent on the timing of the project commencing. This means that the Council faces interest rate risk as there is a possibility of interest rates rising in future years. Table 2 demonstrates the impact of increases in interest rates and the number of houses committed to fund the resulting annual interest costs.



	Forecast Interest Rate (2.6%)	Forecast Interest Rate +1%	Forecast Interest Rate +2%
Interest Cost of £10.161m Borrowing Requirement	£0.265m	£0.367m	£0.469m
<b>Number of houses committed to fund interest</b>	157	218	278

Table 2 – Forecasted Interest

As section 106 contributions are received the interest risk will reduce as these monies will be invested, pending repayment of the 10 year maturity loan.

- 6.10 Price Risk and Interest Rate Risk – If the cost of the project were to increase and had to be funded by additional prudential borrowing this would result in increased interest costs. Table 3 shows the impact of a potential £1m increase in costs and the number of houses committed to fund increased interest rate costs.

	Forecast Interest Rate (2.6%)	Forecast Interest Rate +1%	Forecast Interest Rate +2%
Interest Cost of £11.161m Borrowing Requirement	£0.291m	£0.403m	£0.515m
<b>Number of houses committed to fund interest</b>	173	239	306

Table 3 – Cost Increase Sensitivity

- 6.11 Housing Growth Risk - To manage the potential risk that the S106 monies are not received over the forecast period of 7 to 10 years it is recommended to repay the Prudential Borrowing over a 50 year period to reflect the lifespan of the project. The resulting annual repayment cost would be approximately £0.2m per annum and this would be the minimum amount of S106 monies that would need to be repaid to avoid a revenue budget pressure. However, as it is expected that S106 monies will exceed this minimum requirement, the actual monies received will be used to repay prudential borrowing to reduce the loan outstanding and achieve full repayment with the forecast 7 to 10 years.
- 6.12 Housing Developments Delayed – In the event that the project is not completed and there is a delay in the achievement of anticipated housing development the Council would have to meet interest costs of £0.265m (current forecast), plus principal repayment costs £0.2m, i.e. total potential annual cost of £0.465m. Based on the current timetable for implementing this project this cost would arise in 2022/23.
- 6.13 There is currently no provision in the MTFs for this potential scenario as it is anticipated that interest costs would be funded from increased Council Tax income from housing growth and principal repayment costs will be funded from S106 monies. This is considered to be a low risk for the following reasons

- Forecast interest costs of £0.265m require 157 properties to be completed compared to 200 forecast over the period up to 2022/23
- Principal repayment costs of £0.2m require S106 funding from 17 properties.

- 6.14 CPO Risk – In the event of a CPO there would be additional legal costs initially estimated at £0.1m but could be higher depending on the process. Land values following a CPO will likely be decided by a Land Tribunal and as such the costs will be in line with those already allowed within the budget. This can be funded from S106 monies but would reduce the amount available to fund other S106 contribution objectives. Additional borrowing will also be required and would increase the interest costs identified in paragraph 6.9 by 1%. In the event of a CPO being required, it is recommended that authority is delegated to the Chief Executive, in consultation with the Director of Finance and Policy, the Chief Solicitor and the Chair of Finance and Policy Committee to increase the borrowing approval accordingly, subject to any increase being repayable from S106 monies. Details will be reported to a future Council meeting.
- 6.15 Local Road Network – As detailed in Section 3 of the report there is likely to be a requirement for work to be done to increase capacity on the Local Road Network initially estimated at £4m. These costs will be funded from S106 monies. The timing of these works is dependent on the housing sites progressing. A future report will be brought when the position is more certain and this will consider the impact of the timing of S106 receipts and the availability of these resources to fund the works to the Local Road Network.
- 6.16 Contingencies – Contingencies have been built in to the costs outlined above. In the event this is not needed the amount borrowed will reduce and annual interest costs will reduce to £0.244m (equating to 145 houses). However, this cannot be relied upon until the scheme is completed and costs are known.
- 6.17 Balance of S106 - As outlined in paragraph 6.5 above potential S106 monies secured for highways exceeds the estimated cost of the bypass and local road network by approximately £4.5m owing to the receipt of grant monies. This amount will be available to be spent on a range of other obligations such as affordable housing, school places and leisure facilities. However, these monies cannot be committed until they have been received.
- 6.18 In addition there is provision for an additional £1m of S106 monies specific to these contribution objectives without having to rely on recycling of the highways contributions.

## **7. LEGAL CONSIDERATIONS**

- 7.1 The key legal implications in this report relate to the Section 106 legal agreements to be agreed in relation to the various developments and

progress of a Compulsory Purchase Order. The S106 Agreements, secure contributions for the highways works as detailed above and, in addition, provide for any excess monies to be recycled and spent on the normal range of obligations such as education and affordable housing. As far as possible legally within the constraints of the S106 procedure, future risk of non-payment of contributions have been mitigated.

- 7.2 On relation to compulsory purchase this report defines the purposes for which the land is required and the plan appended in Appendix 1 defines the land which is likely to be taken (either temporary or permanently). The required land purchases are currently progressing through negotiation and there may be slight amendments to the proposed land take as a result. Should negotiations prove fruitless then a Compulsory Purchase Order will be required. The intention is to outsource the required legal work to a specialist firm, the costs of which have been identified in Section 6.14. At the present time it is intended that the CPO will be made under powers under the Highways Act 1980 but it may also be necessary to obtain delegated CPO powers from the Secretary of State or enter into additional agreements with Highways England as the design work is progressed.

## **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 early 2017.
- 8.2 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 submitted to the Secretary of State on the 23<sup>rd</sup> March 2017 following full Council approval.
- 8.3 Consultation and liaison with the landowners commenced in February 2016 and is ongoing through the respective land agents.
- 8.4 Further consultation events were held in the Town Centre and Elwick Village in January and February 2016 to present the preferred route to residents.
- 8.5 Following submission of the planning application, residents will have the opportunity to submit formal comments on the proposed scheme.

**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 The Western Growth Corridor will create a new stretch of carriageway which will form part of the local road network and will have to be managed and maintained by the local highway authority. The grade separated junction will also form part of the local road network, the slip roads will become the responsibility of Highways England to maintain.

**14. CONCLUSION**

- 14.1 The Western Growth Corridor and associated Grade Separated Junction is designed to address safety and capacity issues in relation to traffic movements through Elwick village. It will also facilitate future housing growth which in turn will provide increased Council Tax income to help maintain Council services.
- 14.2 Since the previous report to Council in September 2017 the Council has secured £4.172M from TVCA and is in advanced discussions to secure a further £4.173M from Homes England with a final decision anticipated by early 2019. Securing this external grant funds 45% of the estimated cost of this scheme.
- 14.3 Based on the current estimated scheme cost of £18.506M this means the Council need to borrow £10.161M for the bypass. This is significantly less than the maximum potential borrowing reported to Council on 28<sup>th</sup> September 2017 of £18M.

- 14.4 It is anticipated that the interest costs on the borrowing of £10.161M will be funded from increased Council Tax income and repayment of the prudential borrowing will be funded from S106 receipts, over a 7 to 10 year period
- 14.5 As set out in section 6 there are risks around the timing of the housing developments and receipt of S106. However it is expected that these can be managed as the S106 anticipated to be secured to support highways expenditure exceeds the amount needed to repay the borrowing and a loan will be taken out that will allow for variation in the profile of S106 receipts.
- 14.6 A future report will be brought in relation to the Local Road Network when the position is more certain and this will consider the impact of the timing of S106 receipts and the availability of these resources to fund the works.

## **15. RECOMMENDATIONS**

- 15.1 It is recommended the Members refer the following to Council:
- i. Seek approval to add to the capital programme £18.506M for the Western Growth Corridor and associated Grade Separated Junction.
  - ii. To note that grant funding of £8.345M is anticipated to be secured in relation to this scheme in early 2019 of which £4.172M has been confirmed.
  - iii. Seek approval to use prudential borrowing of £10.161M and to note this is below the maximum previously approved by Council on 28 September 2017 of £18M.
  - iv. Note that the annual loan repayments (excluding interest) of using prudential borrowing will be funded from S106 Developer Contributions. Under these arrangements the prudential borrowing of £10.161M will be repaid over a 7 to 10 year period.
  - v. Note that the full annual interest cost currently expected in 2021/22 until the loan is repaid, will be funded from Council Tax income generated from approximately 157 properties.
  - vi. Note that a future report will be brought in relation to the Local Road Network.
  - vii. Resolve to use CPO powers to acquire the land shown hatched on the plan at **Appendix 1** to deliver the Hartlepool Western Growth Corridor. Subject to negotiation with the land owners to resolve the matter without the need for the Council to invoke its CPO powers and receive a further report to formally invoke the CPO (including Statement of Reasons and Schedule of land to be acquired) if negotiations with the land owners are unsuccessful.

**16. REASONS FOR RECOMMENDATIONS**

- 16.1 This report has set out the need and importance of delivering the Hartlepool Western Growth Corridor in terms of the future housing and economic growth of Hartlepool. Given the importance of these infrastructure improvements it is considered necessary to have in place a final funding commitment from Council to agree the prudential borrowing to cover the cost of the scheme. Over the next 7 to 10 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.
- 16.2 The Western Growth Corridor and associated Grade Separated Junction is designed to address safety and capacity issues in relation to traffic movements through Elwick village. It will also facilitate future housing growth which in turn will provide increased Council Tax income to help maintain Council services.
- 16.3 A future report will be brought in relation to the Local Road Network when the position is more certain and this will consider the impact of the timing of S106 receipts and the availability of these resources to fund the works.

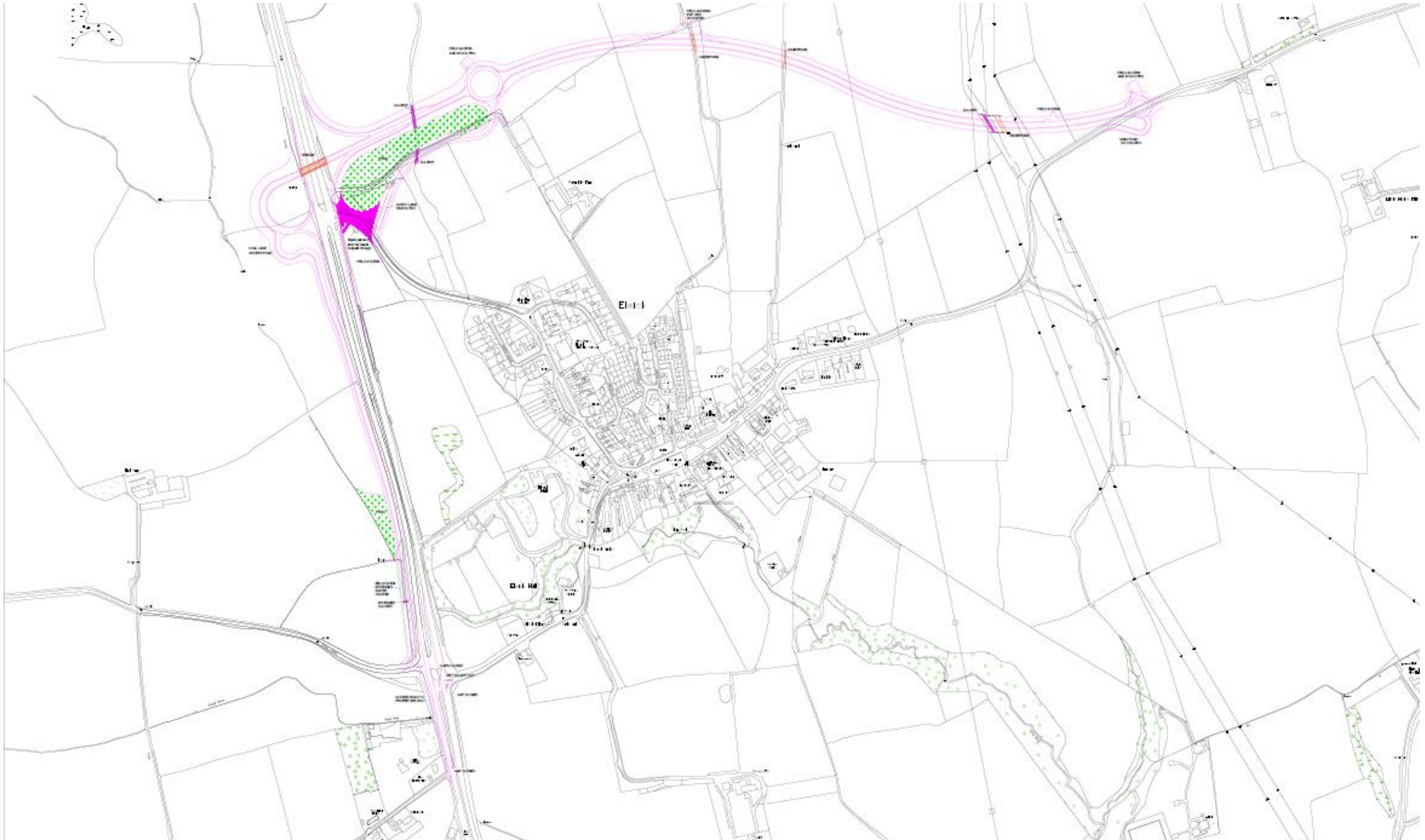
**17. BACKGROUND PAPERS**

- 17.1 Previous Finance and Policy paper RN07/17.
- 17.2 Previous Council paper- 28<sup>th</sup> September 2017.

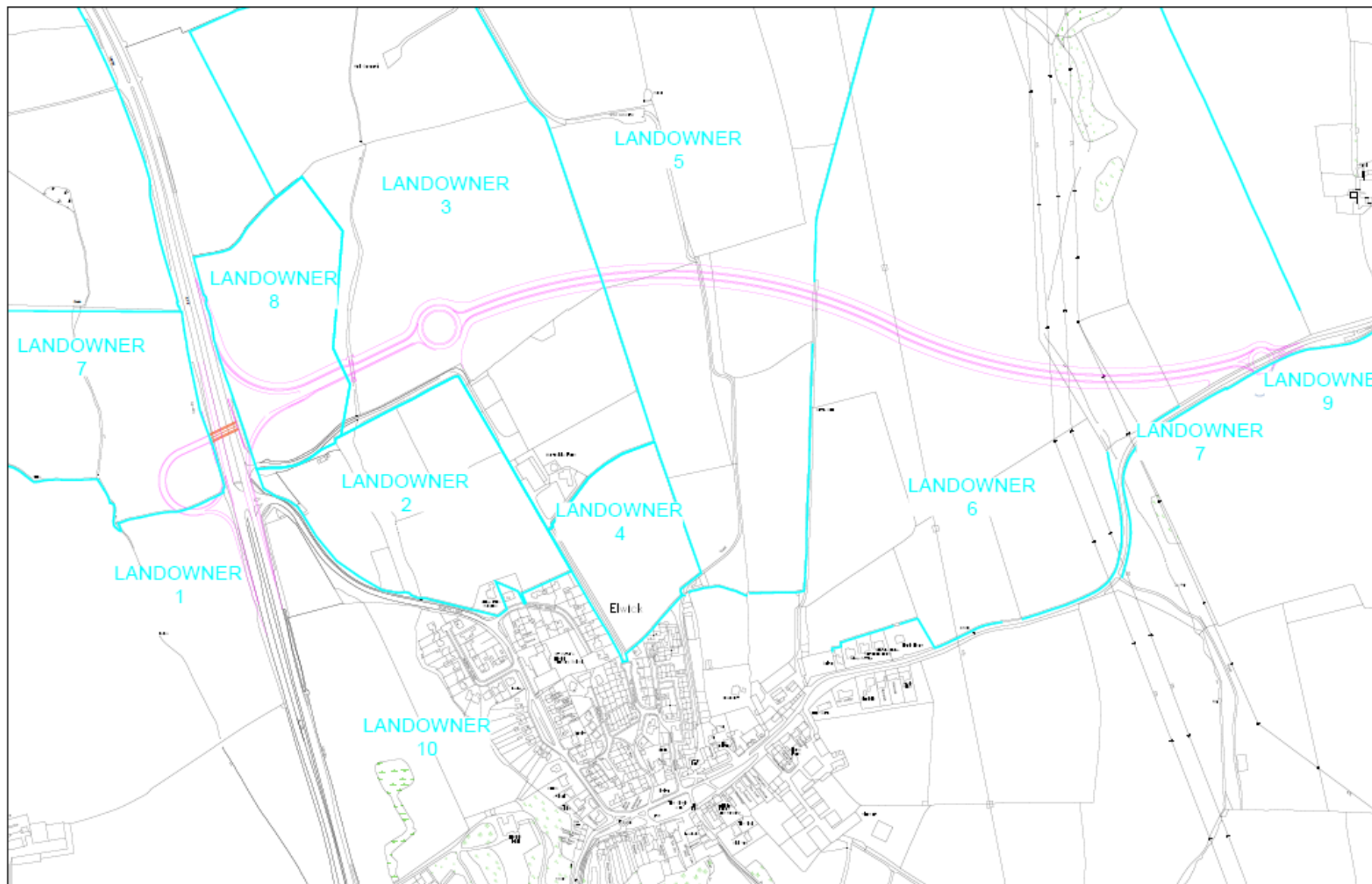
**18. CONTACT OFFICER**

- 18.1 Denise Ogden  
Director of Regeneration and Neighbourhoods  
Civic Centre  
Victoria Road  
Hartlepool  
TS24 8AY  
Email [denise.ogden@hartlepool.gov.uk](mailto:denise.ogden@hartlepool.gov.uk)  
Tel: 01429 523301

## DRAFT FINAL DESIGN OF GRADE SEPARATED JUNCTION AND ELWICK BYPASS- LAND OVERLAY



## DRAFT FINAL DESIGN OF GRADE SEPARATED JUNCTION AND ELWICK BYPASS- LAND OVERLAY





**APPENDIX 2****1. Is this decision a Budget & Policy Framework or Key Decision? YES****If YES please answer question 2 below****2. Will there be an impact of the decision requested in respect of Child and Family Poverty? NO****If YES please complete the matrix below**

<b>GROUP</b>	<b>POSITIVE IMPACT</b>	<b>NEGATIVE IMPACT</b>	<b>NO IMPACT</b>	<b>REASON &amp; EVIDENCE</b>
Young working people aged 18 - 21			X	
Those who are disabled or suffer from illness / mental illness			X	
Those with low educational attainment			X	
Those who are unemployed			X	
Those who are underemployed			X	
Children born into families in poverty			X	
Those who find difficulty in managing their finances			X	
Lone parents			X	
Those from minority ethnic backgrounds			X	
<b>Poverty is measured in different ways. Will the policy / decision have an impact on child and family poverty and in what way?</b>				
<b>Poverty Measure (examples of poverty measures appended overleaf)</b>	<b>POSITIVE IMPACT</b>	<b>NEGATIVE IMPACT</b>	<b>NO IMPACT</b>	<b>REASON &amp; EVIDENCE</b>

**APPENDIX 2**

<b>Overall impact of Policy / Decision</b>			
<b>NO IMPACT / NO CHANGE</b>		<b>ADJUST / CHANGE POLICY / SERVICE</b>	
<b>ADVERSE IMPACT BUT CONTINUE</b>		<b>STOP / REMOVE POLICY / SERVICE</b>	
<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			

# COUNCIL

20 December 2018



**Report of:** Chief Executive

**Subject:** BUSINESS REPORT

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## 1. DIRECTOR OF PUBLIC HEALTH ANNUAL REPORT 2017/18

The Director of Public Health's Annual Report for 2017/18 will have been circulated ahead of this meeting (under separate cover) and Members have been briefed on issues arising from the report. The requirement for the Director of Public Health to write an Annual Report on the health status of the town, and the Local Authority duty to publish it, is specified in the Health and Social Care Act 2012.

Starting Well in Hartlepool is the theme of the Director's fifth Annual Report. The previous four reports have focused on how public health priorities have changed over the past 40 years (2013/14 report), the importance of how work and employment influence health and wellbeing (2014/15), understanding need (2015/16) and aging well in Hartlepool (2016/17).

It is the view of the Interim Director of Public Health that the time is right to adopt a systematic approach, so over the next few years the emphasis will be on each section of the Health and Wellbeing Strategy in sequence, beginning with focusing on "starting well", drugs and alcohol and prevention.

The concluding challenges relate to austerity, prevention and empowerment respectively.

Members are requested to receive this report.

## 2. RESPONSE FROM MINISTER

Members will recall that at the meeting of Council, held on 13 September 2018, it was agreed that a response be sent thanking the Parliamentary Under Secretary of State for Children and Families for his congratulations following the recent Ofsted inspection and to highlight that the outcome of the Ofsted Inspection was not sustainable with continuously reducing resources

The response, received from the Parliamentary Under Secretary, is attached at Appendix 1.

### **3. DESIGNATION OF DIRECTOR OF PUBLIC HEALTH**

Members are advised that the Appointments Panel agreed to the appointment of Dr Pat Riordan to the post of Director of Public Health.

It is necessary for the Council to make the statutory appointment of a Director of Public Health which is an appointment required by Section 73A (1) of the National Health Service Act 2006 (inserted by section 30 of the Health and Social Care Act 2012). Council is requested, therefore, to confirm Dr Pat Riordan as Director of Public Health with effect from 4 February 2019.

### **4. SPECIAL URGENCY**

In accordance with the requirements of the Access to Information Procedure Rule 22 of the Council's Constitution, Council is informed that that no special urgency decisions were taken in the period August 2018 – October 2018.

### **5. TEES VALLEY COMBINED AUTHORITY – OVERVIEW AND SCRUTINY COMMITTEE**

I have been advised that Councillor Cook has resigned from his position as a representative of this Council on the Tees Valley Combined Authority Overview and Scrutiny Committee. In accordance with the Combined Authorities political balance, a Labour nomination is sought to replace Councillor Cook.



2018-0039867NZPO

**Nadhim Zahawi MP**

Parliamentary Under-Secretary of State for Children and Families

Sanctuary Buildings 20 Great Smith Street Westminster London SW1P 3BT  
tel: 0370 000 2288 [www.education.gov.uk/help/contactus](http://www.education.gov.uk/help/contactus)

Councillor Allan Barclay, Ceremonial Mayor  
Councillor Brenda Harrison, Chair  
Children's Services Committee  
Hartlepool Borough Council  
Civic Centre  
Hartlepool TS24 8AY

17<sup>th</sup> October 2018

Dear Allan,

Thank you for your letter of 3 October, about the work you and the council are doing to improve the care and support provided to children and young people in Hartlepool.

I appreciate the points you raise about the increased demand on services in Hartlepool and the challenging environment you and other councils in England are facing. Ofsted's recent inspection report highlights the work you have already been doing to manage and reduce the high demand and costs on services and, most importantly, the negative impact on child and family outcomes.

As part of our evidence building on understanding children's services pressures and improving outcomes, we have seen repeatedly that good leadership and practice, as evident in Hartlepool, are vital to quality services for children and young people. We also understand that there are cost implications where demands on services increase.

This department has committed approximately £270 million since 2014 to support improvement and innovation in children's social care. We now have 16 Partners in Practice providing intensive peer support, challenge and advice to local authorities with the greatest need. I am pleased that a number of councils are implementing these programmes and hope that the new 'What Works' Centre we are setting up will build evidence to help improve outcomes for vulnerable children, including a focus on reducing the number of children in care.

Across government, we are tackling the most prevalent problems that cause children to be in need in the first place. We are supporting those with alcohol-dependent parents, have passed landmark legislation for those affected by domestic abuse and provided unprecedented investment in early years, children and young people's mental health.

We have also committed £920 million to the Troubled Families Programme, which aims to achieve significant and sustained improvement for up to 400,000 families with multiple, high-cost problems, by 2020.

I am working closely with colleagues in the Ministry of Housing Communities and Local Government to ensure that we fully understand the pressures and costs of children's services as we approach Spending Review 2019. We are committed to working with our partners and as such, my officials would be happy to discuss further Hartlepool's approach to delivering children's services. Please contact [sarah.coulter@education.gov.uk](mailto:sarah.coulter@education.gov.uk) in the first instance.

Yours sincerely,

A handwritten signature in blue ink, appearing to read 'N. Zahawi', with a long horizontal flourish extending to the right.

**Nadhim Zahawi MP**  
**Parliamentary Under-Secretary of State for Children and Families**

## **Cleveland Police and Crime Panel**

A meeting of Cleveland Police and Crime Panel was held on Tuesday, 18th September, 2018.

**Present:** Cllr Norma Stephenson O.B.E (Chair), Cllr Charles Rooney (Vice-Chairman), Cllr Alec Brown, Cllr David Coupe, Cllr David Harrington, Cllr Ian Jeffrey, Councillor Chris Jones, Mr Paul McGrath, Cllr Matthew Vickers and Cllr David Wilburn.

**Officers:** Julie Butcher and Peter Bell (Stockton-on-Tees Borough Council).

**Also in attendance:** Barry Copping (Commissioner), Simon Dennis, Joanne Hodgkinson (Commissioner's Office), Chief Constable Mike Veale (Cleveland Police).

**Apologies:** Cllr Lesley Hamilton, Cllr Katie Trueman and Cllr Lewis Young.

### **PCP 19/18      Declarations of Interest**

Councillor David Harrington declared a personal non prejudicial interest in respect of agenda item 7 – Decisions of the Police and Crime Commissioner as he worked for Middlesbrough Borough Council including the Archive Service.

Councillor Norma Stephenson declared a personal non prejudicial interest in respect of agenda item 8 – Commissioners Update as her son was involved in the delivery of Injectable Opioid Treatment.

### **PCP 20/18      Minutes of the meeting held on 3 July 2018**

Consideration was given to the minutes of the meeting held on 3 July 2018.

With regard to Scrutiny Work Programme of the Panel the following Members were identified to sit on the Task and Finish Group – Overall Budget Strategy:- Councillor Charlie Rooney, Councillor David Wilburn, Paul McGrath, Councillor Alec Brown and Councillor Lesley Hamilton.

With regard to Appointment Process for Non-Political Independent Members the following Member was identified to sit on the Appointment of a Non-Political Independent Member Sub Panel:- Councillor Lesley Hamilton.

Members were presented with the following letters for information:-

A letter from the Commissioner to the Chair of the Panel on the feedback he had received with regard to his Annual Report.

A letter from the Commissioner to the Chair of the Panel with regard to cost of Neighbourhood Policing. Members noted that the HMICFRS analysis showed that in 2017/18, which was the last year available for the HMICFRS Value for Money profiles, Cleveland budgeted to spend £13.5m on Neighbourhood Policing, this was before the additional investment in this area of £1.5m by the PCC, of which £1.25m was budgeted to spend in 2017/18 to allow for the time taken to recruit into these new posts. So in total £14.75m was budgeted to be spent in 2017/18.

This equated to 11.9% of the 2017/18 budget, based on the HMICFRS' analysis of total budget available to the Force/PCC when National Policing and Central Costs are removed. This compared to the 11.6% spent by those Forces that were described as most similar to Cleveland.

The HMIC analysis from 2012/13 showed that Cleveland budgeted to spend £16.1m on Neighbourhood Policing which included a £2.948m specific grant, from the Government, to fund PCSO's within Cleveland. This grant was cut at the end of 2012/13 and was no longer available to the PCC/Force and therefore had resulted in less funding being available to be spent in this area overall.

This equated to 12.9% of the 2012/13 budget based on the HMICFRS' analysis of total budget available to the Force/PCC when National Policing and Central Costs are removed.

If the specific grant was removed from the analysis (which provided a better comparator to the 2017/18 position) then the budget for Neighbourhood Policing would have equated to 10.9% of the overall 2012/13 budget.

It was noted by Members that a briefing would take place before the next meeting of the Panel on the performance information that was presented to the Panel.

RESOLVED that:-

1. The minutes of the meeting held on 3 July 2018 be agreed.
2. The content of the letters from the Commissioner be noted.

**PCP  
21/18**

### **Anonymous Complaint Against the Chief Constable**

Consideration was given to a report that gave an update in relation to the procedure and outcome in respect of the anonymous complaint against the Chief Constable Mike Veale, when he was Chief Constable of Wiltshire.

Under normal circumstances, complaints against the Chief Constable were handled by the Office of the Police & Crime Commissioner and were not normally the subject of public reports to the Panel. In practice, in line with arrangements which were consistent across the country, most of the routine decision-making in respect of such complaints was delegated to the PCC's Chief Executive & Monitoring Officer.

In this case, in view of the circumstances, Members had a close interest in the matter and it was felt that the Panel should be fully informed and assured about the way the complaint had been handled.

The background facts of the matter were summarised within the report.



The report highlighted that the Commissioner had received clear messages day in day out at his meetings with the public, and having had the chance to witness the work of Chief Constable Veale at close hand for some months, there was no doubt in his mind that he was the right person to drive forward the process of transforming Cleveland Police so that the officers and staff could focus on their continuing programme of hard work, proudly keeping the public of Cleveland safe.

The Commissioner had informed the Chair of the Panel and the Chair of the Joint Independent Audit Committee of the way in which this case had been concluded and the Commissioner was pleased to confirm their support.

The Commissioner commended the approach taken to this case to Members including the diligent and professional handling of the complex procedures by his Office and encouraged Members to agree it was important that Members should have the opportunity to have full and detailed understanding of the case and its handling.

Attached to the report were copies of the Commissioner's public statement and the statement of Chief Constable Veale. A full statement from the IOPC was available on-line.

Members noted that as set out in the PCC's report to Members on 6 February 2018, at the time of being notified by the Wiltshire OPCC, the Commissioner's Chief Executive was satisfied that the IOPC decision had only just been made, that Mr Veale had not been served with notice of the investigation and that the IOPC did not at that time intend to make any public announcement of the investigation. Members could only take into account matters which they had asked Mr Veale about in their public confirmation hearing and Mr Veale could not have been asked about the investigation in that public session.

Chief Constable Veale gave a verbal statement with regard to the incident. The verbal statement confirmed the contents of the written statement that was contained within the papers.

RESOLVED that the report be noted.

**PCP  
22/18**

### **Members' Questions to the Police and Crime Commissioner**

A question was raised about a recent incident that had taken place at Ingleby Barwick and that the matter had been referred to IOPC. In response it was noted that as there had been previous dealings with the individuals involved, a decision had been made to refer the incident to the IOPC.

A question was raised about speeding cars through the Cleveland Force area and in particular the Stainton and Thornton Ward. In response it was noted there was a huge amount of pressure on Police resources. In the coming months Chief Constable Veale would be making recommendations to the PCC about the construct of the Force. It was hoped that there would be Community Speed Watch Areas and solution was through education and not just

enforcement.

A question was raised about Neighbourhood Policing and what was Chief Constable Veale's vision for the future. In response Chief Constable Veale outlined that he had a strong vision for Neighbourhood Policing that was geographically based. He wanted a locally known, engaging, talented, dynamic individuals working in every single force area neighbourhood who build up strong relationships with local people.

A question was raised about the number of Special Constables that the Force had enlisted. In response it was noted that the Force had doubled its number of Special Constables since the arrival of Chief Constable Veale. There were now 70 plus Special Constables but a cultural shift was needed in the Force. Chief Constable Veale wanted as many volunteers as possible as he was not optimistic about the Force being given any increase in future funding. The Force needed to be inspirational, constructive and imaginative in policing its areas.

A question was raised about whether Chief Constable Veale wanted to spend more than 11.6% on Neighbourhood Policing. In response the Chief Constable outlined that Neighbourhood Policing was far more complex than just how many PCSO's were in an area and there were many forms of crime that take place within a community.

RESOLVED that the question and answer session be noted.

**PCP  
23/18**

### **PCC's Scrutiny Programme and Performance Report**

Consideration was given to a report that gave an update on the PCC's Scrutiny Programme and presented the Performance Report of the Police and Crime Commissioner and the Police and Crime Plan.

The Commissioner's objectives were as follows:

- Investing in our Police;
- A Better Deal for Victims and Witnesses;
- Tackling Re-offending;
- Working Together to Make Cleveland Safer; and
- Securing the Future of our Communities.

The report updated Members on performance associated with the delivery of the Commissioner's objectives, the wider aspects of the Police and Crime Plan and his statutory responsibilities.

Holding the Chief Constable to account was the key duty of the Police & Crime Commissioner and must encompass all of the functions of the Chief Constable and functions of those who were under the Chief Constable's direction and control: this meant, particularly:-

- How the Chief Constable discharged his duty to have regard to the Police and Crime Plan;

- How the Chief Constable had regard to national and regional Strategic Policing Requirement (SPR);
- How the Chief Constable complied with the law generally and police codes of practice in particular;
- How the Chief Constable dealt with his functions in relation to the handling of complaints against the police;
- The effectiveness and efficiency of Cleveland Police's work in relation to collaboration and partnership;
- How effective and efficient the police arrangements were for engagement with local people;
- How well Cleveland Police achieved value for money in all that it did;
- How Cleveland Police addresses its equality and diversity duties; and
- How Cleveland Police dealt with its responsibilities, working in partners, in respect of safeguarding and promoting the welfare of children.

The scrutiny of the Force was one of the main responsibilities of the Commissioner as set out in the Police and Social Responsibility Act 2011. Delivered through the Commissioner's standards and Scrutiny Programme effective checks and balances are undertaken through a schedule of regular meetings.

Since the last Police and Crime Panel the PCC had held the following meeting:-

Scrutiny, Performance and Delivery – 20 June 2018

The minutes of the above meeting were attached to the report.

In addition, the Commissioner continued to attend the following to complement his scrutiny programme:

- Daily review of the Control Room and Serious Incident Logs;
- Weekly accountability meetings with the Chief Constable;
- Monthly crime performance monitoring;
- Attendance at the Force's Executive Meetings
- Attendance at the Force's monthly Force Performance Group; and
- Attend at least one local area meeting in each of Cleveland's neighbourhood police team areas.

A report, attached to the report was the overview of the performance information from the Police and Crime Plan.

Members discussed the Control Room Review and the 101 Service. Chief Constable Veale reported that there still a lot of work to do with regard to improve the service that was provided to members of the public who ring up and require assistance. This required a huge amount of investment in people and technology. There was a lot of work already taking place to totally reconfigure the service.

RESOLVED that the report be noted.

**PCP  
24/18**

## **Police and Crime Plan**

Members were presented with the latest draft of the 2018 – 2023 Police and Crime Plan. Consultation was taking place with partners on the Plan.

Members were invited to take the Plan away with them and forward any comments to the Governance Officer.

A final copy would be presented to the next meeting of the Panel.

RESOLVED that the draft Police and Crime Plan be noted.

**PCP  
25/18**

## **Decisions of the Police and Crime Commissioner**

Consideration was given to a report that gave an update on decisions made by the Police and Crime Commissioner (PCC) and the Forward Plan.

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

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

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

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

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

RESOLVED that the report be noted.

**PCP  
26/18**

## **Commissioner's Update**

Consideration was given to a report that gave an update in relation to key matters since the previous meeting in July including;

- Injectable Opioid Treatment
- Steria Contract
- Probation Reforms
- Defibrillators
- Emergency Services Day – Flag raising ceremony

With regard to the Injectable Opioid Treatment it was noted that on 3rd September plans were announced at a conference held in Middlesbrough for a ground breaking initiative aimed at helping long term drug dependent individuals to turn their lives around.

The pilot scheme also set to reduce the enormous cost the problem poses to local businesses and communities and to free up NHS, police and other criminal justice resources.

It would focus on those addicts who did not respond to current strategies and find themselves on a cycle of offending to feed the addiction and prison.

It had been estimated that a prolific cohort of 20 drug-dependent offenders in Middlesbrough had cost the public purse £784,000 over the last two years and that was only based on crimes that were detected.

The cost of putting them through the pioneering programme would be £12,000 per addict.

For a fraction of the cost of their offending hope could be given and a chance to turn their lives around, protect the public and local economy and free up vital NHS and police resources currently devoted to dealing with this small group.

Injectable Opioid Treatment would see a clinic established to allow substance users to self-administer under supervision three times a day in a programme that weans them off heroin. At the same time a co-ordinated agency response provided appropriate medical, housing and other assistance to finally get users off drugs, off the streets and back into society.

The trial would focus on long-term addicts for whom all other treatment had failed and who were known to be the most active criminals in the town as they looked to finance their addiction. If successful it was hoped the pilot would attract funding for similar schemes across the country.

The pilot was not to be confused with Drug Consumptions Rooms which was currently illegal in England and Wales, but operated in other countries. The major difference being that Drug Consumption Rooms allowed drug users to consume drugs they had purchased from street dealers to be consumed in a safe and sterile environment. Whilst drug consumption rooms had proven to reduce drug related deaths, there was little evidence of having any impact on crime and offending.

There was growing public support for a different approach to drugs policy and piloting Injectable Opioid Treatment. Attached to the report was a copy of the social media commentary following the Drugs Conference in Middlesbrough on 3rd September 2018.

Members welcomed the new scheme and welcomed the fact that the scheme would be focussing on long term users.

With regard to the Steria contract it was noted that Sopra Steria provided

Cleveland Police with a range of services including HR, Business Support, Finance, Estates, Learning and Development, Control Room and ICT. Staff in those services were employed by Sopra Steria under the terms of an outsourced contract, which commenced in 2010 and had a contract end date of 2020. Under the terms of the contract, the arrangement could be extended. It was noted that the contract would not be extended. The Chief Constable and the PCC would be looking at the future options.

With regard to the probation reforms the Commissioner and Police, Crime and Victims' Commissioner for Durham, Ron Hogg, had released a statement in response to the announcement made recently by the Ministry of Justice (MOJ) regarding Community Rehabilitation Companies (CRC) contracts. The statement was included within the report.

If the government were determined to press ahead with the inefficient model five conditions were recommended and these were detailed within the report.

Both PCCs would continue to lobby at a local and national level for changes to the current model and a more effective wholesale reform of rehabilitation services for offenders across Cleveland, County Durham and Darlington.

In response to the MoJ consultation, a joint response would be put forward to ensure the communities were better served by Transforming Rehabilitation.

With regard to defibrillators it was noted that at the Police and Crime Panel meeting in July the Chair brought to Members' attention that there had been an issue with a defibrillator in Stockton. The PCC agreed to take up the issue and progress with the Force and other partners.

A list of defibrillators across the Police estate was detailed within the report.

It was noted that all police officers and PCSO's were first aid trained, and had the ability to carry out CPR in the first instance.

Defibrillators had been covered as part of the Police and Crime Commissioner's Scrutiny, Delivery and Performance meeting on 12 September 2018. At that meeting one of the new defibrillators was produced for inspection by the Commissioner, the same item was made available to Members of the Panel to examine.

A full list of defibrillators was included on the Police and Crime Commissioner's website.

Members noted that representatives from Cleveland's blue light services gathered on Thursday 6th September at the new Community Safety Hub to mark Emergency Services Day.

Invited by the Commissioner, Leaders from Cleveland Police, Cleveland Fire Brigade, North East Ambulance Service, HM Coastguard and Cleveland Mountain Rescue, local authority representatives and MPs were involved in a flag-raising ceremony.

Each organisation had the chance to say a few words about why they were proud of their service, before the Emergency Services flag was raised.

The first ever national Emergency Services Day took place at 9am on Sunday 9th September 2018 (9th hour of the 9th day of the 9th month) at Heaton, Park in Manchester.

When the Police and Crime Commissioner heard about a dedicated day to celebrate the work of the emergency services, he wanted to create an opportunity to bring them together at Cleveland Community Safety Hub – a centre designed for multi-agency and partnership working and pay tribute to the collective hard work that goes on every day to keep Cleveland safe.

RESOLVED that the report be noted.

**PCP  
27/18**      **Programme of Engagement for Police and Crime Commissioner**

Consideration was given to a report that provided a brief update in relation to meetings attended by the PCC from July 2018 to September 2018.

Future meetings of the PCC were also summarised.

The PCC's consultation and engagement activities focused on increasing understanding of the communities of Cleveland, ensuring clear and consistent communication with the public and ensuring effective consultation and community engagement.

The PCC attended a number of meetings on a regular basis with key partners, stakeholders and residents from across the Cleveland area.

In addition to this the PCC had attended many regional and national meetings representing Cleveland.

Future meetings included:

- Rural Crime Week – 10th to 16th September 2018
- Police and Crime Plan Partners Consultation – 13th September 2018
- Dementia Friendly Redcar and Cleveland event – 19th September 2018

RESOLVED that the report be noted.

**PCP  
28/18**      **Forward Plan**

Members were presented with the Forward Plan for the Panel.

The Chair updated Members with regard to a meeting of the Complaints Sub Committee. It was noted that the complaint had been resolved and the Commissioner would be notified in writing of the outcome.

RESOLVED that the Forward Plan for the Panel be noted.

**PCP  
29/18**

**Public Questions**

Members were informed that there were no Public Questions.