

FINANCE AND POLICY COMMITTEE

MINUTES AND DECISION RECORD

14 FEBRUARY 2022

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

Present:

Councillor Shane Moore (In the Chair)

Councillors: Paddy Brown, Tim Fleming, Brenda Harrison, Jim Lindridge, Sue Little, David Nicholson, Amy Prince, Cameron Stokell and Mike Young.

Also Present: Councillor Pamela Hargreaves as substitute for Councillor Jonatan Brash in accordance with Council Procedure Rule 4.2.
Councillors Rachel Creevy and Tom Feeney.

Officers: Denise McGuckin, Managing Director
Hayley Martin, Chief Solicitor
Chris Little, Director of Resources and Development
James Magog, Assistant Director, Finance
Sally Robinson, Director of Children's and Joint Commissioning Services
Craig Blundred, Director of Public Health
Jill Harrison, Director of Adult and Community Based Services
Tony Hanson, Director of Neighbourhoods and Regulatory Services
Steve Hilton, Communications and Marketing Team
David Cosgrove, Democratic Services Team

69. Apologies for Absence

Councillor Jonathan Brash.

70. Declarations of Interest

None.

71. Minutes of the meeting held on 21 December 2021

Confirmed.

A Member referred to Minute 61 "Brenda Road Housing Scheme – Proposed Acquisition by Housing Revenue Account of 84 Housing Units" and asked if the Director of Resources and Development if there was an update on the number of 3 bedroom houses the Authority was proposing to

acquire. The Director stated that an update on the development was included in the HRA Business Plan Update later on the agenda.

A Member highlighted that Minute 68 “Medium Term Financial Strategy 2022/23 to 2024/25” recorded the decisions as agreed by the Committee but that the vote was not unanimous with Labour Members having voted against, though the Chair noted that no alternatives were proposed.

72. Minutes of the meeting of the Safer Hartlepool Partnership held on 13 September 2021

Received.

73. Medium Term Financial Strategy (MTFS) 2022/23 to 2024/25 – Terms and Conditions of Employment Saving *(Director of Resources and Development)*

Type of decision

Budget and Policy Framework.

Purpose of report

The purpose of the report was to provide an update on the proposed changes to employee terms and conditions of employment and to outline next steps.

Issue(s) for consideration

The Director of Resources and Development reported that Council on 16th December 2021 approved the savings proposals for 2022/23 which included the proposal to amend collectively agreed terms and conditions of employment in relation to:

- (i) The removal of time and a half premium rates for contractual hours worked at a weekend and;
- (ii) The reduction of pay protection from 3 years to 1 year.

The estimated saving for this proposal is £395,000. Detailed negotiations have been held with the Trade Unions and a final offer consisting of two elements was made and subject to ballot:

- A reduction in the protected period from three years to one year;
- A buyout payment for a ‘Yes’ vote for those employees directly affected by the reduction in premium rates using a tiered approach.

The Trade Union ballot was a joint consultative ballot between UNISON, GMB and UNITE who are the recognised Trade Unions. Each member of these three unions who are employed by Hartlepool Borough Council and

are affected by the proposal have been given an opportunity to vote 'Yes' to accept the changes or 'No' to not accept the changes. The ballot commenced on Friday 14th January 2022 and closed on Friday 4th February 2022 (noon).

The Director reported at the meeting that the result of the ballot was 41% for and 59% against.

As there was a majority 'No' vote the Director indicated that the Finance and Policy Committee would need to make a decision on the next steps. The options were:

- (i) Take no further action in relation to these proposals. In which case the Finance and Policy Committee would need to instruct the Managing Director to identify alternative savings proposals to replace this saving and as a result, there was likely to be further cuts to services with compulsory redundancies.
- (ii) Implement the new Terms and Conditions as planned as soon as practicable.

In relation to option 2 the Director stated that this could not be implemented from 1 April as originally intended but would likely take around 6 months to implement.

The Chair stated that he was extremely disappointed with the results of the Union ballot. Ultimately, there was a decision of this Committee and Council that the savings should be implemented and it was his view that officers should proceed on that basis but utilise the time period outlined by the Director to undertake further discussions with the Trade Unions. Some Members expressed concern that there was no third option to continue negotiation with the Trade Unions and staff to reach an agreement, or compromise, which could lead to the savings being achieved.

Members questioned the number of staff that would be directly affected by the proposal in relation to weekend working. The Director commented that it was around 160-170 staff across a number of departments including staff in leisure and care settings. Members expressed concerns at the proposed reduction in payments to staff in the current economic situation.

There was significant debate on the proposals put forward in the report. The Chair thanked Members for their input to the consideration of the issue.

An amendment was put forward by some Members of the Committee, effectively an 'Option 3', requesting that officers undertake further negotiations with the trade unions with a view to seeking agreement to the savings proposals set out including the proposed buy-out payments.

The amendment was put to a recorded vote.

Those in favour: Councillors Hargreaves, Harrison, and Prince.

Those against: Councillors Brown, Fleming, Lindridge, Little, Moore, D. Nicholson, Stokell and Young.

Those abstaining: none.

The amendment was, therefore, lost.

Members requested that details of the further discussions and any agreements with the Trade Unions be reported to the Committee before any implementation was progressed. The Managing Director undertook to report back to the Committee on those negotiations. The Chair confirmed the buy-out proposals would also remain on the table. The Managing Director also confirmed for Members that any decision today would be reported to full Council on 24 February.

The substantive motion was put to a recorded vote: That officers be instructed to move to the implementation of the terms and conditions savings as agreed by Council as part of the Medium Term Financial Strategy (MTFS) 2022/23 to 2024/25 with the work to implement the savings being undertaken over the next six months and that during that period officers also be instructed to continue discussions with the Trade Unions with the aim of seeking agreement to their implementation, though if this was not achieved the savings proposals would be implemented as soon as practicable.

Those in favour: Councillors Brown, Fleming, Lindridge, Moore, D. Nicholson, Stokell and Young.

Those against: Councillors Hargreaves, Harrison, Little and Prince.

Those abstaining: none.

The vote was, therefore, carried.

Decision

1. That the report and the results of the Trade Union ballot be noted.
2. That officers be instructed to move to the implementation of the terms and conditions savings as agreed by Council as part of the Medium Term Financial Strategy (MTFS) 2022/23 to 2024/25 with the work to implement the savings being undertaken over the next six months and that during that period officers also be instructed to continue discussions with the Trade Unions with the aim of seeking agreement to their implementation, though if this was not achieved the savings proposals would be implemented as soon as practicable.

74. Medium Term Financial Strategy (MTFS) 2022/23 to 2024/25 *(Director of Resources and Development)*

Type of decision

Budget and Policy Framework.

Purpose of report

The purpose of the report was to:

- (i) provide details of the provisional 2022/23 Local Government Finance settlement announcement and to advise Members of the arrangements to finalise the 2022/23 technical budget calculations to be referred to Council on 24th February 2022; and
- (ii) to detail capital budget proposals to be referred to Council.

Issue(s) for consideration

The Director of Resources and Development reported that in accordance with the Constitution the Finance and Policy Committee is required to develop MTFS proposals for the forthcoming year for consideration by Council. The following detailed proposals had previously been considered and approved:

- Council 30th September 2021 - approved a 1.9% core Council Tax increase (below the 2% recently confirmed national Referendum Limit), plus the 3% deferred Adult Social Care precept (the precept could either have been implemented in 2021/22 or deferred to 2022/23);
The decision secured recurring income of £2.113m - which if not achieved would have had to be addressed by making additional service cuts to this value.
- Council 16th December 2021 - approved savings proposals for 2022/23.

The Director reported that in line with the procedures adopted in previous years this final technical report deals with process for the statutory Budget and Council Tax calculations arising from the decisions previously made by Council. The proposals in this report will be referred to Council on 24th February 2022.

The provisional Local Government Finance Settlement was issued late on 16th December 2022 (the final working day of Parliament before the Christmas recess) and key details of the settlement were highlighted by the Director. These included the 2022/23 Services Grant, a new grant providing additional national funding for Councils. At a national level Government figures show the settlement is the best for many years and provided a national increase in Spending Power. However, 40% of this increase assumes authorities would increase Council Tax. For Hartlepool Government Spending Power figures assumes 36% of the increase will be

funded from Council Tax, which reflects the favourable impact of ASC precept equalisation grant.

The Director reported that the formula used to distribute the 2022/23 funding was beneficial to Hartlepool and exceeded the minimum requirement by £1.481m (£1.484m in the final settlement issued on 7 February 2022). In line with the strategy approved by Council on 16 December 2021 this additional grant enabled the use of reserves in 2022/23 to be reduced. More importantly this strategy reduced the budget deficit deferred from 2022/23 to 2023/24. On the assumption that the 2022/23 funding continued in future years the total deficit for 2023/24 and 2024/25 also reduced by £1.481m from £4.454m to £2.973m. It was still recommended that reserves were used to phase the reduced 2023/24 and 2024/25 deficit over these two years.

In view of the increase in Government Funding the Chair of the Committee had proposed that Members support the following changes to the 2022/23 savings:

Local Welfare Support - £86,000

Members approved this saving which involves remodelling the support provided and the retention of a budget of £120,000, which would reflect the recurring funding the Council receives within the Revenue Support Grant. The proposal was to defer this saving to enable the Council to specifically increase the funding available during 2022/23 for gas / electric top ups whilst inflation remained high.

School Crossing Patrols - £32,000

This saving reflected a review of the 28 sites currently operated, which determined 9 sites could be removed. This was a difficult exercise as every site had merit in providing road safety, however, difficult decisions needed to be made to balance the overall budget. The proposal was considered by both Children's Services Committee and Neighbourhood Services Committee and supported by Members – albeit reluctantly. It was proposed that this saving is removed completely.

It is also proposed that officers were asked to determine if on an “invest to save basis” either pelican or zebra crossings, with 20 mph zones, can be installed. This proposal would provide improved road safety at all times – not just when crossing patrol officers were on duty.

The Chair commented that it was a welcome surprise that the Authority had received a better funding settlement than expected and hoped that Members would support the proposals he had requested be set out in the report relating to school crossing patrols and local welfare support.

While welcoming the proposals to permanently reverse the proposed saving on to school crossing patrols and defer the saving on local welfare support as set out in the report, some Members considered that all the additional money should be directed towards local welfare support over the next twelve months. It was proposed that funding for the reinstatement of the crossing patrols could instead be found by cutting all Special Responsibility Allowances (SRAs) paid to Chairs and Vice Chairs, other than the Leader, by 50%; equalling the required funding of £32,000. The Chair noted that those proposing the alternative wouldn't be affected by it.

A Member requested that the Leader write to government suggesting that the UK Government follow the lead of other European governments in capping the profits that energy supply companies in the UK could make.

There was considerable debate on the proposal to reduce Special Responsibility Allowance (SRAs) to meet the proposed savings in school crossing patrols with some disagreement on the recording of the previous decisions on savings at this and other Policy Committees. There was concern expressed that the local welfare scheme did not always work with some people becoming reliant on it too often rather than it being an infrequent, last resort support mechanism.

A member of the public commented that it had been disappointing to see some of the social media around the school crossing patrol savings being politicised and the lack of a cohesive Council working for the best interests of the town. The member of the public also expressed concern at the suggestion to cut SRAs and the quality of candidates that could be attracted to serve as councillors.

The Committee moved to recorded votes on the proposal and amendments put forward.

On the proposed amendment to remove the £32,000 allocated to maintain school crossing patrols as set out in the report, instead using it to increase Local Welfare Support further; then cut Elected Members SRAs, other than for the Leader of the Council, by 50% to generate funding of £32,000 to maintain the nine school crossing patrols that had previously been proposed for removal.

Those in favour: Councillors Hargreaves, Harrison, and Prince.

Those against: Councillors Brown, Fleming, Lindridge, Little, Moore, D. Nicholson and Stokell.

Those abstaining: none.

The vote was, therefore, lost.

The Chair moved to the recommendations as set out in the report. In relation to recommendations set out below there was no dissent to

recommendations 3 (i), 3 (ii), 5 and 6. Those Members that had voted for the amendment to fund the school crossing patrols from a reduction in SRAs stated they showed ‘no dissent’ to recommendation 3 (ii) only due to the failure of the amendment proposed.

Decision

1. The Committee noted that, as hoped when the MTFS report was considered on 13th December 2021, the provisional 2022/23 Local Government Finance settlement exceeds the minimum forecast requirement by £1.481m;
2. The Committee noted that in accordance with the recommendation approved by this Committee (13 December 2021) and Council (16 December 2021) the additional funding of £1.481m would reduce the use of the Budget Support Fund in 2022/23, which reduced the deficit deferred from 2022/23 to 2023/24; and reduced the total 2022/23 and 2024/25 forecast deficit from £4.4m to £2.9m – thereby providing a more robust and sustainable MTFS;
3. That Council be recommended to approve the following amendments to the approved 2022/23 savings, which would need to be funded by increasing use of the Budget Support Fund:
 - (i) Defer the Local Welfare Support saving - £86,000
 - (ii) Remove the School Crossing Patrols saving - £32,000 and note that officers be requested to determine if on an “invest to save basis” either pelican or zebra crossings, with 20 mph zones, can be installed and report details of the business case to a future meeting of Finance and Policy Committee.
4. The Committee noted that the detailed 2022/23 statutory Council Tax calculations, incorporating the Council Tax levels set by individual precepting authorities i.e. the Police and Crime Commissioner, Cleveland Fire Authority and individual parish councils, would be referred to Council on 24th February 2022.
5. That Council be recommended to approve the capital schemes and Prudential borrowing requirements as set out in Appendix B to the report, and which includes the proposals detailed in paragraph 5.6 and 5.7 of the report;
6. In line with the policy adopted in previous years, Council approval be sought to delegate authority to the relevant Policy Committee to determine, in compliance with the relevant grant conditions, the allocation of the actual capital grants once these were known.

Councillor Young left the meeting during the consideration of the previous item and before the recorded votes were taken.

75. HRA Business Plan Update *(Director of Resources and Development)*

Type of decision

Key Decision test (i) and (ii) Forward Plan Reference CE 77 / 21.

Purpose of report

The purpose of the report was to provide an updated HRA Business Plan and enable Members to determine the 2022/23 rent level to be recommended to Council.

Issue(s) for consideration

The Director of Resources and Development highlighted to the Committee that the HRA is a separate ring fenced account and all costs have to be met from rental income. There can be no cross subsidy between the HRA and General Fund Revenue Budget, and vice versa. The HRA is subject to specific Government regulations.

Current Government rent policy covered five financial years (2020/21 to 2024/25) and allowed for annual rent increase to maximum of 1% plus CPI inflation, as at September each year. This regime was designed to provide a sustainable financial base for HRAs, to support capital investment in further developments and to protect tenants from excessive increases.

The Council currently owned and managed 305 properties (an increase of 10 properties since the last business plan review). The Council had an ambitious investment strategy and approved schemes would increase the housing stock by 29% to 394 properties. The successful delivery of years 2 to 4 of the Brenda Road Housing scheme approved by Finance and Policy Committee on 13th December would add a further 66 properties to the HRA. This would increase the total stock by 50% to 460 properties. Details of the types of house currently in the stock and the proposed additions were set out in the report for Members information.

Previous benchmarking of HRA Reserves showed that the average level held by 26 councils was 39% of rent income. The HRA reserve at 1st April 2021 was £495,000, which is 37% of current rental income. Maintaining the reserve at this broad percentage remains appropriate as it provided financial resilience to withstand future potential shocks. This was particularly the case with the current level of uncertainty in the economy, the significant planned expansion of the HRA stock and potential Right to Buy impacts going forward.

In terms of the proposed rent increase for 2022/23, the Director reminded Members that the Council had frozen rents over the past two financial years. The current Government funding regime for the HRA sets a 2022/23 rent increase limit of 4.1%, which is the September 2021 CPI inflation rate

of 3.1%, plus 1%. Based on an assessment of the HRA this was the recommended increase for 2022/23. As highlighted in the report this recommendation provided a marginal forecast surplus for the year of £14,000. In the current financial climate this provided a small contingency to manage the impact of inflation risks facing the HRA. For Members information, the Director had included in the report details of how the HRA would be effected by a further rent freeze or a lower rent increase of 2%.

The Director through his robustness advice set out in the report stressed his strong recommendation to the Committee and Council that the rent increase of 4.1% should be implemented to protect the future of the HRA.

The Director stated that it was recognised that the recommended 2022/23 rent increase would impact on households at a time of increasing inflation and other costs. Rents had been frozen in the previous two years and this has reduced recurring income by £59,000 (£37,000 in 2020/21 plus £22,000 in 2021/22). For tenants this meant the average rent for 2021/22 was £3.71 per week less than if rents had not been frozen in the previous two years. This is a permanent benefit for tenants, although a permanent reduction in HRA income.

The Director indicated that of North East councils operating HRA's has increased rents in the previous two years and for 2022/23 three have approved an increase of 4.1% and two have proposed an increase of 4.1%, subject final approval.

The Chair commented that this had been an issue of much debate prior to the report being submitted to Committee. The Chair stated that he was committed to the provision of good quality homes for the people of Hartlepool, particularly when there were too many sub-standard homes in the private rented sector. Rent increases would never be popular but the ability to maintain the HRA and grow it as Members had already agreed was the key objective. The rent increase would assure the robustness of the HRA and its ability to deliver that growth.

There were, however, Members of the Committee that were reluctant to increase rents as this would be another pressure on families. Members noted that the reports Child and Family Poverty Impact Assessment acknowledged the pressure the rent increase could place on some families. The Chair acknowledged Members concern but reiterated his strong desire to provide high quality homes at a lower cost than other social landlords and the private rented sector and while unpalatable this would assist the Council in delivering that.

A Member questioned the potential of another rent freeze and the impact of that on the HRA. The Director of Resources and Development highlighted the recurring rent loss detailed in the report and the reduction in HRA reserves and stated that such a decision would damage the business case for the growth of the HRA and in the longer term could simple make the HRA unviable.

Members discussed at some length the proposed rent increase, the impact that would have on families, alternative rent increases and the future growth of the HRA.

The Chair referred to the recommendations set out in the report and the robustness advice of the Director of Resources and Development. The Committee noted recommendation 1 and there was no dissent to recommendation 3. In relation to recommendation 2, a recorded vote was undertaken.

Those in favour: Councillors Brown, Lindridge, Little, Moore, D. Nicholson and Stokell.

Those against: Councillors Hargreaves, Harrison, and Prince.

Those abstaining: none.

The vote was, therefore, carried.

Decision

1. That the report be noted;
2. That the recommended rent increase for 2022/23 of 4.1% be supported, which reflected the robustness advice detailed in the report, and that this proposal be referred to Council on 24 February;
3. That the proposed capital budget set out in the Confidential Appendix to the report be approved. The appendix contained exempt information under Schedule 12A Local Government Act 1972 (as amended by the Local Government (Access to Information) (Variation) Order 2006) namely, (paragraph 3) information relating to the financial or business affairs of any particular person (including the authority holding that information) and refer this proposal to Council. The Committee noted that once each phase was approved details of the agreed budgets would be reported to Finance and Policy Committee as part of the publically available information.

Councillor Fleming left the meeting during the consideration of the above item and before the recorded vote was taken.

76. Public Health Review (*Director of Children's and Joint Commissioning Services*)

Type of decision

For information only.

Purpose of report

To update the committee on the ongoing work to review the specialist Public Health work provided by the Public Health Team and funded through the Public Health Grant.

Issue(s) for consideration

The Director of Public Health reported that it was anticipated that the COVID-19 pandemic will require a decreasing proportion of the focus as we move into a new financial year (2022-23) and it was important that there was a clear direction of travel for the next five years.

The Director indicated that there were several reasons for carrying out the review:

- The national and local policy context has changed since the start of the pandemic and the impacts of these changes needs to be assessed;
- COVID-19 has had negative effects such as increasing waiting times for services, and a negative impact on mental health and resource allocation may need to be adjusted accordingly;
- There have been significant staff changes across the public health team in recent years; and
- There are challenges in recruitment to public health posts across the UK.

The pandemic had also generated some positive opportunities and accelerated new ways of working, which had opened up new opportunities that needed to be taken advantage of. The aim of the programme of work is therefore to review current Public Health services and the structure of the team within Hartlepool Borough Council and make recommendations leading to the development of a strategy for Public Health. The objectives of the initial phase of the review, a stocktake of the existing work programme, was set out in the report.

Decision

That the report be noted.

77. Any Other Items which the Chairman Considers are Urgent

A Member of the public questioned how the Government's recently announced rebate on Council Tax to help people meet the rises in energy costs was going to be implemented and how any shortfall in Council Tax revenues were expected to be made up. The Director of Resources and development stated that all Councils were still awaiting the Government's detailed guidance on how this would be done. It was expected that Council's would be making a direct payment to households, in a similar fashion to the support directed towards businesses during the Covid-19 Pandemic. The problem that would face the Council was that around 20%

of all Hartlepool households made their payments direct and we did not hold their bank details in order to expedite the payments.

In response to further questions from Members the Director stated that the Council would expect to be fully reimbursed for the payments and it was likely that, as with other payment schemes during the pandemic, an element of administration costs would be added. The Managing Director stressed that this was, however, yet another call on a small number of staff who had been working above and beyond to facilitate all the various funding and payment schemes the Government had required the authority to deliver, often with little notice during the pandemic; these staff were exhausted.

The meeting concluded at 12.15 pm.

H MARTIN

CHIEF SOLICITOR

PUBLICATION DATE: 28 FEBRUARY 2022