

# FINANCE AND POLICY COMMITTEE

## AGENDA



**Monday 20 June 2022**

**at 10.00 am**

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

Those wishing to attend the meeting should phone (01429) 523568 or (01429) 523019 by midday on Friday 17 June 2022 and name and address details will be taken.

You should not attend the meeting if you are displaying any COVID-19 symptoms (such as a high temperature, new and persistent cough, or a loss of/change in sense of taste or smell), even if these symptoms are mild. If you, or anyone you live with, have one or more of these symptoms you should follow the [NHS guidance on testing](#).

MEMBERS: FINANCE AND POLICY COMMITTEE

Councillors Brash, Buchan, Cassidy, Harrison, Lindridge, Little, Martin-Wells, Moore, Morley, Prince and Young

1. **APOLOGIES FOR ABSENCE**
2. **TO RECEIVE ANY DECLARATIONS OF INTEREST BY MEMBERS**
3. **MINUTES**
  - 3.1 To receive the minutes of the meeting of the Finance and Policy Committee held on 25 April 2022.
4. **PRESENTATION**
  - 4.1 The Role and Remit of the Finance and Policy Committee – *Managing Director*
5. **BUDGET AND POLICY FRAMEWORK ITEMS**
  - 5.1 Medium Term Financial Strategy (MTFS) 2023/24 TO 2024/25 – *Director of Resources and Development*

#### CIVIC CENTRE EVACUATION AND ASSEMBLY PROCEDURE

In the event of a fire alarm or a bomb alarm, please leave by the nearest emergency exit as directed by Council Officers. A Fire Alarm is a continuous ringing. A Bomb Alarm is a continuous tone. The Assembly Point for everyone is Victory Square by the Cenotaph. If the meeting has to be evacuated, please proceed to the Assembly Point so that you can be safely accounted for.

## **6. KEY DECISIONS**

- 6.1 Local Welfare Support Scheme 2022/23– *Director Children's and Joint Commissioning Services*
- 6.2 Updated Discretionary Housing Payment Framework – *Director Children's and Joint Commissioning Services.*

## **7. OTHER ITEMS REQUIRING DECISION**

- 7.1 Defibrillator Policy – *Director Children's and Joint Commissioning Services*
- 7.2 Town Deal Business Cases – Wesley Chapel Redevelopment and Waterfront Connectivity – *Director of Resources and Development*

## **8. ITEMS FOR INFORMATION**

- 8.1 Corporate Peer Challenge – *Managing Director*
- 8.2 Medium Term Financial Strategy (MTFS) 2022/23 to 2024/25 – Terms and Conditions of Employment Saving

## **9. ANY OTHER BUSINESS WHICH THE CHAIR CONSIDERS URGENT**

For Information:

Date of Next Meeting - Tuesday 26 July at 1000 am in the Civic Centre, Hartlepool



# **FINANCE AND POLICY COMMITTEE**

## **MINUTES AND DECISION RECORD**

25 APRIL 2022

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

**Present:**

Councillor Shane Moore (In the Chair)

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

Also Present: Councillor Creevy as substitute for Councillor Brash in accordance with Council Procedure Rule 4.2.  
Councillor Falconer as substitute for Councillor Stokell in accordance with Council Procedure Rule 4.2.

Officers: Denise McGuckin, Managing Director  
Hayley Martin, Chief Solicitor  
Chris Little, Director of Resources and Development  
Paul Taylor, Strategic Development and Sustainability Manager  
Sally Robinson, Director of Children's and Joint Commissioning Services  
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

### **98. Apologies for Absence**

Councillors Jonathan Brash, Tim Fleming and Cameron Stokell.

### **99. Declarations of Interest**

None.

### **100. Minutes of the meeting held on 14 March 2022**

Received.

### **101. Minutes of the meeting of the Safer Hartlepool Partnership held on 6 December 2021**

Received.

## **102. Minutes of the meeting of the Health and Wellbeing Board held on 29 November 2021**

Received.

## **103. Household Support Fund** *(Director, Children and Joint Commissioning Services and Director of Resources and Development)*

### **Type of decision**

Key Decision (test (i)/(ii) apply) General Exception Notice applied.

### **Purpose of report**

To present to Finance and Policy Committee details of the Government's Household Support Fund and outline proposals to commit this funding to support those in greatest need of assistance.

### **Issue(s) for consideration**

The Director of Children and Joint Commissioning Services reported that the Government had announced on 23 March in the Spring Statement that the Household Support Fund would be extended from 1 April 2022 to 30 September 2022. Hartlepool has been allocated the same level of funding as for the previous period, £993,021.25.

It was highlighted by the Director, however, that there were some changes made to how the fund should be administered. In the new conditions set by government, at least one third of the total funding must be spent on families with children and at least one third must be spent on pensioners, the latter being new for this funding scheme. The remainder of the funding (up to one third) is available for other vulnerable households (without children or pensioners including individuals).

The Government's expectation was that the grant should be used in a similar fashion to the original funding but with a greater emphasis on supporting households with energy bills, though food and water bills also remained a priority.

Officers had explored the available options to maximise the impact of this grant to support vulnerable households in Hartlepool. Following the successful delivery of the 21/22 HSF, it was proposed that a similar model is implemented for the current scheme, adapted to meet the new grant determination conditions. Details of the allocations were set out in the report with an explanation of the rationale behind each. The Council's voluntary and community sector partners who supported the delivery of the previous scheme report that they reached many people in need through participating in the scheme and distributing financial assistance as well as



collaborating with each other to maximise support and reach. They were, therefore, happy to continue to work with the Council in delivering the April to September HSF scheme. It was highlighted that the administration of such a large grant posed significant challenges to the capacity and workload of the local authority.

The Chair commented that he had previously enquired about the clawback arrangements on the pre-paid supermarket cards which had been possible. The Chair questioned what comments parents had made on the pre-paid cards scheme. The Director stated that parents had generally been very positive about the pre-paid cards. The previous scheme involving vouchers that had to be scanned at the till had caused some issue and some had commented on the stigma it also raised; the cards avoided that.

The Director stated that instead of the ability to clawback unused spend on the cards issued under the new scheme, an overall reduction in the price of the cards of 3% had been negotiated with the two supermarkets; Morrison's and Tesco. In response to Members question, the Director stated that only these two supermarkets had supported the bulk purchase of pre-paid cards.

Members also raised questions around the sustainability of The Bread and Butter Thing. The Director of Adult and Community Based Services stated that the initiative was self-sustaining having received funding from the Council for the initial twelve month period, as had been intended. There were also questions around the administration element of the funding which was indicated at 5%, which officers stated compared well against other authorities.

Members questioned the split of £70 payment to pensioners and £60 to support children through the school holidays. The Director of Resources and Development stated that the government had directed the level of spend on pensioners to one third of the overall funding. If this had been limited to pensioners in receipt of Local Council Tax Support in Band A and Band B properties, the payment would have been £76. Enabling all pensioners in receipt of LCTS to receive a payment only reduced that to £70, which was the recommended level. . In relation to the funding for children, the Director stated the £60 payment was per child so families would receive a payment for each child eligible for free school meals. There were also some additional pre-paid cards that would be issued to schools to allocate on a discretionary basis to support those families that schools knew may experience hardship during the long school holiday.

There was no dissent to the following decision.

### **Decision**

That the proposals outlined in the report be approved and that officers be authorised to implement the scheme as outlined.

## **104. Option to Lease Land at Hartmoor for Energy Storage** *(Director of Resources and Development)*

### **Type of decision**

Key Decision (test (i) or (ii)) Forward Plan Reference No CE78/22.

### **Purpose of report**

To seek Committee's approval to granting an Option to Lease an area of land at Hartmoor.

### **Issue(s) for consideration**

The Director of Resources and Development reported that the Council had been approached over the course of the last few months by a number of Companies with offers to secure an option to lease an area of Council land of varying sizes depending on the particular operator, in the location of Hartmoor near Hart Village. The land presently formed part of an area let on a Farm Business Tenancy due to expire in March 2023.

The reason for the interest is that the National Grid (NG) has identified the Hartmoor Sub-Station, a 275kv electrical supply point located to the south of the Councils land, as a suitable location for a new project under their Stability Pathfinder 3 Project. The project involves NG appointing a partner to help address stability issues on the electricity system and support the transition to renewable energy, and ultimately a zero-carbon network. The solutions being put forward by the Companies who have made offers for the Councils land are for either a Synchronous Condenser (an alternative system for electricity storage) or a Battery Storage facility or a combination of both depending upon NG's preference.

Details of the offers received from the various parties are set out and evaluated in the confidential appendix to the report. 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, (para 3), information relating to the financial or business affairs of any particular person (including the authority holding that information).

Members welcomed the scheme while noting that the proposal would still require planning approval. The Chair welcomed the proposal as a scheme that could generate additional long term income for the Council. The Chair thanked the Estates Team for their work in bringing this proposal to fruition.

The Chief Solicitor sought an additional recommendation approving the use of the NEPO legal framework to acquire the necessary legal support for the lease.

There was no dissent to the following decisions.

**Decision**

1. That the granting of an Option to lease the Council's land in line with the terms 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, (para 3), information relating to the financial or business affairs of any particular person (including the authority holding that information).
2. That authority be delegated to the Director of Resources and Development in consultation with the Chief Solicitor and Chair of Finance and Policy Committee to agree detailed terms of the contract.
3. Committee noted that the recurring income would only be received if the company's bid to National Grid was successful.
4. That the Chief Solicitor be authorised to procure appropriate legal support for the preparation and agreement of the lease through the appropriate North East Procurement Organisation legal framework.

**105. Town Deal Business Cases – Health and Care Academy and Civil Engineering Academy** (*Director of Resources and Development*)

**Type of decision**

Non-key Decision.

**Purpose of report**

The purpose of the report was to update the Committee on the development of the project Business Cases under the Council's £25m Town Deal Programme; to provide a programme update; and present the draft cases for both the Health and Care Academy and Civil Engineering Academy for information.

**Issue(s) for consideration**

The Director of Resources and Development reported that following the agreement of Heads of Terms, under Town Deal, the Council had 12 months to develop, approve and submit Green Book compliant Business Cases with the agreed projects set out in detail, through an independent assurance framework together with a Summary Document to DLUCH (Department for Levelling Up Communities and Housing). The programme was working to a timetable of submission to DLUCH by 27th July 2022. DLUCH would need to review and be satisfied with the Summary Document before any funding could be released from September 2022 onwards.

The report provided detailed updates in relation to the two academy business cases; The Health and Care Academy and the Civil Engineering Academy. The Health and Care Academy is a partnership project promoted by the North Tees and Hartlepool NHS Foundation Trust, in conjunction with Hartlepool College of Further Education and with Hartlepool Borough Council acting as accountable body. The Civil Engineering Institute project is a strategic partnership between Seymour Civil Engineering Contractors (CEC) and Hartlepool College of Further Education (HCFE) to support the consolidation and growth of teaching and training capacity at two existing sites, to enhance and future-proof facilities.

The detailed business cases were attached to the report for Members information. The Director highlighted that DLUCH required business cases to have a Benefit Cost Ratio of at least 1.0. The Health and Care Academy delivered a Benefit Cost Ratio of 3.5, while the Civil Engineering Academy delivered a Benefit Cost Ratio of 9.1.

The Chair expressed his thanks to all those that had been involved in bringing these first two business cases forward under the Town Deal. The two academy proposals also showed that the project was not simply about bricks and mortar but investing people for the future of Hartlepool. Members also welcomed the two academy proposals as a welcome addition to enhancing the future employment prospects of people in Hartlepool.

There were questions around the new jobs connected with the Health and Care Academy and the throughput of students. The Managing Director indicated that the North Tees and Hartlepool NHS Trust and the Hartlepool College of Further education both already had staff involved in training and development. The additional jobs would enhance those numbers. It was also highlighted that the Health and Care Academy would give training new opportunities in what is now the 4<sup>th</sup> biggest growth sector in the Country. The Managing Director referred to the remaining project business cases and indicated that they were scheduled to be presented to the Finance and Policy Committee in July, though there was the potential for some slippage on the Middleton Grange Shopping Centre proposal due to the number of land owners involved.

There was no dissent to the following decisions.

### **Decision**

1. That the contents of the report and update on progress with the overall programme be noted.
2. That the submission of the two Academy Business Cases to DLUCH be approved, following independent assurance, as the latest stage in our approved Town Deal programme.

**106. Rossmere Pitches - St Francis FC** *(Director of Resources and Development)***Type of decision**

Non-key Decision.

**Purpose of report**

The purpose of the report was to seek consent for a new lease of Land at Rossmere Way to be granted to St Francis FC at less than best value.

**Issue(s) for consideration**

The Director of Resources and Development reported that a 25 year lease was granted to St Francis 2000 Football Club of Land at Rossmere Way in 2006. The Club had expanded considerably since that time and was now applying the Football Foundation for a grant of around £80,000 as part of a scheme costing £150,000 to provide a clubhouse with changing facilities.

Due to the size and type of grant being applied for by the club, the Football Foundation required the club to have at least 25 years unexpired on their lease, although the grant conditions would only apply for the slightly shorter period of 21 years. As the current lease had only about 9 years left to run, the club requested that a new lease be granted. Terms had now been agreed for the surrender of the existing lease and grant of a new longer term lease, as set out in the confidential appendix to the report. 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 (para 3), information relating to the financial or business affairs of any particular person (including the authority holding that information).

Members welcomed the proposal and commented on the excellent work the club did with young people in the town. There was concern expressed at the car parking issues experienced by local residents when there were club games being played and Members requested that officers investigate potential solutions.

There was no dissent to the following decision.

**Decision**

That the grant of a new lease to St Francis 2000 Football Club on the terms set out in 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 (para 3), information relating to the financial or business affairs of any particular person (including the authority holding that information).

**107. Any Other Items which the Chairman Considers are Urgent**

None.

The meeting concluded at 11.10 am

**H MARTIN**

**CHIEF SOLICITOR**

**PUBLICATION DATE: 6 MAY 2022**

# FINANCE AND POLICY COMMITTEE

20<sup>th</sup> June 2022



**Report of:** Director of Resources and Development

**Subject:** MEDIUM TERM FINANCIAL STRATEGY (MTFS)  
2023/24 TO 2024/25

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## 1. TYPE OF DECISION/APPLICABLE CATEGORY

Budget and Policy Framework.

## 2. PURPOSE OF REPORT AND EXECUTIVE SUMMARY

2.1 The purpose of this report is to provide an update on the Council's financial position and enable Members to approve the timetable for the 2023/24 budget.

### 2.2 Executive Summary

2.3 The report reminds Members of the significant shift in funding of local services from Government grant on to Council Tax. This has been particularly challenging for councils with a low tax base (i.e. higher than average number properties in bands A and B), which includes Hartlepool and other North East councils, as Council Tax and Adult Social Care precept increases raise significantly less income than in areas with a high tax base (i.e. higher than average number of properties in bands D to H).

2.4 As the increased Council Tax has been less than grant cuts this meant the Council had to make significant service cuts. This makes it extremely challenging to make further service cuts as previous savings cannot be repeated and the workforce has already been reduced by 20%. Further cuts will be significantly more challenging to achieve and have a more visible impact on what services the Council can and cannot provide.

2.5 The Council, with financial support from the Government provided to all councils, has managed the financial impact of the Covid pandemic extremely well. The financial impacts included reduced service income – which is still recovering, increased Local Council Tax Support claimants, which reduced Council Tax income - although claimant numbers have returned to pre-Covid levels, and one off costs supporting the community and services.

- 2.6 The budget decisions taken when setting the 2022/23 budget put the Council on a more sustainable financial footing by implementing cuts and increasing Council Tax and the Adult Social Care precept. This meant use of reserves to set the budget reduced from around £5m in 2021/22 to around £1.2m in 2022/23 budget. This provided a more robust baseline for 2023/24 as the deficit deferred from the current year significantly reduced.
- 2.7 Since the budget for 2022/23 was set there has been a significant increase in inflation. This has been driven by the international recovery from the Covid pandemic and more recently the impact of the Russian invasion of Ukraine. The increase in inflation has exceeded the forecasts of Central Banks, including the Federal Reserve in the USA and the Bank of England. They have responded by increasing interest rates and indicated further increase will follow. This will not reduce inflation driven by higher commodity prices and utility costs and seems more designed to try to avoid inflation becoming engrained through a pay and prices spiral.
- 2.8 The 2022/23 budget included increased provision for inflation and national pay awards. These will not now be sufficient as inflation is significantly higher than the budget provision. Additionally, whilst inflation is expected to be lower in 2023/24 than it currently is the cumulative impact of inflation will significantly increase the 2023/24 budget deficit. The impact in 2024/25 will depend on whether inflation reduces to the level forecast by the Office for Budget Responsibility.
- 2.9 The report therefore recommends that a strategy needs to be developed to address a higher budget deficit of £4.4m (previous forecast £3.0m). There is a significant risk the actual deficit will be higher owing to inflation. The deficit of £4.4m is net of a forecast 4% Government grant increase of (£1.8m) and increased Council Tax and Adult Social care precept (£2.7m). If these resources are not achieved the deficit increases by these amounts.

### 3. BACKGROUND AND FINANCIAL HISTORY

- 3.1 To provide context to the ongoing and increasing financial challenges facing the Council it is important to consider where we are starting from and the significant changes that have occurred. The starting point is 2013/14 as this is when the current funding system was implemented, although austerity impacted on councils from 2010/11.
- 3.2 Since 2013/14 the **national** funding changes have seen three key changes:
- A significant reduction in Government non ring-fenced Grants (i.e. Revenue Support Grant and Top- Up grant);
  - An increase in Government ring-fenced Grants, including the transfer of Public Health responsibilities and funding and various Adult Social Care grants;



- Increased reliance on Council Tax to fund local services, which includes the introduction of the Adult Social Care (ASC) precept in 2016/17 and annual increases in this funding source up to and including 2022/23.

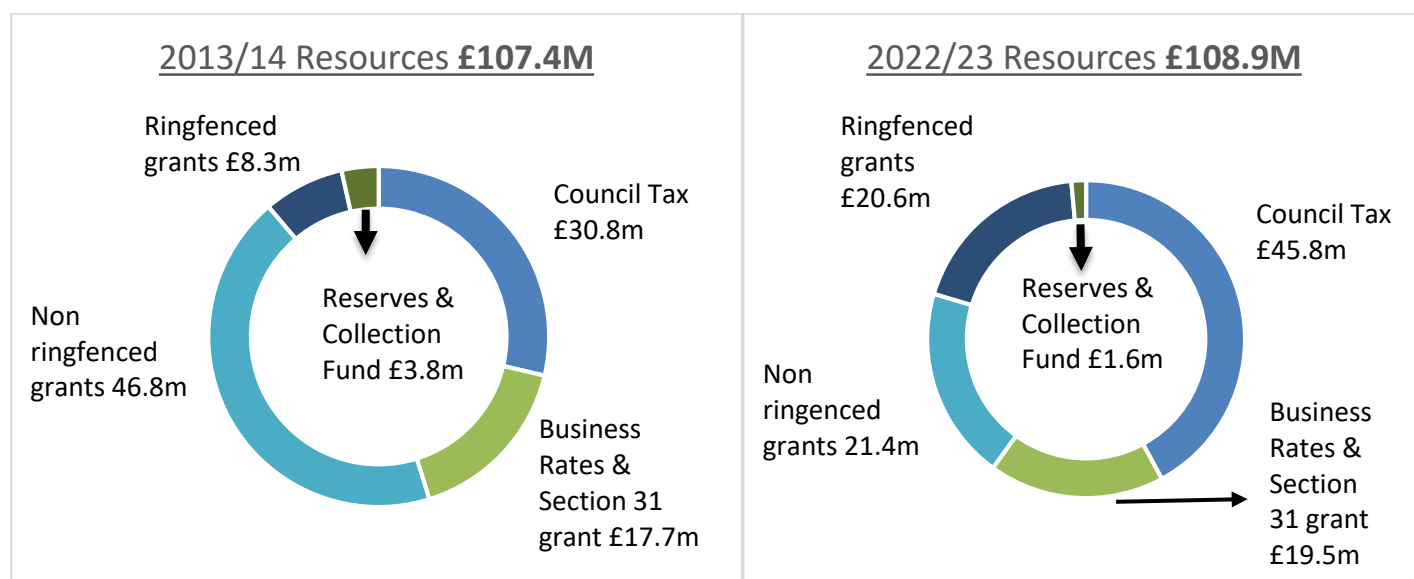
### 3.3 Increasing reliance on Council Tax is a doubled edged sword as it means:

- Areas with a low council tax base (i.e. higher than average proportion of properties in Council Tax bands A and B – which includes Hartlepool and the other North East councils) raise less additional income for each 1% Council Tax increase than areas with a higher tax base – with lower demands on services. This means Council Tax increases offset less of Government funding reductions in areas with a low Council Tax base than is the case in more affluent areas;
- As a result councils with a low Council Tax base have to make greater service reductions and it becomes increasingly difficult for the public to understand the services Council Tax pays for.

### 3.4 At a local level these national changes mean that:

- Total cash resources in 2022/23 of £108.9m are only **1.4%** more than they were in 2013/14 (£107.4m) – a cash increase of only **£1.5m over 9 years**.
- If total resources had increased in line with the Bank of England's inflation calculator recurring funding in 2022/23 would have been £138m – which is approximately £37m more than actual resources.
- Reliance on Council Tax has increased significantly – in 2013/14 this was **29%** of resources – in 2022/23 it is **42%**. This is a **£15m** shift in funding on to local tax payers – which only covers 59% of the reduction in non ring-fenced Government Funding of **£25.4m**.

### 3.5 These changes are summarised in the following charts.



### 3.6 **Impact of increased Reliance on Council Tax – including the Adult Social Care (ASC) precept**

- 3.7 As indicated above national Council Tax policy, including the introduction of the ASC precept in 2016/17, has increased reliance on this funding to pay for local services.
- 3.8 Over the last two years (2021/22 and 2022/23) national Council Tax limits allowed councils with Adult Social care responsibilities to increase Council Tax by **8%** consisting of:
- 2021/22 core increase 2%, plus 3% ASC (with flexibility to defer all or part to 2022/23);
  - 2022/23 core increase 2%, plus 1% ASC (use it in 2022/23 or lose it as no carry forward flexibility).
- 3.9 The Council froze Council Tax in 2021/22 and deferred the full 2021/22 ASC precept to 2022/23. In 2022/23 the Council implemented a core increase of 1.9% and the 3% deferred precept – making a total increase of **4.9%** - which is approximately **60%** of the maximum two year limit of **8%**.
- 3.10 The Council understood that not increasing Council Tax up to the national limits permanently reduces Council Tax income by approximately **£1.4m** and that this will need to be replaced with greater service cuts.
- 3.11 National Council Tax referendum limits for the next two years were indicated in February 2022 as:
- 2023/24 core increase 2%, plus 1% ASC precept
  - 2024/25 core increase 2%, plus 1% ASC precept
- 3.12 The actual limits will be determined in the annual Local Government Finance settlements. The Department for Levelling Up, Housing and Communities (DLUHC) has stated these limits are applied on an annual 'use it or lose it basis' – which means unused increases cannot be deferred and then implemented in a future year.
- ### 3.13 **Previous 2023/24 and 2024/25 Budget deficit forecasts**
- 3.14 The previously reported forecast deficits for 2023/24 and 2024/25 are based on annual increases of 1.9%, plus the 1% ASC precept. By 2024/25 these increases would secure recurring income of **£2.7m** and therefore avoid cuts of this magnitude. Even with these increases it was previously reported that the Council still faces annual deficits of **£1.5m** over the next two years – i.e. total deficit of **£3m**.
- 3.15 These forecast were prepared in the period up to December 2021. Since that time international events, including the invasion of Ukraine, have had a significant impact on inflation. It is now clear that inflation will be higher and

last longer than governments and central banks had initially anticipated. This position reflects the unique circumstances of the world economy recovering from Covid lock downs and significant increase in demand for oil, gas and other raw materials. These factors have then pushed through into inflation and in many parts of the private sector have resulted in wage increases.

- 3.16 As a result of inflation being higher and lasting longer than previously forecast deficits will increase significantly. The position will become clearer later in the year when more information is available on national pay awards and the continuing impact of inflation on services has been assessed. However, an initial assessment is provided later in the report as the Council need to develop a strategy to address this position.
- 3.17 **Previous actions to address funding reductions and implications for managing the budget in 2023/24 and future years**
- 3.18 Significant saving have been implemented in previous years and these issues cannot be repeated. These saving have included a combination of reducing and stopping services resulting in a reduction of 500 jobs (a 20% reduction). This means further savings will be more challenging, require careful management and service prioritisation.
- 3.19 Significant action was taken to balance the 2022/23 budget through a combination of further budget savings, a core Council Tax increase and implementation of the deferred 3% ASC precept. This meant the level of reserves used to set the 2022/23 budget was £1.1m - a significant reduction on the amount used to set the 2021/22 budget of £5.2m.
- 3.20 We will need a robust communication and consultation strategy as it is increasingly difficult for the public to understand the links between service levels and Council Tax – particularly when **67%** of the budget funds Adults, Children's and Public Health services which support the most vulnerable members of the community.
- 3.21 These services do not have the same public understanding, and therefore support, as the NHS – although they play a critical role in supporting people.
- 3.22 The table below provides an overview of the 2022/23 budget across service areas and corporate costs. This analysis highlights the challenges the Council will face balancing the budget as cuts will impact on the services the Council can deliver.

Summary of 2022/23 Budget

	Net Budget	Percentage of budget
	£'m	
<u>Departmental Direct Spend</u>		
Adult and Community Based Services	35.765	33%
Children's and Joint Commissioning	26.770	25%
Neighbourhoods and Regulatory Services	18.369	17%
Public Health	9.360	9%
Resources and Development (includes Legal)	5.169	5%
<b>Departmental Direct Spend</b>	<b>95.433</b>	<b>88%</b>
<u>Support for Departments and Corporate costs</u>		
Property budgets	2.625	2%
IT Support	3.123	3%
Capital loan repayments and interest	3.717	3%
Additional Inflation and Energy costs provision	1.567	1%
Other Corporate costs (note 1)	2.442	2%
Total support for Depts Corporate costs	13.474	12%
<b>Total Budget</b>	<b>108.907</b>	<b>100%</b>

Note 1 - Other Corporate costs

This consist of statutory payments shared with other councils (Magistrates Courts, Sea Fisheries and Flood Defence), External Audit fees, former Teachers pension costs, Members Allowances, Emergency Planning, Modern Apprenticeship Levy and Academies Conversion pressure.

**3.23 Headlines from Chancellors Spring Statement 2022**

- 3.24 The Spring Statement outlined the Government's spending and tax plans and highlight a number of key factors which will impact on councils funding in future years:

- **Total Public Sector spending**

This will remain high as a percentage of the size of the whole economy (i.e. Gross Domestic Product – GDP) with the high point forecast at 43.4% in 2021/22 and low point 41.3% in 2022/23 – which is still historically high.

This indicates there is no, or limited room, to increase public sector spending by more than planned. If there are further increases they are likely to be focused on supporting households with the costs of living crisis – i.e. increases in the state pension and benefit payments.

- **Planned Departmental Spending**

The Spending Review shows increases in Governmental departmental budgets in 2023/24 of 0.2% and in 2023/24 2.5% - which indicated a continued tight settlement. Over both years the pattern of departmental increases is similar, with NHS England receiving the highest increase.

Spending for Local Government show increases in both these years. As indicated in the previous MTFS report the majority of non ring-fenced funding has already been included in the 2022/23 new 'Services Grant'. Further increases in the following two years are to fund Social Care reform, which will need to fund increased costs, so will not benefit the budget position.

Spring Statement Spending Forecasts 2022/23 and 2023/24  
(Source data: Spring Statement 2022 – Resource DEL)

	2022/23	2023/24	Increase / (decrease) 22/23 to 23/24	
	£'billion	£'billion	£'billion	%age
NHS England	151.8	157.4	5.6	3.7%
Education	77.0	79.2	2.2	2.9%
Scotland, Wales & North Ireland	63.3	64.3	1.0	1.6%
Defence	32.4	32.2	(0.2)	-0.6%
Home Office	15.2	15.6	0.4	2.6%
DLUHC - Local Government	11.7	12.1	0.4	3.4%
Reserves	10.9	10.9	0.0	0.0%
<b>Sub Total</b>	<b>362.3</b>	<b>371.7</b>	<b>9.4</b>	<b>2.6%</b>
All other Government depts.	79.6	71.0	(8.6)	-10.8%
<b>Total</b>	<b>441.9</b>	<b>442.7</b>	<b>0.8</b>	<b>0.2%</b>

3.25 The Spring Statement was prepared before full impact of inflation had become apparent and inflation has already exceeded the OBR forecast. Nevertheless, the forecasts in the Spring Statement highlight the limited scope for further

increases in public sector spending and it clear the sector faces a further very challenging financial period.

#### **4. 2021/22 OUTTURN AND 2022/23 BUDGET POSITION**

##### **4.1 2021/22 Outturn position and reserves**

4.2 The outturn forecasts reported on 13<sup>th</sup> December 2021 consolidated the position on the General Fund budget and the final general Covid grant of £3.178m owing to the service linkages and impact of Covid on income streams. It was forecast that commitments in 2021/22 against the Covid grant would be £2.166m, which would leave a residual balance of approximately £1m.

4.3 It was approved that this amount would be earmarked to help fund increased energy costs. This was part of the strategy for funding increased energy costs through a combination of one off resources and an increase in the recurring budget as it was anticipated an element of the energy increase would be temporary. As detailed later in the report the war in Ukraine means these costs will remain higher for longer and further funding may be required – either one off or recurring.

4.4 The consolidated position for the actual outturn is more favourable than forecast owing to underspends and grant flexibilities which enable £1m to be allocated as an inflation contingency to support the 2022/23 budget, in addition to further energy earmarking.

4.5 The inflation level (RPI) has increased significantly since the budget was set and increased to 9% in the 12 months to April, up from 7% in March, the highest level since 1982. It is expected there will be further increases in the next few months. This position will put a significant pressure on the budget, which will likely include pressure from the Trade Unions for a significant increase in pay, although the outcome of national negotiations may not be known until near the end of the current financial year.

4.6 The position in relation to non pay inflation is even more challenging to quantify owing to the broad range of services provided by the Council and the impact inflation and private sector pay awards (which are likely to be higher than the public sector) have on the cost of bought in goods and services.

4.7 At this stage it is clear the Council will face increased inflation costs not provided for within the 2022/23 base budget. In the short-term the one off resources achieved from 2021/22 outturn of £1m provide some flexibility. However, this is only around 1% of the approved budget so will not be sufficient to meet additional inflation pressures in the current year. Therefore, the budget will need to be managed carefully to achieve underspends wherever possible.

4.8 The Corporate Management Team (CMT) is assessing this position, which will continue to change as the year progresses. CMT are also looking for

measures where expenditure could be reduced or deferred to offset inflation pressures. Details will be reported to a future meeting.

- 4.9 Whilst inflation is expected to continue to increase many of the factors will drop out in 12 months, so the headline inflation level should reduce. However, most of these cost increases will not reverse, which means the 2023/24 budget deficit will increase, as detailed in the next section.

## 5. 2023/24 to 2024/25 BUDGET FORECASTS

- 5.1 The previous MTFS report covered three years up to 2024/25 and the forecast for the next two years are summarised below.

### Current Forecast Deficits 2023/23 and 2024/25

	2023/24 £'m	2024/25 £'m	Total £'m
Gross forecast deficit	3.444	2.229	5.673
Less recurring income from annual 1.9% Council Tax increase and 1% ASC precept	(1.330)	(1.370)	(2.700)
Less - Deficit deferred from 23/24 to 24/25 by using Reserves	(0.600)	0.600	0.000
<b>Net forecast deficit</b>	<b>1.514</b>	<b>1.459</b>	<b>2.973</b>

- 5.2 The above table highlights the continuing impact of the national funding system continuing to rely on Council Tax (including ASC precept) to fund local services. The actual Council Tax decisions will be subject to a future report and confirmation of indicative limits previously set by the Government for the next two years.
- 5.3 These forecasts would normally be expanded to include 2025/26 and this work will be completed when the inflation and national pay awards position becomes clearer. The Office for Budget Responsibility (OBR) had forecast a 2022 inflation peak of 7.4% - which has been exceeded by the April rate of 9%. The OBR also forecast inflation decreasing to 4% in 2023 and 1.5% in 2024, but flagged inflation uncertainty owing to oil and gas prices. In view of the significant uncertainty regarding the impact of inflation the MTFS focus will remain on the next two years. Work to fully assess the impact of inflation will be completed over the summer and an update report will be submitted to the Committee in September. An initial assessment is made in the following paragraphs as we need to develop a plan to address a higher budget deficit.

## 5.4 Pay inflation

- 5.5 The national pay negotiations for 2022 have not yet commenced and if the previous years' experience is repeated we may not know the outcome until early 2023. It seems unlikely that a multi-year pay settlement will be agreed as both the Unions and Employers will want to see what happens to inflation over the coming year. This is likely to mean the 2023 national pay negotiations will also be delayed.
- 5.6 Prior to the April inflation figure being published national information suggested councils should now be budgeting for a 4% increase. Most councils, including Hartlepool, have budgeted for 3% for 2022/23. For the Council each additional 1% increase above 3% is an unfunded cost of **£0.5m** in 2022/23 and then an increase in the 2023/24 budget deficit.
- 5.7 The level of the April 2022 pay awards will also impact on future years pay awards. When inflation was previously at a high level there was often a delay between private sector pay awards and the subsequent catch up of public sector awards. On this basis it would be prudent to increase the April 2023 pay forecast from 2% to 3%.

## 5.8 Utility costs

- 5.9 These have increased more than anticipated and will last for longer than forecast owing to the impact of the war in Ukraine. The MTFS plan is to fund from a combination of an increase in the recurring budget and earmarked one off resources. The position continues to be volatile, although based on the latest information it is expected that costs up to 2023/24 can be met from existing recurring and one off funding.
- 5.10 The position for 2024/25 remains uncertain and will depend on international factors. The previous planning assumption anticipated that by 2024/25 energy markets would have started to return to more normal levels and costs could be contained within the recurring budget increase of 36%. This position will continue to be reviewed.

## 5.11 Non Pay inflation (excluding Adult Social Care)

- 5.12 The budget for 2023/24 includes the inflation provision made for 2022/23 of 2%, plus 2022/23 inflation contingency of £0.4m, plus 2023/24 inflation provision of 2%. Over two financial years this provides 6% for inflation. However, with inflation in April 2022 already at 9% and inflation for the period May 2022 to March 2024 still to impact there will be an increase in the previously forecast deficit.

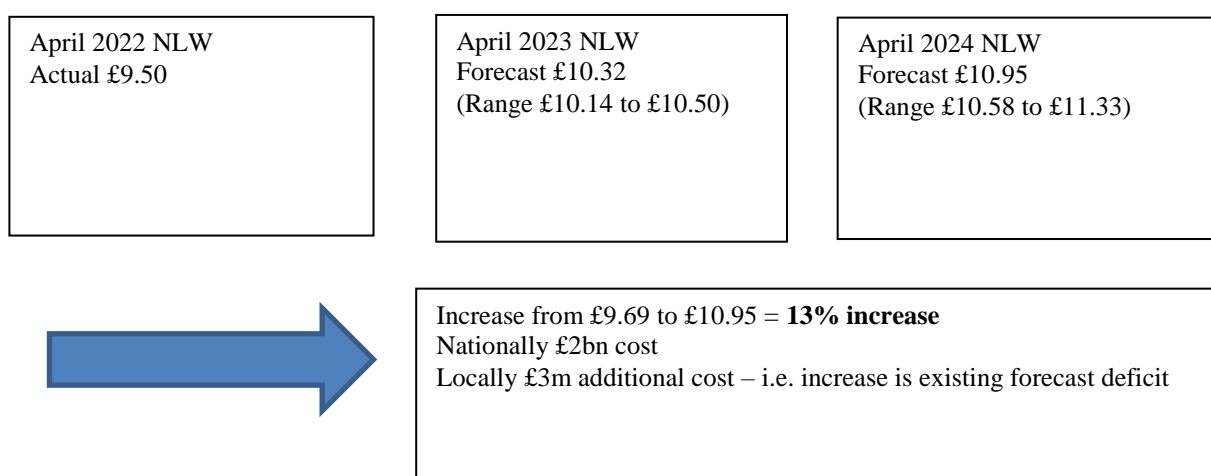
## 5.13 Non Pay inflation - Adult Social Care



- 5.14 The net budget for Adult Social Care placements is **£26m** and annual increases are determined using an agreed formula. This arrangements had worked well when inflation was low and annual increases had been within the 2% inflation provision and the additional provision provided for increases in the National Living Wage.
- 5.15 The annual inflation uplift is set based on the level of inflation in the 12 months up to October 2022. For 2023/24 we already know inflation for the last 6 months (November 2021 to April 2022) has been significant and further increases will continue up to October 2022.
- 5.16 Additionally, these inflationary pressures may impact on the National Living Wage and further information is provided in the next section. The National Living Wage is a significant issue for the Care sector and to underline this risk the Government's Migration Advisory Committee (MAC) has proposed that to combat chronic staff shortages and end the reliance on "cheap" foreign labour that all care workers should get a compulsory minimum salary of £10.50 an hour, at least £1 above the national living wage, as the first step to a "significant" increase in their pay.

#### 5.17 National Living Wage

- 5.18 At a national level the Employers Organisation (EO) has flagged a convergence issue in relation to the National Living Wage (NLW) soon catching up with the minimum scale point and then overtaking it. We may have a little bit of local flexibility as we do not use the bottom two scale points - national decisions may make this irrelevant.
- 5.19 To highlight this risk the current national minimum scale point is £9.41 and for the Council it is £9.79 – both before April 2022 pay award. With a 3% April 2022 national pay award these figures would be £9.69 and £10.08. The LGA forecast NLW levels are as follows:



5.20 The EO has highlighted that this would:

- Require deletion of SCPs 5 to 8 – for the council this is all band 1 to 6 posts, and the bottom point of band 7. This would have significant financial and operational impacts;
- Nationally result in 25% of all councils FTE being on the bottom pay point (i.e. the NLW)
- Need to be managed by either:
  - Across the board increases – hugely expensive if existing pay differentials are maintained
  - Bottom-loading of pay awards – resulting in pay compression, which has significant operational issues
  - Deleting pay points – locally we may need to consider whether the number of points in pay bands are reduced to provide headroom between pay bands, as many bands have 4/5 increments. Although this will be impacted by national decisions.
  - Reducing the working week – huge undertaking and significant operational impacts, including public perception – they are paying more for less.

5.21 This is a complex issue and the impact will depend on national decisions. Further updates will be provided when the national position becomes clearer. However, without additional national funding it is clear this issue will increase the current forecast budget deficits.

## 5.22 Summary of Initial inflation assessment

5.23 In view of the above significant uncertainties it is extremely difficult to assess the impact of various inflation factors. The full impact will not become clear until national decisions are made later in the year in relation to the pay award and Government funding. The impact on non pay budget will depend on the actual level of inflation. At this stage is recommended that an additional net inflation / pay award provision of **£1.390m** is included in the 2023/24 budget forecasts.

5.24 This is after a forecast **4%** increase in Government funding of **£1.890m**. The previous MTFS forecasts anticipated a freeze in Government funding as the 2022/23 Local Government Finance Settlement front loaded a funding increase, mainly through the new 'Services Grant'. Given the scale of inflation it would not be inappropriate to anticipate some increase in funding, although this is not without risk.

5.25 The forecast funding increase of 4% is slightly above the 3.4% national Local Government (paragraph 3.24) announcement set out in the Spring Statement. As this increase cannot be guaranteed it is recommended that this risk is

managed using the Budget Support Fund. This would not provide a permanent funding solution if 2023/24 grant funding is not increased and would defer a higher deficit to 2024/25.

- 5.26 As many of the non pay increases will be subject to negotiation, details of the recommended inflation increase are provided in **CONFIDENTIAL APPENDIX A - this contains exempt information under Schedule 12A Local Government Act 1972 (as amended by the Local Government (Access to Information) (Variation) Order 2006) namely, (para 3), information relating to the financial or business affairs of any particular person (including the authority holding that information).**
- 5.27 In relation to 2024/25 the impact of inflation remains uncertain and there is a significant risk this will increase the deficit for this year. This position will be assessed later in the year when the position for inflation in 2022/23 and 2023/24 is more certain – including progress on the national pay award for 2022. Therefore, at this stage there is no change in the forecast 2023/24 deficit – although a significant risk this will increase.
- 5.28 On this basis, the updated planning budget deficits for the next two years have increased from approximately **£3m to £4.4m**. The revised figure provides a more realistic planning figure – although it needs to be recognised there are very significant upward risks and the actual deficit may be higher. These risks include the level of Government grant for 2023/24, as if this funding is frozen the deficit would increase by £1.890m – i.e. to a total of £6.253m.

Revised forecast deficits 2023/24 and 2024/25  
(with Council Tax and ASC increases in line with national limits)

	2023/24 £'m	2024/25 £'m	Total £'m
<b>Previous forecast deficit</b>	<b>1.514</b>	<b>1.459</b>	<b>2.973</b>
Increased allowance for inflation	1.390	0.000	1.390
<b>Revised forecast to reflect impact of inflation and <u>forecast</u> increase in Government grant</b>	<b>2.904</b>	<b>1.459</b>	<b>4.363</b>
Additional pressure if Government grant is frozen	1.890	0.000	1.890
<b>Revised forecast to reflect impact of inflation and two year freeze in Government grant</b>	<b>4.794</b>	<b>1.459</b>	<b>6.253</b>

- 5.29 In view of the risks that inflation up to 2023/24 is higher than forecast it is recommended that the saving plan is developed on the basis of savings of £4.4m all being achieved for 2023/24. It is also recommended that the

forecast risk of Government grant increase not increasing by 4% is managed by allocating part of the Budget Support Fund.

- 5.30 The following table shows that without increases in Council Tax and the ASC precept in line with national limits the total deficit would increase by £2.7m,

Revised forecast deficits 2023/24 and 2024/25  
(without Council Tax and ASC increases  
in line with national limits)

	2023/24 £'m	2024/25 £'m	Total £'m
Previous forecast deficit	2.844	2.829	5.673
Revised forecast to reflect impact of inflation and <u>forecast</u> increase in Government grant	4.234	2.829	7.063
Revised forecast to reflect impact of inflation and two year freeze in Government grant	6.124	2.829	8.953

### 5.31 Impact on Budget Support Fund (BSF)

- 5.32 Following a review of reserves a BSF was established to support the MTFS by using one off funding to:

- Support the budget by enabling savings to be phased – whilst recognising reserves can only be used once and recurring savings need to be made to balance the MTFS;
- To meet one off costs of achieving savings such as the payment of buy-out payments to achieve Terms and Conditions savings, redundancy / retirement costs to achieve recurring savings by reducing staffing levels and invest to save initiatives. All one off use is subject to a pay-back period of three years.

- 5.33 Commitments against the Budget Support Fund are summarised below:

	£'m
<b>Forecast balance 31.03.22</b>	<b>7.691</b>
Add - Additional contribution from 2021/22 outturn	0.286
Less – Committed to support 2022/23 budget	(1.172)
Less – Committed to support 2023/24 budget	(0.600)
Less – Committed to fund 3 month delay in achieving Terms and Conditions savings – Assumes positive ballot outcome and implementation from 1 <sup>st</sup> July 2022	(0.098)
Less – Committed to fund Terms and Conditions one off buy out costs – pay-back period 2 years	(0.790)
Less – Earmarked to underwrite risk that forecast 2023/24 Government grant increase is not provided and grants are frozen	(1.890)
<b>Forecast uncommitted BSF available to support 2022/23 and 2024/25 MTFS</b>	<b>3.427</b>

5.34 The forecast uncommitted BSF assumes no funding is needed for unfunded budget pressures in 2022/23. This amount should therefore be available to support the achievement of savings that need to be made in 2023/24 and 2024/25. This amount could be committed quickly. For example if half of the required saving over the period are made from staffing budgets this would be a significant commitment. Based on previous experience of removing 500 posts the pay-back period for one off costs (i.e. redundancy / pension costs) on average is 12 months. This would mean a one off cost of **£2.2m** to be funded from the BSF. The actual cost is likely to be higher as the Council has an aging workforce, which means staff have accrued more service in terms of redundancy / pensions costs.

5.35 Until detailed savings proposal are available this is the recommended planning assumption and would reduce the uncommitted BSF to **£1.207m** (£3.427m less £2.2m) which would be available to either

- support invest to safe initiatives, which provide a pay-back period of 3 years or less; or
- to defer part of the 2023/24 deficit to 2024/25 to provide a slightly longer lead time to make budget cuts. Adopting this strategy will require the development and approval of a robust two year savings plan during the current year. It would not be appropriate to simply defer part of the 2023/24 deficit without a savings plan as this would place the Council at significant financial risk. It would also not be a strategy I could sign off as robust when I have to give the Council my statutory guidance on the robustness of the MTFS.

### 5.36 **Strategy for managing increased budget deficits**

5.37 Members have previously approved initial savings proposals for 2023/24 of £0.856m and 2024/25 £0.164m. These proposals consist of a combination of the year 2 and 3 impact of multi-year savings initiatives commencing 2022/23, and new proposals to be implemented in 2023/24 and 2024/25. In view of the significant increase in the deficit these proposals will be reviewed as they may need to change as part of the new plan to address the significantly higher deficit. As detailed later in the report the budget timetable is based on reporting savings proposals to the Committee in September.

5.38 There were also a range of savings / income proposals identified for potential implementation which Members did not wish to pursue. In view of the increased budget deficits these proposals will also need to be reconsidered in September and at that stage Members will need to either confirm this position, or indicate they wish to consider these options alongside the new savings / income proposals to be considered to address the 2023/24 and 2024/25 budget deficits later in the year.

## 6. COUNCIL INCOME

- 6.1 The MTFS forecasts for the three years commencing 2022/23 are based on income from fees and charges being increased by 2%. This is now significantly below the current level of inflation.
- 6.2 The scope of increasing fees and charges was reviewed as part of the 2022/23 budget. The Council generates annual income of approximately **£33m** from fees and charges, which includes statutory charges, means tested charges and locally determined charges. This income helps pay for services.
- 6.3 **Appendix B** provides a summary of fees and charges income and shows 36 areas where income exceeds £100k – which covers 93% (£30.934m) of the total income.
- 6.4 This figures includes approximately £10m in relation to Residential Care fees (including self funders) which will be impacted by national changes announced by the Government. These changes cap the level of contribution individuals will make to their care costs and this may reduce this income, which should be replaced with additional grant funding from October 2023. A detailed assessment will be undertaken once more information is provided on how these national changes will be implemented.
- 6.5 The MTFS assumes the total income figures will increase by 2% annually – approximately £0.650m per annum. The forecast deficits would be higher without this forecast increase.
- 6.6 In view of the higher inflationary cost of providing services fees and charges need to be reviewed to determine if additional income can be generated by increasing charges by more than 2%, whilst ensuring services remain accessible. If this is not the case there will be an increase in the deficits forecast in this report. Details will be reported to a future meeting and include options for Members consideration
- 6.7 In addition to this income the Council receives approximately £44m of service specific grants which must be spent in accordance with grant conditions. If these grants are not increased to reflect higher inflation the council will either have to scale back services to the level of the grant, or if the activity is determined to be a higher priority than General Fund services the budget deficit will increase to continue to support these initiatives by funding inflation. The current high level of inflation highlights the significant challenge of the Government using specific grants to fund services.

## 7. OTHER KEY FUNDING ISSUES

- 7.1 There are a number of key issues as detailed in **Appendix C** which may impact of the MTFS and updates will be provided when new information becomes available. In summary these issues cover:

- Fair Funding Review

- Services Grant review
- Social Care Funding Reform
- Power Station implications
- Reduction in Business Rates – Schools converting to Academies
- Pension Fund

## 8. CAPITAL RECEIPTS

- 8.1 Achievement of the capital receipts target has continued to be extremely challenging. There remains £524k outstanding in relation to the previous target. Land sales at Hart and Tanfield Road will address this shortfall, although both are subject to planning consent and this has been delayed owing to emerging national planning policy surrounding nutrient neutrality recently announced by Ministers and Natural England. It is anticipated this target should be achieved in the current year and the position will continue to be monitored closely. This national issue will also continue to impact on the timing of the remaining forecast receipts in 2022/23.
- 8.2 At the meeting of this committee on 15th March 2021, authority was granted to acquire 7 Northbrook Court to facilitate proposed highway alignment by allocating part of the substantial garden and then reselling the property with the re-aligned garden. The business case for this proposal advised Members that this option would avoid the significant cost of an alternative land acquisition and could potentially be achieved at nil cost if the onward sale price matched the initial purchase price.
- 8.3 As part of the consideration of the previous report Members asked officers to explore alternative options before moving to disposal of the property. These options were potential use to accommodate a Foster Family, use as a Children's Home, or inclusion within the Housing Revenue Account (HRA). These options have been assessed and the potential General Fund uses (i.e. use to accommodate a Foster Family, or use as Children's Home) are not financially viable owing to the costs of conversion. The HRA option is not viable as the rental income would not be sufficient to repay the borrowing costs of the purchase cost, which would mean the property would have a negative financial impact on the HRA.
- 8.4 Therefore, in line with the initial business case it is recommended that this property is sold and a local estate agent commissioned to deal with marketing of the property. Financial considerations are detailed in **CONFIDENTIAL APPENDIX D which contains exempt information under Schedule 12A Local Government Act 1972 (as amended by the Local Government (Access to Information) (Variation) Order 2006) namely, (para 3), information relating to the financial or business affairs of any particular person (including the authority holding that information).**

## 9. BUDGET TIMETABLE

9.1 The following table details the key tasks and initial reporting timescales

Task	Timescale
MTFS update and commencement of 2023/24 budget process	Finance and Policy Committee – this report
MTFS update and determination of 2022/23 Council Tax level to be recommended to Council. This report will provide the strategic financial direction and be a major determinate of the budget deficit to be addressed from budget savings / other income increases. The report will also provide an updated assessment of the inflation impact.  Separate supporting report on 2023/24 Local Council Tax Support (LCTS) scheme options	Finance and Policy Committee – 19 September 2022
MTFS proposals referred by Finance and Policy Committee	Council – 29 September
Review of reserves	Finance and Policy Committee – 10 October 2022
Consideration of initial savings proposals 2023/24 to 2025/26	Finance and Policy Committee – 10 October 2022
Consideration of initial savings proposals referred from Finance and Policy Committee	Individual Policy Committees – early October 2022
Feedback from Individual Policy Committees and determine budget and LCTS proposals to be referred to Council	Finance and Policy Committee – 14 November 2022
Consideration budget and LCTS proposals to be referred from Finance and Policy Committee	Council – 15 December 2022

9.2 The budget timetable will also include Members briefings, consultation with the Trade Unions and Businesses Sector representatives, and statutory consultation as required in relation to detailed budget proposals as these are developed.

## 10. OTHER CONSIDERATIONS

### 10.1 Legal Considerations

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

- the Local Government Finance Act 1992 requires local authorities to set a balanced budget – this report starts the budget process and further reports



will enable budget proposals to be approved and then referred to 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 Resources and Development) 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 will be addressed in future reports and initial advice is detailed later in the report.

## 10.3

Risk Implications	Will be addressed as MTFS and savings proposals are developed and will be reported to future meetings.
Consultation	Covered in budget timetable session and will include Members seminars.
Child / Family Poverty	Will be addressed as MTFS and savings proposals are developed and will be reported to future meetings.
Equality and Diversity	As above.
Section 17 of the Crime and Disorder Act 1998	As above.
Staff	As above
Asset Management	As above.
Environment, Sustainability and Climate Change	As above.

## 11. CONCLUSIONS

- 11.1 The financial challenges and uncertainties facing the Council have increased since the current budget was set in February. This is predominantly driven by the steep increase in inflation and the expectation inflation will remain higher for longer than previously forecast. It is anticipated this will mean costs in 2022/23 will exceed the budget and the final position will not be known until national pay awards for April 2022 are settled.

- 11.2 The budget for 2023/24 will face a double inflation impact from inflation in 2022/23 and continuing inflation in 2023/24. An initial assessment has been completed and as detailed in paragraph 5.28 the Council faces an increased deficit for the next two years of £4.4m. Proposals to address these deficits will be developed over the summer with a detailed report to this Committee in September to commence scrutiny by individual policy committees and consultation.
- 11.3 The above figure assumes a 4% Government grant increase for 2022/23, which if not achieved would increase the deficit by £1.9m. The figures also assume Council Tax and ASC precepts in line with national limits as without this income the total deficit would increase by a further £2.7m over the period.

## 12. RECOMMENDATIONS

### 12.1 It is recommended that Members:

- i) Note the report;
- ii) Note the significant inflation pressures now facing the Council and risk that these pressures will continue in 2022/23 and 2023/24;
- iii) Note the 2021/22 outturn provides one off funding of £1m to help offset inflation pressures in 2022/23, although this may not be sufficient and budgets will need to be managed carefully in 2022/23;
- iv) Note the initial assessment of the forecast increase in the budget deficit from £3m to £4.4m and approve the development of a savings plan to address revised forecast deficits of:
  - £2.9m for 2023/24;
  - £1.5m for 2024/25.
- v) Note the above deficits assume a 4% Government grant increase, which if not provided would increase the deficits by approximately £1.9m and also note the deficits will increase when the full impact of inflation pressures has been assessed and details will be reported to a future meeting of this Committee.
- vi) In view of the risks that inflation up to 2023/24 is higher than forecast it is also recommended that the saving plan of £4.4m is developed on a worst case basis of the saving all being achieved for 2023/24.
- vii) Note the acquisition of 7 Northbrook has avoided significant costs of purchasing alternative land and approve the resale of this property, with the re-aligned garden, in line with the original business case and delegate authority to the Managing Director, in consultation with the Director of Resources and Development, and Chief Solicitor to agree the final sale prices and to appoint a local Estate Agent to market and manage the sale process

**13. REASON FOR RECOMMENDATIONS**

- 13.1 To enable the Finance and Policy Committee to approve the proposals to progress the development of the MTFS.

**14. BACKGROUND PAPERS**

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

- Finance and Policy Committee - Medium Term Financial Strategy (MTFS) 2022/23 to 2024/25 – 14<sup>th</sup> February 2022;
- Council - Medium Term Financial Strategy (MTFS) 2022/23 to 2024/25 – 14<sup>th</sup> February 2022.

**15. CONTACT OFFICER**

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

Sign Off:-

Managing Director	<input checked="" type="checkbox"/>
Director of Resources and Development	<input checked="" type="checkbox"/>
Chief Solicitor	<input checked="" type="checkbox"/>

**Income from Sales, Fees & Charges****APPENDIX B**

Department/Service	Budget 2021/22  £'000	2% Inflation  £'000	Budget 2022/23  £'000
<b>Adult and Community Based Services</b>			
Residential Care Contributions	9,995	200	10,195
Contribution to Non-Residential Care	2,687	54	2,740
Sport & Rec - Fees & Charges	1,450	29	1,479
Cems & Crems	1,308	26	1,334
Community Hubs - Fees, Charges & Sales	176	4	180
Adult Education Course Fees	175	4	179
Town Hall Theatre	202	4	206
Borough Hall	110	2	112
DFG - Admin Fee	158	3	161
<b>Adults and Community Total</b>	<b>16,261</b>	<b>325</b>	<b>16,587</b>
Oscars – Fees and charges	162	3	165
Raising Education Achievement	291	6	297
Education Psychology – buy back	226	5	231
Special Needs Services – buy back	141	3	144
<b>Children's and Joint Commissioning</b>	<b>820</b>	<b>16</b>	<b>836</b>
DSO School Catering	3,372	67	3,440
Car Parking	1,736	35	1,771
Building Design Team Fees	1,806	36	1,843
Building Cleaning	1,335	27	1,362
Engineers Fees	684	14	698
Development Control	621	12	634
Home to School and Other Passenger Transport	490	10	499
Waste - Trade Waste	431	9	440
Stores & Plant Sales	396	8	404
Waste - Recycling Income	392	8	400
Public Protection - Licences	373	7	381
Building Control	179	4	182
Street Works Permits & Licences 2020	157	3	160
Building Maintenance	155	3	158

Department/Service	Budget 2021/22	2% Inflation	Budget 2022/23
<b>Neighbourhoods and Regulatory Services</b>	<b>12,128</b>	<b>243</b>	<b>12,370</b>
Non Operational Property Rents	256	5	261
Hartlepool Enterprise Centre	169	3	173
BIS (ISQ Workspace)	143	3	146
Corporate Finance	230	5	235
HR & Health and Safety	207	4	211
Payroll	173	3	176
Registrars	143	3	146
RTB Share income	204	4	208
Shopping Centre - Rent	200	4	204
Total Resources and Development	<b>1,725</b>	<b>35</b>	<b>1,760</b>
<b>Total All Fees and Charegs above £100k</b>	<b>30,934</b>	<b>619</b>	<b>31,553</b>
Total All Fees and Charegs below £100k	2,155	43	2,198
<b>Total All Fees and Charges</b>	<b>33,089</b>	<b>662</b>	<b>33,751</b>

### 7. **OTHER KEY FUNDING ISSUES**

- 7.1 There are a number of key issues as detailed in the following paragraphs which may impact of the MTFS and updates will be provided when new information becomes available.
- 7.2 **Fair Funding Review** - the latest indications suggest this will be delayed further and may not happen until after the next general election. As we are now in June there is not effectively time for the Government to consult on major potential changes for 2023/24. It is hoped that a two year settlement covering 2023/24 and 2024/25 will be provided later in the year.
- 7.3 **Services Grant review** - this was a new grant for 2022/23 worth £822m nationally and £1.964m was allocated to the Council. The Government indicated they will review the allocation of this grant for 2023/24 and consultation proposals are expected later in the year. The local MTFS planning assumption is the 2022/23 grant allocation will be the minimum ongoing allocation, although this cannot be guaranteed.
- 7.4 **Social Care Funding Reform** – these changes will be extremely complex and have a part year impact commencing in October 2023. A regional approach is being taken to assess the impact, albeit on a case by case basis for the 12 North East councils. Further updates will be provided when more information is available of the costs of these reforms, and the funding allocation from the 1.25% National Insurance increase is known.
- 7.5 These changes cover the Fair Funding exercise which will significantly increase costs and the Social Care cap, which will reduce income. At this stage there is insufficient information to assess the impact of these changes and whether the additional costs / income reductions will be funded from increased grant. There is a significant risk that the national funding may be insufficient to meet increased costs and a further risk that the funding formula may prioritise more affluent areas where these issues will have a greater impact, as the fixed care cap has the greatest impact on more affluent areas where house prices are higher.
- 7.6 As the changes will only have a part year impact in 2023/24, as they will be implemented from October 2023, the current planning assumption is there will be no net impact in 2023/24. This is a financial risk and further work will be completed over the summer to assess this risk and to develop a strategy for managing the risk, which may include identifying a specific risk reserve. This approach would simply defer the financial risk until 2024/25, although the position would then be certain.

- 7.7 **Power Station implications** – this plant is scheduled to close in 2024/25 and currently accounts for **16% (£4.5m)** of the Business Rates income retained by the Council. Closure will result in the Council becoming eligible for Business Rates Safety Net grant. However, this does not cover the full income reduction and the Council will have to manage a recurring annual shortfall of **£1.1m** until such time as the funding baseline is reset. The timing of such resets are currently unknown.
- 7.8 A reserve has previously been established to manage this risk and the timing of the Fair Funding review. This strategy will avoid this risk impacting before 2026/27 and provides a longer lead time to develop a strategy to manage this recurring income reduction, which will include:
- Earmarking any other growth in Business Rates income;
  - Earmarking income from the potential lease of land at Hartmoor for Energy Storage;
  - Earmarking any additional Council Tax growth if actual growth rates exceed existing MTFS forecasts; and
  - Identifying further budget reductions in 2026/27 for the remaining shortfall not covered by the above.
- 7.9 There may be an earlier impact of a reduction in Power Station Business Rates income as a Rateable Value challenge has been lodged by EDF in line with Valuation Office Agency (VOA) procedures. If successful this would be back dated to 19.09.21. Owing to the complexity of this issue it is unlikely to be determined by the VOA for some time and will be subject to changing circumstances of the power station's ability to continue to generate the same level of electricity as when the Rateable Value was set. We will write to the VOA to explain the financial significance of this income and ask them to keep us informed of the position.
- 7.10 **Reduction in Business Rates – Schools converting to Academies** - non academy schools are funded for Business Rates through the schools funding system. In line with the national funding system the Council then retains 49% of this income, the fire Authority 1% and the Government 50%. When schools convert to academy status they become eligible for 80% Charitable Business Rates relief and therefore receive less funding to offset this reduction in liability – so the financial impact remains neutral for schools. However, the Rates Relief reduces income retained by councils, fire authorities and the Government. It is anticipated this income reduction can be managed within the overall Business Rates and Section 31 grants included in the budget forecasts.
- 7.11 **Pension Fund Valuation** – the pension fund is valued every three years to determine the Employers Pension contribution rates. The current rates applied for the three years commencing 1<sup>st</sup> April 2020 and reduced the rate by 3%, which provided an annual saving of £1.5m. New rates will be set from 1<sup>st</sup>

April 2023 and these will reflect the significant economic changes which have occurred over the last three years, the impact of current inflation and the economic outlook for the next three years. As these factors have had a negative impact on the Pension Fund it is anticipated that part of the previous significant reduction in the employers rates will be reversed and this will be phased over three years.



# FINANCE AND POLICY COMMITTEE

20<sup>th</sup> June 2022



**Report of:** Director, Children's and Joint Commissioning Services

**Subject:** LOCAL WELFARE SUPPORT SCHEME 2022/23

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## 1. TYPE OF DECISION/APPLICABLE CATEGORY

1.1 Key decision CJCS 125/21

## 2. PURPOSE OF REPORT

2.1 To seek approval from Members for a change to the delivery of Local Welfare Support (LWS).

## 3. BACKGROUND

3.1 From April 2013, as part of changes introduced by the Welfare Reform Act 2012, responsibility for welfare provision (crisis loans and community care grants) was transferred to upper tier local authorities in England. The Government believed that this type of support would be delivered more effectively at a local level and when aligned with other locally provided services such as housing and social care.

3.2 In 2013/14, the Government provided dedicated grant funding to local authorities in England to design and establish their own local welfare assistance schemes (LWAS). Hartlepool has operated a Local Welfare Assistance Scheme since 2013 comprising of 'In Crisis' (I am having a crisis and need help today with food/ gas/ electricity) and 'Non Crisis' (I need help with household goods as I am settling into the community).

3.3 Since 2013 the framework under which LWS operates in Hartlepool has been 'tweaked' but not fundamentally changed. 'In Crisis' is there for a 'crisis' – a sudden and unforeseen event; and 'Non Crisis' is there for those setting up home for example having had to leave supported accommodation, prison or having fled domestic abuse. Members approved the last updated framework on the 27<sup>th</sup> August 2019.

#### 4. WELFARE SUPPORT

- 4.1 LWS sits within the Housing, Hardship and Welfare Support service area and is delivered by a team of Welfare Support Officers. Officers use their benefit, entitlement and voluntary sector/ service sector knowledge to help vulnerable residents who ask for help.
- 4.2 Officers have a number of 'tools' that can help them support residents and their work directly supports the council's Child and Family Poverty Strategy with the aim of mitigating impact of poverty on children, young people and their families.
- 4.3 The officer 'toolkit' includes the LWS fund, Discretionary Housing Payments, a Greggs Foundation Grant, the Trussell Trust Foodbank and the wider free food network, school uniform schemes and other forms of local support to ensure residents get the help they need.
- 4.4 In many cases a LWS award does not need to be made as another service or provider can and will help. This allows the Welfare Support Officers to make the fund stretch further.

#### 5. LOCAL WELFARE SUPPORT SCHEME

- 5.1 The table below shows the 2021/22 picture for LWS activity.

	Total requests for crisis and non crisis	Daily crisis awards* - approved	None crisis/ household goods* - approved	Total approved	% approved	Total declined	% declined	Trussell Trust Foodbank vouchers (issued by the LWS team)
April	284	195	25	220	77	65	23	48
May	183	70	21	91	74	47	26	44
June	216	82	33	115	74	57	26	44
July	208	64	25	89	64	74	36	45
August	193	99	20	119	75	48	25	25
Sept	209	94	35	129	81	40	19	38
Oct	248	119	27	146	73	67	27	35
Nov	260	101	26	127	79	55	21	77
Dec	253	97	99	196	80	51	20	19
Jan	268	86	21	107	78	58	22	117
Feb	191	80	17	97	94	12	6	87
Mar	138	90	7	97	70	48	30	62
Total	2651	1177	356	1533		622		641

\* 1 award may include multiple items

- 5.2 The table below shows the range of support offered through LWS to repeat clients:

Total number of repeat clients (client helped more than once/ multiple awards)	Total number of household items and cost by repeat clients	Total number of food / toiletries vouchers and cost by repeat clients	Total number of energy top ups and cost by repeat clients
531 / 21%	727 items/ £161,466	718 food vouchers/ £20,760	546 top ups/ £27,358

- 5.3 Hartlepool's levels of deprivation are by far the most challenging issue when operating a LWS scheme. Those that present for support are in the main not 'in crisis', they are suffering ongoing financial hardship being unable to manage on the money that the benefit system pays them. Realistically the scheme cannot prop up the benefit system -nor can it support people on an ongoing basis who do not make adjustments themselves in order to manage on what they receive. 21% of customers are repeats asking regularly for financial support.
- 5.4 Additionally, since 2018 concerns have been expressed about the escalating behaviours of LWS clients, their attitudes towards staff and the increasing threatening behaviours displayed when clients are told they cannot be helped by the scheme. This is now impacting on the team's health and wellbeing. The current model has established a dependency culture with a large proportion of those applying for support "expecting" this support to be in place and becoming verbally (and sometimes physically) abusive towards the team when assistance is declined.
- 5.5 It also needs to be noted that the landscape has changed significantly since Hartlepool began its LWS provision in 2013. Whilst levels of deprivation have increased, so too has community capacity and resources in an effort to mitigate the impact. This is particularly the case in relation to food support.

## 6. LWS Scheme options

- 6.1 Option One:** Continue the service 'as is' – the current benefit system does not always offer residents the support they need to make ends meet – LWS is 'the safety net beneath the safety net', albeit the fund can in no way meet the needs of all those that present for help.

Considerations for	Considerations against	Further considerations
Staff know what to do and how to do it	Budget will not cope with the ever increasing demand	Administrative processes and IT systems would need overhauling to be fit for purpose
Public have 'expectations'	The current service is not fit for purpose – hand outs are not solving problems	Currently administratively burdensome
It's been there since 2013 and people rely on it		

	<p>A sense of entitlement from the public has led to unreasonable and challenging behaviours from too many service users</p> <p>Not making any real difference, just providing a 'quick fix'</p> <p>Not having any evidenced impact – 'quick fix'</p> <p>Not reaching those who are in need, reacting instead to those that present and 'shout loudest'</p>	Existing qualifying criteria would need to be adjusted to reflect some of the current delivery issues which are set out underneath this table
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If Option One was chosen it is proposed that the current framework be amended to include the following criteria to enable the team to manage the high volume of work which would continue to present each day:

- Telephone and face to face support available daily up to a cut off time in line with Civic Centre cash office availability
- Online applications available 24/7 – this requires ongoing IT work to improve the system
- 24 hours response time to applications (rather than same day service)
- Requests for free food/ energy top ups redirected to community organisations wherever appropriate
- Support targeted at specific vulnerable groups, for example, victims of crime and domestic abuse, ex-offenders released into the community, homeless people, refugees, those with medical/ health needs etc.
- People who move to the town (due to cheap rents and with no familial connection) would be unable to access household goods support for six months – they must satisfy the 'ordinarily resident test' – exceptions would apply
- One off support for those making an initial application for benefit and awaiting their first payment (to help with the 5-6 week Universal Credit delay)
- One off support for those with benefit sanctions (it is proposed that LWS is not to be used to manage repeat sanctions by DWP).

**6.2 Option Two:** End the service altogether – the service is not equipped or able to effectively mitigate the failings of the benefit system.

Considerations for	Considerations against	Further considerations
<p>No statutory requirement to deliver the service</p> <p>Lots of robust support across the town from community organisations to help residents</p> <p>Extensive (free) food availability (e.g. the Food Council)</p> <p>Extensive energy support available (e.g. top ups through agencies via Energy Redress Scheme)</p>	<p>Levels of poverty and deprivation are amongst the highest in the country</p> <p>Service supports a wider town wide anti-poverty strategy</p> <p>Recent NECPC report highlights Hartlepool Council's service as one of the best in the region</p> <p>Offers an opportunity to support vulnerable people quickly</p>	<p>Staffing implications</p>

**6.3 Option Three:** Commission the service out – community organisations may be better placed to offer the support locally and more cost effectively

Considerations for	Considerations against	Further considerations
<p>A small number of councils are already doing this</p> <p>Empowers local community organisations to help their residents</p> <p>Local community knows their people better than anyone</p> <p>Local community organisations can use the budget as match funding to secure other financial support</p> <p>Could be delivered more cost effectively</p> <p>Could be delivered directly within a community – no travel for residents to civic centre cash office</p> <p>No stigma attached – i.e. do not have to ask a Public Body for help</p>	<p>Council is able to undertake validation 'checks' on applicants circumstances due to their information access rights e.g. we can check benefit information, this is not an option for community organisations</p> <p>Council is able to look holistically at the applicants situation and seek other opportunities to help (e.g. council tax support, free school meals etc)</p>	<p>Staffing implications</p>

Could tie this in with existing commissioned contracts around money advice and money management		
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- 6.4 Option Four:** Provide a hybrid model – use some of the budget to deliver a reduced LWS service, bolster community intervention with some support from the LWS budget and then target the remainder for intensive welfare support to a smaller group of clients with the aim to make sustained change for individuals.

Considerations for	Considerations against	Further considerations
<p>Current staff could use their skills and expertise to provide a 'Welfare Rights' service supporting complex cases that require multiple areas of financial advice, support and intervention with access to some budget as part of a package of support</p> <p>Current staff have good welfare benefit advice knowledge that would be put to use</p> <p>Community organisations already delivering food, energy, household goods support would be well placed to extend this further with additional financial support</p> <p>Team would have capacity to form stronger relationships with the network of support agencies across town that are best placed to be included in 'packages' of help for residents</p>	<p>Cannot assume that local community organisations could cope with the volume of requests that the scheme currently deals with</p> <p>Issue of 'validating' requests for support by a resident to a community group would need addressing</p> <p>Budget reductions mean that what we would offer out to community groups would be small amounts of funding</p>	<p>Staffing implications</p>

- 6.5** Officers feel that **Option Four** is the option that should be implemented. This option offers the best opportunity to reach those that need support the most. It also gives officers more time to work directly with those needing support to make a long term difference. The current system acts as a sticking plaster for short amounts of time with no opportunity to make positive change. This would move the service from transactional in nature to intervention and prevention based support.

## 6.6 Implementing Option Four would involve:

- amending the current LWS criteria to cut back on ‘repeats’ and to target support at those that need it (and are unlikely to be supported elsewhere)
- using some of the budget to support VCS providers to help their local community – e.g. with food/ energy/ second hand furniture etc;
- freeing up the Welfare Support Officers to move away from large volumes of day to day requests for hand-outs allowing them the time to undertake targeted work with individuals so that their financial situation can be meaningfully changed.

## 6.7 A case study is available in **Appendix A** that indicates an example of more targeted intensive work by the LWS team.

# 7. RISK IMPLICATIONS

7.1 There is a risk that the amount of funding allocated by the council to the LWS scheme is not sufficient to meet demand. Officers and managers monitor the fund carefully and to date there has not been an overspend despite an increase in demand. The role of the Welfare Support Officer includes the need to identify alternative sources of support where residents can be referred to. The knowledge and use of such services enables the LWS budget to be targeted at those that need it most.

7.2 Recent government grants such as the COVID Support Fund and the Household Support Fund have seen residents benefit from shopping vouchers and help with energy top ups. This has continued to raise expectations amongst residents that this level of support will continue and has become relied upon by many to make ends meet.

7.3 The current Cost of Living Crisis is an ongoing risk as many residents are facing significant hardship, particularly in relation to rising energy costs.

# 8. FINANCIAL CONSIDERATIONS

8.1 The total allocation for 2022/23 is £210,000. The LWS budget has been protected in 2022/23 however it is anticipated due to ongoing savings required this may need to reduce in 2023/24. Therefore the LWS framework will only be for one year with a budget review early in 2023. It is important that whichever option is chosen, a transition plan is in place to support residents that have come to rely on the service to make any necessary adjustments.

8.2 A reduction in the volume of clients does not include a reduction in the amount of work required to deliver an effective welfare support service.

## 9. LEGAL CONSIDERATIONS

- 9.1 It is no longer a statutory duty to deliver a LWS scheme however un-ringfenced funding is allocated in the council's annual budget from government. Where a scheme is in place, it is important that it is administered fairly and consistently and according to an agreed framework in order to ensure there are no legal challenges to officers' decision making.

## 10. CONSULTATION

- 10.1 Consultation was undertaken during October to December 2021 with a group of residents struggling with financial hardship to understand what would help them most. A number of themes came out of these discussions including:
- Mental and physical health are key issues for many residents that are benefit dependent;
  - Unemployment continues to be a key issue although many are not ready (yet) for work due to ill health;
  - Many people cannot manage with what they get through the benefit system;
  - Deductions are unmanageable when you already have next to nothing to live on;
  - In work poverty is real and it's not new;
  - Some people are resilient and don't want to ask for help ;
  - Residents either know of LWS and other support opportunities or they don't.

## 11. CHILD AND FAMILY POVERTY

- 11.1 Child Poverty Impact Assessment attached as **Appendix B**.

## 12. EQUALITY AND DIVERSITY CONSIDERATIONS

- 12.1 The Welfare Support team is committed to promoting a community and organisational culture that fully respects and values everyone's differences and needs.

## 13. STAFF CONSIDERATIONS

- 13.1 There are staff considerations within each of the options set out in section 6. If the recommended option is approved the welfare support team will stay in place with some amendments to their daily activities. However this is already included within their job descriptions.



**14. ASSET MANAGEMENT CONSIDERATIONS**

- 14.1 There are no asset management considerations.

**15. ENVIRONMENT, SUSTAINABILITY AND CLIMATE CHANGE CONSIDERATIONS**

- 15.1 There are no environment, sustainability and climate change considerations.

**16. RECOMMENDATIONS**

- 16.1 That Members approve the recommended option four for the future delivery of Local Welfare Support Scheme.
- 16.2 That Members approve for officers to make changes to the framework in line with the preferred option and subsequently publish the amended LWSS framework.

**17. REASONS FOR RECOMMENDATIONS**

- 17.1 The framework includes relevant updates to ensure the council is compliant with its legal duties.
- 17.2 To ensure that we support those most in need and to help make sustainable positive change for residents,
- 17.3 To stop duplication of support across the Council and community organisations thus leading to ineffective use of resources.

**18. BACKGROUND PAPERS**

None.

**19. CONTACT OFFICER**

Penny Thompson, Head of Housing, Hardship and Welfare Services  
–Civic Centre, 01429 284878 [penny.thompson@hartlepool.gov.uk](mailto:penny.thompson@hartlepool.gov.uk)

Danielle Swainston, Assistant Director, Joint Commissioning, Civic Centre,  
01429 523732 [danielle.swainston@hartlepool.gov.uk](mailto:danielle.swainston@hartlepool.gov.uk)

## **Appendix A**

### **Case study to support Option 4 – LWS**

Vicky has been known to Local Welfare Support since 2018. She first got in touch with the service for help with food and energy top ups when she was struggling to make ends meet with day to day living costs.

Once Vicky had used the service once she began to rely on it more and more. She was a victim of domestic abuse and her partner would spend all their money.

Vicky had a teenage daughter and she would often prioritise her money on things for her daughter rather than on day to day essential living costs.

Over the period 2018 – 2021 Vicky asked for help more than 60 times requesting food vouchers, energy top ups and clothing.

Towards the end of 2021 the LWS team became increasingly concerned for her welfare. Her physical and mental health had deteriorated and she had disclosed further incidents of abuse as well as an increase in her use of illegal substances. A multi agency meeting was convened and a plan put in place to support Vicky.

For Local Welfare Support this included:

Helping Vicky to move to a new property with a social landlord – this included removal costs, rubbish removal and help with rent arrears so she could move with a 'clean slate'.

Help with Council Tax arrears and in claiming Local Council Tax Support.

Help with a claim for Personal Independence Payment via a local benefit advice agency.

Help with appliances for the new property.

Help to apply for Household Support Fund to alleviate debt accrued with energy and water companies.

Help understanding what money she has coming in and what money needs to go out (priority payments).

Vicky is still vulnerable however she is engaging well with the substance misuse service and has left the abusive relationship.

<b>1. Is this decision a Budget &amp; Policy Framework or Key Decision? Yes</b> If YES please answer question 2 below				
<b>2. Will there be an impact of the decision requested in respect of Child and Family Poverty? YES</b> If YES please complete the matrix below				
GROUP	POSITIVE IMPACT	NEGATIVE IMPACT	NO IMPACT	REASON & EVIDENCE
Young working people aged 18 - 21	Yes			Local Welfare Support is for those in financial crisis in order to mitigate the impact of poverty and financial hardship on those most in need. The provision of assistance through the implementation of the scheme will have a positive impact on those who experience poverty by providing assistance and supporting identification of potential solutions to make change.
Those who are disabled or suffer from illness / mental illness	Yes			
Those with low educational attainment	Yes			
Those who are unemployed	Yes			
Those who are underemployed	Yes			
Children born into families in poverty	Yes			
Those who find difficulty in managing their finances	Yes			
Lone parents	Yes			
Those from minority ethnic backgrounds	Yes			
Poverty is measured in different ways. Will the policy / decision have an impact on child and family poverty and in what way?				

# POVERTY IMPACT ASSESSMENT

## 6.1 Appendix B

Poverty Measure (examples of poverty measures appended overleaf)	POSITIVE IMPACT	NEGATIVE IMPACT	NO IMPACT	REASON & EVIDENCE
Children in low income families	Yes			Local Welfare Support is intended to mitigate the impact of poverty and financial hardship on those most in need. The provision of assistance through the implementation of the scheme will have a positive impact on those who experience poverty by providing assistance whilst also seeking potential supportive solutions to the issues causing financial hardship.
Educational attainment	Yes			
Healthy eating	No			
Overall impact of Policy / Decision				
POSITIVE IMPACT		X	ADJUST / CHANGE POLICY / SERVICE	
NO IMPACT / NO CHANGE			STOP / REMOVE POLICY / SERVICE	
ADVERSE IMPACT BUT CONTINUE				
Examples of Indicators that impact of Child and Family Poverty.				
Economic				
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				
Education				
Free School meals attainment gap (key stage 2 and key stage 4)				
Gap in progression to higher education FSM / Non FSM				

Achievement gap between disadvantaged pupils and all pupils (key stage 2 and key stage 4)
<b>Housing</b>
Average time taken to process Housing Benefit / Council tax benefit claims
Number of affordable homes built
<b>Health</b>
Prevalence of underweight children in reception year
Prevalence of obese children in reception year
Prevalence of underweight children in year 6
Prevalence of obese children in reception year 6
Life expectancy

# FINANCE AND POLICY COMMITTEE

20<sup>th</sup> June 2022



**Report of:** Director, Children's and Joint Commissioning Services

**Subject:** UPDATED DISCRETIONARY HOUSING PAYMENT FRAMEWORK

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## 1. TYPE OF DECISION/APPLICABLE CATEGORY

1.1 Key decision - General exception

## 2. PURPOSE OF REPORT

2.1 To advise Members of reduction in budget and proposed updates to the Discretionary Housing Payment (DHP) framework as a result of a reduced budget.

2.2 To seek approval of the proposed updated framework (**Appendix A**)

## 3. BACKGROUND

3.1 Since the Welfare Reform Act 2013, the council's Discretionary Housing Payments budget has largely risen year on year to cushion the impact of housing related welfare reforms on those suffering financial hardship. Funding for DHP is received direct from government.

3.2 An administration framework is in place to ensure financial regulations are adhered to both in the application of the grant conditions and in how those awards are made. Finance and Policy Committee last approved revisions to The Discretionary Housing Payments Administration Framework in 2019/2020. No further amendments have been required since this date.

3.3 In 2021/22 the amount of DHP funding the council received reduced significantly. In addition, the funding was split into two six monthly payments with uncertainty on what (if any) further funding would be received after the initial six months in that financial year.

- 3.4 Notification of the funding for 2022/23 indicates a further reduction in funding and the intention to allocate again in two six monthly payments.
- 3.5 A summary of the number of awards made and funding received over the past three financial years together with the 2022/23 indicative funding allocation can be found below. Note: this is the funding received from government and excludes any funding that we have used to 'top up' the fund.

Financial year	Total funding allocated	Total Spent	Total number of awards made	Comments
2019/20	£360,723	£360,611	1804	More awards made over shorter periods
2020/21	£440,592	£440,591	1304	Fewer awards made over longer periods
2021/22	£243,239 (first block)  £328,667 in total	£328,667	996	Excludes March '22
2022/23	£229,049 (first block)	Allocation part 1 of 2 potential blocks	N/K	N/K

#### 4. DISCRETIONARY HOUSING PAYMENTS – PROPOSED CHANGES

- 4.1 DHP is intended as short term support in order to provide people with the necessary time to make changes to their housing costs/ financial situation. Given the year on year increase in DHP funding, the council has been able to support eligible residents with multiple awards over successive financial years however the reduction in funding and the risks associated with six-monthly allocations must now be acknowledged and action taken.
- 4.2 The proposed revised Administration Framework can be found in Appendix A. The only significant change is in the area of repeat awards. Previously, an applicant could request a DHP as many times as they like for the same property, and, subject to funding, this could be approved. However, given the reduction in budget and the risks associated with a six monthly allocation, it is proposed that an applicant can have no more than 3 DHPs in successive financial years. This would align more closely with the original intentions of the funding, namely to provide short term support.
- 4.3 Across the financial years 2019 – 2022, 124 households had more than 2 consecutive DHP awards totaling £285,257 – 25% of the DHP budget for that

period. Of these, 49 had more than 3 consecutive awards totaling £108,637 – 10% of the total DHP budget.

- 4.4 Reducing the number of consecutive awards will allow us to comply with the requirement to make short term awards, adjust to the reduction in grant funding, and also identify and reach out to those households that have never had an award previously.

## **5. RISK IMPLICATIONS**

- 5.1 There is a risk that if we do not make it clear in our administration framework criteria that successive applications cannot be sustained we are at risk of over spending.
- 5.2 There is a risk that individuals will not be able to afford their housing costs. However the current scheme does not offer any incentive for people to make changes their housing arrangements and therefore has created a dependency on this funding which is not sustainable due to reduced funding.

## **6. FINANCIAL CONSIDERATIONS**

- 6.1 The funding for Discretionary Housing Payments for 2022/23 is for six months and we have no indication of what/ if a further six monthly allocation will be provided.
- 6.2 The funding is less than in 2021/22 and significantly less than in 2020/ 21.

## **7. LEGAL CONSIDERATIONS**

- 7.1 Legislation regarding DHP can be found within Discretionary Financial Assistance Regulations 2001 (SI001/1167)

## **8. CONSULTATION**

- 8.1 Ongoing discussions have been undertaken with those accessing support via Local Welfare Support and DHP. It is evident that individuals that continually request support via DHP need support to make changes to their housing arrangements. The aim is that the wider LWS, housing advice team will offer support to enable these individuals to make changes.



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

- 9.1 The DHP framework continues to target resources to those most in need however with a reduction in government funding, the number and length of awards that we can make will be reduced. (see **Appendix B**)

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

- 10.1 The Welfare Support team is committed to promoting a community and organisational culture that fully respects and values everyone's differences and needs.

**11. STAFF CONSIDERATIONS**

- 11.1 There no staff considerations.

**12. ASSET MANAGEMENT CONSIDERATIONS**

- 12.1 There are no asset management considerations.

**13. ENVIRONMENT, SUSTAINABILITY AND CLIMATE CHANGE CONSIDERATIONS**

- 13.1 There are no environment, sustainability or climate change considerations.

**14. RECOMMENDATIONS**

- 14.1 It is recommended that Finance and Policy Committee approve the changes to the DHP administration framework (appendix A) in order that awards can be made within the funding allocated.

**15. REASONS FOR RECOMMENDATIONS**

- 15.1 To ensure that timely financial support is available for individuals/ families.
- 15.2 To ensure that resources are targeted at those most in need within the context of a reduced budget.
- 15.3 To ensure the Council is meeting its requirements in relation to DHP.

**16. BACKGROUND PAPERS**

None

**17. CONTACT OFFICERS**

Penny Thompson, Head of Housing, Hardship and Welfare Support Services  
[penny.thompson@hartlepool.gov.uk](mailto:penny.thompson@hartlepool.gov.uk) 01429 284878

Danielle Swainston, Assistant Director, Joint Commissioning,  
[Danielle.swainston@hartlepool.gov.uk](mailto:Danielle.swainston@hartlepool.gov.uk) 01429 523732

Sign Off:-

Managing Director



Director of Resources and Development



Chief Solicitor





**Hartlepool Borough Council**  
**Discretionary Housing Payments (DHP)**  
**Administration Framework, April 2022**

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**What is the purpose of this administration guide?**

**What is a Discretionary Housing Payment?**

**What is the eligibility criteria?**

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**What can DHP cover?**

**What types of shortfall in rent can it cover?**

**How we decide who can have DHPs**

**What cannot be covered by DHPs**

**How much DHP will I get?**

**What if my circumstances change?**

**What if I disagree with a decision?**

**Related documents**

**What is the purpose of this administration framework?** This Administration Guide explains what a Discretionary Housing Payment (DHP) is, what it is for, who can apply, how to apply and how we make decisions. More information can be found in the Department for Work and Pensions Discretionary Housing Payments Guidance Manual which can be located at <https://www.gov.uk/government/publications/discretionary-housing-payments-guidance-manual>.

**What is a Discretionary Housing Payment?** DHPs are extra payments to help with rent or housing costs for people in receipt of a qualifying benefit. It is a short term emergency fund and is not to be used as a means of ongoing support nor can it support ongoing financial hardship. For the majority of people, DHP is short term support giving people time to make changes to their circumstances.

**What is the eligibility criteria?** You must be in receipt of Housing Benefit or the housing element of Universal Credit and be able to clearly demonstrate that further financial assistance towards housing costs is required. In most cases 'further financial assistance' means that you are unable to meet your housing costs yourself as you have no available income.

**Before you apply.** We would expect you to demonstrate the following (where appropriate) before applying:

- You have tried to negotiate a lower rent with your landlord
- You are looking for more affordable alternative accommodation.

In addition, we may ask you what you are doing to improve your situation. For example, that you are registered on Tees Valley Homefinder and are actively looking for affordable accommodation.

**Information you need to apply.** Application forms can be obtained from The Civic Centre, Victoria Road, Hartlepool, TS24 8AY during office hours. Alternatively, you can apply online: [https://www.hartlepool.gov.uk/info/20127/benefits\\_and\\_grants/850/discretionary\\_housing\\_payment/1](https://www.hartlepool.gov.uk/info/20127/benefits_and_grants/850/discretionary_housing_payment/1).

Application forms must be fully completed with all relevant evidence supplied where required. Incomplete application forms missing essential information will be rejected. As a minimum you will need to tell us:

- your name and contact details
- your address and landlord details
- your National Insurance Number
- confirmation of your benefit entitlements
- details of your income including amounts you receive
- breakdown of your expenses and how you spend your money each week
- details of any arrears or debts you have and the repayment amounts
- details of anyone who lives with you, including their income
- if applying for a rent deposit, bond or rent in advance we need the details of the new property, how many bedrooms, who the landlord is and their contact number.

**What can DHP cover?** DHP can be used to:

- help with rent shortfalls
- help with a bond
- help with deposits

- help with removal costs
- help with rent overlaps (in exceptional circumstances)
- help with rent arrears (in exceptional circumstances).

**What types of shortfall in rent can it cover?** There are a number of reasons why the amount of Housing Benefit, or the housing costs element of Universal Credit, you receive is less than the rent you have to pay. These are the main types of shortfall DHP can help cover:

- Social Size Criteria – also known as the ‘under-occupancy charge’ or ‘the bedroom tax’
- Non-dependent deduction – you have an adult living with you who is not a partner, joint tenant or boarder
- Baby due – you have moved into a bigger property as your family size is due to increase
- Benefit Cap – your benefits have been capped
- Local Housing Allowance – you are only entitled to the rate for a shared room or the maximum rate for 4 bedrooms
- Any other reason than the above – for example, your income is too high to be entitled to full help with your rent.

**How we decide who can have DHPs.** DHPs are for Hartlepool residents. You need to have been a resident of the town for at least six months before you apply (exceptions apply, for example those who are fleeing domestic abuse or have had to relocate due to family caring responsibilities). DHP funding comes from central government and is limited each year. Once the funding has been spent, no more awards can be made. Applicants must meet the eligibility criteria. We aim to make sure that payments are made to those who are most in need.

We look at the following when we make a decision:

- your income and your savings
- if anyone else in your house can help you
- if you have any loans or debts
- if you could manage your money better
- if you or anyone in your family is ill or disabled; and
- if you have tried to put the situation right.

We will not usually pay DHPs if we think you can deal with the shortfall in other ways such as:

- asking the landlord for a rent reduction or help with the rent costs
- claiming other benefits you may be entitled to
- negotiating any debt repayments
- cutting down on unnecessary and avoidable expenses
- using your savings to cover the shortfall for a period
- any contributions that are or could be made by a non-dependent
- whether it is possible for you to move
- how long it will take you to find suitable alternative accommodation.

Applications that do not demonstrate that the eligibility criteria are met will be rejected at the point of receipt and the applicant notified accordingly. Applications that do demonstrate that the eligibility criteria are met will be reviewed by an Officer who will recommend whether or not a DHP should be made and if so on what terms.

Note: We treat every case on its own merits and may also take into account other factors that we have not mentioned above.

**What cannot be covered by DHPs?** DHPs cannot be paid where there is no rent shortfall. DHPs for Bonds, rent in advance or removal costs cannot be paid retrospectively. In addition, DHPs cannot be used to pay for:

- ineligible service charges
- increases in rent due to outstanding rent arrears
- reduced income caused by sanctions or reductions in benefit.

**How much DHP will I get?** The Council receives the DHP fund from central government in six monthly installments. For this reason awards will be made for no more than six months at a time. It is entirely up to the Local Authority how much we pay and for how long.

If a DHP is for help towards ongoing rental liability then, depending on your circumstances, we may pay some or all of your shortfall. The DHP will go direct to the landlord.

If a DHP is for a Bond then we will speak to your landlord to confirm the value of the Bond and that it is in an approved tenancy protection deposit scheme. The DHP will go direct to the landlord.

If your DHP is towards removal costs then we will agree with you which company will undertake the removal and how much they estimate the cost of the work. We will pay the removal company.

If a DHP is to help with rent arrears then you must have been in receipt of Housing Benefit or housing element of Universal Credit at the time the arrears occurred. Arrears payments will only be considered if they are preventing you from sustaining your tenancy or moving to a more affordable one.

**What if my circumstances change?** DHPs are based on your circumstances at the time you apply. If your circumstances change, you must tell us straight away as this could affect how much you receive.

**Maximum number of awards.** DHPs are for short term support and are not to be relied on for long term help. The fund is not able to continuously pay the gap in funds for those tenants that are living in accommodation that they cannot afford and/ or that is too big for their needs. Due to the nature of the fund and its financial limitations, we are not able to make repeat awards. For this reason, and in order to make sure we help as many people as possible, no more than 3 awards can be claimed on a property in successive financial years. Repeat claims must demonstrate what is being done to improve the situation or what additional barriers are preventing them from doing so.

**What if I disagree with a decision?** The scheme is purely discretionary and you do not have a statutory right to a payment. If you disagree with our decision you can ask us to look at the decision again. We call this a 'reconsideration'. You should write to us within fourteen days of the date of the decision letter, telling us why you do not agree with our decision. Your case will be reconsidered by a senior officer who will then make a final decision. You will be notified in writing of this reconsideration within 14 working dates of your request for a review. You have no further right of appeal against the final decision and you cannot appeal to the Tribunals Service.

**Related Documents.** Discretionary Housing Payments Guidance Manual, DWP 2018  
<https://www.gov.uk/government/publications/discretionary-housing-payments-guidance-manual> .



**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? YES**

If YES please complete the matrix below

GROUP	POSITIVE IMPACT	NEGATIVE IMPACT	NO IMPACT	REASON & EVIDENCE
Young working people aged 18 - 21			x	Discretionary Housing Payments are a short term support payment to help with rent shortfalls. The reduced grant is unable to help everyone that may wish to apply. Some groups will not be affected but others who have had multiple payments over more than three years will be affected.
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		

**Poverty is measured in different ways. Will the policy / decision have an impact on child and family poverty and in what way?**

Poverty Measure (examples of poverty measures appended overleaf)	POSITIVE IMPACT	NEGATIVE IMPACT	NO IMPACT	REASON & EVIDENCE
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Children in low income families			x	DHP is intended as a short term support mechanism for rent shortfalls.
Educational attainment			x	
Healthy eating			x	
Overall impact of Policy / Decision				
POSITIVE IMPACT		ADJUST / CHANGE POLICY / SERVICE		
NO IMPACT / NO CHANGE		STOP / REMOVE POLICY / SERVICE		
ADVERSE IMPACT BUT CONTINUE	x			
Examples of Indicators that impact of Child and Family Poverty.				
Economic				
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				
Education				
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)				
Housing				
Average time taken to process Housing Benefit / Council tax benefit claims				
Number of affordable homes built				
Health				
Prevalence of underweight children in reception year				
Prevalence of obese children in reception year				

Prevalence of underweight children in year 6
Prevalence of obese children in reception year 6
Life expectancy

# FINANCE AND POLICY COMMITTEE

20 June 2022



**Report of:** Director of Children's and Joint Commissioning Services

**Subject:** DEFIBRILLATOR POLICY

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## 1. TYPE OF DECISION/APPLICABLE CATEGORY

1.1 Non-key decision.

## 2. PURPOSE OF REPORT

2.1 This paper outlines the proposed defibrillator policy and next steps for those defibrillators in council control.

## 3. BACKGROUND

- 3.1. In April 2014, the Finance and Policy Committee agreed that £10k would be made available from the ring fenced public health grant to meet the costs of defibrillators and ongoing maintenance. It was proposed that an application agreement be drawn up with North East Ambulance Service (NEAS) and that a list of potential locations be prioritised. Hartlepool Hospice was identified as a potential location and the council was to fund the defibrillator and the hospice would fund ongoing maintenance. A training schedule and identified officers would be identified in each area to cover training and maintenance.
- 3.2. A subsequent document (Finance and Policy Committee 2014/15 Action Sheet – Outstanding) shows that this was discussed again on the 23rd March 2015. Once the number of locations was identified, the funds would be identified from Public Health resources plus match funding from the Defibs4Hartlepool group (which appears to be for Middleton Grange Shopping Centre). Any large organisations identified as the location of a defibrillator would be negotiated with to fund the installation and maintenance of the defibrillator. Training was to be offered through NEAS and a number of training sessions were being arranged.
- 3.3. In 2019 a number of requests were made concerning the location and availability of defibrillators in Hartlepool and so a review of defibrillators was

carried out. This was made difficult as staff who knew about the processes for purchasing and setting up training had left the authority. It was therefore necessary to attempt to compile an accurate picture using historic data files and information from other organisations such as the North East Ambulance Service (NEAS) – attached as **Appendix 3** – to follow.

- 3.4. In 2021 following a number of requests for support for replacement parts of defibrillators and there being no policy on how the council deals with an open ended financial commitment, the decision was taken to complete a defibrillator policy.
- 3.5. In 2021, the council were also approached by a local charity with for support to place defibrillators in selected locations in the town. This has financial implications for the authority and so comes within the remit of the proposed policy.

#### 4. PROPOSALS

- 4.1 The draft policy is attached as **Appendix 1** to this paper and outlines:

- Council's response to purchasing and placing defibrillators
- Ongoing Maintenance
- Supporting training for their use.
- Handover of selected council defibrillators to host organisations attached as **Appendix 2**.

This policy does not cover the procedures for maintaining those defibrillators that are the council's responsibility on our buildings and facilities. This needs to be discussed further as to whether an operational policy is required to cover these. Currently the defibrillators have guardians that are ensuring that they are maintained.

#### 5. RISK IMPLICATIONS

- 5.1 There is a risk that if defibrillators are placed on council property, should the owners cease to trade or operate, there may be an expectation that the council take on the maintenance and ongoing support for the defibrillators.

#### 6. FINANCIAL CONSIDERATIONS

- 6.1 The financial impact of placing defibrillators and any ongoing costs associated with running them needs to be considered.

**7. LEGAL CONSIDERATIONS**

- 7.1 The legal ownership of the defibrillators needs to be signed over to the current guardians who look after the defibrillators funded in 2015.

**8. CONSULTATION**

- 8.1 No relevant issues

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

- 9.1 No relevant issues

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

- 10.1 No relevant issues

**11. STAFF CONSIDERATIONS**

- 11.1 No relevant issues

**12. ASSET MANAGEMENT CONSIDERATIONS**

- 12.1 No relevant issues

**13. RECOMMENDATIONS**

- 13.1 That the committee approve the policy.

**14. REASONS FOR RECOMMENDATIONS**

- 14.1 Financial and operational challenges mean that this is the best option for long term operation of the devices.

**15. BACKGROUND PAPERS**

- 15.1 None.

## 16. CONTACT OFFICERS

16.1 Name: Craig Blundred  
Job Title: Director of Public Health  
Telephone number: 01429 284104  
Email address: [craig.blundred@hartlepool.gov.uk](mailto:craig.blundred@hartlepool.gov.uk)

Sign Off:-

Chief Executive	<input checked="" type="checkbox"/>
Director of Finance and Policy	<input checked="" type="checkbox"/>
Chief Solicitor	<input checked="" type="checkbox"/>

**Hartlepool Borough Council****Title: Defibrillator Policy****Date: June 2022****Author: Craig Blundred, Director of Public Health****Background**

When people experience a cardiac arrest, the use of defibrillators to assist in the event has ensured a positive outcome in a number of cases. Automated External Defibrillators (AEDs) are devices that are simple to use and are placed in prominent community locations. There are two main types of site that use defibrillators – fixed sites where the AED is available only when the site is open and for people using the site and Community Public Access Defibrillators (cPAD) sites which are available 24 hours. cPAD sites are popular with community organisations and are often funded through grants or fund raising by individuals or charity groups.

There are a number of cPAD sites across Hartlepool that have been funded through a variety of different sources. In 2016, several AEDs were funded by the public health department in the council. These were placed in parish council areas and council buildings. Since then a number of defibrillators have been funded through a combination of charitable activity and grants.

Each AED requires ownership to be taken of it, with a guardian carrying out weekly checks to ensure that the devices are still in working order and that any replacement parts are replaced when needed. Information is passed to the North East Ambulance Service (NEAS) who maintain a register of devices so that they can guide people to them during a 999 call.

The costs of the AED are the original purchase and maintenance such as buying new pads if used and new batteries when the original becomes life expired. These are met by the organisation responsible for the device. Additional costs may be incurred if there is a cabinet required for the device – this requires a small amount of electricity to keep the cabinet at the right temperature for optimum use of the device.

In recent years, the council has been approached to support the installation and running costs associated with a variety of AEDs. The increase in the number of devices and the potential costs associated with replacing equipment and consumables is not sustainable within the context of current budget pressures. This draft policy sets out the guidance and support offer that is available from the council covering purchase, maintenance and training.

**Purchase and placing the AED**

Organisations are recommended that they are clear about the ongoing maintenance costs alongside the costs to purchase the device. During the process of locating the device, the council have previously received requests to connect the device to electricity supplies. Early discussion should be held with the council in order to establish whether this is feasible and whether the costs associated with this are acceptable to the organisation.

Where there is a request to connect the AED to an electricity supply, the council will consider each case on an individual basis. The cost of installation and the position will be reviewed and either agreed or rejected in consultation with the organisation making the request. The council will work with the organisation to identify appropriate places to site the AED on council land / buildings. However there will not be a guarantee that the AED would be able to be sited on council owned buildings / land. A legal agreement will be signed by all relevant parties covering the responsibilities of each party. The council will also require a short indemnity licence to be agreed to cover the council from potential third party claims. Where defibrillators are to be placed on council buildings / land, there will be a licence (current fee £1) required.



The council has, in the past, purchased defibrillators with either grant or mainstream funding. These have then been allocated to external organisations (such as Parish Councils) to oversee. The responsibility for these devices should be transferred to the organisations who will continue to oversee and fund the maintenance and replenishment of consumables.

**Appendix 1** has a copy of the legal document assigning responsibility to the organisation.

### **Ongoing Maintenance**

Due to the number of AED devices in the town and ongoing budget pressures, it is not possible for the council to support organisations in the ongoing maintenance of devices.

If an organisation is currently maintaining an AED that has been provided by the council, we will negotiate with the organisation to take on board the ongoing maintenance of the AED. The AED will then be given to the organisation.

Those existing defibrillators identified as being within the ownership of the council on or in council facilities will continue to be maintained by the council.

### **Training**

AEDs are designed to be used by untrained people, however training increases confidence in their use. Training is also useful in helping people to recognise the signs of a cardiac arrest and how to deal with it. The council will work with partners to support the training of the public and to raise awareness about the importance of AEDs.

### **Review**

This policy will be reviewed every two years from the date of adoption.

**Transfer of Responsibility for Defibrillators Letter**

Dear

**Transfer of Responsibility for Defibrillators in XXX Parish Council Area**

Further to your request, for XXX Parish Council to assume ownership and responsibility for the defibrillators in the Parish Council area, please find below an agreement for consideration and acceptance.

**Agreement**

This letter acts as a binding agreement between Hartlepool Borough Council and XXX Parish Council.

From the date of this signed agreement:

- 1) The legal ownership of the defibrillators identified in Schedule 1 is transferred from Hartlepool Borough Council to XXXX Parish Council at nil cost.
- 2) Hartlepool Borough Council does not warrant that the defibrillators are in working order. XXX Parish Council takes the defibrillators in the condition they find them and are responsible to insurance and maintenance from the date of the agreement and for their correct operation.
- 3) Hartlepool Borough Council will not check, maintain or replace the defibrillators.
- 4) XXX Parish Council, at their own cost, will ensure that the defibrillators are checked regularly in accordance with applicable legislation, guidance and standards.
- 5) XXX Parish Council is responsible for the ongoing maintenance, upkeep and replacement of the defibrillators for an indefinite time period.
- 6) XXX Parish Council accept responsibility for the Guarantees and/or Contracts *(to check with department)* that Hartlepool Borough Council signed or entered into with XXX
- 7) The parties irrevocably agree that the courts of England and Wales shall have exclusive jurisdiction to settle any dispute or claim arising out of, or in connection with, this agreement, its subject matter or formation (including non-contractual disputes or claims).

Please acknowledge receipt and acceptance of this letter by signing, dating and returning the enclosed copy.

Yours faithfully,

.....

[NAME OF SENDER]

We hereby acknowledge receipt and accept the contents of this letter

Signed .....

[NAME OF RECIPIENT]

Date .....

.

### Appendix Three – Data relating to Out of Hospital Cardiac Arrest and Defibrillator use

The data relating to defibrillator use and out of hospital cardiac arrest was requested from the North East Ambulance Service trust (NEAS).

In the period between January 2017 and January 2022 there have been 663 out of hospital cardiac arrests in Hartlepool. However 2020 and 2021 saw higher numbers of incidents.

The 24 months between January 2020 and December 2021, account for 62%, 400 incidences of cardiac arrest, compared with 241 cardiac arrests in the 36 months between January 2017 and December 2019.

Year	Count of Out of Hospital Cardiac Arrest
2017	90
2018	57
2019	94
2020	207
2021	193

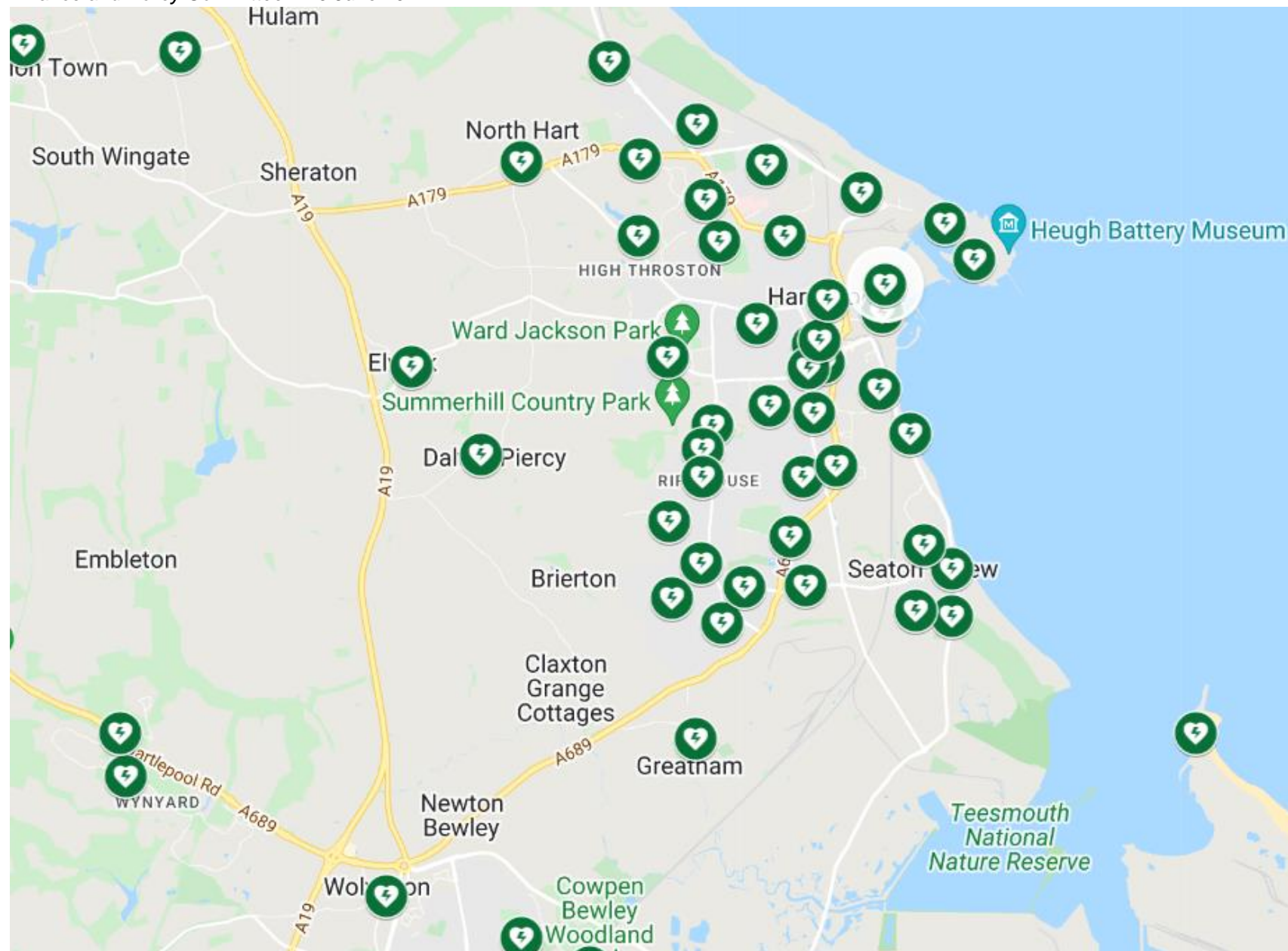
Table One: Out of Hospital Cardiac Arrests in Hartlepool 2017 - 2021

Source: NEAS 2022

It is not immediately obvious why there has been an increase but the period of time from 2020 to 2021 covers the main lockdown periods associated with COVID and associated challenges in accessing health care.

NEAS also provided information on the number of out of hospital cardiac arrests that were recorded as having a defibrillator used. Between January 2020 and January 2022 they recorded fewer than 10 instances where a defibrillator was used in an attempt to resuscitate. NEAS advised that they only started collecting this information in 2020.

Figure One shows a map indicating the placement of defibrillators in Hartlepool. This is indicative as the nature of the map means that some of the indicators relate to multiple sites.



**Figure One: Location of publicly accessible defibrillators in Hartlepool. Source: NEAS**

# FINANCE AND POLICY COMMITTEE

20th June 2022



**Report of:** Director of Resources and Development

**Subject:** TOWN DEAL BUSINESS CASES – WESLEY CHAPEL  
REDEVELOPMENT AND WATERFRONT  
CONNECTIVITY

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## 1. TYPE OF DECISION/APPLICABLE CATEGORY

For Decision.

## 2. PURPOSE OF REPORT

- 2.1 The purpose of the report is to update the Finance and Policy Committee on the development of the project Business Cases under the Council's £25m Town Deal Programme, provide a programme update and present the draft cases for both the Wesley Chapel Redevelopment and Waterfront Connectivity for information.

## 3. BACKGROUND

- 3.1 Following the approval of our Town Investment Plan by the Department for Levelling Up Communities and Housing (DLUCH) in 2021, Heads of Terms were offered (an agreement in principle only for funding and to form a Memorandum of Understanding [MOU]) to the Council and returned on 23rd June 2021, covering the following:

£13.86m Re-imagining Middleton Grange Shopping Centre

£1.4m Wesley Chapel redevelopment

£6.2m Waterfront connectivity project

£1.25m Development of a Health and Care Academy

£2.25m Development of a Civil Engineering Academy

- 3.2 Following the agreement of Heads of Terms, under Town Deal the Council has 12 months to develop, approve and submit Green Book compliant Business Cases with the agreed projects set out in detail, through an independent assurance framework together with a Summary Document to DLUCH. The programme is working to a timetable of submission to DLUCH by 27<sup>th</sup> July 2022. DLUCH will need to review and be satisfied with the Summary Document before any funding can be released from September 2022 onwards.

- 3.3 Since November 2021, the Strategic Development Team have been working intensively on Stage 2 of the programme development with the Town Deal Board and stakeholders to develop the options appraisals for each project, gather detailed evidence and analysis, present a preferred option, develop project management plans, and undertake a significant number of assessments including heritage, structural, flood risk, transport, access, land use, planning and environmental assessments.
- 3.4 The critical aspect of the Business Case stage is to determine the viability and deliverability of each of the proposed schemes. This includes a detailed assessment of the strategic, economic, commercial, financial and management cases for each to ensure they remain fit for purpose and viable with the Heads of Terms. Project Management Groups with the Council, Town Deal Board and stakeholder representation have governed the development of the Business Cases.
- 3.5 All five projects are different in terms of their aims, objectives, nature, scale and cost, and as such the individual Business Cases have been progressed at different paces over recent months. The timetable for completion of all five cases are shown in the table below:

<b>Business case</b>	<b>Draft Business case issued</b>	<b>To TVCA for Assurance</b>	<b>To Finance and Policy Committee</b>	<b>Final issue to F&amp;P, EG&amp;R Chairs</b>	<b>Submit to DLUCH</b>
<b>Health and Social Care Academy</b>	31 March	1 April	w/b 25 April	31 May	1 June
<b>Civils Academy</b>	31 March	1 April	w/b 25 April	31 May	1 June
<b>Middleton Grange</b>	15 July	15 July	July committee	12 Aug	26 Aug
<b>Waterfront</b>	11 May	23 <sup>rd</sup> May	20 June	20 July	21 July
<b>Wesley</b>	31 March	1 April	20 June	27 June	21 July

- 3.6 A requirement of the Town Deal is to implement a Local Assurance Process for the development and sign off of individual Business Cases, to finally be signed approved by the Council's Section 151 Officer (Director of Resources and Development) and Town Deal Board Chair. In February 2022 a Memorandum of Understanding was agreed with Tees Valley Combined Authority (TVCA) for each of the five projects to be independently assessed to identify residual risks against Town Deal criteria (Strategic, Economic, Commercial, Financial and Management). TVCA will provide the Council with a written risk assessment report on each project and a programme overview for consideration by our Section 151 Officer and the Towns Fund Board by 20th June 2022 for the Wesley and Waterfront projects, and 12<sup>th</sup> August for Middleton Grange project.
- 3.7 Upon receipt of a satisfactory assurance report, approval of the Town Deal Board and by Finance and Policy Committee Chair, the business cases can be submitted to DLUCH for review. As yet, no firm timetable for approval has been provided by DLUCH, although it is hoped that the programme delivery stage of these two projects can commence in October 2022. There is potential for the Waterfront project to utilise Early Drawdown funding to accelerate the programme to deliver key elements of the project ahead of Tall Ships event 2023.
- 3.8 The following section provide detailed updates in relation to the Wesley Chapel Redevelopment and Waterfront Connectivity projects.

#### **4. WESLEY CHAPEL REDEVELOPMENT BUSINESS CASE**

- 4.1 The Wesley Chapel Redevelopment is a project promoted by Jomast Developments with Hartlepool Borough Council acting as accountable body and funding enabler. The Wesley Chapel is a Grade II listed building constructed in the early 1870's to act as a Methodist Church. The property is located in an area of significant heritage interest; in addition to the Chapel itself, the boundary wall and railings to the property are also individually listed in their own right (Grade II).
- 4.2 The project entails redevelopment of Wesley Chapel in to a 36-bedroom boutique hotel, with a food and beverage area and small commercial units.
- 4.3 The basis of this project forming part of the Towns Fund programme is to provide external grant funding to purely fund the Conservation Deficit which is often present when redeveloping heritage assets. The Towns Fund grant funding enables a project with significant economic and social benefits to be delivered, which would otherwise be financially-unviable.
- 4.4 The overall project cost is £3.91million, with Towns Fund funding the Conservation Deficit of £1.25million only. Jomast Developments will fund the remaining £2.66million. Jomast have already confirmed that any cost increases will be met by their contributions, with the Towns Deal providing a fixed funding envelope



- 4.5 **Appendix 1** presents a detailed Business Case for redevelopment of the Wesley Chapel. The Business Case sought to justify public sector intervention in this project through the Town Deal Programme.
- 4.6 The Economic Case demonstrates that the redevelopment represents ‘good’ value for money, delivering a Benefit Cost Ratio of 2.54:1 which significantly exceeds the threshold for Towns Deal of 1.0. The project also demonstrates a positive Net Present Social Value (NPSV) of +£2.4million. The project is considered affordable throughout its capital and operational phase, ensuring ongoing project viability and long-term sustainability of the facility.
- 4.7 The business case presents some strong metrics including:
- Temporary/short-term job creation during the construction phase (c. 65 job years)
  - Circa 55 FTE employees at full operation, leading to increased social wellbeing and a positive welfare impacts associated with additional employment.
  - Social wellbeing value of circa. £830,000 of gross impact profiling over the thirty-year appraisal period. This is the value associated with increased life satisfaction of people who would otherwise be unemployed being able to obtain employment as a result of reopening of the Wesley Chapel. Economic analysis demonstrates that re-entering the labour market (i.e. moving from unemployment to employment) increases people’s positive well being which has a monetary value of c. £6k per year (over and above any financial benefit linked to wages/salary).

## 5. WATERFRONT CONNECTIVITY BUSINESS CASE

- 5.1 The Waterfront Connectivity project is a strategic project to enable better and additional use of the waterfront (Marina and adjacent land), providing direct connections to Seaton Carew and improved signage to Hartlepool town centre. The project is a strategic fit with the improvements proposed to the railway station by Network Rail, which include reopening of the second platform and creation of a northern entrance/exit, which is proposed for completion in 2023.
- 5.2 Hartlepool Borough Council are both the Accountable Body and the Funding Enabler of this project. Together with local Stakeholders, a scheme has been developed to RIBA Stage 2.
- 5.2 **Appendix 2** provides a detailed, draft Business Case for the Waterfront Connectivity project. The Business Case sought to justify public sector intervention in this project through the Town Deal Programme.
- 5.3 The Economic Case demonstrates that the Waterfront Connectivity project represents ‘good’ value for money, delivering a Benefit Cost Ratio of 2.7:1 under the preferred options core scenario which is a significant return. The project also demonstrates a positive Net Present Social Value (NPSV) of +£11.8million. The project is considered affordable throughout its capital and

operational phase, ensuring ongoing project viability and long-term sustainability of the intervention area.

5.4 The business case presents some strong metrics including:

- 76 construction job years created during construction phase.
- Safeguarding 1,750 jobs linked to the visitor economy.
- Social wellbeing value of circa. £343,000 of gross impact, based on a realisation year of 2025.

## 6. REMAINING BUSINESS CASES

6.1 As detailed in section 3.5 the remaining business case (Reimagining Middleton Grange) continues to be developed and will be reported to a future Finance and Policy Committee meeting.

## 7. OTHER CONSIDERATIONS

Risk Implications	The key findings of risk register development was that most identified risks had control measures already in place, reflecting the thorough approach to risk management adopted by scheme promoters. Risk control is detailed in section 6.5 of the Annexes
Financial Considerations	The two projects have demonstrated economically and financially viable schemes within the existing budget envelope as set out under the Town Deal Heads of Terms.
Legal Considerations	Independent legal advice is being sought on the issue of Subsidy Control due to the funding of external partners (Jomast Development), and scale of the investments taking place under Towns Deal.
Consultation	Under the Town Deal Programme, a Communications and Engagement Sub Group of the Town Deal Board has been established, and the NHS Trust has supported strong consultation and engagement. A Youth Voice Group is also being established to form a part of the programme.
Child/Family Poverty Considerations	These two schemes principally aim to provide wide ranging benefits and job opportunities for local people leading to reduction in unemployment and poverty. <b>Appendix 3</b>
Equality and Diversity Considerations	To be prioritised as part of the consultation and engagement mechanisms

Section 17 of The Crime And Disorder Act 1998 Considerations	The asset has been vacant for over 20 years and subject to significant crime and ant social behaviour, however bringing the building into use and operated 24 hours a day will ensure that crime and ASB associated with the building is significantly reduced and potentially removed
Staff Considerations	A dedicated Town Deal Project Manager was appointed in November 2021 to project manage on a day to day basis, while the Strategic Development Team manage the overall programme within existing resources.
Asset Management Considerations	The review of our operation of our assets will form a key component of the next phase of Town Deal

## 8. RECOMMENDATIONS

### 8.1 Members are asked to:

- Note the contents of the report and update on progress with the overall programme
- Approve the submission of the two Business Cases to DLUH following independent assurance (by TVCA), as the latest stage in our approved Town Deal programme.

## 9 REASONS FOR RECOMMENDATIONS

- 9.1 Hartlepool Borough Council has succeeded in securing significant investment under the Towns Deal to improve the town, employment prospects and attract inward investment. This latest stage of Business Case development marks a significant milestone in bringing two of the programmes five projects to fruition which will deliver significant employment opportunities, stimulate economic growth, and bring a dilapidated heritage asset back in to use. The decision is required now to enable the Business Cases to be submitted to DLUH for approval to then enable implementation as soon as practical.

## 10. BACKGROUND PAPERS

- 10.1 Finance and Policy Committee Report: Health & Social Care Academy and Civil Engineering Academy Business Cases, 25<sup>th</sup> April 2022

## 11. CONTACT OFFICER

Beverley Bearne  
Assistant Director (Growth and Development)  
Civic Centre  
Hartlepool Borough Council  
TS24 8AY

Tel: (01429) 523002

E-mail: [beverley.bearne@hartlepool.gov.uk](mailto:beverley.bearne@hartlepool.gov.uk)

Sign Off:-

- Managing Director ☐
- Director of Resources and Regeneration ☐
- Chief Solicitor/Monitoring Officer ☐

# Wesley Chapel Hotel Redevelopment: Town Deal Business Case

Document no: 001  
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Hartlepool Borough Council  
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Hartlepool Town Deal  
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## Wesley Chapel Hotel Redevelopment: Town Deal Business Case

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#### Jacobs U.K. Limited

7th Floor, 2 Colmore Square  
38 Colmore Circus, Queensway  
Birmingham, B4 6BN  
United Kingdom

T +44 (0)121 237 4000  
[www.jacobs.com](http://www.jacobs.com)

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## Executive summary

The approved Hartlepool Town Investment Plan secured £25.0 million in conditional funding to support a suite of transformational projects located in the Town, intended to unlock economic growth, development and regeneration in Hartlepool. The Town Investment Plan recognised investment in urban regeneration and the built environment, particularly through bringing key heritage landmarks back into use, as a key priority project required to catalyse economic growth and development. This business case seeks to determine the type and format that the urban regeneration intervention should take, in order to justify public sector intervention through the Town Deal Programme. It determines that the restoration and repurposing of the Wesley Chapel heritage asset in Central Hartlepool, promoted by Jomast (with Hartlepool Borough Council acting as accountable body), represents the optimal form of intervention.

The Strategic Case finds that the Wesley Chapel is a key heritage asset within Hartlepool, located at a focal point within Hartlepool Town Centre. It lies at the nexus between key assets including Middleton Grange Shopping Centre, Church Street Conservation Area and Hartlepool Marina. Therefore, the landmark has a unique position at the centre of the 'Heart of Hartlepool'. However, it is recognised that the heritage asset is currently a dilapidated, unused and unsightly building that has a detrimental impact on image, perception and function of Hartlepool Town Centre. Restoration of the building is critical to renovate a dangerous, eyesore building that attracts criminal activity and anti-social behaviour. Indeed, the building itself was the victim of arson attack in 2017.

Simultaneously, Hartlepool's evolving economy has a burgeoning requirement for appropriate infrastructure to support growth in business travel and the wider visitor economy. Currently, there is a lack of high quality hotel accommodation to meet the needs of business travellers visiting the range of small and medium enterprises that call Hartlepool home, as well as the large multi-national corporations inhabiting nearby business parks and industrial estates (e.g. Seal Sands). As a result, the Town is unable to capture visitor demand for overnight accommodation, with business travellers stopping elsewhere in the Tees Valley and wider North East region, resulting in leakage of economic activity and expenditure from Hartlepool. In the absence of intervention, this situation is likely to worsen as Hartlepool Borough Council's emerging tourism strategy, underpinned by the arrival of the Tall Ships Race in 2023, is implemented across the Town. Within this context, there is a gap in the market for small-scale, boutique hotel provision in a unique setting, such as the Wesley Chapel.

The primary market failure identified to justify public sector intervention relates to the conservation deficit attached to the Wesley Chapel, which makes any private sector led commercial intervention unviable. The Wesley Chapel's conservation deficit means that the cost of restoration in keeping with the building's listed status is more than the commercial end value in any commercial use. As a result of this, private developers are unwilling to commit to extensive and expensive restoration works themselves. Given the cultural value attached to restoration of heritage asset, there is both scope and a requirement for public sector support to deliver the restorative elements of any intervention, before the asset can be repurposed for alternative commercial use. In the absence of public sector intervention, the presence of the conservation deficit means that intervention is unlikely to materialise.

To this end, the Strategic Case defines the preferred option for the project as encompassing the following activities:

- a 36 bedroom boutique hotel on upper floors;
- bar and restaurant with potential to accommodate functions on the upper ground floor; and
- four commercial units for A-class land uses situated on the ground floor.

The Economic Case appraises the value for money position of the preferred option against a reference case or Do Minimum Scenario, which assumes business as usual activity (i.e. no restoration of the Wesley Chapel). The appraisal finds that by restoring a significant heritage landmark within the town and repurposing for commercial use as a hotel, the preferred option can deliver a strong value for money proposition. This is demonstrated through the strong performance of economic metrics such as Benefit Cost Ratio (approaching 2.6:1) and Net Present Social Value (c. £2.4 million).



**Table 1-1: Economic Appraisal Summary Table (£m, 2021 prices and values)**

Value for Money Metric	Preferred Option – Core Scenario
Net Additional Economic Benefits	6.90
<b>Economic Costs</b>	
Total Public Sector Costs	1.55
Total Private Sector Costs	2.96
Total Economic Costs	4.51
<b>Value for Money Metrics</b>	
BCR	2.54
NPSV	2.39

The strong economic performance of the preferred option is linked to a range of economic benefits that the project is forecast to unlock, as summarised below:

**Table 1-2: Summary of Net Additional Monetised Impacts (£m, 2021 prices and values)**

Impact Category	Net Additional Impact
Indirect LVU: Commercial	3.21
Indirect LVU: Residential	0.83
Labour Market Impacts: Productivity	1.25
Labour Market Impacts: Wellbeing	0.58
Amenity	0.22
Crime	0.54
Social Heritage	0.26
Total	6.90

The quantified and monetised assessment within the Economic Case is supplemented by a strong set of wider or non-quantifiable/non-monetisable benefits that also result from the preferred option, including: (i) enhanced visual appearance of surrounding area; (ii) enhanced levels of social and economic activity in Central Hartlepool; (iii) temporary/short-term job creation during the construction phase (c. 67 job years); (iv) facilitation of growth in the wider visitor economy; (v) diversification of economic and commercial activity in the Heart of Hartlepool; (vi) supporting the needs of high value local businesses; (vii) More holistic visitor economy infrastructure; (viii) Reduced carbon footprint: through re-use of existing assets rather than new build development.

The financial case finds that the project has a capital cost of c. £4.1 million. The project will be funded through a combination of the Town Deal's provisionally allocated funding (i.e. £1.4 million to meet the observed conservation deficit), alongside £2.7 million of funding by the scheme's promoter, Jomast Developments. Although this funding is not yet secured, there is confidence that approval of the Town Deal allocation through this business case will confirm co-funding from Jomast. Further, any operating costs incurred as a result of the project will be met solely by Jomast as proposed operators of the facility. No further reliance on public sector funding to cover operational costs is anticipated.

**Table 1-3 Funding Profile by Source (£m, nominal values)**

Funder	Source	2022/23	2023/24	2024/25	Total
Towns Fund	Public	0.47	0.47	0.47	1.40
Jomast	Private	0.89	0.89	0.89	2.66
Total		1.35	1.35	1.35	4.06

The Commercial Case for the project finds that there are no major constraints to commercial deliverability. Jomast intend to 'self-deliver' the project as far as possible. This will reduce the potential for cost-overruns or contractor price inflation. It should also streamline the transition between project development/design, delivery and operation, as Jomast act as principal contractor across the project. Where required, Jomast will utilise the local construction market to secure specialist subcontractor support to undertake specific design and construction activities. Given the array of experiencing of delivering and operating heritage and hotel assets via this approach, Jomast and Hartlepool Borough Council have confidence that this approach to project delivery represents the best option for Wesley Chapel Hotel Redevelopment.

The Management Case demonstrates that project partners, including Jomast as scheme promoters and Hartlepool Borough Council as accountable body, have appropriate organisational and governance structures in place to deliver a project of this type and scale. The project partners have entered in a Memorandum of Understanding (MoU) which sets out the principles under which the two organisations will work together to develop key strategic development sites in the Town, including collaborating in the development of a concept masterplan for the regeneration of waterfront/marina sites and the Wesley Chapel. The MoU also commits the partners to adopting collaborative governance to deliver projects such as the Wesley Chapel in Hartlepool. Further, the Management Case also sets out the proposed Grant Funding Agreement mechanism that Hartlepool Borough Council will adopt as accountable body. This Agreement will represent the formalisation of a back-to-back contract that allows Jomast to invoice Hartlepool Borough Council for works undertaken (up to the value of the Town Deal allocation), but simultaneously commits Jomast to any terms and conditions or other obligations specified by Central Government as part of allocation of public money via the Town Deal.

In summary, the business case finds that the Wesley Chapel Hotel Redevelopment project represents an affordable and deliverable scheme that will provide good value for money from a public sector expenditure perspective. The intervention has transformational potential for Central Hartlepool, working in tandem with other Town Deal projects (e.g. Re-imagining Middleton Grange) to catalyse a change in image and perception for the Town Centre. Within this context, the project represents an opportunity that extends beyond restoring a heritage building for commercial use; it provides the opportunity to grow Hartlepool's visitor economy infrastructure, remove urban blight, contribute to existing conservation aspirations at Church Street as well as re-establishing a heritage landmark and fundamentally converting internal and external perceptions of the Heart of Hartlepool.

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## 1. Introduction

### 1.1 Background to the Project

Responding to Central Government's Towns Fund Capital Programme, the Hartlepool Town Deal Board (TDB) submitted the Hartlepool Town Investment Plan (TIP) in January 2021. The TIP presented a strategic plan for transformation of Hartlepool, outlining how Towns Fund investment could help the town to overcome existing challenges, harness opportunities and leverage assets within Hartlepool. In line with Towns Fund principles, the transformation strategy focussed on the key themes of urban regeneration, skills development and enhanced accessibility.

Through consultations with local stakeholders and the TDB, five priority projects were identified as providing the mechanism by which the TIP's transformational vision and strategic objectives could be realised.

- **Civil Engineering Institute:** strategic partnership between Seymour Civil Engineering and Hartlepool College of Further Education to support the consolidation and growth of teaching and training capacity at two existing sites, to enhance and future-proof facilities.
- **Health and Care Academy:** establishment of a state-of-the-art health and social care training facility alongside North Tees & Hartlepool NHS Foundation Trust, within University Hospital of Hartlepool.
- **Connected Hartlepool: Waterfront Circuit Phase 1:** provision of public realm and connectivity enhancements around the marina in order to integrate new land uses and provide the opportunity for improved connections between the waterfront, the town centre and the train station.
- **Wesley Chapel Hotel Redevelopment:** development of a 36-bedroom boutique hotel with a bar-restaurant and four other commercial units to support the existing visitor economy and HBC's emerging tourism strategy.
- **Reimagining 'Middleton Grange' Shopping Centre: Phase 1 workspace and public realm:** delivering a restored and repurposed Grade II heritage building – designed for new flexible, mixed use space including residential - and new civic public space at the redefined 'Heart of Hartlepool'.

Following Central Government approval of the TIP, these priority projects have obtained provisional capital funding of £25 million from the Ministry of Homes, Communities and Local Government (MHCLG- now known as DLUHC) via the Towns Fund Programme subject to business case submission and approval. To this end, this business case seeks to present the case for unlocking the £1.4 million of provisionally allocated Town Deal Programme capital funding to support the Wesley Chapel Hotel Redevelopment project specifically.

### 1.2 Setting the Context for Hartlepool's Town Deal

Hartlepool is a coastal port town located on the North East of England. The town is situated between Middlesbrough, located 15 miles south across the River Tees and Sunderland, located 20 miles north. The latest ONS estimates indicated that Hartlepool has a population of 93,800 people in 2020<sup>1</sup>.

Hartlepool has a rich maritime history, its marina and numerous ports have supported fishing, naval defence, coal and steel industries across numerous centuries. The economy's historic focus on primary and extractive industries has given way to a transition towards an economy grounded in advanced engineering and manufacturing, complemented by a strong and diverse services sector. In particular, leisure, tourism and the arts are considered key growth sectors locally, with civil engineering, construction and clean energy also identified as foundational pillars for economic growth and development in the town. As noted in the TIP, this transition means that Hartlepool is:

- A productive place, with relative strength in energy, manufacturing and construction. Its ports, power and a producer workforce continue to make an increasing contribution to national and regional productivity.

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<sup>1</sup> ONS Population Estimates 2020

- An important sub-regional service centre, with large retail, education and healthcare sectors providing services and employment to the local population.
- A growing visitor destination, attracting over 3.5 million visitors a year, with spending increasing by 10% in just 5 years<sup>2</sup>.

However, the economic transformation of Hartlepool witnessed in recent years has not been straightforward and without significant challenge. The transition has been marked by periods of significant and prolonged decline that have created social and economic challenges for Hartlepool's residents, such that a range of legacy issues continue to prevail in Hartlepool, as documented in the TIP:

- **Jobs Value Gap:** economic growth and development in Hartlepool lags behind national benchmarks across nearly all social and economic indicators, including number of job opportunities available and access to high value employment and activity. As a result, Hartlepool is regarded as a 'catching up town'.
- **Social Mobility and Skills Constraints:** there is an imbalance between workforce skills and attainment and job opportunities. Below average numbers of residents gain qualifications to support high value, meaningful work and few progress to higher-level skills and employment.
- **Dysfunctional and Disconnected Central Area:** the town centre lacks a defined urban core and suffers from poor connectivity between key assets (in particular, retail components centred on Middleton Grange and leisure components centred on the Marina). Further, key landmarks within the central area are tired, dilapidated and have fallen into disrepair, which negatively impacts on the image and reputation of the Town.

The projects supported by the Towns Fund seek to resolve these challenges. In particular, the Wesley Chapel Hotel Redevelopment project seeks to make a significant contribution to ameliorating the challenges associated with a 'dysfunctional and disconnected central area', by bringing a locally important heritage asset and landmark back into use and re-establishing a focal point for Hartlepool Town Centre. By repurposing the Wesley Chapel, the project also seeks to help resolve the 'jobs value gap' challenge and make a wider contribution to socioeconomic development and growth in the town. This business case specifies the project's approach to realising these aims.

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<sup>2</sup> Global Tourism Solutions. Hartlepool STEAM Report 2018

## 2. Strategic Case

### 2.1 Purpose of the Strategic Case

The Strategic Case aims to articulate the case for change by demonstrating the strategic fit of the project within the context of existing issues and challenges that prevail in a location. More specifically, the strategic case seeks to:

- Provide a clear rationale for intervention by the public sector, by:
  - Outlining existing context and challenges;
  - Demonstrating evidence of need for an intervention;
  - Highlighting potential barriers and opportunities; and
  - Identifying market failures that require public sector to intervene.
- Demonstrate alignment between an intervention and the strategic policy environment at local, regional and national levels;
- Specify the vision and objectives that the intervention seeks to contribute to;
- Provide an overview of the proposed intervention, including:
  - Outlining the impact of not intervening;
  - Presenting possible risks, constraints and interdependencies;
  - Establishing the Theory of Change; and
  - Specifying the potential outputs and outcomes.
- Identify key stakeholders that are critical to project development.

This approach is aligned with the requirements of the HM Treasury Green Book's Five Case Business Case Model, the 'Towns Fund Stage 2 – Business Case Template' and associated guidance.

## 2.2 Case for Change

### 2.2.1 Wesley Chapel Context

The Wesley Chapel is a grade II listed building constructed in the early 1870's to act as a Methodist Church. The property is located in an area of significant heritage interest; in addition to the Chapel itself, the boundary wall and railings to the property are also individually listed in their own right (grade II). Further, the property is located on the edge of the Church Street Conservation Area and is sited opposite two grade II listed buildings (the Binns Building and the Grand Hotel).

This original use of the building as a Methodist Church ended many years ago and most recently it was used as a bar and nightclub with a small leisure club attached in the annex buildings which was originally the church hall. The building has been closed for some time. During its recent state of closure, an arson attack on the building in December 2017 meant that the interior of the main building has been almost entirely gutted and the whole roof has been lost. This poses significant challenges for preserving the building. In particular, significant cost is attached to restoring the building in a way that preserves the building as a heritage asset and is in keeping with the quality of restoration needed for a Grade II listed building. As future sections will demonstrate, it is estimated that this cost will be more than the owner's estimate of the commercial end-value of the hotel. This creates a 'conservation deficit' and is often the reason that heritage buildings are not viable to restore and preserve.

The current condition of the Wesley Chapel has wider implications for Hartlepool. The presence of a dilapidated heritage landmark at the heart of the Town Centre has severely degraded the surrounding area and led to negative perceptions of Hartlepool's core. The restoration and repurposing of Wesley Chapel is therefore crucial in creating a new 'Heart of Hartlepool' and addressing the dysfunctional and disconnected central area outlined in the Hartlepool TIP.

The site was acquired by Jomast Developments and was promoted for redevelopment and refurbishment in both 2009<sup>3</sup> and 2012<sup>4</sup>. Following the arson attack and resulting damage in 2017, HBC's Planning Department requested a Listed Buildings and Planning Application for the replacement of the roof and restoration of the property, further to the 2009 and 2012 planning application. To this end, Jomast have undertaken significant analyses to determine appropriate uses for the building, predicated on the view that the best way of ensuring that future of the building is to identify and implement viable uses.

### 2.2.2 Sector and Market Analysis

#### 2.2.2.1 Visitor Economy

Hartlepool's attempts to harness the national shift towards service and knowledge-led activity (Section 1.2) are reflected in the Council's attempts to embrace and enhance the visitor economy. Key assets including the Hartlepool Marina and National Museum of the Royal Navy are popular tourist attractions. The renewed focus on the visitor economy is reflected in the Hartlepool's Economic Development Strategy, which foresees the town becoming a magnet for visitors and inward investors through leveraging key assets including maritime heritage and high quality leisure and cultural attractions.

Hartlepool is seen as a popular day visit destination, accounting for the largest share of all trips taken to the Tees Valley region (11%). This tourism demand is forecast to further increase in the wake of recent announcements that Hartlepool will host the world-famous Tall Ships Race event again in the summer of 2023. Hundreds of thousands of visitors travelled to the town when it last hosted the event (2010); a similar scale of visitation will necessitate a well-developed and resilient tourism infrastructure including hotel accommodation. Whilst the Wesley Chapel Hotel Redevelopment may not be fully operational by the time of the Tall Ships Race (e.g. the Programme in Section 6.4 suggests February 2024 opening); the facility will be able to leverage the long-term increased awareness, attractiveness and demand for accommodation brought about by the event. Further, the event provides an opportunity to provide significant interpretation and marketing for the project through visuals on hoardings, large signage and other activities, to raise awareness and highlight the exciting regeneration project taking place in central Hartlepool.

The visitor economy is expected to be further supported through initiatives to diversify the number and type of visitors to the Town, as well as the amount of time they spend there. In particular, efforts to support the evening and night-time economy (e.g. through public realm improvements in Church Street and wider investment in the Waterfront to promote Navigation Point) could drive additional visitation and therefore a need for further tourism and visitor infrastructure in the form of hotel accommodation. Further, the promotion of the creative, arts and cultural sector in the Town, not least via the Northern School of Art and Northern Studios interventions, is likely to further induce tourism and visitor infrastructure.

Further, wider regeneration and investment in Hartlepool Town Centre will unlock significant development of the waterfront and Marina, as well as the retail core. This will further enhance visitor numbers above baseline levels. The Wesley Chapel Hotel Redevelopment will support growth in the visitor economy by providing high quality accommodation which encourages people to stay overnight in the area. High quality accommodation will complement existing hotel supply in the area which is primarily focused at the budget end of the spectrum.

#### 2.2.2.2 Need for Hotel Accommodation

Whilst Hartlepool's existing hotel offer is limited to a narrow segment of the market (i.e. budget accommodation), the hotel supply does benefit from strong occupancy rates, which average at around 70% across the year. Recent conversations with hotel operators (e.g. Premier Inn, Travelodge) in the town confirms that trading since the summer 2021 had been strong both in Hartlepool and throughout the wider UK. The highest occupancy rates are

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<sup>3</sup> H/2009/0472 - Alterations and change of use of vacant nightclub to hotel and licensed bar/bistro/restaurant

<sup>4</sup> Including an extant permission for the conversion of the building into a Hotel (Planning Ref. H/2012/0311 ) and subsequently H/2019/0002



achieved in the summer months benefitting from robust leisure demand mainly driven by the National Museum of the Royal Navy and the Hartlepool Marina.

**Table 2-1: Key Hotel Performance Indicators for Hartlepool (Source: CBRE, 2018)**

Indicator	Value
Occupancy (%)	69,0%
Annual Daily Rate (£)	49.35
RevPAR (£)	34.03

CBRE's 2018 review of the Hartlepool Hotel Market forecasts growing demand through to 2026. The analysis suggests that, leveraging the growth in visitor numbers associated with events such as the Tall Ships Race and wider regeneration of the waterfront and marina, occupancy rates could increase to c. 77% in this timeframe. Further, annual daily rates and resulting RevPAR could both increase in response to growing demand.

However, despite strong occupancy rate trends and forecasts, Hartlepool only accounts for the third highest share of nights spent (21%) across the Tees Valley region; Middlesbrough (33%) and Stockton-on-Tees (25%) both have higher share of nights spent in the sub-region. Furthermore, Hartlepool has an average length of stay of 2.0 nights compared to the region's average of 3.0 nights. Limited and dated hotel provision, a weak night-time economy and a lack of strong retail facilities and attractions have all been suggested as reasons why Hartlepool has lower overnight stay rates relative to other regional areas.

Further, the diversity of hotel accommodation is also highlighted as a contributory factor. Within a 1 mile radius of the town centre there are six hotels which are predominately low cost/budget accommodation. Further, the majority of these hotels are independently operated and appear dated and underinvested. There is no immediate pipeline of hotel development proposed within Hartlepool to resolve this challenge.

That said, anecdotal evidence relating to demand for high-end accommodation demonstrates that there may be an opportunity for Hartlepool's hotel market to cater for a wider segment of hotel demand. Given the presence of high profile major businesses located in the town and its wider hinterland, a significant volume of business travel is attracted in the area. For example, Hartlepool is closely situated to Seal Sands Industrial Park, which is a key cluster for the chemicals industry, hosting multiple multi-national firms. The Town itself supports a large number of small and medium size businesses which operate in a range of industry's that necessitate corporate travel. Allied to the presence of other major firms linked to the clean energy/renewables, port-related and civil engineering industries, there is potential demand for mid-scale and boutique hotel accommodation.

Currently, due to a lack of nearby quality hotel accommodation, business travellers associated with these firms choose to stay in areas further away from the town centre, meaning businesses located in the Heart of Hartlepool are unable to leverage expenditure generated by business travellers. Local businesses are not satisfied with the current accommodation in the area, opting for upscale countryside hotels across the wider region such as Wynyard Hall and Guisborough Hall or branded hotels in Middlesbrough (e.g. Thistle) or Stockton (e.g. Hampton-by-Hilton). Within this context provision of appropriate hotel supply to meet local demand could help safeguard and internalise Hartlepool's economy, maximising the retention of visitor expenditure locally. A high quality centrally located boutique hotel could attract corporate related segments, who currently utilise hotels outside of the town.

The need to support and enable local firms to utilise the Town Centre is critical, given that more than 75% of local businesses state that perceptions of Hartlepool and the quality of the town centre are holding back growth and investment<sup>5</sup>. The Wesley Chapel project has the potential to facilitate value driven growth by supporting the needs of local high-value businesses who will be attracted to the new prestigious hotel. A boutique hotel also has the potential to support a wider set of facilities beyond rooms. Provision of a bar/restaurant, commercial units suitable for A-class land uses and event spaces for hire will all add to availability and choice in Hartlepool. Based

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<sup>5</sup> TIP Online Business Survey

on their experience of operating spaces for weddings and other major events at Wynyard Golf Club, Jomast confirmed a strong market demand for large event spaces coupled with hotels in the vicinity of Hartlepool.

**Table 2-2: Event Frequency at Wynyard Hall (Source: Jomast)**

Date	Weddings Only	Weddings With Ceremony	Other Events (Excluding Golf)
1 <sup>st</sup> January – 31 <sup>st</sup> December 2018	16	26	25
1 <sup>st</sup> January – 31 <sup>st</sup> December 2019	10	20	24
1 <sup>st</sup> January – 31 <sup>st</sup> December 2020	None Due to COVID		
4 <sup>th</sup> June – 31 <sup>st</sup> December 2021 (Restrictions Due to Covid)	4	20	27
1 <sup>st</sup> January – 31 <sup>st</sup> December (Booked Weddings)	12	34	14 (At the moment and will increase)

Within this context, growth of the visitor economy and business travel in Hartlepool is impeded by an under supply of hotel of the right type and scale. Simultaneously, the visitor economy and business travel are also undermined by the presence of major eyesores in prominent locations within the 'Heart of Hartlepool'. In particular, the former Wesley Chapel, a Victorian Grade-II listed building, is located in a central location opposite Middleton Grange Shopping Centre, but suffers from significant dereliction and is currently vacant. Such urban blight promotes negative perceptions of place for local residents, visitors and the business community alike. Repurposing the Wesley Chapel for high quality hotel accommodation could resolve both issues concurrently, achieving a two-fold impact in the process:

- Bringing back a community asset/heritage landmark back into viable use, improving the aesthetic and streetscape of the heart of Hartlepool.
- Meeting demand for mid-scale/boutique hotel accommodation targeted towards the corporate-segment of but also complementing the existing offer supporting leisure/recreational visitors.

## 2.3 Presence of Market Failures and the Impact of COVID19

### 2.3.1 Market Failure

Capital expenditure to restore heritage buildings are often supported through public sector intervention, particularly when the costs of restoration are significant enough to create a position of 'conservation deficit'. A 'conservation deficit' limits the role a traditional, formal market intervention led by the private sector can play in delivering restoration and unlocking socioeconomic benefits associated with heritage buildings. Within this context, the following market failures justify public sector intervention at the Wesley Chapel:

- **Conservation Deficit:** The Wesley Chapel is currently considered to be in conservation deficit. The cost of restoration in keeping with the building's listed status is more than Jomast's estimate of the commercial end value in any commercial use (as per the development appraisal provided at Appendix A). As a result of this, private developers are unwilling to commit to extensive and expensive restoration works themselves. Given the cultural value attached to restoration of heritage asset, there is both scope and a requirement for public sector support to deliver the restorative elements of any intervention, before the asset can be repurposed for alternative commercial use. This approach to overcoming the defined viability market failure linked to conservation deficit, was confirmed by Hartlepool Borough Council's legal team as part of Subsidy Control advice relating to public funding for the reconstruction and development of the Wesley Chapel (Appendix B).
- **Market Power:** the heritage status of the Wesley Chapel means that its development and restoration are particularly complex and challenging, which minimises wider developer interest. Although Jomast are committed to redeveloping the heritage asset (as per the implemented planning permission), the viability challenges linked to the conservation deficit documented above mean that Jomast or other developers do not have market power to deliver the project alone. The up-front costs of restoration are greater than the likely

return on investment, which inhibits development aspirations from the perspective of development being led by the private sector independently.

- Imperfect Information (market risk): given the complex nature of the project, there is a high level of uncertainty in terms of future costs and values. Revenue from potential commercial end use of the building is unproven and an existing market is not well established. This acts to slow the development process in the absence of public sector funding.
- Positive Externalities: Further, regeneration of a Grade II listed building at the heart of the Town Centre, to deliver new commercial development could generate a range of wider positive externalities. For example, intervention could:
  - transform perceptions and image of the Town Centre and Hartlepool at large;
  - make the town more attractive to inward business investment;
  - support diversification of uses in the Town Centre;
  - Generate footfall and commercial uses that are complementary to the traditional retail offer at the adjacent Middleton Grange Shopping Centre, boosting the viability of retail, by providing additional customer base and increased expenditure and helping to safeguard the traditional retail function of the town centre at a sustainable level; and
  - Unlock direct and indirect job opportunities in hospitality, ancillary uses and the wider visitor economy sector.

### 2.3.2 Impact of COVID19

In addition to the above justifications for public sector intervention, the damaging impact of the COVID-19 pandemic on the tourism and hospitality industry must also be considered. The visitor economy and its infrastructure assets (including hotels and attractions) was disproportionately affected by the various national lockdowns through 2020 and 2021. However, from summer 2021, local hoteliers in the area have confirmed a strong rebound in performance, tied to the opening up of the economy and the successful vaccine rollout. With increasing demand for 'staycations' and increased propensity for domestic travel following the pandemic, demand for UK-based and local tourism is forecast to increase, further boosting potential tourism and hotel demand for places like Hartlepool.

Further, the sector is hoping to make a significant recovery in 2022 and going forward, leveraging an increase in demand for tourism and business travel as the economy bounces back from the pandemic. Provision of infrastructure supporting the visitor economy will support this recovery. Ongoing recovery in the sector will build on programmes already rolled out by TVCA through 2021, including the Tees Valley Welcome Back Campaign which promoted the area as a secure destination to local, regional and national audiences in line with local capacity and public health guidance.

## 2.4 Policy Alignment

### 2.4.1 Local Policy

Hartlepool's adopted Local Plan acknowledges the town's rich historic environment which, where protected and maintained, makes a positive contribution to quality of life for residents. In particular, the positive role that heritage assets have to play within the built environment and their contribution to economic development, regeneration and the creation of sustainable communities is clearly identified. At the same time, the Local Plan articulates the town's desire to grow its visitor economy, noting that leisure and tourism has a significant role to play in the growth of Hartlepool. The linkage between heritage assets and the visitor economy is also outlined in the Plan, which notes a number of prominent visitor attractions have been developed using heritage as an anchor to promote economic regeneration and tourism development. That said, the Local Plan also recognises the shortfall in hotel uses in the town centre and actively seeks to encourage the provision of hotels within the central area.

A key envisioned outcome from Hartlepool's Economic Development Strategy is for the town to become a magnet for visitors, creative learners, innovative businesses and investment partners alike. One of the central

pillars of the Strategy is 'Connected Hartlepool', which seeks to widen the town's economic footprint through a focus on areas such as the town's maritime heritage and the continued development of a network of high-quality leisure & cultural attractions. To support these aims, commensurate supporting infrastructure in the form of appropriate hotel accommodation must be provided.

### 2.4.2 Regional Policy

Through its 'culture' strategic pillar, the TVCA Strategic Economic Plan (SEP) identifies the sub-region's tourism, heritage and leisure offer as a key component of the value proposition which makes Tees Valley a place that people want to live, work and visit. Tourism, heritage and leisure are viewed as factors that can help attract and retain people and businesses, leverage inward investment and increased expenditure from visitors to the area. To this end, the SEP recognises the increasing leisure and visitor market, including outdoor and cultural tourism, as a key opportunity for Tees Valley going forward, not least through the role the market can play in diversifying local economies. An intervention to provide supporting infrastructure to the visitor economy sector will support the SEP in achieving its stated aims around tourism and leisure, as well as providing for business travellers to the area.

### 2.4.3 National Policy

The UK Government launched the Build Back Better High Streets Strategy (July 2021) which sought to outline the government's long-term plan to support the evolution of high streets into thriving places to work, visit and live. The Strategy identifies five key areas of intervention, all of which have resonance in the context of bringing the Wesley Chapel back into use:

- Breathing new life into empty buildings;
- Supporting high street businesses;
- Improving the public realm;
- Creating safe and clean spaces; and
- Celebrating pride in local communities.

Through restoring the Wesley Chapel and saving it from a possible demolition, the project positively contributes to the Historic England's Corporate Plan 2020-23 strategic objective to "Protect historic places and keep them alive for current and future generations".

Whilst Hartlepool was not shortlisted to bid for the Future High Streets Fund, the Wesley Chapel investment aligns with the Fund's objectives to deliver projects that will renew and reshape town centres and high streets in a way that improves experience drives growth and ensures future sustainability. In addition to the hotel bringing a prominent vacant building back into use, by increasing the number of visitors in the town, it will also increase high street expenditure and support the conventional visitor economy.

Nationally, growing the visitor accommodation and increasing lengths of stay are key priorities for the Government's Tourism Sector deal to improve productivity of the UK tourism sector. The increase in visitor facilities from the Wesley Chapel investment will position the town in a better position to capture any pent-up tourism demand as a result of the pandemic.

Due to the long-term vacancy and derelict condition of the former Wesley Chapel, the encompassing Church Street Conservation Area is on the national heritage 'At Risk Register'. The proposed investment would rescue the building and diversify Hartlepool's local assets. Most notably, Historic England have identified that the project would be a significant step towards successfully removing the Conservation Area from the risk register.

The Wesley Chapel complies with the UK Government's Clean Growth strategy through the inclusion of energy saving measures and the re-use of an existing building thus saving additional carbon emissions of a new build. The hotel would be located in a sustainable town centre location that promotes access to a number of public transport options.

## 2.5 Vision and Objectives

### 2.5.1 Vision

Hartlepool's TIP sets out the town vision over the next 20 years to be:

- A modern, connected, vibrant and liveable waterfront market town;
- An inclusive, proud and productive town where aspirations and creativity are valued;
- A town which supports and welcomes visitors, learners and innovative businesses;
- A place where people are inspired and enabled to get more out of their work and investment; and
- An area which promotes itself with pride and makes it mark in the wider world.

An intervention to renovate Wesley Chapel directly aligns with Hartlepool's vision to become 'a town which supports and welcomes visitors, learners and innovative business' since any hotel-led intervention could play a pivotal role in improving the accommodation offer for the business travel and overnight tourist segments of the visitor economy.

Furthermore, since an intervention could regenerate a key asset in Hartlepool Town Centre and complements other possible Town Investment Plan interventions (e.g. Waterfront Connectivity, Reimagining Middleton Grange), the project supports the vision for Hartlepool to be 'a modern, connected, vibrant and liveable waterfront market town'. Further, renovation and restoration of a major heritage asset will boost civic pride locally, ensuring Hartlepool 'promotes itself with pride and makes it mark in the wider world'.

Within this context, the specific vision for the Wesley Chapel Hotel Redevelopment project can be summarised as:

*The Wesley Chapel's role as a focal point at the heart of Hartlepool will be reinstated through a programme of restoration and redevelopment activity which will preserve and safeguard its landmark status by bringing forward long-term and sustainable commercial use. As well as re-establishing local civic pride in an important heritage asset, the restored Wesley Chapel will play a key role in supporting Hartlepool's aspirations to grow the visitor economy. By providing niche accommodation for an underserved segment of the local hotel market, specifically supporting business travellers and tourists seeking mid-scale and boutique accommodation in an iconic, well-connected setting, the project will make a valuable contribution to economic growth and development in the town.*

### 2.5.2 Objectives

The TIP identifies three 'things to change', or objectives to achieve in order to reshape the spatial and economic future of Hartlepool over the next 20 years.

- Value driven rebound and growth;
- Skills for a productive and creative town; and
- A compact and connected waterfront market town.

An intervention at Wesley Chapel will support all three of the above over-arching objectives. By enabling greater penetration of Hartlepool by the visitor economy and providing supporting infrastructure to local businesses, an intervention will contribute to 'value driven rebound and growth'. Through coordinated regeneration of the town centre core, complementing other central areas (e.g. Reimagining Middleton Grange) and wider initiatives (e.g. Waterfront Connectivity), an intervention will also support the 'compact and connected waterfront market town' objective. By providing for new commercial activities, an intervention could also unlock 'skills for a productive and creative town'. In addition, an intervention at Wesley Chapel will also contribute to the realisation of the following four further objectives that are identified within the TIP:

- maximising the productive and inclusive use of land and buildings to improve appearance, access and external perception';
- enhance and extend the town's visitor economy assets to make Hartlepool a multi-day destination;
- improve the physical appearance of the town to promote civic pride, new visitors and new investment; and
- provide more high-quality workspace to support recovery and growth in the town's business community.

In The project will also seek to make a significant contribution to the following aims of the TIP and wider vision for Hartlepool:

- Improved environmental performance of Hartlepool's built environment, achieved by bringing an existing building back into use rather than pursuing new build development. This will reduce the equivalent carbon footprint of development.
- Increased sustainability of Hartlepool's visitor economy, not least through the projects' ability to deliver a niche accommodation asset that supports the Hartlepool's ability to attract and service particular segments of the visitor market (i.e. business travellers' and high end tourist segments). The project seeks to enable Hartlepool's visitor economy infrastructure to be more holistic, all-encompassing and sustainable by servicing a wider range of demand segments.
- Improved perception and image of Hartlepool Town Centre, by bringing a currently disused and dilapidated heritage asset back into productive use, restoring an asset that evokes a sense of pride within the community and improving the aesthetic of the Heart of Hartlepool.

### 2.5.3 SMART Objectives

In light of the project's alignment with programme-wide objectives (Section 2.5.2), the specific objectives that the Wesley Chapel Hotel Redevelopment seeks to achieve can be defined according to the SMART principles of objective setting as follows:

**Table 2-3: SMART Objectives for Wesley Chapel Hotel Redevelopment**

Specific	Measurable	Achievable	Realistic	Time-bound
Objective 1: Bring the Wesley Chapel back into productive use.	Based on commencement of operations of commercial uses.	Development appraisal demonstrates proposed project is affordable if conservation deficit is funded through Towns Fund.	Jomast have demonstrable experience of restoring heritage buildings.	Feb 2024
Objective 2: Support local and sub-regional businesses to grow and develop.	Based on occupancy rates and usage by business travellers.	The project could help to resolve two key issues inhibiting business activity based on consultation: (i) lack of suitable accommodation for business travel locally; and (ii) poor quality/image of the Town Centre area.	Hartlepool's economy supports a number of small and medium enterprises. The wider economy (including the chemicals cluster at Seal Sands and wider Tees Valley activity) will also generate a significant volume of business travel, which does not currently utilise Hartlepool's accommodation assets.	Feb 2024 onward
Objective 3: Support development of Hartlepool's visitor economy.	Based on occupancy rates and usage by overnight tourists.	HBC are developing a tourism strategy to support realisation of their aspirations to grow the visitor economy.	In conjunction with wider plans and programmes (e.g. Tall Ships Race in 2023 and redevelopment of the Waterfront and Middleton Grange), demand for tourism infrastructure such as hotel	Feb 2024 onward

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Specific	Measurable	Achievable	Realistic	Time-bound
			accommodation is expected to grow.	
Objective 4: Contribute to the Conservation Area Status of the adjacent Church Street and Binns Building.	Increased public use (e.g. via footfall counters) and hosting of public events in the Conservation Area.	Transforming the Wesley Chapel will contribute to a holistic, integrated Conservation Area which is increasingly attractive for formal and informal public use.	Restoration of a currently dilapidated heritage asset, in conjunction with complementary activities at the Binns Building, will ensure that Church Street is no longer bounded by areas of significant urban blight.	Feb 2024 onward
Objective 5: Contribute to wider economic growth and development in Hartlepool Town Centre.	Based on growth in key indicators including economic output and employment in vicinity of Wesley Chapel	The project will directly create employment and economic activity at the site itself. Through enhancing reputation/image of the Town Centre, could also catalyse wider economic growth and development.	In its current state, the dilapidated Wesley Chapel has a detrimental impact on business sentiment and inward investment. By unlocking private sector investment and restoring a heritage landmark, the project can support improved business/investor interest.	Feb 2024 onward



## **2.6 The Proposed Investment**

### **2.6.1 Options Appraisal**

Given the presence of an extant planning permission that approves restoration and redevelopment of the Wesley Chapel to explicitly allow (i) delivery of a 36-bed hotel; (ii) change of use of upper ground floor of main building to mixed A3/A4 Use (restaurant and bar); and (iii) change of use of lower ground floor of main building to form commercial units within the A-class land use range, options for alternative uses or quantum of development at the Wesley Chapel have not been considered.

Subsequent market analysis prepared for the Middleton Grange project demonstrates that the Town Centre does not support a strong enough office, retail or residential market to enable change of use to these forms. Further, utilisation of the building as a bar/restaurant alone with no wider provision (e.g. hotel use) already proved to be unviable (hence the closure of the nightclub which previously occupied the building). Within the hotel market, evidence indicates that most demand exists in the business traveller segment who seek mid-scale/boutique accommodation services. Other segments including the budget segment are already well-provided for in Hartlepool. Having developed and retained ownership of the Travelodge at the Marina and operated Wynyard Golf Club with associated wedding/conference/ hospitality accommodation for over 10 years, Jomast are clear that a small boutique hotel facility in Hartlepool town centre would satisfy strong demand from business travellers and visitors from outside and within the region. As such, a viable market only exists for a boutique offer; viability for a different scale or type of hotel provision is not deemed to exist.

Further, the listed and heritage nature of The Wesley limits its conversion to a wide range of uses and hotel use is considered the most appropriate for the building and one which is most viable.

In light of these findings, the project pursued as part of Hartlepool's Town Deal is therefore in line with the above extant planning permission, which was considered and approved for inclusion in the Town Deal Programme as part of TIP development. From an HBC perspective, there has been a long term desire to see the heritage asset brought back into use. The existence of a costed proposal with full planning permission means the boutique hotel offers a sound option for the objective of use to be met.

### **2.6.2 Project Description**

Built in 1873, The Wesley Chapel is a prominent Grade II listed Victorian Methodist Chapel located in the Heart of Hartlepool. It is a key heritage asset for the town, situated near the Middleton Grange Shopping Centre, Civic Centre and Binns Building.

The project seeks to deliver the approved planning permission which allows for:

- a 36 bedroom boutique hotel on upper floors;
- bar and restaurant with potential to accommodate functions on the upper ground floor; and
- four commercial units for A-class land uses situated on the ground floor.

To deliver this project, the overall investment requirements include the following restoration and redevelopment activities:

- New roof with conservation-style roof lights;
- External building repairs to heritage facade including masonry, making good and cleaning;
- Comprehensive reglazing;
- Terraced external areas;
- DDA-compliant ramp access and repairs to heritage stepped building entrance;
- Internal reconfiguration and fit out including lifts and mechanical and electrical fit out to all hotel rooms;
- Construction of four self-contained commercial units; and
- Internal fire protection and security systems.



During the project's operational phase, Jomast will directly operate the hotel, building on a range of experience in managing and delivering sustainable development projects for multinational leisure operators within Hartlepool itself and further afield (including the 77 bedroom Travelodge at Hartlepool Marina).

### 2.6.3 Alignment with Objectives and Vision

The proposed project aligns closely to the objectives and vision set out in Section 2.5. In particular, it will:

- Support realisation of the vision by restoring the Wesley Chapel's and re-establishing the heritage asset's role as an iconic landmark at the Heart of Hartlepool, contributing to a sense of local civic pride.
- Support realisation of Objective 1 by bringing the Wesley Chapel back into long-term and sustainable commercial use.
- Support realisation of Objectives 2 and 3 by enhancing Hartlepool's visitor economy infrastructure, supporting the town's aspirations to develop and grow the sector from the perspective of business travellers and overnight tourists.
- Support realisation of Objective 4 and 5 by removing urban blight and dilapidated assets from key locations in Hartlepool Town Centre, enhancing image and perception of Central Hartlepool and boosting business/investor sentiment in the process.

### 2.6.4 Project Theory of Change

Hartlepool's TIP outlined a high-level logic model for interventions relating to creating a 'compact and connected waterfront town'. This logic model has been refined and remodelled to specifically relate to the Wesley Chapel Hotel Redevelopment project, and is outlined in Table 2-4.

This logic model outlines the link between key issues and challenges facing Wesley Chapel (i.e. Section 2.2 – Section 2.3), the specific objectives determined for this project (Section 2.5.3), the resulting activities (Section 2.6.2) and long-term impacts and outcomes expected to occur as a result of the intervention.

Table 2-4: Logic Model Theory of Change

Strategic Objectives from TIP	Project Objectives	Inputs	Activities	Target Outputs	Short-Term Outcomes	Mid-Long Term Outcomes	Impacts
<ul style="list-style-type: none"><li>▪ maximising the productive and inclusive use of land and buildings to improve appearance, access and external perception’;</li><li>▪ enhance and extend the town’s visitor economy assets to make Hartlepool a multi-day destination;</li><li>▪ improve the physical appearance of the town to promote civic pride, new visitors and new investment; and,</li><li>▪ provide more high-quality workspace to support recovery and growth in the town’s business community.</li></ul>	<ul style="list-style-type: none"><li>▪ Objective 1: Bring the Wesley Chapel back into productive use.</li><li>▪ Objective 2: Support local and sub-regional businesses to grow and develop.</li><li>▪ Objective 3: Support development of Hartlepool’s visitor economy.</li><li>▪ Objective 4: Contribute to the Conservation Area Status of the adjacent Church Street and Binns Building.</li><li>▪ Objective 5: Contribute to wider economic growth and development in Hartlepool Town Centre.</li></ul>	<ul style="list-style-type: none"><li>▪ Private Sector capital expenditure of £2.4 million</li><li>▪ Towns Fund capital expenditure of £1.4 million to address the identified conservation deficit gap and secure the restoration of the Wesley Chapel.</li></ul>	<p>Restoration and redevelopment of the Wesley Chapel to create a boutique hotel and ancillary development, through the following activities:</p> <ul style="list-style-type: none"><li>▪ New roof with conservation-style roof lights;</li><li>▪ External building repairs to heritage facade including masonry, making good and cleaning;</li><li>▪ Comprehensive reglazing;</li><li>▪ Terraced external areas;</li><li>▪ DDA-compliant ramp access and repairs to heritage stepped building entrance;</li><li>▪ Internal reconfiguration and fit out including lifts and mechanical and electrical fit out to all hotel rooms;</li><li>▪ Construction of four self-contained commercial units; and</li><li>▪ Internal fire protection and security systems.</li></ul>	<ul style="list-style-type: none"><li>▪ 36 hotel rooms;</li><li>▪ c. 400 sq m of bar/restaurant; and</li><li>▪ c. 400 sq m of commercial floorspace under A-class land uses.</li></ul>	<ul style="list-style-type: none"><li>▪ <b>Compacted and connected waterfront and market town:</b> Remove blight of dilapidated and fire-damaged Wesley Chapel at the Heart of Hartlepool.</li><li>▪ <b>Value Driven Rebound &amp; Growth:</b> Increased daytime population in Central Area and enhanced levels of economic and social activity.</li><li>▪ <b>Value Driven Rebound &amp; Growth:</b> Enhanced visual appearance of urban fabric at Heart of Hartlepool.</li><li>▪ <b>Value Driven Rebound &amp; Growth:</b> New Workspace accommodates growing and/or incoming new businesses to Hartlepool Central area.</li></ul>	<ul style="list-style-type: none"><li>▪ <b>Compacted and connected waterfront and market town:</b> More inclusive and productive long-term use of land and buildings.</li><li>▪ <b>Compacted and connected waterfront and market town:</b> Better spatial function of town centre for visitors and residents.</li><li>▪ <b>Value Driven Rebound &amp; Growth:</b> Diversification of economic and commercial activity in central Hartlepool away from dependence on retail.</li><li>▪ <b>Value Driven Rebound &amp; Growth:</b> Support recovery and growth of town’s business community, including the visitor economy</li><li>▪ <b>Value Driven Rebound &amp; Growth:</b> New private sector investment in more high quality jobs.</li><li>▪ <b>Value Driven Rebound &amp; Growth:</b> Enhanced resident activity, civic pride and visitor/investor perceptions.</li></ul>	<ul style="list-style-type: none"><li>▪ Temporary/short-term employment during the construction phase of the project.</li><li>▪ Land value uplift as property moves into more productive use and provides wider, catalytic benefits for nearby commercial and residential properties.</li><li>▪ Increased employment resulting in growth in productivity and social wellbeing for those employed.</li><li>▪ Increased amenity (and public realm in vicinity of building) through resolution of urban blight and dilapidated building.</li><li>▪ Reduced crime through removal of derelict property prone to criminal activity and anti-social behaviour.</li><li>▪ Increased social, cultural and heritage capital resulting from restoration of local heritage landmark.</li><li>▪ Enhanced image and perception of central Hartlepool.</li><li>▪ Enhanced Levels of Social and Economic Activity within central areas in Hartlepool:</li><li>▪ Construction stage temporary job creation.</li><li>▪ Supporting growth in the Visitor Economy.</li><li>▪ Diversification of economic and commercial activity in central Hartlepool away from dependence on retail.</li><li>▪ Supporting the needs of high value businesses.</li><li>▪ More holistic visitor economy infrastructure, serving a wider range of niche demand segments.</li><li>▪ Reduced carbon footprint through re-use of existing assets rather than new build development.</li></ul>

## 2.6.5 Expected Outputs and Outcomes

To summarise the Logic Model presented at Table 2-4, the key expected outputs arising from the intervention include:

- Restoration of a dilapidated heritage asset to enable:
  - 36-room boutique hotel;
  - c. 400 sq m of bar/restaurant with potential for function room capability (e.g. to host weddings); and
  - c. 400 sq m of commercial floorspace to support uses within the A-class range.

In terms of short term outcomes, the intervention is forecast to unlock:

- Compacted and connected waterfront and market town: Remove blight of dilapidated and fire-damaged Wesley Chapel at the Heart of Hartlepool.
- Value Driven Rebound & Growth: Increased daytime population in Central Area and enhanced levels of economic and social activity.
- Value Driven Rebound & Growth: Enhanced visual appearance of urban fabric at Heart of Hartlepool.
- Value Driven Rebound & Growth: New Workspace accommodates growing and/or incoming new businesses to Hartlepool Central area.

In the medium-to-long term, the expected outcomes include:

- Compacted and connected waterfront and market town: More inclusive and productive long-term use of land and buildings.
- Compacted and connected waterfront and market town: Better spatial function of town centre for visitors and residents.
- Value Driven Rebound & Growth: Diversification of economic and commercial activity in central Hartlepool away from dependence on retail.
- Value Driven Rebound & Growth: Support recovery and growth of town's business community, including the visitor economy.
- Value Driven Rebound & Growth: New private sector investment in more high quality jobs.
- Value Driven Rebound & Growth: Enhanced resident activity, civic pride and visitor/investor perceptions.

These outcomes are forecast to generate the following impacts which will be considered in more detail in the Economic Case:

- Temporary/short-term employment during the construction phase of the project.
- Land value uplift as property moves into more productive use and provides wider, catalytic benefits for nearby commercial and residential properties.
- Increased employment resulting in growth in productivity and social wellbeing for those employed.
- Increased amenity (and public realm in vicinity of building) through resolution of urban blight and dilapidated building.
- Reduced crime through removal of derelict property prone to criminal activity and anti-social behaviour.
- Increased social, cultural and heritage capital resulting from restoration of local heritage landmark.

## 2.6.6 Project Risks, Constraints, and Interdependencies

The Victorian Grade-II listed former Wesley Chapel is currently vacant after an extensive fire in 2017 left the heritage building without a roof and in disrepair. The costs associated with the previous fire damage and heritage status of the building have been accounted for in the development of cost plans.

A key risk to the proposed intervention is associated with an increase in costs as the additional survey work and detailed design work is completed. However, this risk, and the resulting prospect of the project not going ahead as a result of cost-overruns has been fully mitigated through Jomast's commitment to meeting any additional costs via their full letter of support for the project (Appendix C). Further, subsidy control issues linked to potential

perception of Towns Fund investment representing public sector subsidy to a commercial actor (i.e. Jomast Developments) are confirmed as not applicable, based on legal advice secured from DWF Law (Appendix B).

The project could not previously be delivered without public sector support due to a gap in viability, driven by the project's conservation deficit. The conservation deficit, initially valued at £1.4 million, will be funded through the Towns Fund allocation. As noted, any increase in viability gap since the initial valuation exercise will be met in full by Jomast.

Planning and land ownership are not considered risks to the project. The planning approval secured for development in 2019 has been activated, so the project is 'live' in planning terms. Further, Jomast have confirmed they have unfettered freehold control over the asset.

Given proximate location and related focus of intervention, the Wesley Chapel intervention is interdependent with and fundamentally supports both the Re-imagining Middleton Grange and Waterfront Connectivity proposals which form part of the Town Investment Plan. The Wesley Chapel will form part of a more comprehensive town centre regeneration strategy alongside these complementary projects. It will transform the Heart of Hartlepool alongside activity at Middleton Grange, fundamentally transforming the aesthetic, visual appearance and streetscape of the western end of the Church Street Conservation Area. It will also play a pivotal role in boosting town centre tourism infrastructure, alongside activities undertaken as part of Waterfront Connectivity. Within this context, it could also support the various development proposals emerging for the Waterfront area (not least, the National Museum of the Royal Navy extension and leisure centre relocation projects). In summary, the Wesley Chapel will complement and add value to wider development initiatives promoted through the Town Deal Programme and by wider stakeholders.

### **2.6.7 Likely Outcome Without Intervention**

In the absence of public sector support through the Towns Fund Programme, proposals to restore Wesley Chapel will remain stalled. The viability challenge brought about by the conservation deficit means that Jomast will be unable to deliver the project alone. The existing challenges surrounding the dysfunctional and disconnected town centre and subsequent image and reputational issues affecting Hartlepool will persist. The significant gap in provision of appropriate accommodation in Hartlepool will continue, leading to a potential loss of local of economic activity associated with both business travellers and tourists to the town. The potential cultural and commercial value of a key heritage asset in the form of Wesley Chapel will not be maximised. In combination, these outcomes could perpetuate ongoing external perceptions of Hartlepool, constraining inward investment, business development and visitor economy growth in the town. Further, civic pride for local residents could also be undermined, owing to the continuation of urban blight and dilapidation associated with a key heritage asset.

Further, failure to intervene could pose challenges for complementary interventions proposed as part of the Town Deal Programme, not least Reimagining Middleton Grange and Waterfront Connectivity. The proposed intervention at Wesley Chapel will support realisation of the outcomes and impacts forecast for both of these linked projects; hence failure to intervene at Wesley Chapel will hinder the ability of the other interventions to maximise their socio-economic impacts on the local community. In effect, failure to intervene would represent a significant missed opportunity for Hartlepool that fundamentally undermines the town's ability to achieve its vision (as stated in Section 2.5).

## **2.7 Stakeholder Engagement and Communications**

### **2.7.1 Stakeholder Mapping**

Key stakeholder on the project include:

- Hartlepool Borough Council: responsible authority for culture and heritage and conduit for securing Towns Fund investment; as well as scheme promoter for complementary interventions at Middleton Grange and the Waterfront.

- Jomast Developments: scheme promoter, owner of the Wesley Chapel and potential long term operator the proposed commercial scheme.
- Local businesses: that may benefit from increased access to high quality accommodation to support business travel; as well as increased opportunities brought about by footfall generating land uses.
- Commercial property agents: that may be interested in being responsible for lease/sale of commercial units at the renovated Wesley Chapel.
- Hartlepool's residents: for whom the Wesley Chapel represents a local heritage landmark and source of civic pride.
- Enjoy Tees Valley: dedicated destination and marketing website, tourism service and brand which aims to boost the visitor economy and help tourists and residents experience.
- Historic England, the public body that ensures the heritage environment is protected, have been consulted and recognise the importance of the project in helping to remove the Church Street Conservation Area from the national heritage at risk register.

### 2.7.2 Summary of Engagement to Date

The development of the TIP and subsequent project development for the Wesley Chapel was informed by extensive stakeholder and community engagement. This has included review and analysis of engagement which HBC has undertaken since 2019, as well as specific activities to identify, evidence and develop priority projects. To this end, key stakeholder and community engagement activities undertaken to date include:

- TDB Meetings, incorporating representation from the full spectrum of public, private and voluntary sectors within Hartlepool. The TDB members continue to use their own networks to:
  - disseminate information about Town Deal projects;
  - articulate the ongoing Town Deal process;
  - publicise relevant engagement activities; and
  - obtain informal and anecdotal feedback on each project and its development.
- #My Town online engagement portal – 90 suggestions were received;
- One-to-one sessions with stakeholders (business interests, local colleges, key landowners);
- Online Local Residents Survey (publicised through an extensive network of communication channels) – a total of 463 responses were received;
- Online Local Business Survey – a total of 71 responses were received;
- Members Seminar;
- Young People's Group;
- Online discussion with the Economic Regeneration and Tourism Forum;
- 'Sector Connector' call (online discussion with the Voluntary and Community Sector [VCS] via Hartlepower); and
- Public exhibition presenting Town Centre Masterplan and TIP Interventions.

Further, wider engagement processes undertaken outside, but linked to, the Town Deal Programme have also provided insight into community and stakeholder views on the Wesley Chapel Hotel Redevelopment. These include:

- Surveys undertaken to inform the Council Plan 2020-2023 (over 250 responses received in 2019).
- Engagement undertaken to inform HBC's Covid-19 Recovery Plan – this comprised a range of engagement activities including members seminar, online employee survey and virtual workshops held with primary and secondary school headteachers, public sector partner organisations, VCS organisations and representatives of business and faith communities.
- Findings from the Tees Valley Covid-19 Business Survey undertaken in 2020.

### 2.7.3 Summary of Stakeholder Viewpoints

As a result of these engagement activities, a number of key themes and issues were highlighted that had particular relevance to the Wesley Chapel Hotel Redevelopment, as outlined in Table 2-5.

**Table 2-5: Summary of Key Stakeholder Viewpoints**

Broad Stakeholder Viewpoint	Engagement Activities Where Viewpoint was Expressed
Problems with crime and anti-social behaviour within and around the town centre	<ul style="list-style-type: none"> <li>18% of #My Town respondents</li> <li>Council Plan 2020-23</li> </ul>
Need for more training and employment opportunities focusing on various industries / sectors and segments of the population (for example young people)	<ul style="list-style-type: none"> <li>13% of #My Town respondents,</li> <li>Young People's Group</li> <li>Council Plan 2020-23</li> </ul>
Poor quality of the town centre environment, for example empty properties	<ul style="list-style-type: none"> <li>12% of #My Town respondents,</li> <li>Young People's Group</li> <li>Council Plan 2020-23</li> </ul>
Importance of economic regeneration. Opportunities include the value of small, very cheap 'starter units' for new businesses	<ul style="list-style-type: none"> <li>'Sector Connector' discussions with the VCS</li> </ul>
Importance for Church Street to serve a purpose, be better used, be made more attractive and become the kind of place that people want to visit and in which to spend time (and money)	<ul style="list-style-type: none"> <li>'Sector Connector' discussions with the VCS</li> </ul>
Developing recreational and leisure activities and facilities, particularly those that build on history / heritage	<ul style="list-style-type: none"> <li>Council Plan 2020-23</li> </ul>
Need to encourage people to use the town centre in order to support local businesses	<ul style="list-style-type: none"> <li>HBC's COVID 19 Recovery Strategy</li> </ul>
Concern over number of heritage buildings that have been lost in the town	<ul style="list-style-type: none"> <li>Community Consultation relating to the Shades Hotel</li> </ul>
The need to improve the Town Centre in terms of environment, refurbishing empty buildings (e.g. Wesley Chapel), public realm	<ul style="list-style-type: none"> <li>39% of Online Local Residents Survey respondents (most popular issue identified)</li> </ul>

In addition to the themes and issues identified above, it should be noted that the strength of feeling within the local community to heritage assets is very strong. Further to the recurring theme relating to concern over the loss of heritage buildings in Hartlepool (Table 2-5), heritage was one of the most frequently used words or phrases found in response to questions about what local people most liked about Hartlepool in the Online Local Residents Survey. In addition, the local community identified 'attractiveness as a place to live, work and visit' and 'visitor attractions (e.g. hotels, places to visit)' as key priorities for improving Hartlepool.

From the perspective of firms operating in Hartlepool, the Online Local Businesses Survey found that the following issues were considered to be holding back business growth in Hartlepool:

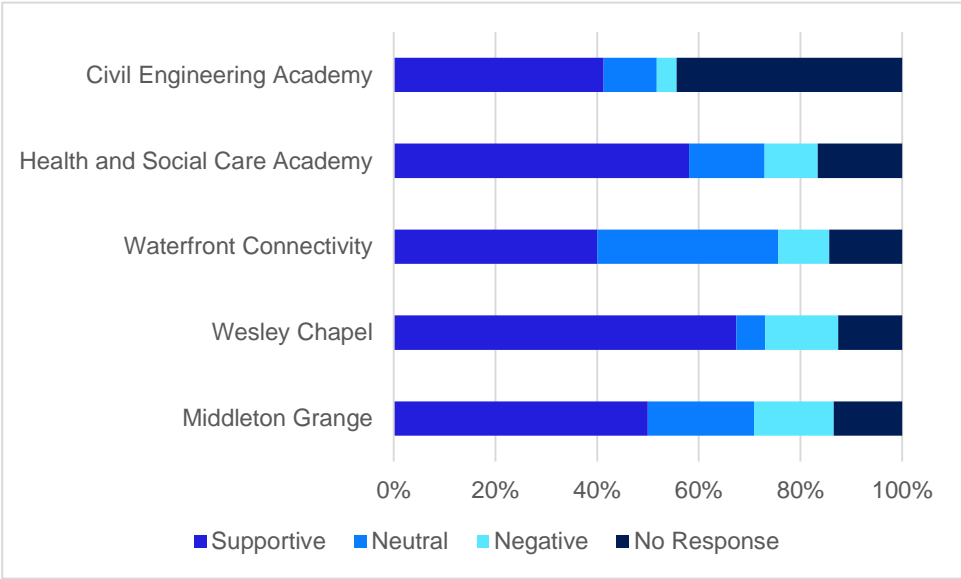
- The quality of Hartlepool town centre (76% of respondents either agreed or strongly agreed with this point);
- Perceptions of Hartlepool (77%); and
- Quality of the environment (63%).

Further, improving the image of the town and enhancing the town centre and high street areas were cited as key priorities for transforming Hartlepool as a place for businesses to locate and thrive.

Aside from the stakeholder engagement in the Town Investment Plan, recent discussions with local businesses highlighted that they are not satisfied with the current accommodation provision in Hartlepool. Instead, they opt for upmarket countryside hotels in the wider region such as Wynyard Hall and Guisborough Hall or branded hotels in Middlesbrough. Nonetheless they have expressed interest in hotel accommodation located in Hartlepool as this would be more convenient. The proposed intervention responds to these commercial market views, by trying to fill an identified gap in the market for mid to high end visitor accommodation (for business travellers and tourists alike).

These findings provide a strong basis for widespread community, business and stakeholder support for the project, given that the project seeks to contribute to ameliorating many of the key issues identified by both local residents and businesses. This position is reinforced by that fact that the Wesley Chapel achieved the highest level of support of any project based on responses to the 'Consultation on TIP Priorities'.

**Figure 2-1: Summary of Approval/Support Responses**



With specific regard to proposed long-term use of a restored and redeveloped Wesley Chapel, support for the project was divided between respondents who were supportive of the proposal to redevelop the chapel as a hotel (59% of supportive responses) and those who were supportive of redevelopment in theory but felt that an alternative use was more appropriate (41%).

Further detail on the key outcomes of stakeholder engagement and consultation activities relating to the Wesley Chapel and the wider Town Deal programme are provided at Appendix H.



## 3. Economic Case

### 3.1 Introduction

The Economic Case seeks to identify the proposal that is most likely to deliver the best Value for Money (VfM) to society including wider social and environmental effects. Within this context, the Economic Case sets out to:

- Provide a comparative analysis of the quantifiable and monetisable costs and benefits of shortlisted options or scenarios.
- Synthesise economic costs and benefits into a holistic value for money statement for the project.
- Outline some of the non-quantifiable and wider economic impacts of intervention.
- Based on consideration of value for money and wider issues, recommend a preferred option for intervention.

### 3.2 Approach to Economic Appraisal

The following key assumptions underpin the economic appraisal supporting this economic case:

- Based on the options appraisal presented in Section 2.6.1 a single feasible intervention option was considered appropriate for assessment. This is referred to as the Do Something scenario within the economic appraisal set out below.
- The economic appraisal was predicated on comparison of the Do Minimum versus Do Something scenario, where:
  - The Do Minimum scenario, represents the business as usual situation and likely outcomes in the event of no Towns Fund Investment (i.e. no redevelopment of Wesley Chapel; in line with Section 2.6.7) and
  - The Do Something Scenario which forecasts the anticipated outcomes and impacts associated with the timely approval of Towns Fund Investment (i.e. the delivery of the preferred option for the redevelopment of Wesley Chapel, as per Section 2.6.2)

For robustness, the Do Minimum scenario assumes that the socio-economic performance of the Wesley Chapel and its immediate environs would remain constant in the absence of intervention, reflecting the current state of the existing Wesley Chapel building (i.e. a vacant heritage asset without a roof and in disrepair). As such, the economic analysis focusses on understanding the net additional impact of the Do Something scenario without recourse to netting out additional positive or negative socioeconomic impacts that might materialise in the Do Minimum scenario. This is considered a conservative approach, as in reality, in the absence of intervention some of the key socioeconomic characteristics of the surrounding Wesley Chapel area could worsen (e.g. crime, amenity, land value), particularly as further deterioration of the existing heritage asset would exacerbate built environment challenges. However, these are assumed to remain unchanged for the purpose of presenting a robust economic appraisal.

- An appraisal period of thirty years was adopted for the majority of impacts. This framework is aligned with the anticipated persistence or duration of economic impacts suggested by guidance<sup>6</sup>. On this basis, the appraisal period commences from an opening year of 2024 through to 2053. It is important to note however, that given the asset life of the intervention being proposed, there could be some benefit that accrue past 30 years which have not been captured to ensure a robust assessment. For impacts that do not have an appraisal period of thirty years, this is outlined in Section 3.3.
- All monetised figures used in the appraisal are presented in 2021 prices and values using real price adjustment factors in line with the Office for Budget Responsibility's inflation forecast and the prevailing HM Treasury Green Book discount rates (i.e. 1.5% per annum for thirty years for health-related impacts<sup>7</sup>; 3.5% per annum for thirty years for non-health related impacts).

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<sup>6</sup> Towns Fund Delivery Partner (2021) 'Economic Case: Best Practice Guide – Annex B'

<sup>7</sup> Health related impacts include Labour Market Social Wellbeing Benefits (Section 3.3.2.2) and Social Wellbeing of Cultural/Heritage Buildings (Section 3.3.5). The non-health related impact discount rate was applied for all other impact categories.



- A bespoke model has been utilised to forecast economic impacts, this model synthesizes various potential impacts before aggregating costs and benefits into a single consistent price and value base (i.e. 2021 prices and values) to inform two key value for money metrics: benefit-cost ratio and net present social value.
- The model is underpinned by the latest relevant departmental and Towns Fund-specific guidance. The data and guidance applied in this economic assessment includes:
  - HM Treasury Green Book and supplementary 'Wellbeing Guidance for Appraisal';
  - DCMS Cultural and Heritage Capital Evidence Bank
  - DLG Appraisal Guide;
  - MHCLG Land Values for Policy Appraisal;
  - HCA Additionality Guidance and Employment Densities Guide;
  - Towns Fund Stage 2 – Business Case Template; Economic Case: Best Practice Guidance;
  - Jomast's cost assumptions;
  - ONS House Price Statistics for Small Areas (HPSSA) residential property data;
  - ONS Subregional Productivity data;
  - Valuation Office Agency commercial property rateable values; and
  - UK Crime Stats.

Other data sources are highlighted throughout the Economic Case, where appropriate.

### 3.3 Economic Benefits

#### 3.3.1 Land Value Uplift

##### 3.3.1.1 Indirect and Wider Impacts: Commercial Property

The renovation of Wesley Chapel will transform a heritage asset into a boutique hotel with ancillary bar, restaurant and commercial units. This could have a positive impact on the performance of existing surrounding commercial assets through increasing footfall, enhanced levels of economic and social activity and increased attractiveness of the Heart of Hartlepool as a location for business location and investment. In turn, improved performance of existing commercial assets in close proximity to the Wesley Chapel could be reflected in increased rental values and yields for commercial property, resulting in an increase in asset value. Increased asset value is considered an appropriate proxy for indirect land value uplift for commercial property.

The current asset value of the commercial units in the surrounding area of Wesley Chapel is estimated by combining the rental value of existing commercial units with prevailing commercial yields in the area. The Valuation Office Agency's (VOA) rateable value data is a suitable proxy for rental value. The latest rateable value data (2020) for all retail properties within the immediate area around Wesley Chapel<sup>8</sup> was estimated at £6,279,000<sup>9</sup>. It is prudent to assume that only retail properties that are in close proximity to the Chapel will gain the commercial benefits from intervention, therefore the commercial land value uplift impact is limited to a catchment area of properties that are closest to the Wesley Chapel (c. 33% of retail properties within the LSOA). This conservative approach reduces the total rateable value for affected retail properties to £2,072,070 (2020 prices).

Commercial yields for the LSOA retail units are estimated at 9.1%<sup>10</sup> based on market analysis of Hartlepool Town Centre. Combining the rent and yield estimates generates an asset value of c.£23 million (2020 prices) for those retail properties surrounding Wesley Chapel under current conditions.

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<sup>8</sup> Defined as LSOA E01011974, and excluding Middleton Grange to avoid any double counting with other Town Deal project's economic appraisals

<sup>9</sup> This is considered a conservative approach relative to collecting rateable value data for all commercial properties (inclusive of industry, office, and other commercial units)

<sup>10</sup> Avison Young Hartlepool Market Report – Average Yield of Retail Properties used as proxy

Professional experience of regeneration projects demonstrates that substantive regeneration activity can strengthen rental rates by up to 10% and reduce yields by 10%, reflecting the increased attractiveness of locations benefitting from redevelopment. Applying these benchmarks to those existing businesses in proximity to Wesley Chapel would see rental rates increase by c. £200,000 to c. £2.3 million per annum. A reduction in yields to 8.2% will generate a future asset value of £27.8m (2020 prices) under this updated rental regime. This represents c.£5.1m (2020 prices) in asset value growth, or indirect land value uplift, relative to business as usual. Converting this estimation into 2021 prices and values produces an uplift of c.£4.6m of gross impact which will be realised in the intervention opening year (2024). Since no change in land values are assumed in the Do Minimum Scenario, this impact is considered gross additional.

### 3.3.1.2 Indirect and Wider Impacts: Residential Property

The renovation of Wesley Chapel could also stimulate an increase in property values for nearby residential units. Industry analysis<sup>11</sup> shows that properties within 1km of a regeneration site could on average attract an 3.6% property value uplift due to the increased attractiveness and amenity as a result of regeneration activities. The latest VOA data (March 2021)<sup>12</sup> demonstrate that there was a total of 1,200 properties in proximity to Wesley Chapel<sup>13</sup>. Consistent with the approach outlined in Section 3.3.1.1, a conservative judgment has been made whereby only 33% of all residential properties within Wesley Chapel LSOA will receive an increase in asset value as a result of the intervention, limiting the impact to just those properties in immediate proximity to the regeneration site. Applying this assumption, reduces the number of impacted properties to 396.

The latest corresponding house price data<sup>14</sup> for the area illustrates that the average value of residential properties in proximity to the Wesley Chapel is £92,000 (2021 prices). Multiplying the 396 directly proximate properties with the average residential property value delivers an aggregate value of residential assets estimated at £36.4m (2021 prices). Applying the 3.6% property value uplift to this aggregate asset value will deliver £1.3m (2021 prices) in asset value growth, or indirect land value uplift. Converting this estimation into 2021 prices and values produces an uplift of £1.2m of gross impact, based on a realisation year of 2024 (in line with intervention completion). Since no change in land values are assumed in the Do Minimum Scenario, this impact is considered gross additional.

### 3.3.2 Labour Market Impacts

#### 3.3.2.1 Productivity Benefits

The renovation of Wesley Chapel has the potential to unlock job creation through providing employment opportunities across the new hotel, bar/restaurant and commercial units. This could act to reduce unemployment pressures and deliver productivity benefits to the wider economy.

Employment creation during the operational phase is estimated as a function of employment densities, the following best practice employment density benchmarks as stated below:

- Employment Density for Hotel: 0.33 FTE per room (based on mid-point for employment density of mid-scale hotel);
- Employment Density for Bar/Restaurant: 17.5 sq m per employee (based on mid-point for employment density of restaurants and cafes); and
- Employment Density for Commercial Use: 17.5 sq m per employee (based on midpoint for employment density of high street, retail, restaurants and cafes).

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<sup>11</sup> CBRE <https://news.cbre.co.uk/cbre-research-regeneration-results-in-a-36-annual-uplift-in-house-price-growth/>

<sup>12</sup> VOA Number of Properties by Council Tax Band and Region, County, Local Authority District and Lower and Middle Super Output Area 2021

<sup>13</sup> Defined as LSOA E01011974

<sup>14</sup> ONS Median House Prices by Lower Layer Super Output Area

Applying these employment densities to the corresponding floorspace allocated for each activity generates some 55 full-time equivalent (FTE) employment opportunities as outlined in Table 3-1.

**Table 3-1: Gross FTE Employment Estimate**

Activity	Employment Density (sq m or rooms/FTE)	Floorspace (sq m) or Rooms (#)	Gross FTE Estimate
Hotel	3	36	12
Bar/Restaurant	17.5	370	21
Commercial Units	17.5	384	22
Total	n/a	n/a	55

Following best practice outlined in Central Government guidance<sup>15</sup>, it is estimated that around 10% of the new employment opportunities could accrue to unemployed residents in Hartlepool. Further, 40% of the economic output (measured in terms of GVA) associated with previously unemployed residents obtaining work, represents the welfare impact of increased productivity from employment. Given average per worker productivity of c. £45,000<sup>16</sup> (2019 prices), the annual productivity impact of supporting unemployed residents to re-enter the labour market is c. £104,000 per year (2021 prices). Profiling over the thirty-year appraisal period and discounting generates an aggregate benefit stream of £1.8m (2021 prices and values). As no new floorspace and associated employment is assumed to materialise in the Do Minimum Scenario, this impact is considered gross additional.

### 3.3.2.2 Social Wellbeing Benefits

Further to the productivity impact captured in Section 3.3.2.1, a social-wellbeing benefit can also be applied for previously unemployed people gaining employment. Wellbeing analysis suggests the value of gaining employment for unemployed residents is £5,980 per person per year<sup>17</sup> (2018 prices and values) and reflects the increase in an individual's life satisfaction from being in work. Applying this social-wellbeing benefit to the 6 unemployed residents expected to obtain employment as a result of the Wesley Chapel renovation, the resulting social wellbeing value of gaining employment is estimated at c.£35,000 (2021 prices). Profiling over the thirty-year appraisal period and discounting generates an aggregate benefit stream c. £830,000 (2021 prices and values). As above, these impacts are considered gross additional, as the impacts do not materialise in the Do Minimum scenario.

### 3.3.3 Amenity

The amenity value of a plot of land refers to the level of pleasantness of the area. Relative to the current conditions (i.e. a dilapidated, disused heritage asset, which severely degrades the surrounding area), users of the restored Wesley Chapel and the surrounding area will experience an increase in amenity as a result of intervention. The intervention will renovate 0.15ha of space, transforming this heritage asset into a boutique hotel with a bar, restaurant and commercial units. Given the strategic location of Wesley Chapel in close proximity to the Town Centre, the renovation of Wesley Chapel alongside other Towns Fund investment projects, are crucial in creating a new 'Heart of Hartlepool', addressing the current dysfunctional and disconnected central town area. The new hotel and commercial units will increase the concentration of economic and commercial activity in the Heart of Hartlepool whilst adding value to the adjacent Binns Building and new civic meeting space.

<sup>15</sup> E.g. Future High Street Fund guidance and DfT TAG

<sup>16</sup> ONS Sub-regional Productivity

<sup>17</sup> Wellbeing Guidance for Appraisal: Supplementary Green Book Guidance

Within this context, the current amenity value of the renovation site is assumed to be zero, reflecting the current vacant and run-down conditions. This may represent a conservative assumption, given that the condition of the urban environment in and around the buildings is poor and could contribute to a negative amenity value. Despite this, the future amenity value of the renovated site in the intervention case is assumed to be c.£109,000 per ha (2016 prices) based on relevant industry benchmarks<sup>18</sup>. Applying this benchmark to the footprint of the Wesley Chapel regeneration site and profiling this impact over a thirty-year appraisal period generates a total benefit of c.£318,000 (2021 prices and values). Since no change in amenity are assumed in the Do Minimum Scenario, this impact is considered gross additional.

### 3.3.4 Crime

Data from UK Crime Stats demonstrates that there is a high rate of criminal activity in the area surrounding the Wesley Chapel<sup>19</sup>. The fact that Wesley Chapel itself was subject to arson attack in December 2017 reinforces this point. Between January 2021 and December 2021 there were 951 crimes reported in the locality with violent crime, anti-social behaviour and shoplifting the most common types of crime recorded. The presence of a major dilapidated heritage asset currently without a roof severely degrades the surrounding area, provides a focal point for criminal activity and anti-social behaviour and is therefore likely to be a significant contributing factor to high rates of crime within the area. By restoring the building, preserving its heritage status and transforming the asset into a boutique hotel with bar, restaurant and commercial units, the intervention could enhance levels of social and economic activity whilst simultaneously reducing the level of crime in the area.

Following best practice outlined in Central Government guidance<sup>20</sup>, criminal activity can fall by up to 10% in response to regeneration activity and the removal of urban blight. In the context of Wesley Chapel and surrounding area, this could lead to a reduction of 95 criminal incidents per year. For robustness, a displacement factor of 75% has been applied on the assumption that some of the crime occurring could be distributed out to other locations rather than being eradicated completely. On this basis, some 24 crimes per year could be avoided in the Wesley Chapel area as a result of intervention. The average cost of crime is estimated at £1,244<sup>21</sup> (2019 prices). Applying this value to the net reduction in crime incidents as a result of intervention and converting into 2021 prices, results in an aggregate crime reduction impact of c. £31,000 per annum. Profiling this impact over thirty years and discounting generates an aggregate benefit stream of c.£539,000 (2021 prices and values). It should be stated that this value represents a net additional figure, as additional factors such as displacement are already incorporated into the estimation methodology. No further adjustments to convert to net additional values is required for this benefit stream. Since no change in crime is assumed in the Do Minimum scenario, further adjustments to net off impacts in the Do Minimum scenario are not required.

In gross terms, ignoring the significant potential for displacement (75% as above), the gross additional impact is estimated at some £2.2 million.

### 3.3.5 Social Wellbeing of Cultural/Heritage Buildings

The renovation of the Victorian Grade-II listed Wesley Chapel, transforming this heritage asset into a hotel with a bar, restaurant and commercial units, will contribute to enhancing and extending the town's visitor economy assets to make Hartlepool a multi-day destination whilst simultaneously improving the visual appearance of the built environment. Given the prominent location of Wesley Chapel (situated near the Middleton Grange Shopping Centre, Civic Centre and Binns Building), the renovation improvements could enhance socioeconomic activity within the 'Heart of Hartlepool' and improve the spatial function of central areas for local residents. It will also re-establish the Wesley Chapel as a source of civic pride within Hartlepool. This will accrue social value and social

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<sup>18</sup> Assuming an Urban Core Location, DCLG Appraisal Guide

<sup>19</sup> Defined as LSOA E01011974t

<sup>20</sup> E.g Future High Street Fund guidance and DfT TAG

<sup>21</sup> Greater Manchester Constabulary, unit cost of crime

wellbeing benefits amongst the local population, resulting from the preservation of a heritage asset that was previously in a dilapidated and disused state.

Benchmark statistics relating to the social wellbeing value of restoring built heritage amenities was estimated at £8.84 per household (2020 prices)<sup>22</sup>, occurring as a strictly one-time benefit. Applying this benchmark to the total number of properties across Hartlepool (44,360 residential units), generates an aggregate social wellbeing benefit of c. £394,000 (2021 prices). Converting this estimation into 2021 prices and values produces an uplift of c. £377,000 of gross impact, based on a realisation year of 2024 (in line with intervention completion). Since no change in the Wesley Chapel building is assumed in the Do Minimum Scenario, this impact is considered gross additional.

### 3.3.6 Gross to Net Conversion

Consistent with additionality guidance, gross to net adjustments have been made to the gross additional impacts forecast to materialise in the Do Something scenario<sup>23</sup>. To generate net additional impacts of the Do Something scenario, the following adjustment factors have been adopted and are consistent with HM Treasury's Green Book as well as Homes England's additionality values<sup>24</sup>.

- Displacement = 38.7%, reflecting the proportion of impacts accounted for by reduced outputs elsewhere.
- Leakage = 14.1%, reflecting the proportion of impacts that may benefit those outside of the intervention context area.
- Multiplier Effects = 1.33, reflecting further induced economic activity associated with the respective benefit stream through e.g. jobs, expenditure, income.

By aggregating various gross benefit streams outlined above and applying the prevailing factors of additionality, the gross additional impacts are reduced from c. £11 million to c. £7 million in net additional present value of benefit terms (PVB, 2021 prices and values). It should be noted that this additionality analysis assumes that the economic impact of the Do Minimum scenario is zero, and hence no gross-to-net conversion of Do Minimum scenario impacts is undertaken and netted off the Do Something scenario impacts. This is considered a conservative assumption in economic appraisal terms, given the potential for negative economic impacts in the Do Minimum scenario, including worsening crime, amenity and land value due to the current condition of the Wesley Chapel (i.e. a vacant heritage asset without a roof and in disrepair, which severely degrades the surrounding area). Projecting this potential negative impact could act to further enhance the Do Something scenario relative to the Do Minimum scenario, but to ensure a robust assessment, these potential negative impacts were treated as having zero impact.

**Table 3-2: Aggregated Gross and Net Additional Impacts (£m, 2021 prices and values)**

Impact Category	Gross Additional Impact	Net Additional Impact
Indirect LVU: Commercial	4.58	3.21
Indirect LVU: Residential	1.18	0.83
Labour Market Impacts: Productivity	1.79	1.25
Labour Market Impacts: Wellbeing	0.83	0.58

<sup>22</sup> Using DCMS Culture and Heritage Capital Evidence Bank - Economic Values Database, restoration of built heritage asset as a proxy

<sup>23</sup> Note that adjustments described in this section are not applied to the values already quoted for crime (Section 3.3.4) as these values are already considered as net additional or have been adjusted based on a bespoke approach referenced in the Economic Case narrative.

<sup>24</sup> Specifically, the sub-regional 'Regeneration through Physical Infrastructure' at the sub-regional level benchmarks from the HCA (2014) 'Additionality Guide'

Impact Category	Gross Additional Impact	Net Additional Impact
Amenity	0.32	0.22
Crime	2.16	0.54
Social Heritage	0.38	0.26
Total	11.24	6.90

### 3.4 Economic Costs

Table 3-3 presents the base scheme costs profiled across the years, categorised by the source of funding. It should be noted that these costs relate to CAPEX only with a significant portion of funding being requested by the Towns Fund. More details on the derivation of base scheme costs is provided in the Financial Case (Section 4).

**Table 3-3 Base Scheme Costs - Do Something (£m, nominal values, undiscounted)**

Funder	Source	2021/22	2022/23	2023/24	2024/25	Total
Towns Fund	Public	0.00	0.47	0.47	0.47	1.40
Jomast	Private	0.00	0.89	0.89	0.89	2.66
Total		0.00	1.35	1.35	1.35	4.06

To generate the present value of costs (PVC) in 2021 prices and values the following adjustment stages have been undertaken:

- Disaggregating costs by public and private sources;
- Accommodating real growth using the Office for Budget Responsibility (OBR) forecasts
- Applying optimism bias at 24%<sup>25</sup>; and
- Discounting to 2021 values.

Following the steps outlined above generates a PVC for the Do Something scenario of £4.51m as illustrated in Table 3-4

**Table 3-4 Scheme Costs for Economic Appraisal (£m, 2021 prices and values)**

Funder	2021/22	2022/23	2023/24	2024/25	Total
Public	0.00	0.55	0.52	0.49	1.55
Private	0.00	1.04	0.98	0.93	2.96
Total	0.00	1.59	1.50	1.42	4.51

### 3.5 Value for Money Assessment

Taking into account estimates for both the PVB (Section 3.3) and the PVC (Section 3.4), Table 3-5 presents the value for money metrics relating to the Do Something scenario. The analysis demonstrates that the Do Something scenario unlocks substantially more economic benefits than public costs, resulting in a Benefit Cost

<sup>25</sup> As per the Standard Buildings benchmark referenced in HM Treasury Green Book's Supplementary Guidance on Optimism Bias

Ratio (BCR) approaching 3.0:1 and a positive Net Present Social Value (NPSV). This represents good value for public sector investment.

### Economic Benefits

**Table 3-5 Scheme Value for Money Metrics (£m, 2021 prices and values)**

Value for Money Metric	Derivation for Do Something	Do Something
Net Additional PVB	A – from Table 3-2	6.90
Total PVC of Public Sector Costs	B – from Table 3-4	1.55
Total PVC of Private Sector Costs	C – from Table 3-4	2.96
Total PVC of Economic Costs	D = B+C	4.51
BCR	E = (A-C)/B	2.54
NPSV	F = A-D	2.39

## 3.6 Sensitivity Tests

To gain an understanding of the sensitivity of the economic appraisal to changes in key input assumptions, the following sensitivity tests were undertaken:

- Sensitivity Test 1: Accruing wider LVU benefits across 50% of properties within the LSOA for Wesley Chapel (rather than 33% in the core scenario);
- Sensitivity Test 2: Accruing wider LVU benefits across 100% of properties within the LSOA for Wesley Chapel (rather than 33% in the core scenario); and
- Sensitivity Test 3: An increase in scheme costs by 50%.
- Sensitivity Test 4: Applying a higher rate of Optimism Bias; i.e. 51% in line with the non-standard building upper limit rate specified by the HM Treasury Green Book Supplementary Guidance. Note, a 51% factor is deemed a substantial overestimate of optimism bias. The core assumption, at 24% based on the upper limit for standard buildings, is deemed more appropriate for use in the core analysis, as the upper limit rate is sufficient to accommodate concerns associated with the dilapidated nature of the building currently.

**Table 3-6 Sensitivity Tests (£m, 2021 prices and values)**

Value for Money Metric	Derivation	Sensitivity Test 1	Sensitivity Test 2	Sensitivity Test 3	Sensitivity Test 4
Net Additional PVB	A	8.98	15.09	6.90	6.90
Total PVC of Public Sector Costs	B	1.55	1.55	2.33	1.89
Total PVC of Private Sector Costs	C	2.96	2.96	4.44	3.60
Total PVC of Economic Costs	D = B+C	4.51	4.51	6.77	5.49
BCR	E = (A-C)/B	3.87	7.81	1.06	1.74
NPSV	F = A-D	4.47	10.58	0.13	1.40

The outcomes of these tests are presented in Table 3-6. The tests demonstrate that increasing the proportion of proximate properties that are conferred LVU benefits to 50% or 100% of properties within the LSOA for Wesley Chapel (Sensitivity Tests 1 and 2), will significantly enhance the value for money position of the project. The benefits will increasingly outweigh the costs resulting in a BCR approaching 8.0:1 under Sensitivity Test 2.

Increasing the scheme costs by 50% (Sensitivity Test 3) will worsen the value for money position relative to the core scenario, nonetheless the BCR will remain above 1.0 with a positive NPSV. Application of a higher rate of optimism bias will also worsen the value for money position, albeit to a lesser degree, with key metrics (i.e. BCR



and NPSV) remaining positive. This demonstrates the strong value for money position of the project, as even a large increase in scheme costs can still be outweighed by the anticipated scheme benefits.

In addition to sensitivity testing, a switching values assessment was undertaken to understand the proportional increase in costs or proportional decrease in benefits that would be required to achieve a BCR position for the Do Something scenario that equates to 1.0.

**Table 3-7 Switching Values Summary**

Change in Key Metric	To Converge on BCR of 1.0
Increase in Public Costs	254%
Reduction in Net Benefits	35%

The analysis presented in Table 3-7 highlights that benefits can reduce by 35% before the BCR threshold of 1.0 is passed. Likewise, public costs can increase by 254% before the BCR threshold of 1.0 is achieved. This assessment, allied with the sensitivity testing, demonstrates that there is significant margin for benefits reduction or cost growth within the project before its value for money position deteriorates significantly based on conventional metrics

### 3.7 Wider Impacts

In addition to the monetised impacts described in Section 3.3 there are additional non-quantifiable or wider benefits that could result from intervention. With reference to the Logic Model (Section 2.6.4) and Case for Change (Section 2.2), the wider impacts that could be expected to occur if the preferred option is delivered include:

- **Enhanced Visual Appearance of Surrounding Area:** The presence of a dilapidated heritage landmark at the heart of the Town Centre has severely degraded the surrounding area and led to negative perceptions of Hartlepool's core. The restoration and repurposing of Wesley Chapel acts as a catalyst for transforming external perceptions for the Town Centre, creating a new 'Heart of Hartlepool' addressing the dysfunctional and disconnected central area outlined in the Hartlepool TIP.
- **Enhanced Levels of Social and Economic Activity within central areas in Hartlepool:** The renovation proposals will improve accessibility between Wesley Chapel and Hartlepool Town Centre. This could drive footfall, extend dwell time and increase expenditure within central areas. In turn this will incentivise the locational choices of businesses and could unlock greater levels of social and economic activity within the 'Heart of Hartlepool'.
- **Construction Stage Temporary Job Creation:** During the construction stage, the conversion of the restored Wesley Chapel into a hotel will generate c. 67 job years for the construction industry<sup>26</sup>. These jobs could result in additional expenditure within the local economy, leading to further jobs being created within supply chains.
- **Supporting growth in the Visitor Economy:** The attractiveness of Hartlepool as a destination for leisure travellers is forecast to increase in the wake of recent announcements that Hartlepool will host the world-famous Tall Ships Race event again in the summer of 2023. Further, wider regeneration and investment in the Town Centre will unlock significant development for the waterfront and Marina which will further enhance visitor numbers above baseline levels. The Wesley Chapel Hotel Redevelopment will support growth in the visitor economy by providing high quality accommodation which encourages people to stay overnight in the area. Increasing the amount of time that visitors spend in Hartlepool is likely to further increase the value of the tourism sector sustaining and unlocking new employment opportunities.

<sup>26</sup> HCA Calculating Cost Per Job - Best Practice Note; pivoting from scheme costs of £4.1 million and a private commercial labour coefficient of 16.6 jobs per £1m of construction output per year



- Diversification of economic and commercial activity in central Hartlepool away from dependence on retail: The renovation proposals transforming the Wesley Chapel into a new boutique hotel provides an opportunity to strengthen Hartlepool's hospitality sector, diversifying economic and commercial activity away from the heavily concentrated retail presence will increase the viability of central areas.
- Supporting the needs of high value businesses: The presence of high profile major businesses located in the town and the wider region ensures that a significant volume of business travel is attracted in the area. Despite this, the current lack of nearby quality hotel accommodation means that business travellers associated with these firms choose to stay in areas further away from the town centre. The renovation of Wesley Chapel will provide a high quality centrally located boutique hotel which could meet the needs of high value corporate related segments. In turn, this could mean that Hartlepool will capitalise on greater levels of expenditure generated by business travellers creating more employment opportunities and unlocking additional economic output within the town.
- More holistic visitor economy infrastructure: with the facility serving a wider range of niche demand segments to boost and extend the Town's offer to business and leisure visitors.
- Reduced carbon footprint: through re-use of existing assets rather than new build development.

### 3.8 Summary

The Economic Case demonstrates that the renovation of Wesley Chapel represents 'high' value for money, delivering a BCR of 2.54 under the preferred option's core scenario. Further, sensitivity testing and switching values assessments highlight the robustness of the value for money position of the project against substantial changes in key economic modelling assumptions. Allied to a wide range of positive non-quantifiable and wider economic impacts which will not be realised in the absence of intervention, the Economic Case therefore demonstrates that from a value for money perspective, the outcomes and impacts resulting from the Do Something scenario are preferable to business as usual under the Do Minimum scenario.

## 4. Financial Case

### 4.1 Introduction

The financial case seeks to demonstrate the affordability and funding strategy for the preferred option, by considering the following issues:

- Scheme cost development;
- Consideration of funding options;
- Determination of proposed funding strategy and profile to deliver preferred option;
- Affordability from upfront capital and ongoing operational perspectives;
- Financial risks and potential mitigation measures; and
- Wider financial implications for the scheme promoters and funding stakeholders.

### 4.2 Project Costs

#### 4.2.1 Capital Costs

The project's capital expenditure is estimated at £4.06 million (Table 4-1), inclusive of acquisition, construction, marketing and letting costs and finance costs. The capital costs presented in Table 4-1 were developed by Jomast who currently own the Wesley Chapel and are the potential long-term operator for the proposed commercial scheme. Jomast have a demonstrable experience of restoring and operating heritage buildings (Section 5.2.5).

Table 4-1 Capital Cost by Cost Item (£, nominal values)

Cost Item	Total
Acquisition Costs	350,000
Construction Costs	3,443,013
Marketing and Letting Costs	85,000
Finance Costs	186,145
<b>Total Costs</b>	<b>4,064,158</b>

It should be noted that the construction costs are being updated on a regular basis and are subject to change (as per the project programme at Section 6.4). To account for contingency and price inflation, an 8% uplift has been applied to all costs. A further 6% rate has also been applied to all main contractor, preliminary and overhead costs. Both these benchmark percentages are considered appropriate given Jomast's preferred approach to project delivery (i.e. self-delivery wherever possible – see Section 5). All costs are net of VAT, with total costs inclusive of allowances for various fees and surveys.

#### 4.2.2 Operational Costs

A bespoke operating model for the project does not yet exist. However, given the favourable market conditions (Section 2.2.2), Jomast's strong experience of delivering and operating hotel developments (Section 5.2.5) and

recent business modelling of other potential hotel facilities in Hartlepool<sup>27</sup>, operational costs are not expected to be a significant challenge or constraint to operation. Further, any operating costs incurred as a result of the project will be met solely by Jomast as proposed operators of the facility. No further reliance on public sector funding to cover operational costs is anticipated.

## 4.3 Funding and Revenues

### 4.3.1 Capital Funding Arrangements

The capital costs associated with the delivery of the preferred option will be covered through a combination of both public and private sector funding. The funding mix is as follows:

- Towns Fund provisional allocation of £1.4m (specifically to overcome the Wesley Chapel's identified conservation deficit).
- £2.66m of private sector funding provided by Jomast.

Table 4-2 summarises the scale and timing of funding to be provided by each funding body contributing to the delivery of the capital project.

**Table 4-2 Capital Cost Spending Profile by Funding Body (£m, nominal values)**

Funder	Source	2021/22	2022/23	2023/24	2024/25	Total
Towns Fund	Public	0.00	0.47	0.47	0.47	1.40
Jomast	Private	0.00	0.89	0.89	0.89	2.66
Total		0.00	1.35	1.35	1.35	4.06

### 4.3.2 Operational Funding Arrangements

As noted in Section 4.2.2 a bespoke operating model does not exist for the project at this stage. Hence, it is not possible to demonstrate the scale of funding, revenues or costs associated with operation of the facility. Given that the scheme will be fully managed by a private sector operator (i.e. Jomast), any funding and revenue generated in the operational phase will be the responsibility of the hotel operator. No recourse to HBC or other any other public sector body will be possible.

## 4.4 Affordability Assessment

The development appraisal for the project (Appendix A) demonstrates that following an investment valuation approach, the proposed development supports a gross development value of £2.2 million. Set against costs of c. £4.1 million, there is a residual funding gap of c. £1.9 million based on conventional approaches to viability. Given that the Town Deal project has provisionally allocated £1.4 million to explicitly resolve the conservation deficit component of the restoration project, the residual funding gap is reduced to £0.5 million. Jomast are committed to bridging this residual funding gap, over and above what the private sector would typically be willing to fund on a commercial basis, in order to realise the restoration of Wesley Chapel. The project is therefore considered affordable throughout its capital and operational phase, ensuring ongoing project viability and long-term sustainability of the facility.

## 4.5 Financial Risks

A comprehensive set of financial risks is provided in Table 4-3. However, the key financial risks to the project can be summarised as:

<sup>27</sup> E.g. CBRE (2018) 'Proposed Hotel, Hartlepool Market and Financial Feasibility Study'

- **Uncertainty of project costing:** the level of detail included in the cost estimates is necessarily high level, reflecting the level of scheme development at this stage. At this stage, the cost estimate is not based on measured details, for example, the area of wall tiling, wall paper, decoration etc. The detailed plans are still evolving. This could create concerns around cost escalation and which body/organisation funds cost overruns. To mitigate against the resulting uncertainty in cost estimation, appropriate contingency allowances are included alongside substantial survey fees in the construction costs. The proposed self-delivery route for the project also incubates cost estimation growth arising from use of third-party contractors. Further, sensitivity testing outlined in the Economic Case (Section 3.6) estimates the impact of significant increases on costs on the project's value for money, demonstrating that even with a c. 260% increase in public sector costs, the scheme's benefits will continue to outweigh the scheme's costs. In addition, the Grant Funding Agreement mechanism to be entered into by Jomast and HBC will place the responsibility for any cost overruns with the developer rather than HBC or the Town Deal. Equally, Jomast have also committed to meeting any cost overruns associated with the project.
- **Inflation:** the cost estimates for the project are inclusive of inflation, which are combined with contingency to provide an 8% overhead allowance. Jomast are of the view that this allowance is sufficient, given that the market has now settled and there are no significant supply chain inflation issues expected. This is a self-delivered project and therefore not subject to open market main contractor price inflation either.
- **VAT:** the costs stated in the Financial Case are exclusive of VAT at this point. Each scheme promoter and HBC are working through the VAT implications of the Town Deal funding and the proposed works to determine the extent to which VAT liabilities could impact on the Financial Case for the project.
- **Funding Risk:** As noted, none of the capital funding earmarked for the project is secured or confirmed at this point. In the absence of funding from any proposed funding routes, the project could be delayed until other funding sources materialise. To mitigate against this risk, the scheme promoters have held initial discussions with borrowers to understand appetite for financing and are confident that requisite funding can be secured from this route.

Table 4-3 Financial Risk Matrix

Risk Item	Impact Type	Impact Description	Mitigation
Project cannot be delivered in budget envelope	Delay in Delivery and Reduced Quality/Scale of outputs generated.	Insufficient resources to complete the scheme. Scheme halted whilst: (i) scheme reduced to meet budget, or (ii) further funds sourced via Jomast's commercial borrowing/other funding opportunities. Reduced scheme delivered.	Cost plan prepared and to be updated as design work progresses. Close monitoring of spend. Development of robust, evidence-based contingency pot - with regular budget monitoring and consideration of use of contingency pot. Ongoing monitoring and review of emerging funding programmes to identify alternative sources of funding, as required.
Scheme overruns +/- or overspends			
Non-compliance with group accounting rules & Companies House	Reduced Quality/Scale of outputs generated.	Financial penalties & reputational damage	Use of external audit/accountancy advice
Non-compliance with HMRC requirements			
Members may withdraw financial support for project	Delay in Delivery and Reduced Quality/Scale of outputs generated.	Loss of any potential Town Deal funding	Regular briefing/update reports to portfolio holder and wider cabinet (if necessary), Arrange mechanism such that once the bid is approved at cabinet (if necessary) and by S151 officer, co-funding is guaranteed.

Risk Item	Impact Type	Impact Description	Mitigation
Borrowing Risk	Delay in Delivery and Reduced Quality/Scale of outputs generated.	Jomast may not be able to borrow if policies change, or unable to find sufficient security to meet lenders requirements, or costs of borrowing may become unaffordable	Early engagement with potential lenders
Interest rates increase	Reduced Quality/Scale of outputs generated.	Cost of servicing repayments of any prudential borrowing increases, resulting in reduced level of intervention.	Take out fixed rate loans.
Towns Fund not awarded	Reduced Quality/Scale of outputs generated.	Insufficient resources to complete the scheme. Scheme halted whilst: (i) scheme reduced to meet budget, or (ii) further funds sourced via Jomast's commercial borrowing/other funding opportunities. Reduced scheme delivered	Appointment of consultant team to support business case development. Ongoing monitoring and review of emerging funding programmes to identify alternative sources of funding, as required.
Breach of funding conditions	Delay in Delivery and Reduced Quality/Scale of outputs generated.	Clawback of part or all Towns Fund grant funds. Loss of support for scheme. Scheme halted or abandoned.	Close monitoring of procurement, defray and draw down of Towns Fund and other grants, with full audit trail retained for inspection - use of external audit/accountancy advice. Use of 'Grant Funding Agreement' mechanism to oversee relationship of project stakeholders.

## 4.6 Wider Financial Implication

The project does not seek to increase the financial exposure of any funding body involved. The anticipated capital input by Jomast may be greater than conventional commercial viability benchmarks would suggest (Section 4.4), but Jomast have committed to meeting these additional costs to support restoration of a landmark building. Commercial borrowing will be undertaken in line with Jomast's financial and borrowing policies, to ensure all financial performance metrics that the organisation is required to meet are achieved. Towns Fund capital of c. £1.4 million to resolve the conservation deficit at the site has already been provisionally allocated subject to approval of this business case. Within this context, the project is not expected to leverage any undue financial pressures on any funding stakeholders.

Similarly, operational costs to support the project will be met by the scheme promoter, Jomast, alone. No additional operational cost burden will be passed on to HBC or any other public sector body.

## 4.7 Summary

The financial case demonstrates that the project is affordable from a capital and operational perspective, subject to confirmation of funding from key funding stakeholders, i.e. Jomast and the Towns Fund programme. Any risk that this funding may not materialise is mitigated by a number of activities that the scheme promoters have

undertaken, including early engagement with potential lenders, as well as development of the current project business case to support drawdown of funding from Central Government. Although it is acknowledged that cost estimates are still subject to change, Jomast are committed to using their own resources, in combination with the £1.4 million Town Deal allocation to fund the conservation deficit at Wesley Chapel, to unlock redevelopment of this important local landmark. HBC's Town Deal project officers are comfortable with this position at this stage, recognising that further cost details may be forthcoming during and after the detailed design stage.

## 5. Commercial Case

### 5.1 Introduction

The Commercial Case seeks to establish a viable procurement route for delivery of the preferred option by establishing:

- Potential commercial delivery models set within the context of Jomast's existing commercial and procurement strategies;
- Market testing to determine market appetite to deliver the project;
- Key delivery partners in the project development and delivery phase; and
- Identification of a preferred procurement strategy.

### 5.2 Commercial Deliverability

#### 5.2.1 Market Demand and Interest

As detailed in Section 5.2.4, it is proposed that the project is delivered via a 'self-delivery' approach utilising Jomast's construction arm as principal contractor. Jomast have confirmed that their construction arm is committed to delivering the project and have capacity to do so. This negates the need for extensive soft market testing to determine interest from third party contractors and developers. That said, Jomast may require some specialist sub-contractor support to deliver specific aspects of the project. Where this is the case, initial discussions with sub-contractors retained in Jomast's supply chain demonstrates both willingness and capacity to engage in the project (e.g. see Figure 6-2, which already highlights potential suppliers).

From an operational perspective, again the project will be 'self-operated' via Jomast's facility management arm (Section 5.2.4). As above, this negates the need for extensive soft market testing to determine interest from third party management vehicles.

In terms of market demand from potential end users of the facility, Section 2.2.2 outlines Jomast's confidence that a strong market exists to support a boutique hotel of this nature. This confidence is founded on the following principles:

- The majority of hotels in the locality appear dated and underinvested, receiving low satisfaction scores on both TripAdvisor and Booking.com.
- There are no full-service hotels currently operating in Hartlepool following the closure of the Best Western Grand Hotel in July 2021. This facility did not satisfy the accommodation demand of the proposed target market in the area (business travellers, mid-scale/boutique overnight tourists), due to its dated appearance and alleged poor service.
- Anticipated growth in overnight tourism given the proposed development/expansion of visitor attractions around the Marina, heightened levels of destination marketing and greater investment in transport infrastructure.
- Strong presence of small and medium-sized businesses in and around Hartlepool and large multinational corporations at the nearby Seal Sands industrial park provide a steady stream of potential business travellers to the town. Based on market research, these companies are not satisfied with the current accommodation provision in Hartlepool, opting for the upscale countryside hotels in the wider area (e.g. Wynyard Hall, Gisborough Hall) or branded hotels in Middlesbrough. However, they have expressed interest in hotel accommodation located in Hartlepool as this would be more convenient.
- Based on hotel performance analysis, hotels in the local area register an annual occupancy rate of approximately 70 per cent, benefiting from strong demand in the summer months; whilst Tuesday, Wednesday and Saturday remain the busiest days of the year, with occupancy levels ranging between 76.0 and 80.0 per cent. This creates a strong opportunity for the Hotel to capitalise on.
- Within the immediate vicinity of the proposed Hotel (one-mile), there are six hotels accounting for 280 bedrooms. Similar to the wider trends, the market is dominated by low-cost accommodation, many of which are dated and independently operated.

- The Council recently concluded demand was sufficiently strong to pursue a 100 bedroom hotel proposal for a better-quality hotel operation as part of the Waterfront development. This proposal has subsequently been indefinitely postponed as other uses have been promoted at the proposed site.
- Jomast developed and own the 77 bedroom Travelodge at the Marina which continues to support strong occupancy rates both weekdays and weekends; a further indication of the strength of the local market from both the business and leisure communities.

### 5.2.2 Land Ownership

Jomast have confirmed that they have an unfettered freehold interest in the property. As such, land ownership is not considered a constraint on project development from a commercial perspective.

### 5.2.3 Planning Considerations and other Consents

As noted, the project received planning approval in 2019<sup>28</sup>. Listed building consent was also secured as part of an application made in parallel to the main planning application<sup>29</sup>. As a result, planning and listed building consents are not considered a constraint on project development from a commercial perspective. That said, there are conditions attached to both approvals that in the process of being discharged and will continue to be discharged throughout the projects development, delivery and operational phases. Further, building regulation approval will be sought during the detailed design and construction stages, through discussion with HBC's Building Control department. However, both the discharge of conditions attached to planning/listed building consents and building regulations approval are considered standard requirements for new developments, and do not represent undue risk or threat to the commercial deliverability of the project.

### 5.2.4 Proposed Delivery Model

The proposed delivery model seeks to streamline the development, delivery and operational phases of the project by adopting an internalised approach to the Wesley Chapel Hotel Redevelopment. This approach is typified by Jomast's commitment to self-delivery and self-operation, as far as is reasonably possible.

Under this approach, Jomast as site owners and developers will appoint Jomast's construction arm as principal contractors responsible for project delivery. This model is expected to maximise cost and time efficiencies relative to other procurement options as most activities can be retained under Jomast's control and there is less scope for contingency and risk allowance requirements compared to open market main contractor pricing and estimation.

Where specialist support is required, Jomast will utilise the local construction market where appropriate to secure subcontractors to undertake specific design and construction activities. Such appointments are expected to be made through direct awards or mini-competitions (securing three or four quotations where possible), to select suppliers that can provide the best value for money. Where required, subcontractor appointments will be made by utilising Jomast's established and approved supplier list, which is informed by a number of firms that have repeatedly delivered strong performance and successful delivery experience over a number of years and across many projects.

By appointing Jomast's operational arm to manage the project during facilities operation, the proposed procurement approach will allow seamless transition between delivery and operational phases. No handover period is required to engage third parties with the project; instead implementation and operation is retained 'in-house' by Jomast.

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<sup>28</sup> Application No. H/2019/0002

<sup>29</sup> Application No. H/2019/0003



Given the array of experiencing of delivering and operating heritage and hotel assets as per Section 5.2.5, Jomast and HBC have confidence that this approach to project delivery represents the best option for Wesley Chapel Hotel Redevelopment.

## 5.2.5 Experience of Applying Delivering Similar Projects

As one of the UK's leading property development, investment and regeneration specialists, Jomast have significant experience of delivering both heritage and hotel-led projects in Hartlepool, the Tees Valley and wider North East and across the UK as a whole. A sample of recent project experience is provided in Table 5-1, which demonstrates Jomast's proven capability to deliver projects like the Wesley Chapel Hotel Redevelopment:

**Table 5-1: Jomast's Relevant Project Experience**

Project Type	Development	Location	Contract Value	Contract Completion
Hotel	Premier Inn – 83 rooms	Middlesbrough	£4.4 million	December 2017
Hotel	Premier Inn – 83 rooms (Figure 5-1)	Chesterfield	£4.8 million	March 2019
Hotel	Premier Inn – 84 rooms	Pickering	£5.4 million	May 2021
Hotel	Travelodge – 65 rooms	Hartlepool	£2.7 million	November 2012
Heritage/ Conservation Area	New Exchange Buildings – Alteration and refurbishment to form ground floor commercial office space and 12no. Apartments above. (Figure 5-2)	Middlesbrough	£1.1 million	March 2021
Heritage/ Conservation Area	15 – 25 Albert Rd – Alteration and refurbishment to form ground floor mixed commercial space and 9no. Apartments above.	Middlesbrough	£1.2 million	March 2020
Heritage/ Conservation Area	The Riverside – Alteration and refurbishment to form ground floor mixed commercial space and 6no. Apartments above.	Stockton	£550,000	Ongoing
Heritage/ Conservation Area	Zetland Buildings – Alteration and refurbishment of existing building to form 40,000sq.ft. of office space	Middlesbrough	£920,000	October 2011

**Figure 5-1: Premier Inn, Chesterfield**



**Figure 5-2: New Exchange Buildings, Middlesbrough**



From an operational and management perspective, the Jomast Group has a wide range of interests across its portfolio, primarily in property and hospitality/leisure assets. As well as developing and owning a number of hotel and leisure assets, Jomast also actively manage and operate Wynyard Golf Club together with all associated

wedding and conference functions. The vastly experienced team leading these operations are considered to be well suited to manage the Wesley Hotel operation with the addition of specific personnel within the hotel sector.

## **5.2.6 Payment Mechanisms and Contractual Arrangements**

The Town Deal funding allocation will be managed by HBC following business case approval and drawdown. Jomast will invoice HBC against works undertaken to resolve the 'conservation deficit', which HBC will then pay in full on a monthly basis. This arrangement will be documented within the Grant Funding Agreement to be signed by HBC and Jomast. This will formalise the back-to-back nature of contracts from Central Government through to scheme promoters (via HBC), which will confirm Town Deal funding allocation and the associated terms and conditions or other obligations specified by Central Government as part of allocation of public money via the Town Deal.

## **5.2.7 Procurement Timelines**

A high level project programme is provided at Appendix D. From a procurement perspective, the key milestones in the project include:

- Agree design team appointments: April 2022;
- Detailed design works (incl. interior design): April 2022 – September 2022;
- Mobilisation of main contractor: October 2022; and
- Build contract complete: February 2024.

Note that despite the heritage status of the property, Jomast's intention to self-deliver substantial components of the scheme should ensure a streamlined and expedited procurement process.

## **5.2.8 Wider Procurement Policies**

Jomast's commitment to maximising the social value impact of redevelopment projects is outlined in their Procurement and Employment Management Plan (Appendix E). The Plan demonstrates how Jomast's activities seek to support the local economy through:

- creation of employment opportunities (with preference given to local residents for any new direct employment);
- providing opportunities for local residents to gain valuable transferable qualifications (with explicit targets around number of apprentices relative to the size of the project);
- locally sourcing materials (with local suppliers preferred where possible); and
- offering opportunities to local SMEs (with local SMEs explicitly invited to tender/quote for all aspects).

To monitor the project's performance against these commitments, Jomast will produce a detailed monthly report showing the locality of the labour employed on the project, which sub-contracts have been awarded, and from where materials have been purchased.

As a Tees Valley-based firm, Jomast are committed to ensuring social value in all procurement and project delivery activity by maximising use of local sub-contractors, providing local employment opportunities and unlocking apprenticeships for local people. Jomast's commitment to Hartlepool specifically is noted given that some 25% of the workforce resides in the town. The Wesley Chapel Hotel Redevelopment therefore has the potential to employ a significant number of Hartlepool residents. Further, some 25% of the specialist subcontractors retained within Jomast's supply chain (and likely to be called upon to perform specific functions on the project) are Hartlepool-based. Allied to Jomast's relationship with apprenticeships training at Hartlepool College of Further Education, there is significant opportunity that the proposed procurement route could unlock significant social value for local residents in Hartlepool and throughout the Tees Valley.

## 6. Management Case

### 6.1 Introduction

The Management Case seeks to establish that the project can be successfully delivered by Jomast and its partners, underpinned by robust arrangements around management, governance, monitoring and evaluation. Within this context, the Management Case considers:

- The organisation and governance structures responsible for delivering the project, as well as the roles and responsibilities of key individuals;
- The presence of appropriate assurance processes;
- The key programme milestones the project needs to achieve;
- Residual risks and their management;
- Project management arrangements;
- Ongoing requirements for stakeholder management; and
- Requirements for monitoring and evaluation.

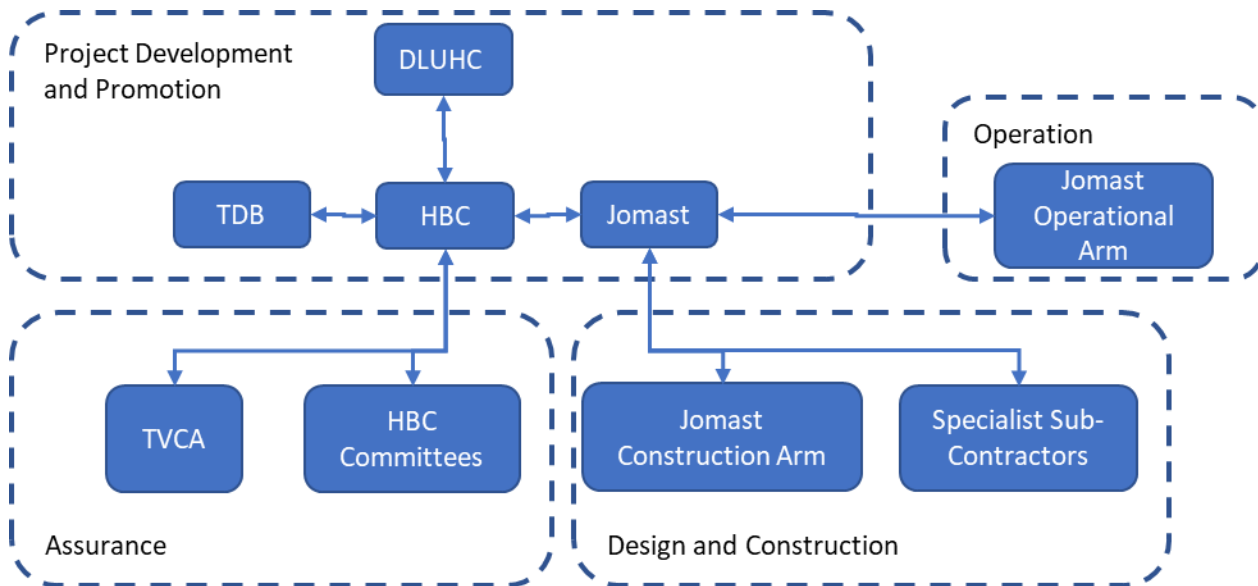
### 6.2 Project Organisation and Governance

#### 6.2.1 Project Structure

The overarching project structure at an organisational level is outlined in Figure 6-1. This demonstrates that a range of organisations have involvement at different stages of the project:

- Project Development and Promotion Phase: responsible bodies for developing the Wesley Chapel project within the wider Hartlepool Town Deal Programme
  - DLUHC: central government department responsible for administering Town Deal Programme and providing capital funding for this project.
  - HBC: project enabler acting as conduit for Town Deal capital funding and accountable body responsible for managing and delivering Hartlepool's Town Deal Programme.
  - Jomast: As one of the UK's leading property development, investment and regeneration specialists with commercial and residential real estate assets in excess of £250 million, Jomast are the owners of Wesley Chapel and act as scheme promoters for the project.
  - TDB: vehicle for developing and promoting the Town Deal Programme and Vision.
- Assurance Phase: responsible for business case review and approval to secure drawdown of Towns Fund capital funding.
  - TVCA: appointed as local review and assurance body.
  - HBC Full Council and Committee Structure: ultimate approval of business case.
- Design and Construction Phase: responsible for project delivery
  - Jomast Construction: independent arm of Jomast Developments Ltd, who will act as principal contractor to deliver the project utilising a combination of Jomast's own resources and capital funding from the Town Deal.
  - Specialist Sub-contractors: design and construction support from Jomast's extensive supply chain who will support the principal contractor on specialist activities.
- Operational Phase: responsible for operating the restored Wesley Chapel and its Hotel and ancillary uses.
  - Jomast Operations: independent arm of Jomast Developments Ltd, who will act as operator and manager of the facilities created through redevelopment.

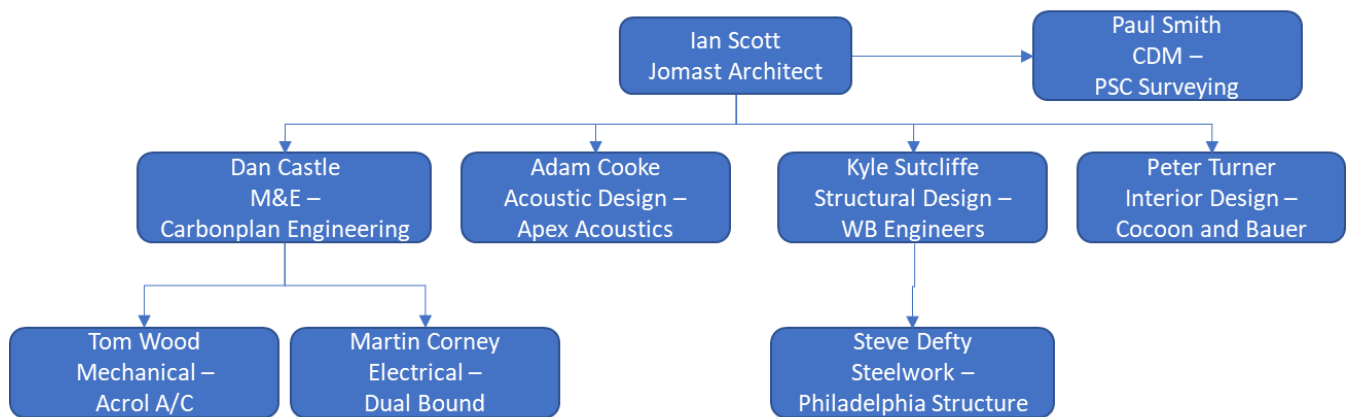
**Figure 6-1: Organisation Level Project Structure**



Building on the high level overview outlined in Figure 6-1, DLUHC have confirmed that assurance, Value for Money, spend and other key performance indicators will be monitored through a funding contract between Central Government and HBC. It is proposed that an annual review of performance and activity will take place ahead of following years drawdown to confirm that DLUHC's governance requirements and gateway are satisfied.

Further, at the other end of the organisational spectrum presented in Figure 6-1 the design and construction team proposed to be used by Jomast are documented in Figure 6-2.

**Figure 6-2: Jomast's Proposed Design and Construction Team**



## 6.2.2 HBC Capital Governance Structure

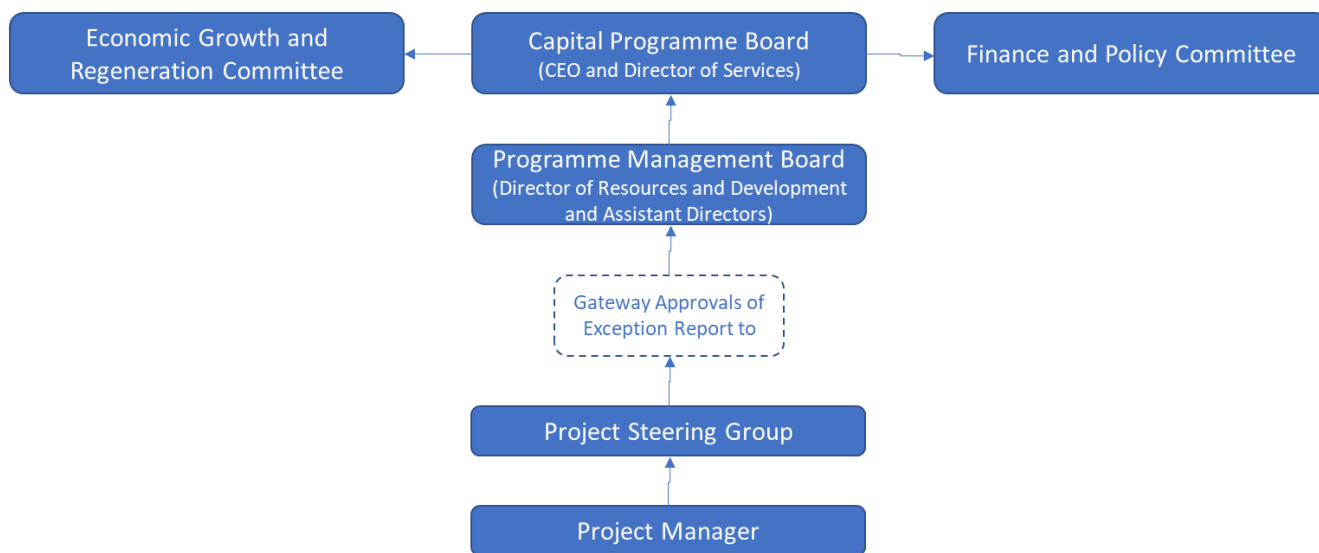
Given HBC's role as project enabler and accountable body, the project represents an HBC Capital Project. As such, the development stage of the project will need to comply with HBC's established organisational principles, including following the Council's usual governance structures. The Council operates a strong capital governance structure to oversee all capital projects and programmes (Figure 6-3). This involves all capital projects being mandated by a Capital Programme Board and reported into the Council's decision-making process including requiring approvals by both an Economic Growth and Regeneration Committee and a Finance and Policy Committee. Capital project performance is reported monthly to the Capital Programme Board and regular reports



to the Finance and Policy Committee. A steering group of key stakeholders will be formed to oversee the development and the performance of the project will be measured and monitored through the funding contract.

The Town Deal projects, as individual projects, will all be mandated through capital governance including the Wesley Chapel scheme. The Capital Programme Board will ensure that key performance indicators (KPI's), targets and milestones are established pre delivery, as well as ensuring Monitoring and Evaluation processes, risk registers and budget monitoring processes are in place, which will be managed through the contract to deliver.

**Figure 6-3: HBC Governance Structure**



### 6.2.3 Strategic Relationship between Jomast and HBC

The project will be led by Jomast Leisure and Properties Ltd (hereafter, Jomast), who will be responsible for the development, delivery and operational phases of the project. In the development and delivery phase, Jomast will work in close collaboration with HBC as accountable body for the Town Deal project, to ensure the project is delivered in line with the principles established in a Grant Funding Agreement to be signed by both parties. The Grant Funding Agreement will represent the formalisation of a back-to-back contract that allows Jomast to invoice HBC for works undertaken (up to the value of the Town Deal allocation), but simultaneously commits Jomast to any terms and conditions or other obligations specified by Central Government as part of allocation of public money via the Town Deal. For example, and as noted in Section 6.2.1, Central Government will enter into a contract with HBC to ensure that assurance, Value for Money, spend and other key performance indicators are monitored, with annual review in advance of drawdown of further capital funding. This terms and conditions of this contract will effectively be passed through to Jomast.

To this end, HBC will act as a project enabler, providing gap funding to overcome the identified conservation deficit via a Grant Funding Agreement mechanism that enables pass through of capital funding and associated contractual obligations from Central Government to Jomast, via HBC.

The commitment to collaboration between Jomast and HBC was formalised in March 2022, when the Council and Jomast agreed and signed a Memorandum of Understanding (MoU) which sets out the principles under which the two organisations will work together to develop key strategic development sites, including the Wesley Chapel. The MoU is a key piece of governance, outlining:

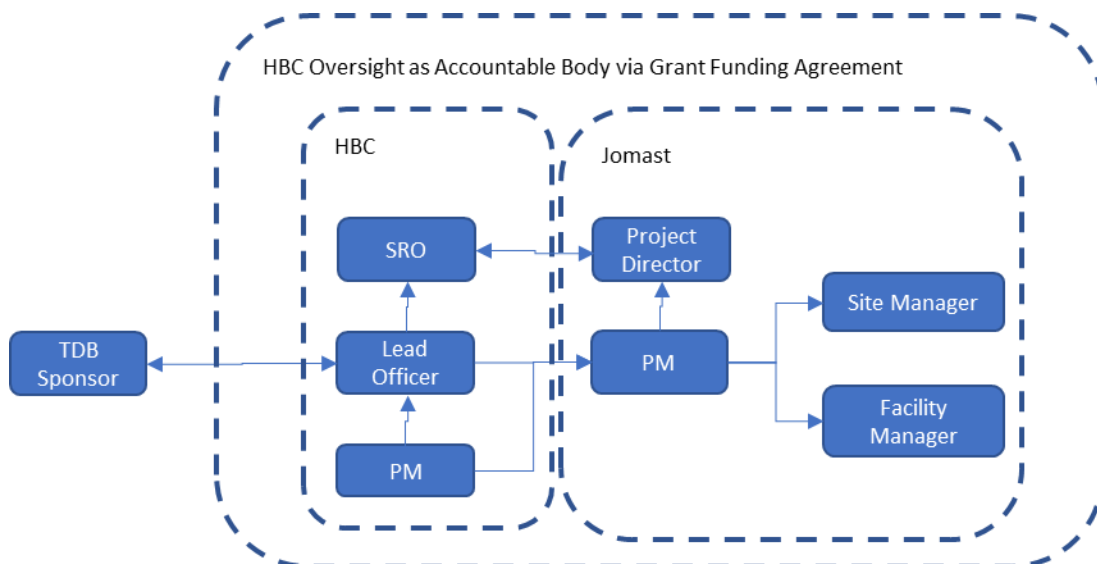
- Collaborating in the development of a concept masterplan for the regeneration of waterfront/marina sites and the Wesley Chapel;
- Cooperating to develop option appraisals to outline short, medium and long term priorities, within an overall 5 year plan;

- Jointly managing the involvement and collaboration of other partners, such as the National Museum of the Royal Navy, Homes England, Combined Authority and Network Rail;
- Developing and agreeing a development phase financing strategy including partner contributions; and
- Jointly prepare a Vision document covering marketing, branding and publicity

To this end, a collaborative development and delivery structure is envisaged, which ensures that the activities of Jomast as site owners, developers and principal contractors are integrated with the requirements of HBC and Central Government via the Grant Funding Agreement (Figure 6-4). Within the structure, the following named individuals have been identified to play specific roles with key responsibilities:

- Hartlepool Borough Council:
  - Senior Responsible Office (SRO): HBC role (e.g. S151 Officer, Chief Exec, head of dept) Ultimate responsibility within the accountable body.
  - Lead Officer for Town Deal: Paul Taylor will have day-to-day responsibility for ensuring the Town Deal Programme and its constituent projects (including Wesley Chapel Hotel Redevelopment) progress through the development and delivery phase, reporting to the Programme Management and Capital Programme Boards.
  - Town Deal Project Manager: Elizabeth Watt will be responsible for day-to-day management of activities associated with the Town Deal Programme and its constituent projects (including Wesley Chapel Hotel Redevelopment), reporting to the Lead Officer and Project Steering Group.
- Hartlepool Town Deal Board: Alby Pattison, chair of the Hartlepool TDB, was appointed to the Project Steering Group for the project and will provide project input and oversight from the perspective of the TDB, ensuring that project development does not lose sight of the vision and objectives set out for Hartlepool's Town Deal in the TIP
- Jomast:
  - Project Director: Ian Williams, overall responsibility for project delivery from Jomast's perspective.
  - Project Manager: Keith Milburn, day-to-day responsibility for project progress.
  - Site Manager: Derek Hurst, responsible for day-to-day engagement with contractors and sub-contractors onsite.
  - Facilities Manager: To be confirmed. Whilst this role is intended to be performed within Jomast Group as operators for the facility; a designated individual has not yet been identified.

Figure 6-4: Collaborative Delivery Structure



## 6.3 Assurance

In line with Towns Fund expectations, a three line model of assurance will be adopted as part of the business case approval process:

- Internal checks and approvals by main authors, Jacobs and the Project Steering Group (with HBC project management oversight and Jomast input).
- External review and assessment of risk by TVCA.
- Final approval of interventions and onward delegations for delivery by relevant HBC's Committees and Boards, as documented in Figure 6-3 with details shared with the Town Deal Board.

Assurance and delegated responsibilities within the procurement, design and construction stages are documented within Section 6.2. Ultimately, the project will be guided by a combination of HBC and Jomast's established assurance and approval processes through development and delivery stages, which provide confidence that quality, schedule and the scheme costs are being well managed with oversight from senior figures within the organisations. These processes have been applied to previous and ongoing major capital schemes and represent a robust approach to project management and assurance that will underpin development and implementation of the project.

In particular, HBC's internal governance structures enable structured gateway approvals between the Project Steering Group and Programme Management Board that seek to manage delivery of a successful project.

## 6.4 Programme/Schedule Management

A high level project programme is provided at Appendix D. Key milestones are outlined in Table 6-1, which suggests in broad terms, project development (including design) from April 2022 through to September 2022, with construction works following on from October 2022 to end of January 2024. This will enable build contract completion and scheme opening in February 2024. Note that despite the heritage status of the property, Jomast's intention to self-deliver substantial components of the scheme should ensure a streamlined and expedited project programme. However, it should be noted that the programme listed in Table 6-1 is contingent on the ability for Jomast to undertake some survey/design work at risk, prior to confirmation of Town Deal business case approval. If Jomast are subsequently unable to proceed with these project development activities at risk, the project's programme could be delayed until confirmation of Town Deal funding.

**Table 6-1: High Level Project Programme**

Project Activity	Timescales
Funding Application Process	January 2022 – September 2022
Discharge Planning / Listed Building conditions	January 2022 – August 2022
Drain survey	April 2022
Damp and rot survey	April 2022
Agree design team appointments	April 2022
Acoustic survey	April 2022 – May 2022
Service riser strategy	April 2022 – May 2022
Utility strategy agreed	April 2022 – May 2022
Schedule of Condition	April 2022 – May 2022



Project Activity	Timescales
Detailed design of shell works	April 2022 – July 2022
Cost Plan updates	Periodically (c. 6-8 weeks from May 2022)
Premises License	June 2022 – August 2022
Opening up works for Structural Engineer	June 2022 – July 2022
Undertake detailed design of the fit out	August 2022 – September 2022
Building Regulations plans approval	September 2022
Soft Strip of the premises	September 2022 – October 2022
Mobilisation for main contract	October 2022
Advertising Consent	October 2022 – January 2023
Hotel Shell and fitout works (54 weeks)	November 2022 - January 2024
Retail Shell units	February 2023 – November 2023
Sectional Completion for retail units	November 2023
Retail unit fitout (by others)	December 2023 – January 2024
Build Contract Completion	February 2024
Hotel training and opening	February 2024

## 6.5 Risk Management

Risk management will be controlled within the governance structures outlined in Section 6.2. A project risk register was developed utilising an industry standard risk score matrix for capital projects, predicated on scale and likelihood of risk materialising (as per Figure 6-5).

**Figure 6-5: Risk Scoring Matrix**

Impact	Very High - 5	5	10	15	20	25
	High - 4	4	8	12	16	20
	Moderate - 3	3	6	9	12	15
	Low - 2	2	4	6	8	10
	Very Low/Negligible - 1	1	2	3	4	5
		Very Low/Negligible - 1	Low - 2	Moderate - 3	High - 4	Very High - 5
		Likelihood				

Utilising this matrix, all potential risks and their likely impacts were outlined first, alongside existing control measures already in place and the need for additional mitigation measures to counter any residual risk (see Appendix F).

Within the risk register, the key risks identified for the project were grouped into the following themes:

- Political – risks under this category are those linked with failure to deliver on local/national policies.
- Economic/ Funding – these relate to failure in obtaining funding as well national and regional specific economic conditions that could affect the project.
- Physical – the risks are associated with physical hazards that ranges from people, buildings, vehicles, equipment and the land.
- Operational - primarily this covers the risks linked with management of the project outputs.
- Partnership/ Contractual – these relate to risks that could arise from contractually conditions with third parties as well as using contractors to delivery works.
- No Joint Venture/development partner in place yet.
- Professional/Managerial risks – linked with competency, capability and the capacity of staff.
- Legislative/ Regulatory – compliance with national or European laws and regulations, both current and when potential changes occur.

The detailed risks, mitigation plan and risk likelihood analysis is presented in the Risk Register (Appendix F). Note that the financial risks identified in Section 4.5 are captured within the risk register, primarily under the 'economic/funding' and 'financial' themes.

The key findings of risk register development was that most identified risks had control measures already in place, reflecting Jomast's thorough approach to risk management. That said, significant residual risk (i.e. a risk score greater than or equal to 15 based on the above scoring matrix) and specific mitigation measures were noted relating to the following issues:

- Failure to secure Jomast co-funding for full scheme;
- Failure to produce a clear vision to fit within the wider Town Deal Programme and complementary schemes being promoted in the Heart of Hartlepool;
- Presence of significant asbestos materials or damage through damp/rot;
- Damage to services/utilities at site; and
- Changed scope or requirements.

Through identified mitigation measures such as ongoing engagement and negotiation with specialist sub-contractors, robust development appraisals demonstrating extent of gap funding, commissioning of further design work to ensure project scope is finalised, and production of a robust business case to maximise opportunity to secure Towns Fund investment funding and associated co-funding, the risk register demonstrates that the significance of most residual risks identified above are minimised. However, risks associated with the presence of asbestos or damp/rot remain critical until further survey work is undertaken.

## 6.6 Stakeholder Engagement Proposals

Building on the activities already undertaken in support of the project (Section 2.7), stakeholder engagement and communications will be at the heart of project development and delivery going forward. A strong governance structure specifically relating to engagement has been established to ensure a comprehensive approach to ongoing engagement. This will be managed by Hartlepool Borough Council's Strategic Development Team, which has both detailed knowledge of the Town Deal Programme and the context of Hartlepool.

The Strategic Development Team will be able to provide a joined up approach and will be able to link up with other engagement activities, events and stakeholder activity across broader programmes and initiatives where appropriate. The team's strategic role across the Council and ongoing work within the public, private and voluntary sectors means they can co-ordinate across other engagement activity that will be of relevance to the Town Deal at large, and the Wesley Chapel Hotel Redevelopment project in particular.

This approach will be overseen by the Town Deal Board Engagement Sub Group, which consists of:

- Hartlepool Borough Council Communications and Marketing Manager;
- Hartlepool Borough Council, Town Deal Project Manager;
- Chair of Love Hartlepool, Community organisation;
- Principal and Chief Executive of Hartlepool College of Further Education;
- Chair of Town Deal Board; and

- North East Chamber of Commerce.

Other officers and organisations will be invited onto the subgroup as appropriate. The subgroup will provide a progress report to each Town Deal Board meeting to allow scrutiny and a challenge of the engagement process.

A communications strategy and action plan is currently being developed by Hartlepool Borough Council's Communication and Marketing Team and Town Deal Board Engagement Sub Group

This will ensure that communication and messaging is coordinated, timely and relevant to the target audiences. The communications strategy covers audiences, methods of communication, responsibility, and guiding principles for effective communication.

The subgroup will utilise and build upon the relationships established during the initial engagement exercise's including the support from Radio Hartlepool; Hartlepool Life and Hartlepool Mail Newspaper's; Thirteen Housing Association; Hartlepower Voluntary Sector Organisation; Hartlepool United Football Club; Middleton Grange Shopping Centre and the Salaam Centre.

## 6.7 Benefits, Monitoring and Evaluation

In line with the Towns Fund Monitoring and Evaluation Guidance, acting as accountable body HBC will formally report twice annually on inputs and activities and most outputs, intermediate outcomes and outcomes, through comparison against project plans and budgets. Outcomes will be reported on an annual basis, alongside some outputs. It is noted that DLUHC will lead on data collection for intermediate outcomes and outcomes, with the onus on HBC to provide information against only a small subset of indicators. The indicators that HBC's monitoring activities will cover are summarised in Table 6-2. Note that the Grant Funding Agreement to be signed on approval of this business case will pass the responsibility for monitoring the indicators listed in Table 6-2 from HBC to Jomast, recognising that Jomast are best placed to report on these. Further details on Monitoring and Evaluation are provided in Appendix G.

**Table 6-2: Monitoring and Evaluation Overview**

Indicator Category	Indicator	Frequency of Report
Inputs and Activities	<ul style="list-style-type: none"> <li>▪ Outturn costs of project delivery</li> <li>▪ Co-funding outturn costs</li> <li>▪ Co-funding committed</li> </ul>	<ul style="list-style-type: none"> <li>▪ Twice yearly</li> <li>▪ Twice yearly</li> <li>▪ Twice yearly</li> </ul>
Outputs	<ul style="list-style-type: none"> <li>▪ # of Construction stage full-time jobs supported</li> <li>▪ # of derelict buildings refurbished</li> <li>▪ # of heritage buildings renovated/restored</li> <li>▪ Amount of hotel rooms delivered</li> <li>▪ Amount of floor space repurposed (residential, commercial, retail)</li> </ul>	<ul style="list-style-type: none"> <li>▪ Twice yearly</li> <li>▪ Annually</li> <li>▪ Annually</li> <li>▪ Annually</li> <li>▪ Annually</li> </ul>
Outcomes	<ul style="list-style-type: none"> <li>▪ # of permanent jobs safeguarded</li> <li>▪ # of permanent jobs created, both direct and indirect</li> </ul>	<ul style="list-style-type: none"> <li>▪ Annually</li> <li>▪ Annually</li> <li>▪ Annually</li> </ul>

The timing and frequency of reporting will be conducted as follows:

- 6 month reporting – due 1st December to reflect a April-September window and 1st June to reflect a November-March window.
- Annual reporting – due 1st June to reflect the financial year April-March

It is understood that evaluation activities will be organised centrally by DLUHC with recourse to a specialist evaluation provider. No further evaluation activities will be undertaken by HBC, Jomast or any other project stakeholders.

In terms of knowledge sharing, it is envisaged that any lessons learnt through project delivery and operation will be disseminated in the first instance to HBC's heritage, regeneration and economic development teams, which oversee economic growth activities across the Borough. This will support successful delivery of future projects of this nature elsewhere in the HBC area. Given TVCA's role in assuring the project, HBC will also disseminate data and delivery experience to constituent authorities within the TVCA umbrella. This could inform heritage and regeneration project design and execution across the sub-region. HBC will also support sharing of information and experiences with DLUHC to support a national evidence base on successful delivery of heritage restoration and regeneration initiatives, if appropriate.

## Waterfront Circuit: Town Deal Business Case

Document no: 001

Revision no: 001

Hartlepool Borough Council  
n/a

Hartlepool Town Deal  
11 May 2022



## Waterfront Circuit: Town Deal Business Case

<b>Client name:</b>	Hartlepool Borough Council	<b>Project no:</b>	n/a
<b>Project name:</b>	Hartlepool Town Deal	<b>Project manager:</b>	Andy Catterall
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## Document history and status

Revision	Date	Description	Author	Checked	Reviewed	Approved
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### Jacobs U.K. Limited

7th Floor, 2 Colmore Square  
38 Colmore Circus, Queensway  
Birmingham, B4 6BN  
United Kingdom

T +44 (0)121 237 4000  
[www.jacobs.com](http://www.jacobs.com)

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## Executive Summary

The approved Hartlepool Town Investment Plan secured £25.0 million in conditional funding to support a suite of transformational projects located in the Town, intended to unlock economic growth, development and regeneration in Hartlepool. The Town Investment Plan recognised investment in urban regeneration and the built environment at the Waterfront, particularly through (i) improving connectivity to and within the defined Town Centre and (ii) leveraging existing assets and facilitating development of future assets to support a burgeoning visitor economy, as key priorities required to catalyse economic growth and development. This business case seeks to determine the type and format that urban regeneration at the Waterfront should take, in order to justify public sector intervention through the Town Deal Programme. It determines that intervention in the form of active mode-based connectivity enhancements, alongside improvements to the public realm, represents the optimal option for rejuvenating the Waterfront and harnessing its full potential.

The Strategic Case finds that the Hartlepool Waterfront is a critical economic asset for the Town. It acts as a source of community pride, supporting the Town's strong identity as a coastal port underpinned by a rich maritime history. Further, it supports a significant visitor economy, welcoming some 6.8 million aggregate visitors in 2019, prior to the pandemic. It is also a key economic growth and development node for the town, providing a number of significant development sites earmarked for development in strategic Town Centre locations in proximity to Hartlepool Rail Station. In particular, the Council's wider Waterfront Programme seeks to leverage the unique setting and characteristics of the Waterfront to deliver mixed-use development including a Leisure Centre at The Highlight, an expanded National Museum of the Royal Navy as well as further commercial and residential development between Trincomalee Wharf and Hartlepool Rail Station.

However, HBC's aspirations for the Waterfront Programme are undermined by significant challenges that impinge on the attractiveness and accessibility of the Waterfront and fail to produce an optimal environment to maximise visitation from local people and visitors alike. These include:

- Barriers to visitation including disconnected building and infrastructure assets.
- Transport connectivity and accessibility challenges.
- Inconsistent urban environment and public realm.
- Acute socioeconomic deprivation.

Such challenges inhibit HBC's ability to leverage a critical asset with significant heritage, community and commercial potential. To this end, ongoing development proposals for the Waterfront area that could act as important attractors for the Waterfront and wider town, may be hindered until an environment more conducive to public and private investment is created. In order to incentivise public and private investment to deliver these (and further assets), it is imperative that appropriate enabling infrastructure is put in place to de-risk development opportunities and make investment more attractive. Within this context, the case for upfront investment in enabling infrastructure to boost connectivity/accessibility and deliver public realm enhancements is well-established. Such a strategy will amplify and support the new developments making the waterfront more inviting for the local community and wider visitors.

In light of these challenges and opportunities, the key market failures identified to justify public sector intervention relate to:

- transport and connectivity being a public good that in some cases cannot be commercially exploited;
- fragmented land ownership and coordination which means the Council is best-placed to deliver strategic investment;
- imperfect information relating to the timing and viability of proposed development opportunities;
- positive externalities that the project could realise, including amenity, public health and journey quality benefits for Waterfront users and the wider local community; and
- the heritage status of the Waterfront, which provides social and cultural value to the wider community.

To this end, the Strategic Case defines the intervention option for the project as encompassing the following activities:

- Junction upgrades at two locations at Maritime Avenue to support active mode travel;
- Pedestrian prioritisation at Victoria Terrace;
- Public realm enhancements at the Waterside Edge and along Maritime Avenue;



- Public realm enhancement at Waterside Community Park to deliver a gateway arrival point through incorporation of green infrastructure and soft landscaping;
- Improved active mode connections to Coastal Path/NCN 14, creation of a 'Seaton Carew Link' from the Waterfront; and
- High quality cycle storage hubs as a focal point for active mode interchange.

The Economic Case appraises the value for money position of the intervention option against a reference case or Do Minimum Scenario, which assumes business as usual activity (i.e. no capital investment into connectivity and public realm improvements at the Waterfront). The appraisal finds that by transforming access to the Waterfront and improving visitor experience of the urban environment once there, the preferred option can deliver a strong value for money proposition. This is demonstrated through the strong performance of economic metrics such as Benefit Cost Ratio (approaching 2.7:1) and Net Present Social Value (+£11.8 million).

**Table 1-1: Economic Appraisal Summary Table (£m, 2021 prices and values)**

Value for Money Metric	Preferred Option – Core Scenario
Net Additional Economic Benefits	18.86
<b>Economic Costs</b>	
Total Public Sector Costs	7.07
Total Private Sector Costs	0.00
<b>Total Economic Costs</b>	<b>7.07</b>
<b>Value for Money Metrics</b>	
BCR	2.67
NPSV	11.79

The strong economic performance of the preferred option is linked to a range of economic benefits that the project is forecast to unlock, as summarised below:

**Table 1-2: Summary of Net Additional Monetised Impacts (£m, 2021 prices and values)**

Impact Category	Net Additional Impact
Indirect LVU: Commercial	5.35
Indirect LVU: Residential	0.84
Social Cultural Heritage	0.24
Active Mode	5.86
User Experience/Ambience	6.57
<b>Total</b>	<b>18.86</b>

The quantified and monetised assessment within the Economic Case is supplemented by a strong set of wider or non-quantifiable/non-monetisable benefits that also result from the intervention option, including: (i) supporting social cohesion by making the Waterfront more accessible; (ii) catalysing wider regeneration of the Waterfront; (iii) supporting wider growth in the visitor economy; (iv) driving improved health improved access to the new leisure centre; (v) increased potential for meanwhile and temporary use; (vi) diversification of economic and commercial activity in the Town Centre; (vii) enhanced levels of social and economic activity within central areas in Hartlepool; (viii) better integration of the Waterfront and historic retail core; (ix) complementing other proposed Town Deal projects; (x) increased use of public transport; (xi) decarbonisation; (xii) construction stage temporary job creation (c. 76 job years).

The financial case finds that the project has a capital cost of c. £5.5 million (nominal prices). The project will be fully funded by the Town Deal's provisionally allocated funding, subject to confirmation and approval of this business case. The Financial Case notes that no new operational budget is allowed for operations and maintenance of the infrastructure delivered; HBC's Neighbourhoods and Regulatory Services department will incorporate any activities within their existing budgets for such activities, via the Place Management function. No further reliance on public sector funding to cover operational costs is anticipated.



**Table 1-3 Funding Profile and Elemental Cost Breakdown (£m, nominal values)**

Element	2022/23	2023/24	2024/25	Total
Construction	£164,000	£1,968,000	£0	£2,132,000
Prelims	£49,231	£590,769	£0	£640,000
Overhead and Profit	£10,692	£128,308	£0	£139,000
Total Building Works	£223,923	£2,687,077	£0	£2,911,000
Design and Development	£582,000	£0	£0	£582,000
Base Cost Estimate	£805,923	£2,687,077	£0	£3,493,000
Risk Allowance	£322,323	£1,074,677	£0	£1,397,000
Risk-Adjusted Cost	£1,128,246	£3,761,754	£0	£4,890,000
Inflation	£139,358	£464,642	£0	£604,000
Total	£1,267,604	£4,226,396	£0	£5,494,000

The Commercial Case for the project finds that there are no major constraints to commercial deliverability. Most works will take place within the public highway boundary and will not result in a requirement for land acquisition. From a planning and consents perspective, informal discussions with the Local Planning Authority were held in March 2022. Feedback from the informal discussions were positive, albeit the feedback does not constitute formal planning advice. There may be a requirement for small scale planning applications for discrete aspects of the scheme; this will be confirmed through pre-application advice sought Autumn 2022. A two-phase approach to project delivery is proposed, focussing on delivery of a series of quickly implementable activities before the arrival of the Tall Ships Race in July 2023, followed by delivery of remaining elements post-Tall Ships Race after July 2023. A single principle contractor will be employed to undertake all works across both phases following a traditional procurement method, utilising an established framework that the Council has access to (e.g. 'Select Lists of Contractors for Civil Engineering & Highways Works and Coastal Protection Works' or the NEPO 'Civil Engineering and Infrastructure Framework'). From a design perspective, it is likely that the current project development and design team will be retained by HBC through to completion of detailed design and development of tender drawing packs.

The Management Case demonstrates that the Council, as accountable body and scheme promoter, have appropriate organisational and governance structures in place to deliver a project of this type and scale. These structures reflect the project's status as a Hartlepool Borough Council Capital Project. As such, the development and delivery stages of the project will need to comply with the Council's established organisational principles, including following the Council's standard governance structures. The Council operates a strong capital governance structure to oversee all capital projects and programmes. In particular, a robust risk register, stakeholder engagement plan, approach to assurance of monitoring and evaluation plan are all in place to ensure streamlined delivery and operation of the project.

In summary, the business case finds that the Waterfront Circuit project represents an affordable and deliverable scheme that will provide excellent value for money from a public sector expenditure perspective. The intervention has transformational potential for Hartlepool's Waterfront and wider Town Centre area, offering the potential to facilitate economic growth and strategic development and reversing decades of 'hollowing out' of the Town Centre economy. Within this context, by improving connectivity and enhancing public realm at a key strategic location within the Town, the project can catalyse rapid growth in the visitor economy, increased vibrancy and vitality of the wider Town Centre and subsequently improved socioeconomic outcomes for Hartlepool residents and visitors alike.

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## 1. Introduction

### 1.1 Background to the Project

Responding to Central Government's Towns Fund Capital Programme, the Hartlepool Town Deal Board (TDB) submitted the Hartlepool Town Investment Plan (TIP) in January 2021. The TIP presented a strategic plan for transformation of Hartlepool, outlining how Towns Fund investment could help the town to overcome existing challenges, harness opportunities and leverage assets within Hartlepool. In line with Towns Fund principles, the transformation strategy focussed on the key themes of urban regeneration, skills development and enhanced accessibility.

Through consultations with local stakeholders and the TDB, five priority projects were identified as providing the mechanism by which the TIP's transformational vision and strategic objectives could be realised.

- **Civil Engineering Institute:** strategic partnership between Seymour Civil Engineering and Hartlepool College of Further Education to support the consolidation and growth of teaching and training capacity at two existing sites, to enhance and future-proof facilities.
- **Health and Care Academy:** establishment of a state-of-the-art health and social care training facility alongside North Tees & Hartlepool NHS Foundation Trust, within University Hospital of Hartlepool.
- **Connected Hartlepool: Waterfront Circuit Phase 1:** provision of public realm and connectivity enhancements around the marina in order to integrate new land uses and provide the opportunity for improved connections between the waterfront, the town centre and the train station.
- **Wesley Chapel Hotel Redevelopment:** development of a 36-bedroom boutique hotel with a bar-restaurant and four other commercial units to support the existing visitor economy and HBC's emerging tourism strategy.
- **Reimagining 'Middleton Grange' Shopping Centre:** Phase 1 workspace and public realm: delivering a restored and repurposed Grade II heritage building – designed for new flexible, mixed use space including residential – and new civic public space at the redefined 'Heart of Hartlepool'.

Following Central Government approval of the TIP, these priority projects have obtained provisional capital funding of £25 million from the Ministry of Homes, Communities and Local Government (MHCLG- now known as DLUHC) via the Towns Fund Programme subject to business case submission and approval. To this end, this business case seeks to present the case for unlocking up to £6.2 million of provisionally allocated Town Deal Programme capital funding to support the Waterfront Circuit project specifically.

### 1.2 Setting the Context for Hartlepool's Town Deal

Hartlepool is a coastal port town located in the North East of England. The town is situated between Middlesbrough, located 15 miles south across the River Tees and Sunderland, located 20 miles north. The latest ONS estimates indicated that Hartlepool has a population of 93,800 people in 2020<sup>1</sup>.

Hartlepool has a rich maritime history, its marina and numerous ports have supported fishing, naval defence, coal and steel industries across numerous centuries. The economy's historic focus on primary and extractive industries has given way to a transition towards an economy grounded in advanced engineering and manufacturing, complemented by a strong and diverse services sector. In particular, leisure, tourism and the arts are considered key growth sectors locally, with civil engineering, construction and clean energy also identified as foundational pillars for economic growth and development in the town. As noted in the TIP, this transition means that Hartlepool is:

- A productive place, with relative strength in energy, manufacturing and construction. Its ports, power and a producer workforce continue to make an increasing contribution to national and regional productivity.
- An important sub-regional service centre, with large retail, education and healthcare sectors providing services and employment to the local population.
- A growing visitor destination, attracting over 3.5 million visitors a year, with spending increasing by 10% in just 5 years<sup>2</sup>.

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<sup>1</sup> ONS Population Estimates 2020

<sup>2</sup> Global Tourism Solutions. Hartlepool STEAM Report 2018

However, the economic transformation of Hartlepool witnessed in recent years has not been straightforward or without significant challenge. The transition has been marked by periods of significant and prolonged decline that have created social and economic challenges for Hartlepool's residents, such that a range of legacy issues continue to prevail in Hartlepool, as documented in the TIP:

- **Jobs Value Gap:** economic growth and development in Hartlepool lags behind national benchmarks across nearly all social and economic indicators, including number of job opportunities available and access to high value employment and activity. As a result, Hartlepool is regarded as a 'catching up town'.
- **Social Mobility and Skills Constraints:** there is an imbalance between workforce skills and attainment and job opportunities. Below average numbers of residents gain qualifications to support high value, meaningful work and few progress to higher-level skills and employment.
- **Dysfunctional and Disconnected Central Area:** the town centre lacks a defined urban core and suffers from poor connectivity between key assets (in particular, retail components centred on Middleton Grange and leisure components centred on the Waterfront). Further, key landmarks within the central area are tired, dilapidated and have fallen into disrepair, which negatively impacts on the image and reputation of the Town.

The projects supported by the Towns Fund seek to resolve these challenges. In particular, the Waterfront Circuit project seeks to make a significant contribution to ameliorating the challenges associated with a 'dysfunctional and disconnected central area', by improving connectivity across the Town Centre, improving accessibility to key existing and proposed retail, leisure and community assets, recognising the potential for increased sustainable travel to and within the Town Centre and increasing the quality of the urban environment in central Hartlepool.

Through the transformational impact provided by unlocking these opportunities, the project also seeks to contribute towards resolving the 'jobs value gap' challenge and make a wider contribution to socioeconomic development and growth in the town. Not least, this contribution could be marked by maximising the Town's potential to leverage the Waterfront as an asset to boost local community and wider business sentiment. This business case specifies the project's approach to realising these aims.

## 2. Strategic Case

### 2.1 Purpose of the Strategic Case

The Strategic Case aims to articulate the case for change by demonstrating the strategic fit of the project within the context of existing issues and challenges that prevail in a location. More specifically, the strategic case seeks to:

- Provide a clear rationale for intervention by the public sector, by:
  - Outlining existing context and challenges;
  - Demonstrating evidence of need for an intervention;
  - Highlighting potential barriers and opportunities; and
  - Identifying market failures that require public sector to intervene.
- Demonstrate alignment between an intervention and the strategic policy environment at local, regional and national levels;
- Specify the vision and objectives that the intervention seeks to contribute to;
- Provide an overview of the proposed intervention, including:
  - Outlining the impact of not intervening;
  - Presenting possible risks, constraints and interdependencies;
  - Establishing the Theory of Change; and,
  - Specifying the potential outputs and outcomes.
- Identify key stakeholders that are critical to project development.

This approach is aligned with the requirements of the HM Treasury Green Book's Five Case Business Case Model, the 'Towns Fund Stage 2 – Business Case Template' and associated guidance

### 2.2 Case for Change

#### 2.2.1 Hartlepool Waterfront: Background and Context

Hartlepool has a strong identity as a coastal port town underpinned by a rich maritime history. The Waterfront represents an important heritage asset to the local community and visitors to Hartlepool alike. According to footfall data, the area is well visited, with some 6.8 million aggregate visitors recorded in 2019, prior to the pandemic. The Hartlepool Waterfront supports one of the largest leisure-craft marinas in the country comprising 500 berths and ancillary uses, including apartment accommodation, restaurants and visitor attractions in a Waterfront setting. The Marina has previously been awarded the North East England Large Visitor Attraction of the Year. Alongside Belfast and Portsmouth, it hosts the National Museum of the Royal Navy (NMRN). There is rich history here as the maritime visitor experience includes a recreated 18th century Seaport and a HMS Trincomalee. Proposals to extend the NMRN and deliver additional visitor attractions (not least, a regionally significant leisure centre) at the Marina are also proposed as part of the Waterfront Programme.

However, the pandemic saw a decline in footfall by nearly 40% in 2020, matched with a reduction in dwell time by 33% and visitor frequency by 24%. The pandemic effectively diluted the local community's connection to its maritime history and deprived local residents and prospective visitors to the Town the opportunity to sample the cultural heritage, leisure and wider commercial opportunities enabled by the Waterfront.

In response to the pandemic, Hartlepool are focussed on once again leveraging the Waterfront as a heritage, community and commercial asset, as outlined in HBC's emerging Waterfront Programme. The Programme seeks to support:

- Hartlepool's tourism offer, building a visitor destination of national significance.
- Development of the Waterfront into a piece of placemaking that attracts and retains businesses and workers to invest and live.
- Private sector investment to bring neglected land into use.
- Better connections between the Waterfront and the traditional core of the Town (focussed on Middleton Grange).

- Engender positive perceptions of Hartlepool will increase locally, regionally and nationally.
- Provision of high quality facilities that support them to improve their health and wellbeing.

The Programme reflects HBC's attempts to embrace and enhance the visitor economy. This is reflected in the Hartlepool's Economic Development Strategy, which envisions the town becoming a magnet for visitors and inward investors through leveraging key assets including maritime heritage and high quality leisure and cultural attractions. The Waterfront is considered a key conduit linking these visitor economy assets to the traditional retail and commercial assets promoted in the traditional town centre core, to position Hartlepool as a multi-purpose destination within a holistic tourism strategy and framework.

However, HBC's aspirations for the Waterfront Programme are undermined by significant challenges that impinge on the attractiveness and accessibility of the Waterfront and fail to produce an optimal environment to maximise visitation from local people and visitors alike. These include:

- Barriers to visitation including disconnected building and infrastructure assets.
- Transport connectivity and accessibility challenges.
- Inconsistent urban environment and public realm.
- Acute socioeconomic deprivation.

Such challenges inhibit HBC's ability to leverage a critical heritage asset with significant heritage, community and commercial potential, and are considered in more detail in the following sections.

## 2.2.2 Evidence of Need for Intervention

### 2.2.2.1 Visitor Economy Context

Up to the COVID19 pandemic, Hartlepool was developing a reputation as a growing destination for visitors, attracting over 3.5 million visitors a year with spending increasing by 10% in the 5 years up to 2019. In 2018, 3.7m visitors spent 4.2m days in the town with Hartlepool's coastal location and naval heritage making the area an attractive location to visit. Allied to the overall footfall figures for the Waterfront outlined in Section 2.2.1, it is evident that the marina-area represents a significant attraction for the Town. Further, the Waterfront area supports more than 1,700 jobs in sectors related to the visitor economy<sup>3</sup>, acting as a major driver for employment in the Town's core area.

Despite this position, evidence from community engagement indicates that most local residents do not visit the Waterfront on a regular basis (c. 50% monthly and 30% rarely)<sup>4</sup>. Respondents highlighted a desire for improved connectivity between the town and the Waterfront, whether by walking and cycling links or by public transport to encourage better use of the Waterfront asset. Current travel and transport arrangement acts as a barrier to growth (see Section 2.2.2.2 for further details), meaning that the Waterfront is not fully leveraging footfall numbers that would further stimulate greater consumer spending and would increase the contribution of the Waterfront as a major source of local employment opportunities for residents. This position is compounded by the fact that most external visitation relates to day or part-day visitation<sup>5</sup>. Further COVID19 had a significant impact on visitation with STEAM analysis estimating that external visitor numbers fell by 59% in 2020, accompanied by a 61% drop in visitor days and a 63% drop in expenditure.

Within this context, there is a strong requirement to support the recovery of the visitor economy in Hartlepool. Given the anecdotal evidence from Local Resident Surveys outlined above, there is potential to further enhance local and external visitor numbers and expenditure through increasing accessibility to existing and future leisure, cultural, community and commercial assets along an attractive Waterfront and Marina area. This could improve business sentiment, increasing the appetite for enterprises to start up or relocate to the town, also encouraging further investment.

Given the importance of the tourism sector to Hartlepool's economy, there is the potential to increase the number and share of high value overnight visitors too. Events such as the Tall Ships Race 2023 can act as a catalyst to growing the visitor economy and the importance of the Waterfront as a key town asset; however,

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<sup>3</sup> Arts, entertainment and recreation, accommodation and food services and retail, based on Business Register and Employment Survey data for the Lower Super Output Area in which the Waterfront is located.

<sup>4</sup> Town Deal, Local Residents Survey (see Section 2.7 for further details)

<sup>5</sup> E.g. STEAM analysis demonstrates 88% of all visits to Hartlepool are day visits



upfront, enabling intervention is required to ensure that the Town can capitalise on the potential opportunity created by the visitor economy. Any intervention that focuses on building Hartlepool's heritage around the Waterfront area will seek to strengthen the heritage and cultural opportunities within the town maximising the potential for more people to visit the town. Further, intervention should focus on making the Waterfront an inclusive visitor attraction that creates equal opportunities for both local residents and visitors. On this basis, intervention should also focus on providing better connections to the Waterfront area and the redefined 'Heart of Hartlepool' in order to meet the needs of local people, increasing the potential for higher levels of footfall.

### 2.2.2.2 Transport Connectivity Context

As introduced in Section 2.2.2.1, the disconnected nature of Hartlepool to key economic assets means that the Waterfront does not fully capitalise on footfall numbers that generate further spending and additional revenue for local businesses. The disconnected nature of the Waterfront is characterised by the following features:

- Severance caused by railway line and A689/A179 arterial highways.
- An incomplete and disjointed route around the waterfront.
- Extensive car parking provision/allocation, reinforcing the dominance of private vehicle travel established through the primacy of the arterial highways.
- Lack of Pedestrian-friendly connections between the Waterfront and nearby locations, including Church Street, retail core of the Town Centre (i.e. Middleton Grange) and Hartlepool Rail Station.

The presence of major infrastructure including the railway line and arterial highways mean that the Waterfront is largely cut-off from wider commercial and residential areas within Hartlepool, including the traditional town centre core. Inefficient and incomplete pedestrian and cycle routes around the waterfront further exacerbate connectivity problems for active mode users, acting to disincentivise sustainable travel to and through the area. Further, the waterfront is dominated by extensive car parking, limited green infrastructure and poor public realm which creates an unwelcoming and unattractive gateway to the Waterfront for local residents and visitors arriving into the area.

As a result, the Waterfront and its various current and proposed future cultural, leisure, community and commercial attractions are detached and separate from much of the rest of the town centre. This undermines attempts to deliver a holistic and integrated vision and spatial pattern for the town centre.

The Waterfront has a potential critical role to play in linking disparate elements of the town centre. This is reflected in the Council's aspiration to deliver new pedestrian and cycling access over the railway near the Waterfront. The challenge of severance between the Waterfront and town centre is clear from responses to the online resident's survey, where a substantial number of respondents identified connectivity as a priority to improve the town, referring to the lack of cycling infrastructure and the importance of active travel for health and wellbeing. The Waterfront provides a potential focal point for supporting this drive towards greater connectivity, and overcoming a significant challenge linked to dysfunctional and disconnected central areas. Further, the rationalisation of car parking provision and the creation of flexible event spaces can transform the Waterfront from a car-dominated area to a pedestrian friendly visitor attraction hub.

Any intervention that increases accessibility for walking and cycling users between key assets within the Town Centre will enable local residents and visitors to travel more by walking and cycling and reduce dependency on cars. Given that c.92% of residents said that safe cycle routes and lanes would increase their level of cycling in town, there is potential to ensure that sustainable travel becomes a widespread mode of transport in Hartlepool. Linked to increased sustainable travel, a step-change in walking and cycling access to Hartlepool's Waterfront is vital to support active engagement with the council's new leisure centre proposals at a key development site on the marina, and for enhancing visitor ambience.

### 2.2.2.3 Inconsistent Urban Environment and Public Realm

Further to the transport challenges listed, the varied approach to placemaking around the Waterfront acts to undermine the area's ability to attract local and external visitors. For example, the southern end of the Waterfront suffers from a poor quality public realm characterised by derelict land (Figure 2-1), barriers to the water's edge (Figure 2-2) and an absence of suitable street furniture. Further, limited lighting and signage is provided to the southern end of the waterfront in particular. In addition, the Waterfront is dominated by extensive car parking, at the expense of green infrastructure and high quality public realm in many places. In



combination, these characteristics result in a poor quality, unwelcoming and unattractive gateway to visitors approaching the Waterfront from the Town Centre and Railway Station, to the south of the site.

**Figure 2-1: Unwelcoming and Unutilised Waterfront Land**



**Figure 2-2: Physical Barriers to the Water's Edge**



In contrast, other parts of the Waterfront benefit from use of higher quality, uniform materials that helps contribute to a sense of place. In particular, redevelopment of The Highlight to support a new leisure centre has been preceded by significant public realm improvements that make the area a more pleasant place to visit and spend time (Figure 2-3).

**Figure 2-3: High Quality Public Realm at The Highlight**



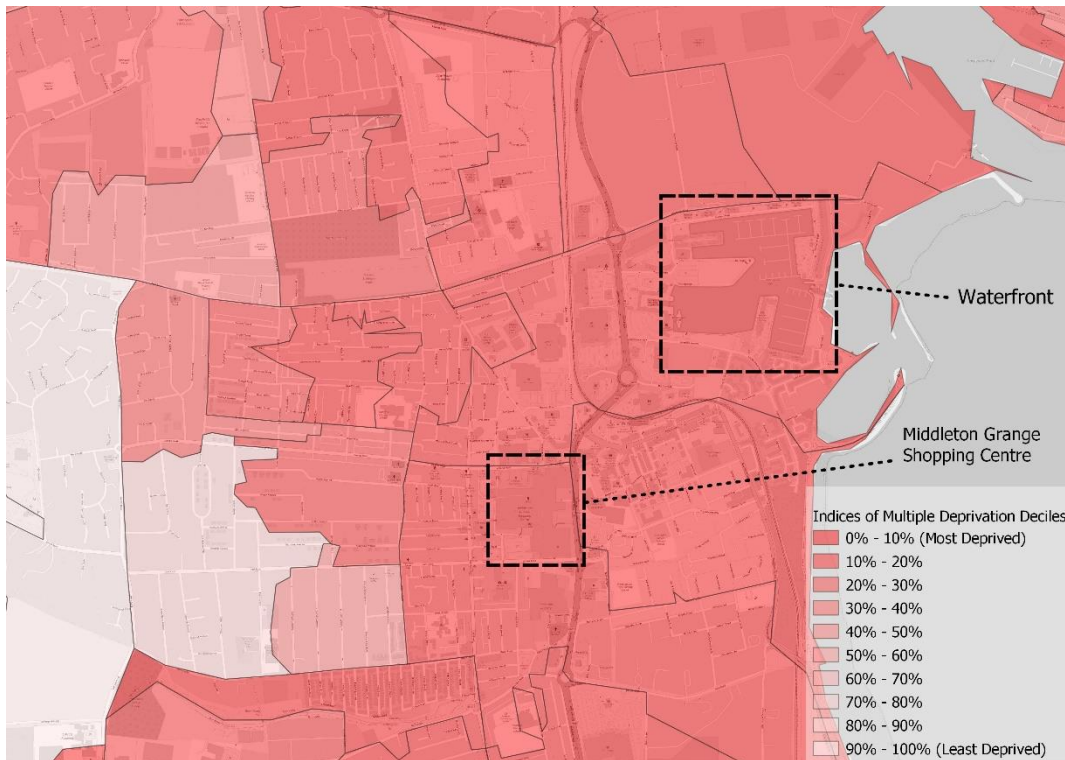
The approach to public realm enhancements at The Highlight can act as a benchmark for wider improvements to public realm elsewhere at the Waterfront (e.g. along Maritime Avenue). By adopting a consistent approach in terms of material palette, street furniture, wayfinding and related amenities, there is potential to standardise placemaking and the delivery of a high quality urban environment at the Waterfront. This could help promote the Waterfront as a single attraction rather than a series of piecemeal, ad-hoc developments. This would allow a complementary approach to regeneration and utilisation of the Waterfront.

### **2.2.2.4 Socioeconomic Context**

Hartlepool is amongst the most deprived towns in the UK, with many neighbourhoods ranking as one of the 20% most deprived areas in England and 7 out of the 17 wards in Hartlepool ranking amongst the 10% most deprived across the country. The extent of socioeconomic deprivation in the immediate vicinity of the Town Centre and the Waterfront in particular is emphasised in Figure 2-4, which highlights pockets of acute aggregate deprivation surrounding these locations.

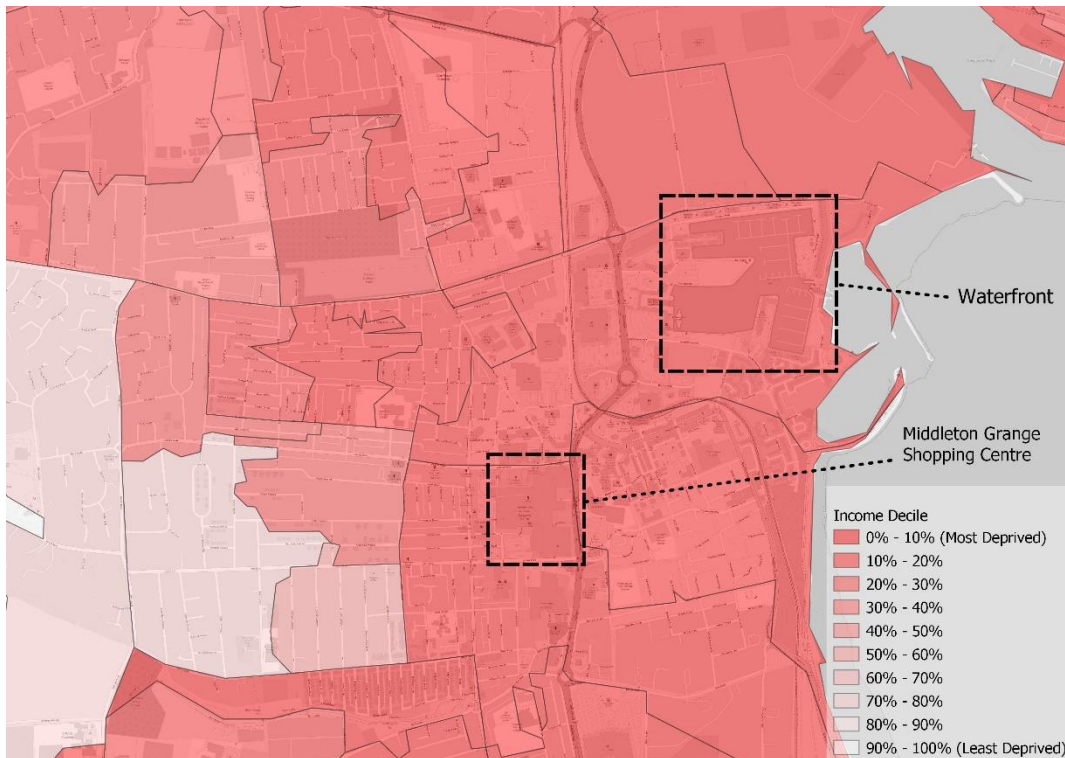


**Figure 2-4: Aggregate Deprivation (Source: Indices of Multiple Deprivation)**

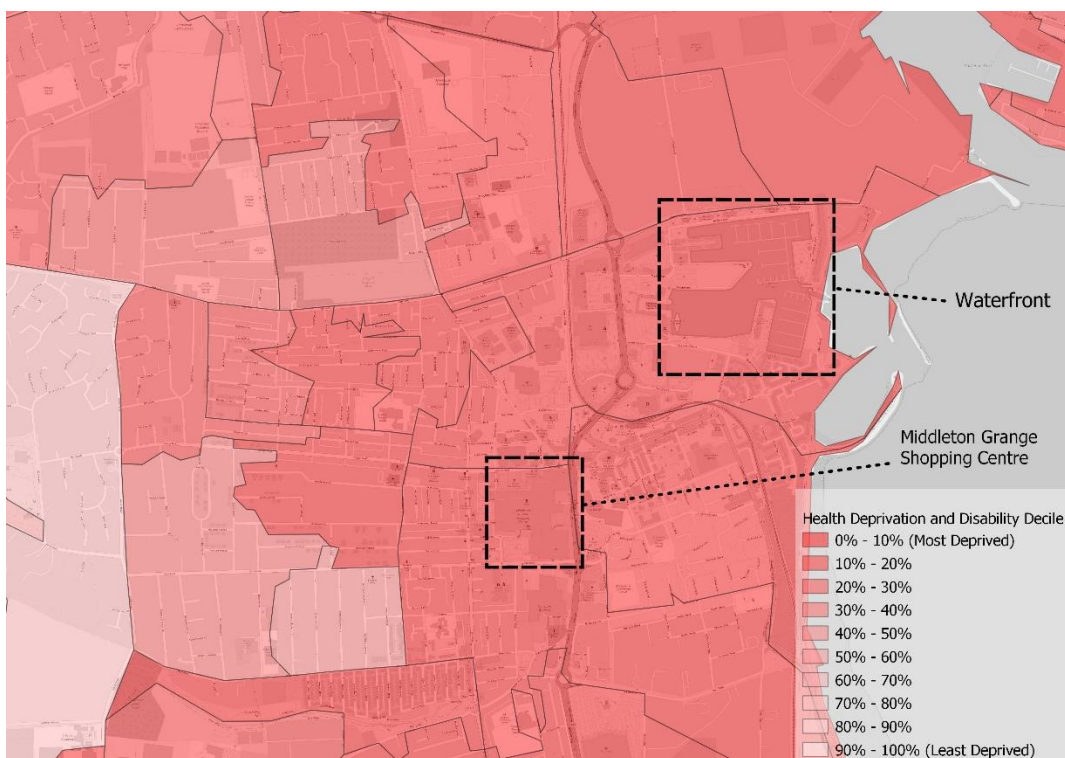


Further, neighbourhoods in proximity to the area suffer from high levels of deprivation across specific socioeconomic metrics including income (Figure 2-5) and health (Figure 2-6). Income challenges particularly blight young people and families, with approximately 29% of children living in low-income households compared to just a 17% average nationally. From a health perspective, men and women living in the most deprived areas of Hartlepool are expected to live 12.5 years and 10.4 years less than those living in the least deprived areas respectively.

**Figure 2-5: Income Deprivation (Source: Indices of Multiple Deprivation)**



**Figure 2-6: Health Deprivation (Source: Indices of Multiple Deprivation)**



The poor public health outcomes for Hartlepool residents also result from low levels of engagement in sport and physical activity. The Sport England Strategic Outcomes Report showed that Hartlepool adults and children have lower levels of physical activity relative to regional and national benchmarks. In particular:

- The proportion of adults who were classed as inactive (less than 30 minutes a week) was 37% in Hartlepool relative to 29% for the North East and 27% across England.

- Only 48% of adults in Hartlepool were categorised as active (engaged in at least 150 minutes of physical activity a week), this is 13% lower than the national average (61%) and 12% lower than the North East average (60%).
- Around 32% of children in Hartlepool have less than 30 minutes of physical activity per day which is higher than the national average (29%).
- Only 33% of Hartlepool children are classed as active (60+ minutes of physical activity per day) which is 14% lower than the national average (47%).
- Given that the national guideline is for all children aged between 5-18 to engage in at least 60 minutes of physical activity per day, this means that majority of Hartlepool children (66%) do not meet this national criterion.

Lower levels of physical activity translates into poorer health outcomes experienced by local people which increases the burden on existing health care services. It has been estimated that the annual cost to the NHS of physical inactivity in Hartlepool Borough is approximately £1.7m<sup>6</sup>. Based on a population of 92,900 in 2016 this equates to £18.32 per person. This is in comparison to other local authorities such as Newcastle upon Tyne which has an annual cost for physical inactivity of £4.3m which equates to approximately £14.30 per person.

Any intervention that delivers public realm and connectivity enhancements around the Waterfront will aim to tackle the prevailing socioeconomic challenges currently experienced in Hartlepool by:

- Increasing access to the Waterfront through sustainable travel infrastructure which could unlock growth in walking and cycling and resulting health improvements;
- Increasing access to the proposed new Leisure Centre earmarked for The Highlight, again, improving public health outcomes;
- Encourage use of the Waterfront for local residents through public realm and space, as well as increasing accessibility to cultural heritage and community assets that could boost mental health and wellbeing;
- Increasing the attractiveness of the Waterfront and wider Town Centre for business investment, therefore unlocking new employment opportunities and increased income.

### 2.2.3 Summary of Needs and Opportunities

As noted in Section 2.2.1, the Waterfront area is subject to a wider Waterfront Programme that seeks to transform the area and capitalise on its potential as key socioeconomic driver of the Town. To this end, ongoing development proposals for the Waterfront area include the new Leisure Centre at The Highlight, expansion of the National Museum of the Royal Navy (NMRN) and wider development at Trincomalee Wharf and its surrounds. Such developments could act as important attractors for the Waterfront and wider town. In order to incentivise public and private investment to deliver these (and further assets), it is imperative that appropriate enabling infrastructure is put in place to de-risk development opportunities and make investment more attractive. Within this context, the case for upfront investment in enabling infrastructure to boost connectivity/accessibility and deliver public realm enhancements is well-established. Such a strategy will amplify and support the new developments making the waterfront more inviting for the community.

Effectively, investment in enabling infrastructure seeks to provide the conditions and environment which allows the Waterfront to achieve its full potential as a destination for local residents and visitors alike. By maximising the attractiveness of the area to inward investment through resolution of existing connectivity and public realm challenges (summarised in Figure 2-7), intervention should seek to transform the Waterfront into a thriving cultural, leisure, community and commercial hub. This will allow the Waterfront to make a full contribution to the local economy and harnesses the array of opportunities that expected to emerge in the area (Figure 2-8).

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<sup>6</sup> Sport England mini sports profiles 2016 – Hartlepool

Figure 2-7: Waterfront Constraints

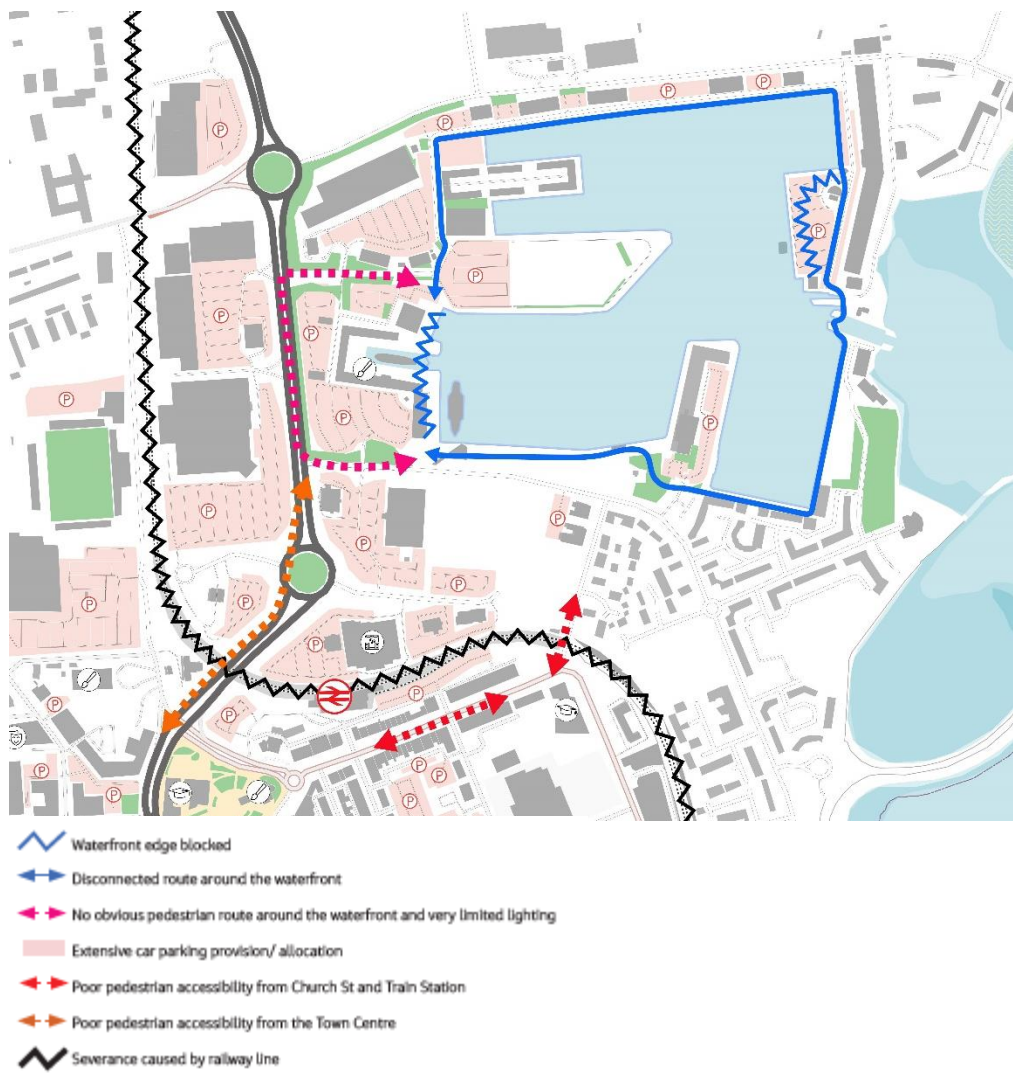
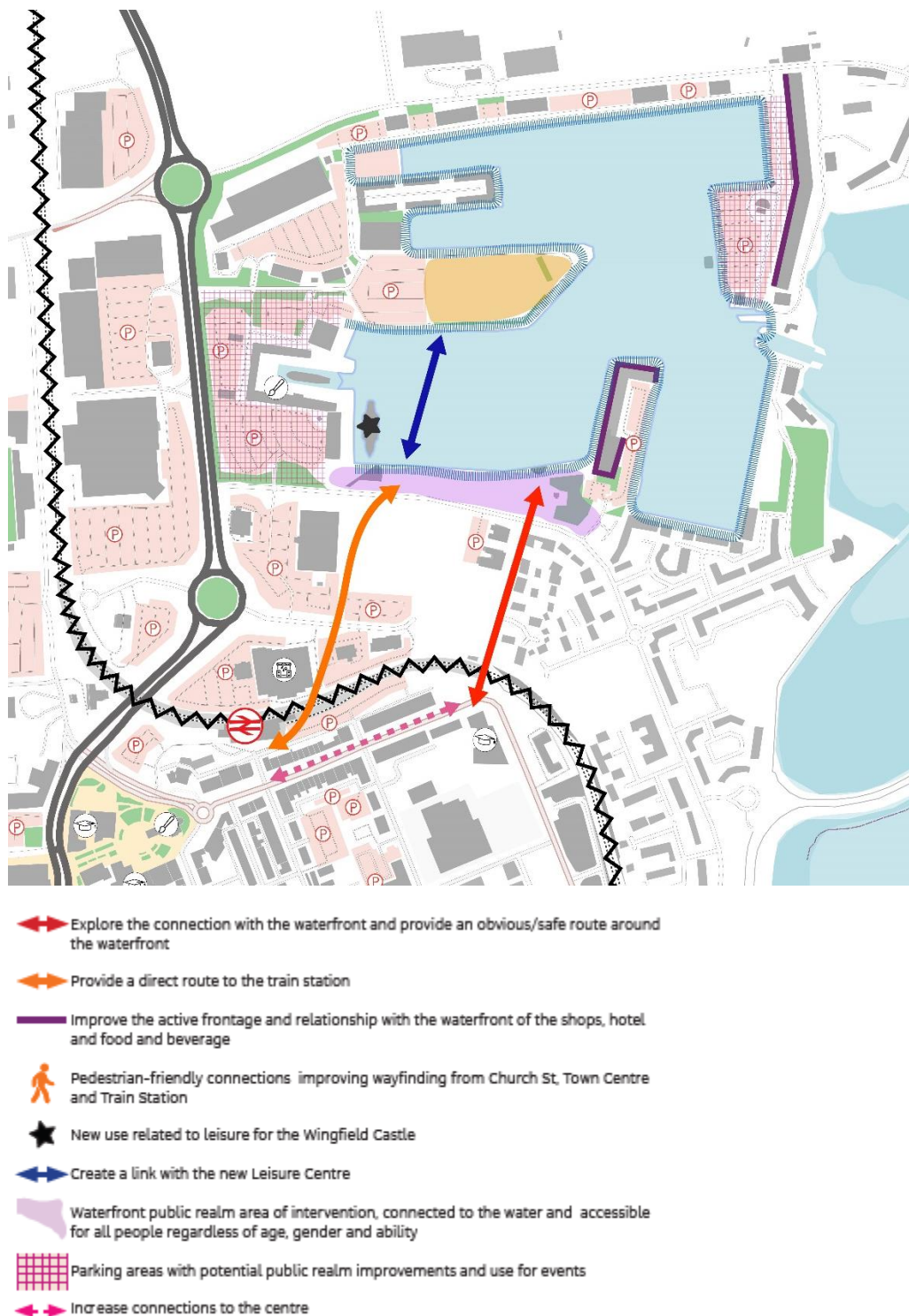




Figure 2-8: Waterfront Opportunities



## 2.3 Presence of Market Failures and the Impact of COVID-19

### 2.3.1 Market Failure

A number of market failures exist which undermines the ability of the private sector to intervene and resolve the identified challenges surrounding connectivity and the quality of the urban environment around the Waterfront, including:

- **Transport as a Public Good:** connectivity and public realm improvements in the form of transport and related assets are recognised as public goods. Public goods do not have a conventional market; they are non-excludable (i.e. individuals cannot be prohibited or proscribed from using an asset) and non-rivalrous (i.e. one individual's use of an asset does not diminish another person's use). Hence it is typically difficult for the private sector to profit from delivering connectivity and public realm improvements. Such investment must therefore be led by the public sector.
- **Fragmented Land Ownership and Coordination Problems:** Components of the Waterfront, wider Marina area and the route between these locations and the town centre fall under various different landowners. Land ownership is further complicated by a network of lease and under lease agreements on certain parcels of land in the vicinity of the Waterfront. Given the disparate range of landowners, it is difficult for such stakeholders to agree on a holistic vision required to deliver a viable and thriving, well connected town centre without public sector support and coordination. Further, as a major land owner with responsibility for the public highway, HBC are best placed to promote transformational change to connectivity and public realm in the area.
- **Imperfect Information:** Due to the disparate land ownership issues identified above, there is significant uncertainty in relation to when private development might come forward. This leads to risk associated with being the 'first mover' from a private sector perspective, as disparate land owners and developers wait for other activity to come forward and establish a market first. Within this context, upfront investment in transport, connectivity and amenity infrastructure can unlock private investment as uncertainty lessons and challenges are de-risked. Effectively, by intervening at the Waterfront, HBC is also demonstrating a commitment to providing core infrastructure and improved connectivity which should incentivise and expedite wider development plans in the area.
- **Positive Externalities:** Provision of transport and public realm infrastructure unlock a range of positive impacts for the wider community, including amenity, public health and journey quality benefits. Further, intervention could transform perceptions and image of the town centre, making the location more attractive to visitors and inward business investment. By providing integrated urban realm and spatial form with other development areas in the wider Waterfront area, any intervention as part of the Waterfront Circuit could increase investor and developer confidence in delivering proposals at adjacent site. A range of private interests may also benefit from the regenerative impact of intervention. These indirect positive consequences of investment are considered in more detail in the Economic Case (Section 3).
- **Heritage Status and Viability:** the wider Waterfront and marina area are major heritage assets for Hartlepool that provides social and cultural value to the wider community. Given the wider public benefit associated with intervention, the public sector is best placed to lead initial investment into enabling infrastructure. Given the viability challenges associated with commercial development in the area, it is also unlikely that private development could afford the substantial upfront cost of enabling infrastructure.

Within this context, public sector intervention is required and justified to overcome the identified market failures, with HBC best placed to lead on such intervention. Further, the presence of these market failures maximises the potential for additionality within the project, as the overall project and associated forecasted impacts would not materialise without public sector involvement.

### 2.3.2 Impact of COVID-19

In relation to the pandemic, the long-term public health impacts of COVID19 are greater in places with existing health challenges such as Hartlepool (e.g. Section 2.2.2.4). Opportunities to boost physical activity and ultimately improve public health through increased active mode provision, intensification of pedestrian and outdoor activity and enhanced linkages to the proposed Leisure Centre being delivered at The Highlight, could all support a general improvement in public health in Hartlepool. This will enable the Town to be more resilient to any future pandemic or public health crisis. Further, improved public realm, provision of public space and increased accessibility to cultural heritage assets around the Waterfront could all boost mental wellness and wellbeing, another component of life satisfaction impacted by the pandemic.

Further, the pandemic has had a damaging impact on economic activity in the town. In particular, the town's visitor economy has been affected by the pandemic. The restrictions of COVID-19 impacted 300 local businesses as well as 3,000 jobs. The tourism sector across the North East is expected to have lost £3bn in 2020 alone. Further, the Tees Valley Monthly Economic Updates found that the wholesale, retail, accommodation and food services sector was hardest hit by the pandemic accounting for 37% of all furloughed jobs in the Tees Valley Region. Such sectors are heavily concentrated in proximity to the Waterfront. The Tees Valley Local Skills Report (2021) also established that staple Town Centre sectors including retail, arts and leisure services were classified as suffering 'severe an immediate impact', requiring



immediate support, as many struggled to survive, with significant impacts on unemployment. Within this context, investment to leverage and activate Hartlepool's waterfront setting, for example through public realm enhancement and better connectivity, could help the tourism and wider services sectors continue to recover from the challenges posed by the pandemic.

## 2.4 Policy Alignment

### 2.4.1 Local Policy

Hartlepool's Local Plan (2018) recognises the strategic importance of the Waterfront to the regeneration of Hartlepool stating that *'the Marina area has developed significantly over the past two decades acting as a driving force behind the regeneration of Hartlepool and adding an extra dimension to the maritime heritage offer'*. The Plan highlights that the Waterfront will be a key asset that can support further growth through continuing to be a major force for tourism activity *'there are significant sites within the Marina area which offer opportunity for development ...the former Jackson's Landing site at the centre of the Marina and Trincomalee Wharf'*.

Acknowledging the importance of the Waterfront to the tourism sector, the Local Plan articulates the town's desire to grow its visitor economy, noting that leisure and tourism has a significant role to play in the growth of Hartlepool. Overall, supporting opportunities to further enhance the Waterfront's attractiveness to potential investors and tourists is a key priority for the Borough Council in the future. Specifically, the Local Plan Policy RC12 (The Marina Retail and Leisure Park) has been designed to focus on improving the visual aesthetics of the Waterfront. It states that *'any development along the waterfront must be of particularly high design and should actively open up the relationship between the water and the water's edge.'*

Avoiding poor design and poor connectivity along the waterfront is considered essential to prevent negative experiences for visitors, whilst protecting the areas of water at the Waterfront from development is crucial in order to retain the ambience and attraction of Waterfront development as a whole. As such, Policy RC12 further outlines that all developments should *'facilitate, where appropriate, improvements to:*

- *Connectivity to the Town Centre and the Retail and Leisure Parks through improved pedestrian and cycle links.*
- *Public transport provision, facilities and cycling facilities.*
- *The overall environment and appearance of the area.*
- *The Middleton Road and Marina entrance.*
- *Areas of public realm.'*

Above all, the Local Plan places significant emphasis that any future developments on the Waterfront should link to each other and to leisure and tourism attractions across the Borough by incorporating and encouraging sustainable transport links through the provision and enhancement of pedestrian and cycle routes, public realm and green infrastructure. This intervention will align with the Local Plan through providing sustainable transport connections between the waterfront, the town centre and the train station which maximises the potential of the Waterfront area as an exciting destination for residents and visitors to come and visit.

Further, the Local Plan recognises the significance of the tourism sector as a major source of local employment which is critical to economic prosperity for Hartlepool. As such, Policy LT2 (Tourism Development in the Marina) advocates for the Marina to continue to be developed as a major tourist and leisure attraction with new tourism facilities encouraged to complement existing attractions which will strengthen the visitor economy and further solidify Hartlepool as a nationally recognised destination for maritime heritage. In support of these principles, Policy LT1 (Leisure and Tourism) states that linked to the development of other areas of the town centre, major leisure and tourism developments which are likely to attract large numbers of visitors will be expected to locate within the town centre, the Mill House edge of town centre or the Marina. This policy recommendation seeks to improve the connectivity between the area's key economic assets and the Waterfront, which will enhance visitor numbers to the key leisure and cultural attractions.

A key envisioned outcome from Hartlepool's Economic Development Strategy is for the town to become a magnet for visitors, creative learners, innovative businesses and investment partners alike. One of the central pillars of the Strategy is 'Connected Hartlepool', which seeks to widen the town's economic footprint through

a focus on areas such as the town's maritime heritage and the continued development of a network of high-quality leisure & cultural attractions. Objectives include enhancing the network of assets in the town to increase Hartlepool's draw as a destination, with the waterfront identified as a key location. Developing the town's marine economic assets aims to encourage further private sector investment. Any intervention in the Waterfront public realm and infrastructure to support integrated and seamless travel between key assets in the wider town centre area will accord with these objectives.

An intervention of this nature will also meet the objectives of the Tees Valley Combined Authority Cycling & Walking Implementation Plan 2020, which covers issues relating to increasing the number of local active mode journeys, delivering social equality and contributing to decarbonisation. Improving the ability for people to move around Hartlepool will contribute to clean growth in the town.

### 2.4.2 Sub-Regional Policy

Through its 'culture' strategic pillar, the TVCA Strategic Economic Plan (SEP) identifies the sub-region's tourism and leisure offer as a key component of the value proposition which makes Tees Valley a place that people want to live, work and visit. Tourism and leisure are viewed as factors that can help attract and retain people and businesses, leverage inward investment and increased expenditure from visitors to the area. To this end, the SEP recognises the increasing leisure and visitor market, including outdoor and cultural tourism, as a key opportunity for Tees Valley going forward, not least through the role the market can play in diversifying local economies. An intervention to provide enhanced connectivity between key economic and cultural assets in Hartlepool will support leveraging of this opportunity.

### 2.4.3 National Policy

Improving the ability for people to move around Hartlepool using sustainable travel modes will contribute to the UK Government's clean growth agenda by providing benefits in terms of health and well-being, and reduced car use contributing to national and local targets to reduce carbon emissions, therefore aligning with the Governments Clean Growth agenda

Any intervention to boost connectivity will also align with the national Walking and Cycling Investment Strategy's ambition to make active travel a practical mode choice for everyday journeys and as a key element of leisure and tourism activity. Promoting cycling and walking as a method of providing exercise, decreasing car use and increasing leisure activity will help contribute to the strategy.

The new vehicle free routes around the Waterfront Circuit will supplement the interventions of Emergency Active Travel Fund (2020), which aims to capitalize on the levels of walking and cycling across the UK during the pandemic. The Fund's ambitions are to encourage more people to choose safer and healthier modes of travel and make sure travel networks are ready to respond to future increases in demand.

## 2.5 Vision and Objectives

### 2.5.1 Vision

Hartlepool's TIP sets out the towns vision over the next 20 years to be:

- A modern, connected, vibrant and liveable Waterfront market town;
- An inclusive, proud and productive town where aspirations and creativity are valued;
- A town which supports and welcomes visitors, learners and innovative businesses;
- A place where people are inspired and enabled to get more out of their work and investment; and
- An area which promotes itself with pride and makes it mark in the wider world.

An intervention to deliver integrated public realm and connectivity enhancements between key assets at the Waterfront and its immediate environs has the potential to support all elements of the stated vision. Improving accessibility will promote a modern, connected, vibrant and liveable Waterfront market town. Integrated and consistent high quality public realm could also confer civic pride and inclusiveness in the town. Better connections across the town will also promote the town as a destination for visitors and businesses alike, promoting inward investment and increased visitor expenditure.

By intervening through public realm and connectivity enhancements around the Waterfront, an intervention could maximise the development potential of this area and the ability to integrate new land uses with existing cultural and visitor economy-related development. For example, intervention could expedite a number of new uses and activities in the area, including the HBC's new leisure centre and an expanded NMRN.

Within this context, the specific vision for the Waterfront Circuit project can be summarised as:

*"The full potential of the Waterfront area is unlocked through public realm and connectivity enhancements which act to integrate new and emerging developments, provide opportunities for improved connections between the Waterfront, retail core of the Town Centre and railway station and create a welcoming and attractive gateway to a heritage site of significant local and regional importance. This will enable the Town to build on its maritime heritage to drive a new and dynamic future, underpinned by an extended and enhanced Town Centre that leverages a spectacular waterfront setting.*

*The interventions will act to unlock and accelerate development opportunities by de-risking wider public and private investments through the delivery of critical enabling infrastructure. A high-quality, 'seamless' public realm linking a number of key vibrant public spaces which activate the waterfront will be delivered. This will help transform the Waterfront area, allowing HBC to capitalise on the unique cultural, leisure, community and commercial opportunity offered by the area. This will support the wider Waterfront Programme by fully integrating the Waterfront with Hartlepool Town Centre, catalysing and complementing regeneration throughout the Heart of Hartlepool to the benefit of Hartlepool's resident and business community."*

### 2.5.2 Objectives

The TIP identifies three 'things to change', or strategic objectives to achieve in order to reshape the spatial and economic future of Hartlepool over the next 20 years.

- Value driven rebound and growth;
- Skills for a productive and creative town; and,
- A compact and connected waterfront market town.

An intervention to deliver integrated public realm and connectivity enhancements at the Waterfront has the potential to contribute to achievement of the 'compact and connected waterfront market town' and 'value driven rebound and growth' strategic objectives in particular. By seeking to better integrate the Waterfront with other key assets in the Town Centre through investment in enabling infrastructure, an intervention could increase connectivity across Hartlepool's core and make travel between key assets more streamlined. Similarly, by providing the connectivity and urban environment foundations to unlock and accelerate wider public and private investment in the Waterfront, an intervention could help driven growth in productivity in key sectors including the leisure, hospitality and tourism sectors that are concentrated in the Waterfront area. In addition, an intervention at the Waterfront will also contribute to the realisation of the following further objectives that are identified within the TIP.

- Maximise the productive and inclusive use of land and buildings to improve appearance, access and external perception.
- Enhance and extend the town's visitor economy assets to make Hartlepool a multi-day destination.
- Improve and make new physical connections to support resident and visitor engagement with the town's economic assets and opportunities.
- Improve the appearance, function and capacity of the Town's gateway arrival points to make it work better for visitors and residents.

The intervention will also need to accord with the objectives of the wider Waterfront Programme which include:

- Hartlepool's tourism offer is strengthened and there is growth in the leisure and tourism economy.
- The Marina is a successful piece of placemaking that attracts and retains businesses and workers to invest and live.
- The private sector have the confidence to invest, bringing neglected land into use.
- The Town Centre and Marina feel like a connected town centre.
- The Waterfront is a visitor attraction of national significance. Positive perceptions of Hartlepool will increase locally, regionally and nationally.
- Communities enjoy high quality facilities that support them to improve their health and wellbeing.

- HBC are an efficiently run council providing sustainable services and value-for-money.

### 2.5.3 SMART Objectives

In light of the Town Deal programme level objectives and wider Waterfront Programme objectives established in Section 2.5.2, the specific objectives that the Waterfront Circuit intervention seeks to achieve can be defined according to the SMART principles of objective setting as follows:

Specific	Measurable	Achievable	Realistic	Time-bound
Objective 1: Footfall at the Waterfront grows to establish Waterfront as a top 5 visitor attraction for visitors to the Tees Valley.	Based on existing footfall data collection processes, the intervention will target an increased in walking and cycling activity by 10%.	Overcoming an inadequate provision of active mode infrastructure, dominance of vehicle infrastructure and an unwelcoming urban environment will all act to increase active travel to the site by 10%.	A 10% increase in pedestrian and cycle activity is well within impact benchmarks for the potential impact of public realm improvements on active travel numbers (Section 3.3.1).	Following completion of the scheme in 2024.
Objective 2: Expedite and/or unlock private sector investment and land value growth in Waterfront.	Based on monitoring of activated planning permissions and land/property transactions, target an increase in land value of c. 4% for residential properties and c. 20% for commercial properties.	Providing enabling infrastructure to integrate the Waterfront and its disparate assets into a single-unified element of the Town Centre will support regeneration of the Waterfront and wider areas.	Regeneration activities can have wider land value uplift impacts on commercial and residential property, as documented in Section 3.3.4.	Following completion of the scheme in 2024.
Objective 3: Create a strong sense of place through high-quality, successful and sustainable infrastructure provision	Based on visitor surveys and a public realm asset register, target an increase in ambience for users of the Waterfront valued at £7 million.	Overcoming an inconsistent and disjointed approach to public realm could support placemaking at the Waterfront. Similarly, appropriate street furniture provision and better lighting could have a positive impact on user experience.	Public realm interventions that create welcoming and attractive urban environments can enhance the quality of users' journeys through such spaces.	Following completion of the scheme in 2024.
Objective 4: Promote physical activity, health and wellbeing	Based on active mode and leisure centre user surveys, target an increase in physical activity that generates an improvement in public health impact of £6 million.	Providing greater opportunity for people to walk and cycle to the Waterfront and improving access to the proposed leisure centre will increase physical activity, which in turn will improve public health outcomes.	Ensuring the full integration of the proposed leisure centre into the wider Town Centre environment will maximise utilisation; similarly a 10% increase in pedestrian and cycle activity is considered conservative (as per Objective 1).	Following completion of the scheme in 2024.
Objective 5: Cultivate improved perception of the town from external visitors and enhance the sense of	Based on changes in perceptions derived from visitor surveys and local resident surveys, the social and cultural capital of	The Waterfront is currently perceived as underutilised and difficult to access; intervention could drive a change in	Increasing placemaking and sense of place at heritage assets has the potential to increase social	Following completion of the scheme in 2024.

Specific	Measurable	Achievable	Realistic	Time-bound
pride for local communities	intervention will be valued at £0.25 million.	perception for local residents and visitors alike.	wellbeing of asset users and non-users (as per Section 3.3.5).	

## 2.6 Proposed Investment

### 2.6.1 Options Appraisal

With the location (i.e. Waterfront) and nature (i.e. connectivity and public realm) of intervention already established at TIP stage, a two-stage option appraisal process was followed to define a preferred option for the scheme. Firstly, a vision workshop was convened to establish key guiding principles to formulating potential options for intervention. This workshop involved elected councillors, HBC officers, Town Deal Board members and wider industry professionals and sought to generate stakeholder input on the brief and vision for the waterfront. The key principles established included:

- Ensuring delivery of key activities in advance of the Tall Ships Race in July 2023, necessitating a two-phase approach to project delivery;
- Delivering a consistent public realm strategy;
- Emphasising the Waterfront as a significant destination;
- Improving wayfinding and connections from the Waterfront to the retail core of the Town Centre, Railway Station and Church Street; and
- Providing enhanced active travel options, including cycle storage.

Pivoting from these guiding principles, three options were considered for the format of intervention, as outlined in Table 2-1 and at Appendix A. These options were discussed at an options appraisal workshop with representatives from the local council, NMRN and industry professionals. The key feedback received on the options is also outlined in Table 2-1.

**Table 2-1 Options Analysis**

Option	Vision	Possible Initiatives	Feedback on Options
<b>Option 1: Maritime Avenue Development</b>	Focus and develop one area along Maritime Avenue to a high-quality standard. Connectivity would also be considered to adjacent areas to the museum and the leisure centre whilst complimenting the material palette at the Leisure Centre site	<ul style="list-style-type: none"> <li>▪ Excellent green infrastructure and the consideration of the Sustainable Urban Drainage Systems (SUDs)</li> <li>▪ High quality lighting</li> <li>▪ Providing more seating</li> <li>▪ Providing a small temporary or permanent events space</li> </ul>	<ul style="list-style-type: none"> <li>▪ Potential risk associated with focussing on a single targeted area. May limit wider impact of the scheme and its ability to integrate the entire Waterfront.</li> <li>▪ Reduce positive effect on active travel as investment focussed in one parcel of land.</li> <li>▪ Investment in an area which may be subject to later development, with underlying land ownership issues linked to third party lease and under-lease agreements.</li> </ul>
<b>Option 2: Creation of Marina Loop</b>	The development of the Marina Loop connectivity and public realm to a high-quality standard. The area will provide increased connections to adjacent areas such as the train station and town centre	<ul style="list-style-type: none"> <li>▪ Providing enhancements to existing public realm using a soft and hard material palette that provides constancy at the Marina loop route</li> <li>▪ Lighting to provide safety and an obvious route around the Marina Loop</li> <li>▪ Provide seating</li> <li>▪ Providing a small temporary or permanent events space</li> </ul>	<ul style="list-style-type: none"> <li>▪ Secure cycle parking is essential and linked to key areas/supporting businesses/views</li> <li>▪ A bridge link to Church Street is a key linking point to the Marina therefore needs to be included in any initial phases</li> <li>▪ The large roundabout to the north of the Marina is heavily congested and not safe. The southern link from the Marina is important but a closer transport link to Church Street is necessary.</li> <li>▪ Potential to improve bus stop physical access connection from the museum</li> <li>▪ Option to improve certain areas of the loop rather than the full loop, particular to the South onto Seaton Carew, which will meet key desire lines.</li> <li>▪ A179 connection to Headland will need to be considered in conjunction with highways.</li> <li>▪ There is the potential to deliver secure bike parking providing the space is available.</li> </ul>

## Waterfront Circuit: Town Deal Business Case

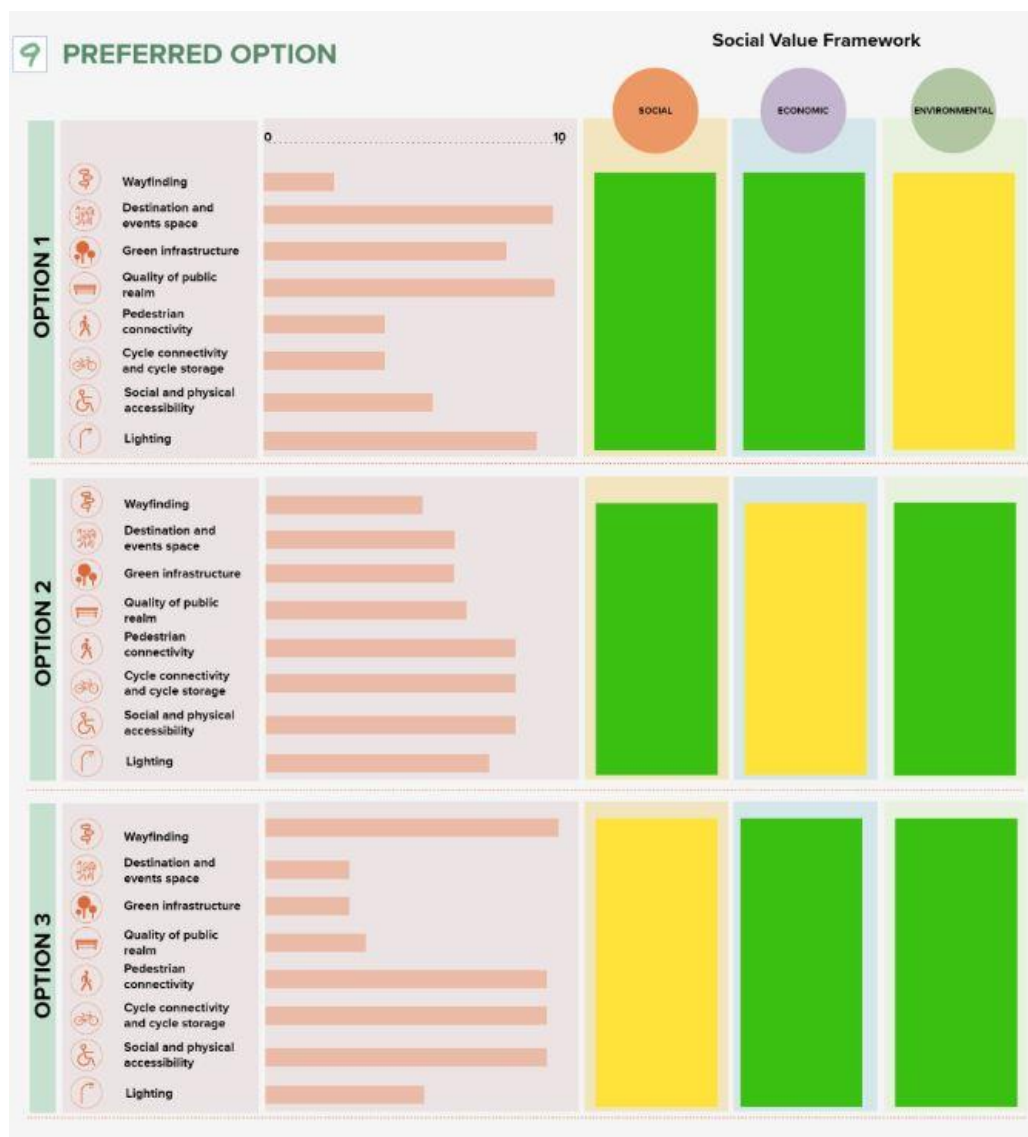
Option	Vision	Possible Initiatives	Feedback on Options
<b>Option 3: Focus on Southern Section of Waterfront</b>	Increasing enhancements to the existing public realm at the Marina and to wider connecting areas such as Seaton Carew Beach, the Headland, the Town Centre and the Train station. This option will attract a wider catchment of people in Hartlepool	<ul style="list-style-type: none"> <li>▪ Providing pedestrian routes and cycle lanes to seamlessly link leisure and tourist attractions</li> <li>▪ Consistent lighting to provide safety and an obvious route to the destinations</li> <li>▪ Increased wayfinding through signage</li> <li>▪ Provision of seating</li> </ul>	<ul style="list-style-type: none"> <li>▪ Opportunity to provide light-touch investment in enabling infrastructure to south of the dock and allow for future development as and when funds are available. Doesn't preclude future development or make upfront investment abortive.</li> <li>▪ Provides crucial link to Seaton Carew.</li> <li>▪ Tall Ships is the number one visitor priority that can be supported.</li> <li>▪ Potential to incorporate public art in the scheme, providing a continuation of the artworks at the bus station and on the route to Seaton Carew.</li> </ul>



The discussions in the stakeholder workshop highlighted a preference towards developing the Southern part of the Waterfront, as prioritised in Option 3. This option was considered to have the provide the following advantages relative to other options:

- Better integration with existing infrastructure and key desire lines, including links to Seaton Carew, the Railway Station and Town Centre retail core in a southerly direction.
- Avoids potential contention over land ownership and conflicts with long-term development aspirations with Trincomalee Wharf.
- Enables easier approach to phasing to support delivery of critical activities prior to arrival of Tall Ships Race in July 2023.
- Provides the optimal balance of concentrating investment in a defined location most in need of investment (unlike Option 2, which seeks to distribute investment more thinly across the entirety of the Waterfront area) without concentrating all investment in a single parcel of land which may not provide sufficient integration of wider assets (as per Option 1).
- Provides the optimal score in comparison to the Social Value Framework (as per Figure 2-9).

Figure 2-9: Preferred Option Ranking Against Social Value Framework Criteria





## 2.6.2 Project Description

The proposed intervention comprises public realm and connectivity enhancements around the Waterfront in order to realise the potential of this area, integrate new land uses and provide the opportunity for improved connections between the Waterfront, the Town Centre, Railway Station, Seaton Carew Beach and the Headland. The vision for the Waterfront Circuit is for a high quality, seamless public realm linking a number of key vibrant public spaces which activate the Waterfront. By providing a coordinated approach to public realm components including railings/ fencing, lighting, signage and street furniture, the various component parts of the Waterfront can be unified into a single, holistic destination. This will help the Waterfront become an exciting destination for residents and visitors.

The public realm and connectivity enhancements will comprise road junction improvements to provide better non-motorised user access, installation of wayfinding signage and cycle storage at the Waterfront, Town Centre and enroute to Seaton Carew, targeted improvements to public realm at the Waterside Edge, at Waterside Community Park, along parts of Maritime Avenue and the Seaton Carew Link, including new lighting columns, new pavement, widening pavements additional soft landscaping. The unifying theme is to improved access, connectivity and placemaking, to boost active mode travel, increase visitation more generally and futureproof the Waterfront for committed and future development including the new leisure centre, the expansion of NMRN and other adjacent land parcels that are primed for development.

More specifically, the project includes:

- Two junction upgrades along Maritime Avenue – Installation of raised features using contrasting materials (e.g. similar palette to Leisure Centre) and tactile paving surfaces. This will make it easier to navigate the junction, particularly for people with disabilities and serve as a focal point for wayfinding.
- Victoria Terrace Junctions – Improving the road surface to slow down traffic and prioritise pedestrians to increase navigation to the Waterfront.
- Waterside Edge – Improving the walkway by using a high quality material palette already used at the Leisure Centre.
- Maritime Avenue Edge – Remove and de-clutter fencing to improve access to the water.
- Waterside Community Park – Area with improved planting, landscape and seating to serve as an arrival point to the Waterfront.
- Seaton Carew Link – Resurfacing of existing footways/ verges and creation of paved areas to link to Coastal Path/NCN 14.
- High quality cycle storage hubs as a focal point for active mode interchange as well as a landmark for wayfinding for visitors to the waterfront. These high quality cycle hubs can be safe, secure and attractive.

This proposed layout for the scheme is provided at Appendix B.

## 2.6.3 Alignment with Objectives and Vision

The proposed project described in Section 2.6.2 aligns closely with the vision and objectives set out in Section 2.5, in particular, it will:

- Support realisation of the vision by creating a high-quality, 'seamless' public realm linking a number of key vibrant public spaces which activate the waterfront, increases accessibility (particularly by active modes) and provides the necessary enabling infrastructure to incentivise and accelerate development opportunities.
- Support realisation of Objectives 1 by increasing accessibility to the Waterfront and user experience on arrival, therefore driving visitation by local residents and visitors alike, ultimately driving footfall growth and establishing the Waterfront as a regionally significant visitor attracting.
- Support realisation of Objective 2 by providing essential infrastructure in the form of transport and public realm infrastructure that will lead to increased investor sentiment and a regenerative boost for the wider area.
- Support realisation of Objectives 3 and 5 by delivering high quality, consistent public realm that delivers placemaking and enhances the connection of local residents to an area of strong cultural heritage.

- Support realisation of Objective 4 by boosting opportunities for physical activity both directly (through provision of active mode infrastructure) and indirectly (by increasing access and attractiveness of the proposed leisure centre).

Beyond its contribution to the project's SMART objectives, the scheme will also make a significant contribution to the wider goals of the Waterfront Programme by strengthening the tourism offer in Hartlepool and supporting the creation of a nationally significant visitor attraction, helping to attract and retain business and investment, activate private sector interest in development opportunities, deliver a more connected Town Centre through increased linkage to the Railway Station, Church Street and traditional retail core and enhance the health and wellbeing of local residents through increased opportunities for active travel and consumption of cultural heritage.

### 2.6.4 Project Theory of Change

Hartlepool's TIP outlined a high-level logic model for interventions relating to creating a 'compact and connected waterfront town'. This logic model has been refined and remodelled to specifically relate to the Waterfront Circuit project, and is outlined in Table 2-2.

This logic model outlines the link between key issues and challenges facing Waterfront Circuit (i.e. Section 2.2 – Section 2.2.2), the specific objectives determined for this project (Section 2.5.3 **Error! Reference source not found.**), the resulting activities (Section 2.6.2) and long-term impacts and outcomes expected to occur as a result of the intervention.

Table 2-2: Logic Model Theory of Change

Strategic Objectives from TIP	Project Objectives	Inputs	Activities	Target Outputs	Short-Term Outcomes	Mid-Long Term Outcomes	Impacts
<ul style="list-style-type: none"><li>Ensuring delivery of key activities in advance of the Tall Ships Race in July 2023, necessitating a two-phase approach to project delivery;</li><li>Delivering a consistent public realm strategy;</li><li>Emphasising the Waterfront as a significant destination;</li><li>Improving wayfinding and connections from the Waterfront to the retail core of the Town Centre, Railway Station and Church Street.</li><li>Providing enhanced active travel options, including cycle storage.</li></ul>	<ul style="list-style-type: none"><li>Objective 1: Footfall at the Waterfront grows to establish Waterfront as a top 5 visitor attraction for visitors to the Tees Valley.</li><li>Objective 2: Expedite and/or unlock private sector investment and land value growth in Waterfront.</li><li>Objective 3: Create a strong sense of place through high-quality, successful and sustainable infrastructure provision</li><li>Objective 4: Promote physical activity, health and wellbeing</li><li>Objective 5: Cultivate improved perception of the town from external visitors and enhance the sense of pride for local communities</li></ul>	<ul style="list-style-type: none"><li>Towns Fund Capital Expenditure of up to £6.2 million.</li><li>HBC Officer support in project development.</li><li>Consultant and contractor support in project development, design and delivery.</li></ul>	<p>Public realm and transport infrastructure investment to include:</p> <ul style="list-style-type: none"><li>Junction upgrades to facilitate pedestrian access;</li><li>Consistent public realm treatment in terms of paving, street furniture, lighting, green infrastructure across key access points and waterside locations in the Waterfront.</li><li>New and improved active mode links to existing infrastructure.</li><li>Creation of high quality cycle storage hubs to act as a focal point for active mode interchange.</li></ul>	<p>Assets delivered will include:</p> <ul style="list-style-type: none"><li>530 sq m of junction improvements at two locations on Maritime Avenue;</li><li>265 sq m of junction improvements at Victoria Terrace;</li><li>1,350 sq m of walkway/public realm improvement at the Waterside Edge;</li><li>900 sq m of street furniture rationalisation and public realm improvement at Maritime Avenue;</li><li>5,324 sq m of green infrastructure and public realm improvements at the Waterside Community Park;</li><li>4,093 sq m of improved public realm including provision of new footway/cycleway at the Seaton Carew Link;</li><li>28 new lighting columns;</li><li>6 cycle hubs;</li><li>30 benches;</li><li>30 bins;</li><li>Bus stop improvements at one bus stop.</li></ul>	<ul style="list-style-type: none"><li><b>Value-driven rebound and growth:</b> Enhanced visual appearance of urban fabric at Heart of Hartlepool.</li><li><b>Compact and connected Waterfront market town:</b> Improved pedestrian connections.</li><li><b>Compact and connected Waterfront Market Town:</b> Consolidation and better functioning of Town's main cultural, leisure, community and commercial assets.</li><li><b>Value-driven rebound and growth:</b> Increased daytime population in central area and enhanced levels of economic and social activity.</li><li><b>Readiness for Tall Ships Race:</b> the Waterfront is prepared to welcome the Tall Ships Race in July 2023.</li><li><b>Increased active mode travel:</b> c. 10% increase</li><li><b>Increased footfall for the Waterfront.</b></li></ul>	<ul style="list-style-type: none"><li><b>Value-driven rebound and growth &amp; Skills for a productive and creative town:</b> Enhanced resident activity, civic pride and visitor/investor perceptions.</li><li><b>Value-driven rebound and growth:</b> Support recovery and growth of towns business community.</li><li><b>Value-driven rebound and growth:</b> Improved marketability of Waterfront brownfield sites as business and living locations.</li><li><b>Compact and connected Waterfront market town:</b> Better spatial function of town centre for visitors and residents.</li><li><b>Compact and connected Waterfront market town:</b> More inclusive and productive long-term use of land and buildings.</li></ul>	<ul style="list-style-type: none"><li>Improved user experience at the Waterfront, with enhanced ambience and journey quality linked to better public realm and greater opportunities for access (valued at £7m);</li><li>Improved physical activity with c. 10% increase in active mode travel forecast to and through the Waterfront (plus increased access to the proposed leisure centre);</li><li>Improved public health outcomes linked to increased physical activity, resulting in reduced absenteeism from work and reduced risk of premature death (valued at £5.5m);</li><li>Increased social value linked to increased access to proposed Leisure Centre.</li><li>Reduced congestion as sustainable travel options to the Waterfront induce some mode shift (valued at £0.5m);</li><li>Increased access and visitation to existing assets at the Waterfront including NMRN, Museum of Hartlepool, Navigation Point.</li><li>Acceleration of strategic development at the Waterfront (e.g. Leisure Centre, Trincomalee Wharf) and delivery of the wider Waterfront Programme.</li><li>Wider land value uplift for nearby residential and commercial property, associated with increased activity and attractiveness of the Waterfront as a place for investment and wider regeneration impacts (valued at £6 million).</li><li>Construction stage job creation estimated at 76 FTE job years.</li><li>Increased use of bus/public transport to the Waterfront owing to better bus facilities and links to the Rail Station.</li><li>Increased socio-cultural connection to the Waterfront as a heritage asset for the local population (valued at c. £0.25m), as well as wider community cohesion.</li><li>Increased sustainability of existing business operations due to increased visitation and footfall, safeguarding some 1,750 jobs linked to the visitor economy in the area.</li><li>Reduced carbon footprint and contributions to HBC's Climate Change Strategy, linked to increased active mode access and provision of green infrastructure.</li><li>Increased accessibility to cultural and sporting opportunities for HBC's diverse community, supporting social cohesion.</li><li>Increased visitor economy, marked by increased footfall visitors, increased overnight visitors, increased expenditure/dwell time, increased business turnover, increased employment and increased GVA;</li><li>Support for wider Town Centre economy, in conjunction with other Town Deal projects, by integrating the Waterfront with traditional retail core and supporting diversified uses.</li><li>Increased potential for meanwhile and temporary uses.</li><li>Enhanced socioeconomic outcomes for local residents and visitors to the Waterfront.</li></ul>

## 2.6.5 Expected Outputs and Outcomes

To summarise the Logic Model presented at Table 2-2, the key expected outputs arising from the intervention include:

- 530 sq m of junction improvements at two locations on Maritime Avenue;
- 265 sq m of junction improvements at Victoria Terrace;
- 1,350 sq m of walkway/public realm improvement at the Waterside Edge;
- 900 sq m of street furniture rationalisation and public realm improvement at Maritime Avenue;
- 5,324 sq m of green infrastructure and public realm improvements at the Waterside Community Park;
- 4,093 sq m of improved public realm including provision of new footway/cycleway at the Seaton Carew Link;
- 28 new lighting columns;
- 6 cycle hubs;
- 30 benches;
- 30 bins;
- Bus stop improvements at one bus stop.

In terms of short term outcomes, the intervention is forecast to unlock:

- Value-driven rebound and growth: Enhanced visual appearance of urban fabric at Heart of Hartlepool.
- Compact and connected Waterfront market town: Improved pedestrian connections.
- Compact and connected Waterfront Market Town: Consolidation and better functioning of Town's main cultural, leisure, community and commercial assets.
- Value-driven rebound and growth: Increased daytime population in central area and enhanced levels of economic and social activity.
- Readiness for Tall Ships Race: the Waterfront is prepared to welcome the Tall Ships Race in July 2023.
- Increased active mode travel.
- Increased footfall for the Waterfront.

In the medium-to-long term, the expected outcomes include:

- Value-driven rebound and growth & Skills for a productive and creative town: Enhanced resident activity, civic pride and visitor/investor perceptions.
- Value-driven rebound and growth: Support recovery and growth of towns business community.
- Value-driven rebound and growth: Improved marketability of Waterfront brownfield sites as business and living locations.
- Compact and connected Waterfront market town: Better spatial function of town centre for visitors and residents.
- Compact and connected Waterfront market town: More inclusive and productive long-term use of land and buildings.

These outcomes are forecast to generate the following impacts which will be considered in more detail in the Economic Case:

- Improved user experience at the Waterfront, with enhanced ambience and journey quality linked to better public realm and greater opportunities for access (valued at £7m);
- Improved physical activity with c. 10% increase in active mode travel forecast to and through the Waterfront (plus increased access to the proposed leisure centre);
- Improved public health outcomes linked to increased physical activity, resulting in reduced absenteeism from work and reduced risk of premature death (valued at £5.5m);
- Increased social value linked to increased access to proposed Leisure Centre.
- Reduced congestion as sustainable travel options to the Waterfront induce some mode shift (valued at £0.5m);
- Increased access and visitation to existing assets at the Waterfront including NMRN, Museum of Hartlepool, Navigation Point.
- Acceleration of strategic development at the Waterfront (e.g. Leisure Centre, Trincomalee Wharf) and delivery of the wider Waterfront Programme.
- Wider land value uplift for nearby residential and commercial property, associated with increased activity and attractiveness of the Waterfront as a place for investment and wider regeneration impacts (valued at £6 million).

- Construction stage job creation estimated at 76 FTE job years.
- Increased use of bus/public transport to the Waterfront owing to better bus facilities and links to the Rail Station.
- Increased socio-cultural connection to the Waterfront as a heritage asset for the local population (valued at c. £0.25m), as well as wider community cohesion.
- Increased sustainability of existing business operations due to increased visitation and footfall, safeguarding some 1,750 jobs linked to the visitor economy in the area.
- Reduced carbon footprint and contributions to HBC's Climate Change Strategy, linked to increased active mode access and provision of green infrastructure.
- Increased accessibility to cultural and sporting opportunities for HBC's diverse community, supporting social cohesion.
- Increased visitor economy, marked by increased footfall visitors, increased overnight visitors, increased expenditure/dwell time, increased business turnover, increased employment and increased GVA;
- Support for wider Town Centre economy, in conjunction with other Town Deal projects, by integrating the Waterfront with traditional retail core and supporting diversified uses.
- Increased potential for meanwhile and temporary uses.
- Enhanced socioeconomic outcomes for local residents and visitors to the Waterfront.

Further to the project-specific outcomes outlined above, the intervention will also contribute to achievement of the wider Waterfront Programme's agreed Strategic Outcomes, i.e.:

- The visitor economy at the Marina grows in next 5 years and the Marina is a top 5 visitor attraction for visitors to the Tees Valley
- Private Sector investment in the Marina is increased (%) and brownfield or underutilised land is in development by 2030
- All development meets the Waterfront Design and Placemaking Quality framework; ensuring the Waterfront has a strong sense of place; it is high quality, successful and sustainable.
- The Waterfront is an Inclusive Visitor Attraction that works well for all residents and visitors
- The Waterfront drives a perception change for Hartlepool and is a source of pride
- The Waterfront is a place that promotes Wellbeing

### 2.6.6 Project Risks, Constraints and Interdependencies

At a strategic level, the key potential risks associated with the project include:

- Land ownership: The Council will directly deliver the project as it is a major landholder within the area which enables control over project delivery. Two other major landowners, Jomast Developments and the NMRN, will need to reach an agreement where any proposals interact with their land. Both landowners are supportive of the project as well as being partners in the Town Deal, therefore risk is considered minimal (as per Section 5.2.2). If an agreement cannot be reached, there are options for re-routing sections of the project.
- Land remediation: there is potential for contamination given the previous use of the land as a Port. The likelihood of this occurring is considered to be low as the works only involve public realm improvements, nevertheless, site surveys are ongoing to establish the scale of any contamination issues.
- Concentration of investment: the project seeks to support and enable the wider Waterfront Programme. If the project is too focussed on a specific area to concentrate impact too narrowly or distributed too widely to dilute impact, the project could fail to catalyse full regeneration of the Waterfront.
- Wider development opportunities materialising: although the project exists as an independent scheme that can confer significant benefits to Hartlepool in its own right, a key driver for the scheme is its ability to facilitate the wider Waterfront Programme. There is a risk that aspirational development as part of the Programme does not materialise for reasons unrelated to the Waterfront Circuit project (e.g. lack of funding, change in political priorities), meaning the complementary and catalytic impact of the scheme is not fully realised.

A more detailed project risk register, which seeks to ensure that risks are identified, mitigated and appropriately owned is provided at Appendix C and considered in more detail at Section 6.5.

Key constraints are articulated in the Case for Change (Section 2.2). One of the primary constraints include the need to expedite as much investment as possible to ensure that the Waterfront is as welcoming and attractive as possible by the arrival of the Tall Ships Race in 2023. The project is further constrained by the

scale of physical barriers (e.g. railway lines), which mean that connectivity improvements are necessarily less direct than would be possible in the absence of such constraints.

The project has interdependencies with the wider Waterfront Programme that seeks to transform the entire Marina area into a major visitor destination. Some of the key strategic development proposals include works at The Highlight, the NMRN and at Trincomalee Wharf. The Highlight is proposed to accommodate a new leisure centre, which will represent a step-change in provision of leisure and water-based activities for the Town. It will also comprise café, spill-out area and events space, as well as parking and access requirements. HBC invested £1.5 million in 2013 to secure the future of this strategic waterfront development site. Investment in a new leisure centre and events space on the site was approved by HBC in early 2020 – including co-investment of TVCA funding under the Council's £43m Capital Programme. Development aspiration for the NMRN include an extended facility, which could comprise a new atrium and galleries, exhibition hall, STEM apprenticeship centre, leisure uses (e.g. food and drink outlets) and associated car parking. Trincomalee Wharf has been subject to planning applications in recent years proposing major mixed use development including residential and commercial uses. The Waterfront Circuit project could facilitate progress with these developments by providing enabling infrastructure that incentivises investment.

Further, the project also leverages the following recent and proposed investments within the Waterfront and Wider Town Centre:

- **Wider Town Deal Programme initiatives:** the project will complement other projects proposed for Hartlepool Town Centre, including the Wesley Chapel Hotel Redevelopment and Reimagining Middleton Grange Shopping Centre. The cumulative impact of the three projects could be a substantial increase in tourism infrastructure and transformation of the connectivity and image of the Town Centre.
- **Church Street and Church Square public realm:** £3.9m investment completed in 2019, the public realm investment on Church Street was designed to create a more open, pedestrian-friendly street with a new layout that will make it easier for parts of the street to be closed to host events such as markets. Co-funded by HBC, TVCA and Heritage Lottery Fund.
- **Stockton Street connectivity enhancements:** £1.2m investment in improvements to pedestrian priority and safety in crossing key town centre junction between Binns Building and Church Square – first step in breaking down the north-south barrier of the A689 dual-carriageway dividing the central area in two.
- **Hartlepool Station:** £1.5m in feasibility and development work to support the ambition to re-open a second platform at Hartlepool railway station, providing additional capacity, increasing frequency of existing services to major cities including London. This project has now been approved.
- **Shades Hotel redevelopment:** Hartlepool Borough Council has acquired the Grade II listed Shades Hotel heritage building with the ambition to redevelop the building for modern commercial use.
- **Travelodge Hotel:** £3m hotel developed by private developers in 2012, and subsequently extended in 2016 – providing additional budget visitor accommodation at the Waterfront.

### 2.6.7 Likely Outcome Without Intervention

In the absence of intervention, the existing challenges surrounding the dysfunctional and disconnected Waterfront and Town Centre and subsequent image, reputational, accessibility and development issues affecting Hartlepool (see Section 2.2 and Section 2.2.2) will persist. Hartlepool will not be able to fully leverage its existing and future tourism and leisure assets intended to safeguard and promote the visitor economy in the area. Connectivity and accessibility between the Waterfront and wider environs will continue to be sub-standard, resulting in a piecemeal pattern of economic assets throughout the town centre. This could undermine efforts to enhance and expand the defined Town Centre and boost economic activity within the Heart of Hartlepool.

Further, failure to intervene could also undermine Hartlepool's attempts to leverage major employment and development opportunities coming forward in around the Marina and Waterfront. For example, failure to deliver upfront investment in enabling infrastructure could delay the wider Waterfront Programme and development aspirations, meaning the anticipated increased footfall and expenditure associated with visitors to new attractions at leisure destinations may not be realised. In effect, failure to intervene would represent a significant missed opportunity for Hartlepool that fundamentally undermines the Town's ability to achieve its stated vision, to build on its maritime heritage to drive a new dynamic future through harnessing the spectacular Waterfront (as per Section 2.5.1).



## **2.7 Stakeholder Engagement and Communications**

### **2.7.1 Stakeholder Mapping**

Key stakeholder on the project include:

- Hartlepool Borough Council: scheme promoter seeking to deliver public realm and connectivity improvements on mainly public land around the Waterfront.
- Local residents and visitors to Hartlepool that provide the current and future catchment population for the Waterfront area.
- Jomast Developments: major developer and landowner, whose land holdings interact with part of the proposed intervention
- NMRN: major existing cultural asset adjacent to the proposed development site. As per Jomast Developments, their land holdings interact with part of the proposed intervention
- Existing tenants at wider developments around the Waterfront.
- Network Rail: In light of the sites proximity to Hartlepool Rail Station.
- Enjoy Tees Valley: dedicated destination and marketing website, tourism service and brand which aims to boost the visitor economy and help tourists and residents experience.
- Historic England: public body that ensures the heritage environment is protected.

### **2.7.2 Summary of Engagement to Date**

The development of the TIP and subsequent project development for redeveloping the Waterfront Circuit was informed by extensive stakeholder and community engagement. This has included review and analysis of engagement which HBC has undertaken since 2019, as well as specific activities to identify, evidence and develop priority projects. To this end, key stakeholder and community engagement activities undertaken to date include:

- Town Deal Board (TDB) Meetings incorporating representation from the full spectrum of public, private and voluntary sectors within Hartlepool. The TDB members continue to use their own networks to:
  - disseminate information about Town Deal projects;
  - articulate the ongoing Town Deal process;
  - publicise relevant engagement activities; and
  - obtain informal and anecdotal feedback on each project and its development.
- #My Town online engagement portal – 90 suggestions were received
- One-to-one sessions with stakeholders (business interests, local colleges, key landowners)
- Online Local Residents Survey (publicised through an extensive network of communication channels) – a total of 463 responses were received
- Online Local Business Survey – a total of 71 responses were received
- Members Seminar
- Young People's Group
- Online discussion with the Economic Regeneration and Tourism Forum
- 'Sector Connector' call (online discussion with the Voluntary and Community Sector via Hartlepower)
- Public exhibition presenting Town Centre Masterplan and Town Investment Plan Interventions

Further, wider engagement processes undertaken outside, but linked to, the Town Deal Programme have also provided insight into community and stakeholder views on the Waterfront Circuit. These include:

- Surveys undertaken to inform the Council Plan 2020-2023 (over 250 responses received in 2019).
- Engagement undertaken to inform HBC's Covid-19 Recovery Plan – this comprised a range of engagement activities including members seminar, online employee survey and virtual workshops held with primary and secondary school headteachers, public sector partner organisations, VCS organisations and representatives of business and faith communities.
- Findings from the Tees Valley Covid-19 Business Survey undertaken in 2020.

Workshops were also held with local stakeholders to engage and receive input on the brief and vision for the waterfront and options analysis (as detailed in Section 2.6.1). Representatives from the local council, Federation of Small Businesses, NMRN, industry professionals as well as councillors were present during these workshops.

### 2.7.3 Summary of Stakeholder Viewpoints

As a result of these engagement activities, a number of key themes and issues were highlighted that had particular relevance to Waterfront Circuit, as outlined in Table 2-3.

**Table 2-3: Summary of Key Stakeholder Viewpoints**

Broad Stakeholder Viewpoint	Engagement Activities Where Viewpoint was Expressed
Problems with crime and anti-social behaviour within and around the town centre	<ul style="list-style-type: none"> <li>18% of #My Town respondents</li> <li>Council Plan 2020-23</li> <li>Consultation on TIP priorities</li> </ul>
Need for more training and employment opportunities focusing on various industries / sectors and segments of the population (for example young people)	<ul style="list-style-type: none"> <li>13% of #My Town respondents,</li> <li>Young People's Group</li> <li>Council Plan 2020-23</li> </ul>
Poor quality of the town centre environment, for example empty properties	<ul style="list-style-type: none"> <li>12% of #My Town respondents,</li> <li>Young People's Group</li> <li>Council Plan 2020-23</li> </ul>
Importance of economic regeneration. Opportunities include the value of small, very cheap 'starter units' for new businesses	<ul style="list-style-type: none"> <li>'Sector Connector' discussions with the VCS</li> </ul>
Developing recreational and leisure activities and facilities	<ul style="list-style-type: none"> <li>Around 85% of responses to Hartlepool Council Leisure Services Survey.</li> </ul>
Need to encourage people to use the town centre in order to support local businesses	<ul style="list-style-type: none"> <li>HBC's COVID 19 Recovery Strategy</li> </ul>
The need to improve the Town Centre in terms of environment, refurbishing empty buildings, public realm	<ul style="list-style-type: none"> <li>39% of Online Local Residents Survey respondents (most popular issue identified)</li> </ul>
Improved range and availability of shops and other 'thing's to do' for young people	<ul style="list-style-type: none"> <li>Young People's Group</li> </ul>
Increased emphasis on walking and cycling links between the Town Centre and the Marina	<ul style="list-style-type: none"> <li>Online Local Residents Survey respondents</li> <li>'Sector Connector' discussions with the VCS</li> </ul>
Improvements to the Waterfront and Marina areas in terms of connectivity, events and festivals	<ul style="list-style-type: none"> <li>Online Local Residents Survey respondents</li> </ul>
Increased emphasis on 'greening' the Town Centre	<ul style="list-style-type: none"> <li>'Sector Connector' discussions with the VCS</li> </ul>
Increasing business and jobs and encouraging young people to come back to Hartlepool	<ul style="list-style-type: none"> <li>Council Plan 2020-23</li> </ul>
Resolving the empty and poor shop offer in the town centre	<ul style="list-style-type: none"> <li>Council Plan 2020-23</li> <li>Consultation on TIP priorities</li> </ul>
Growing a diverse economy by supporting businesses, increasing jobs, attracting inward investment	<ul style="list-style-type: none"> <li>Council Plan 2020-23</li> <li>Consultation on TIP priorities</li> </ul>

The most important messages received from stakeholder engagement and consultation feedback related to a number of themes. Firstly, a substantial number of respondents to the online resident's survey identified connectivity as a priority to improve the town, referring to the lack of cycling infrastructure and the importance of active travel for health and wellbeing. Specific links identified that could be created or improved include between the town centre and the Waterfront. Further, 92% of residents said safe cycle routes and lanes would increase their level of cycling in town. Secondly, health and wellbeing were also key topics when engaging with the stakeholders. The Waterfront Circuit project can contribute to promoting health and wellbeing via multiple mechanisms, including increased active mode travel, increased access to the proposed leisure centre and increased consumption of cultural heritage. .

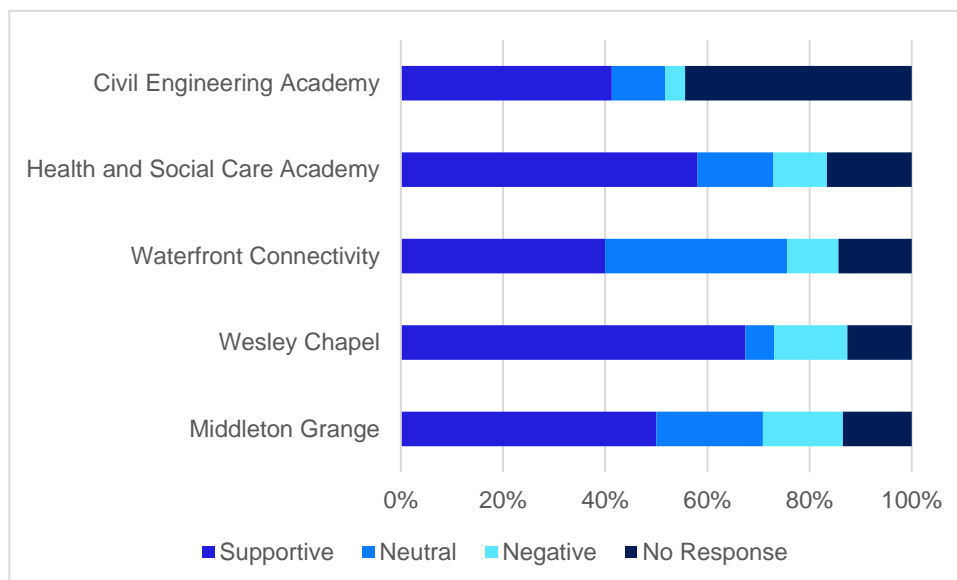
Thirdly, community engagement has shown that people value Hartlepool's coastal location, the town's naval heritage and the potential associated with developing an attractive waterfront and marina area. Evidence from the online survey has demonstrated that many local residents visit the waterfront relatively rarely (monthly or less frequently); yet responses also highlighted a desire for improved connectivity between the town and the waterfront, whether by walking and cycling links or by public transport. Developing recreational



and leisure activities and facilities that attract people to Hartlepool and encourage people to stay in the town, building on Hartlepool's heritage, remains an important consideration for local people and businesses alike.

Within the context of the above responses, it is unsurprising that the Waterfront Circuit project received a substantial supportive response when compared to negative responses during TIP consultation. Despite, the high level of 'neutral' responses, the project registered amongst the fewest number of negative responses of any Town Deal project, as per Figure 2-10.

**Figure 2-10: Summary of Approval Responses**



The stakeholder workshops provided a similar, strong message in terms of support for the project. In particular, key messages derived from the workshops included emphasis on how the connectivity and public realm improvements would prove to be essential to amplify and support the wider Waterfront Programme by creating a more inviting destination for tourists and the local community, as well as public and private investment. Further comments from local stakeholders regarding the visioning and optioneering are included in Table 2-4.

**Table 2-4: Summary of Stakeholder Workshop Viewpoints**

Topic	Stakeholder Comments
Phasing	Phasing the interventions is key; there is a need to deliver early interventions to improve the Waterfront area ahead of Tall Ships in July 2023.
Future Development	From a Sport England funding perspective, the water sports element and wider active travel links are critical to their support. The water sports provide a really good opportunity to open this up to the public and start engaging with them Use consistent hard and soft material palette proposed at the Leisure Centre for overall site consistency
Movement	Sign posting from the main foot-ways / rail station should be included in Phase 1 quick wins. This needs to tie in with the way-finding 'brand' at the Highlight. Connecting public footpaths represents a further 'quick-win'. The area to the south of the docks is a key interface for movement between town centre & Waterfront. The ownership and proposed use issues need to be addressed early. Improvements in wayfinding and lighting Wayfinding will give an understanding of the distance to areas located around the Waterfront and connecting destinations such as the train station, the town centre and Seaton Carew. Aiming to increase legibility to the area. Providing cycle storage around destinations and other attractive areas, like the Waterfront and Seaton Carew, will help promote attracting visitors to these places Complete the pedestrian/cycle connection to Seaton Carew Beach to the south
Design	Criticality of maintaining a standard design around area – use the recently developed public realm at The Highlight as a benchmark.

Topic	Stakeholder Comments
	Integration of informal play and 'plazas' in to any connecting public realm. Need for information/tourist hub. Need to create a destination feel – Destinations and attractive places are important to pull users whilst providing a desirable place to stay.

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## 3. Economic Case

### 3.1 Introduction

The Economic Case seeks to identify the proposal that is most likely to deliver the best Value for Money (VfM) to society including wider social and environmental effects. Within this framework, the Economic Case sets out to:

- Provide a comparative analysis of the quantifiable and monetisable costs and benefits of shortlisted options or scenarios.
- Synthesise economic costs and benefits into a holistic value for money statement for the project.
- Outline some of the non-quantifiable and wider economic impacts of intervention.
- Based on consideration of value for money and wider issues, recommend a preferred option for intervention.

### 3.2 Approach to Economic Appraisal

The following key assumptions underpin the economic appraisal supporting this economic case:

- Based on the options appraisal presented in Section 2.6.1, a single feasible intervention option was considered appropriate for assessment. This is referred to as the Do Something scenario with the economic appraisal set out below.
- The economic appraisal was predicated on a comparison of the Do Minimum versus the Do Something scenarios, where:
  - The Do Minimum scenario represents the business as usual situation and likely outcomes in the event of no Towns Fund investment (i.e. no public realm and connectivity infrastructure enhancements around the Waterfront, resulting in failure to capitalise on the full socioeconomic potential of the area as per Section 2.6.7)
  - The Do Something scenario forecasts the anticipated outcomes and impacts associated with timely approval of Towns Fund investment (i.e. delivery of public realm and connectivity infrastructure enhancements to transform the Waterfront, catalyse wider development opportunities and unlock a range of socioeconomic benefits, as per Section 2.6.2)
- For robustness, the Do Minimum scenario assumes constant socio-economic performance of the Waterfront and its immediate environment even in the absence of intervention. As such, the economic analysis focusses on understanding the net additional impact of the Do Something scenario without recourse to netting out additional positive or negative socioeconomic impacts that might materialise in the Do Minimum scenario. This is considered a conservative approach, as in reality, in the absence of intervention some of the key socioeconomic characteristics of the Waterfront could worsen (e.g. footfall, amenity/user experience, severance, socio-cultural connection to a heritage asset and land value). However, these are assumed to remain unchanged for the purpose of economic appraisal.
- An appraisal period of thirty years was adopted for most impacts. This framework is aligned with the anticipated persistence or duration of economic impacts suggested by guidance. On this basis the appraisal period commences from 2025 (i.e. the first full year following full scheme delivery) through to 2054. Where impacts that do not have an appraisal period of thirty years, this is outlined in Section 3.3
- All monetised figures used in the appraisal are presented in 2021 prices and values using real price adjustment factors in line with the Office for Budget Responsibility's inflation forecast and the prevailing HM Treasury Green Book discount rates (i.e. 1.5% per annum for thirty years for health and wellbeing-related impacts; 3.5% per annum for thirty years for non-health related impacts).
- A bespoke model has been utilised to forecast economic impacts, this model synthesizes various potential impacts before aggregating costs and benefits into a single consistent price and value base (i.e. 2021 prices and values) to inform two key value for money metrics: benefit-cost ratio (BCR) and net present social value (NPSV).
- The model is underpinned by the latest relevant departmental and Towns Fund-specific guidance. The data and guidance applied in this economic assessment includes:
  - HM Treasury Green Book and supplementary 'Wellbeing Guidance for Appraisal';
  - DCMS Cultural and Heritage Capital Evidence Bank
  - DLGG Appraisal Guide;
  - DfT Active Mode Appraisal Toolkit (AMAT);

- TfL's Ambience Benefits Calculator;
- MHCLG Land Values for Policy Appraisal;
- HCA Additionality Guidance and Employment Densities Guide;
- Towns Fund Stage 2 – Business Case Template; Economic Case: Best Practice Guidance.

Other data sources are highlighted throughout the Economic Case, where appropriate.

### 3.3 Economic Benefits

#### 3.3.1 Footfall and Active Mode Travel

The project seeks to transform connectivity to and within the Waterfront whilst simultaneously enhancing the urban environment in the area. Such change is expected to increase visitation to the Waterfront and change the way in which people travel to the area.

##### 3.3.1.1 Baseline Active Travel Demand

The baseline demand for pedestrians has been derived from the Hartlepool Marina Visitor Insight Report (2020). The report includes detailed pedestrian footfall counts at numerous locations around the Waterfront across the period 2018 to 2020. For the purpose of economic appraisal, 2019 data has been used to determine the baseline demand, being the most recent 'non-COVID' year for which data exists. Recognising an aggregate pedestrian footfall of 6.8 million for 2019, the detailed locational survey data estimates annual footfall at specific Waterfront sites as per Table 3-1. These location-specific pedestrian footfall estimates are cross-referenced against the location of specific interventions as part of the project, to determine pedestrian demand for various infrastructure assets proposed as part of the scheme.

**Table 3-1: Baseline Pedestrian Demand at Waterfront<sup>7</sup>**

Location	Annual Footfall
Navigation Point	976,100
NMRN	1,292,949
Victoria Terrace	756,491
Rail Station Approach	919,512
Trincomalee Wharf	72,138
Maritime Avenue	15,406
Waterside Community Park	124,393
The Highlight	1,847,065
Seaton Carew Link	1,119,918

The baseline demand for cyclists was derived using the Propensity to Cycle Tool (PCT). The tool presents Census 2011 data by different routes around the scheme's context area, capturing cycling trips for commuting purposes. Following guidance provided by DfT and the Levelling Up Fund, these estimates of commuter trips are multiplied by 2 to reflect outbound and homeward trips, and then multiplied by 3 to convert the commuting trips to all-purpose cycling trips. Within this context, the baseline cycling demand at Maritime Avenue, which acts as the core area for most of the interventions included within the project, is estimated at c. 215 daily trips.

<sup>7</sup> Note that the footfall estimate at the individual locations does not tally up to 6.8 million total unique visitors to the Waterfront because some visitors travel to multiple points/assets at the Waterfront.

### 3.3.1.2 Future Active Travel Demand

Provision of significant public realm improvements in conjunction with the attractive active mode infrastructure is likely to result in an increase in the number of pedestrians and cyclists within the study area. Aggregating a range of case study evidence suggests that quality public realm improvements including streetscape, signage and active mode improvements can unlock footfall growth between 10% and 45% (Table 3-2). In line with the bottom end of this range, the baseline demand for both cyclists and pedestrians at the Waterfront has been uplifted by 10% to forecast future demand. This assumptions is deemed to be robust and conservative, particularly given the scale and quality of the improvements being proposed, as well as the wider Waterfront Programme initiatives that are expected to act as significant footfall drivers for the Waterfront.

**Table 3-2: Case Study Evidence – Footfall Impacts of Public Realm Improvements**

Scheme	Intervention Type	Impact
Altrincham	Public realm improvements	Footfall Increased by 22% and reduced retail vacancy of 22%
Kensington High Street	Redesign of the street environment, including new crossings, changed road alignments, cycle parking, footway widening and repaving, and new street trees	7% increase in pedestrians and 30% increase in cyclists and accident reduction
Coventry	New Civic Square, rationalisation of street furniture	25% increase on footfall on Saturdays
Kelso	Public realm improvements and street furniture rationalisation	28% increase in footfall
Sheffield Peace Gardens	New open space and public realm	35% increase in shopping visits and net increase in spending of £4.2m

Reflecting this forecast level of growth in demand, Table 3-3 outlines the annual active mode demand forecast, itemised by location where appropriate.

**Table 3-3: Estimate of Future Footfall and Active Mode Demand (Annual)**

Location	Pedestrian		Cyclists	
	Baseline	Future	Baseline	Future
Navigation Point	976,100	1,073,710	n/a	n/a
NMRN	1,292,949	1,422,244	n/a	n/a
Victoria Terrace	756,491	832,140	n/a	n/a
Rail Station Approach	919,512	1,011,463	n/a	n/a
Trincomalee Wharf	72,138	79,352	n/a	n/a
Maritime Avenue	15,406	16,946	n/a	n/a
Waterside Community Park	124,393	136,832	n/a	n/a
The Highlight	1,847,065	2,031,771	n/a	n/a
Seaton Carew Link	1,119,918	1,231,910	n/a	n/a
Aggregate Unique Demand at Waterfront	6,800,000	7,480,000	78,475	86,323

These values are converted to daily figures using a conversion factor 365, given that the baseline footfall data is based on a full year (rather than just weekday data, for example). Within this context, daily pedestrian demand at the Waterfront is estimated at c. 18,600 in the baseline, increasing to 20,500 in the future. Daily cycling demand is estimated at 215 trips per day in the baseline, increasing to c. 240 trips per day in the future.

### 3.3.2 Active Mode Impacts

An increase in active mode travel to and through the Waterfront in the Do Something scenario is expected to have a range of decongestion, public health and journey quality impacts relative to the Do Minimum scenario. The DfT's AMAT tool forecasts the timing and scale of these benefits based on changes in demand and type and extent of infrastructure. Recognising that there is significant overlap between the AMAT's journey quality impacts and the user experience/ambience impacts captured in Section 3.3.3, only the decongestion and public health benefits of increased scope for active travel are captured within the economic appraisal. Within this context, the AMAT for the Waterfront Circuit project is predicated on the following assumptions:

- Baseline pedestrian demand of 18,600 trips, increasing to 20,500 trips post-intervention (as per Section 3.3.1.2);
- Baseline cyclist demand of 215 trips, increasing to 240 trips post-intervention (as per Section 3.3.1.2);
- Appraisal period of 20 years;
- No change in infrastructure (as journey quality benefits are captured separately, as documented in Section 3.3.3);
- All other assumptions retained as per the default assumptions recommended by DfT.

Based on this approach, the AMAT forecasts economic benefits amounting to £11.7 million in gross terms (2021 prices and values) as a result of the scheme, with the majority of benefits associated with improved public health outcomes.

**Table 3-4: AMAT Impacts (£'000s, 2021 Prices and Values)**

Impact	Category	Value
Congestion benefit	Decongestion	407.80
Accident	Decongestion	69.26
Local air quality	Decongestion	9.34
Noise	Decongestion	4.62
Greenhouse gases	Decongestion	30.19
Reduced risk of premature death	Health	9,125.79
Absenteeism	Health	2,112.46
Indirect taxation	Decongestion	-35.92
Total		11,723.54

### 3.3.3 User Experience/Ambience Impacts

Connectivity and public realm improvements have the potential to confer benefits on new and existing users of infrastructure. Transport for London's (TfL) 'Ambience Benefit Calculator' and supporting Business Case Manual indicates that infrastructure users value high quality public realm and active mode infrastructure, as indicated by Willingness to Pay analysis which ascribes monetary values to improvements in various factors affecting public realm and connectivity, including pedestrian and cycling crossing facilities, street signage, pavement quality, security and visual attractiveness. The proposed scheme aims to deliver a step-change in provision of all these forms of public realm and connectivity in proximity to the Waterfront, and will therefore contribute to a better, more valuable user experience.

To this end, the increased value of the pedestrian and cyclist user experience at the Waterfront in response to the scheme was estimated using the TfL's 'Ambience Benefit Calculator'. Although this toolkit was developed to specifically value public realm and connectivity infrastructure in London, the Ambience Benefit Calculator has received increasing interest and utilisation outside of the capital in recent years and has informed a range of economic appraisal's across towns and cities in the North in recent years. As the ambience values have been estimated by TfL based on willingness to pay surveys in London, it is appropriate to adjust the values downward for Hartlepool to recognise the varying economic realities and the abilities of people to be 'willing to pay' for services in both locations. To estimate the correction factor, the London values of time for different purposes and modes available in TfL's Business Case Manual (BCM) 2014 were compared against the national equivalent data from the TAG Data Book. On average it has been estimated that the London values in the BCM are 34% higher than the national values set out by the DfT. Therefore, adopting a conservative

approach, the benefits generated by the Ambience toolkit have been reduced by 34% to reflect willingness to pay in Hartlepool relative to willingness to pay in London.

Within the framework of the Ambience Benefit Calculator, the location specific pedestrian and cycling demand outlined in Table 3-3 was adopted as a key input. Changes in public realm and connectivity infrastructure were assumed based on the project description outlined in Section 2.6.2. Based on this approach, the gross impact of improved ambience and user experience for visitors to the Waterfront, as a result of enhanced public realm and connectivity is estimated at c. £6.6 million (2021 prices and values). Note that these benefits were converted to market prices as per DfT TAG guidance using a 1.19 market price adjustment factor.

### 3.3.4 Land Value Uplift

#### 3.3.4.1 Indirect and Wider Impacts: Commercial Property

Although the Waterfront attracts large footfall, it is recognised as being separated from the wider Hartlepool Town Centre and hard to access for local residents and visitors alike (Section 2.2). As a result, the full cultural, leisure, community and commercial opportunity provided by this unique and historic maritime asset is not fully leveraged.

By improving connectivity and public realm at the Waterfront, footfall and visitation is expected to increase (as per Section 3.3.1). Provision of a better utilised, more attractive destination that fully leverages Hartlepool's connection to the past and vision for the future, not least via the scheme's ability to catalyse wider development including the Waterfront Programme, could have a positive impact on the performance of existing and future commercial assets at the Waterfront. Through attracting tourists and local residents to visit, enhancing levels of economic and social activity and increasing the appeal of the Waterfront, the area could grow as a location for business and wider investment. The improved performance of commercial assets in close proximity to the Waterfront could be reflected in increased rental values and yields for commercial property, resulting in an increase in asset value. Increased asset value is considered an appropriate proxy for indirect land value uplift for commercial property.

The current asset value of the commercial units in the surrounding area of the Waterfront is estimated by combining the rental value of existing commercial units with prevailing commercial yields in the area. The Valuation Office Agency (VOA) rateable value data, acting as a proxy for rental value, demonstrates that the aggregate rental income for all commercial properties within the LSOA area<sup>8</sup> of the Waterfront was estimated at £10,835,000 (2020 prices). Given that both the Wesley Chapel and Waterfront are in the same LSOA and to avoid any double counting of impacts across complementary Towns Deal project's, a discrete commercial land value benefit has been captured based on 33% of all commercial properties within the LSOA area<sup>9</sup>. Based on this approach, the revised aggregate rental income for all commercial properties within the sphere of influence of the Waterfront corresponds to £3,575,550 (2020 prices). Commercial yields for commercial units in and around the Town Centre are estimated at 9.1%<sup>10</sup>, this yield has been adopted as a suitable benchmark for commercial properties within the Waterfront area. Combining these rent and yield estimates generates an asset value of c.£39.3m (2020 prices) for commercial properties in the Waterfront area under current conditions.

Professional experience of regeneration projects demonstrates that extensive regeneration activity can strengthen rental rates by up to 10% and reduce yields by 10% reflecting the increased attractiveness for operation and investment of locations benefitting from redevelopment. Applying these benchmarks to those existing businesses in proximity to the Waterfront would see rental rates increase by c.£400,000 to £3.9 million per annum. A reduction in yields to 8.2% will generate a future asset value of c.£48m (2020 prices) under this revised rental regime. Converting this estimation into 2021 prices and values produces an uplift of c. £7.6m of gross impact which will be realised in 2025. Since no change in land values are assumed in the Do Minimum Scenario, this impact is considered gross additional.

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<sup>8</sup> Defined as LSOA E01011974

<sup>9</sup> This approach is considered robust and ensures that only commercial properties in the immediate vicinity of the Waterfront area are captured. Given that the Waterfront currently has a variety of commercial amenities, collecting rateable value data for all commercial properties is most appropriate (inclusive of industry, retail, office and other commercial units)

<sup>10</sup> Avison Young Hartlepool Market Report



### 3.3.4.2 Indirect and Wider Impacts: Residential Property

Similar to the wider impact on commercial properties, the enhancement of the Waterfront could have a positive impact on property values for nearby residential units as people are attracted to a high quality leisure and cultural destination, marked by excellent connectivity and public realm. The improved marketability of the Waterfront as a residential location can therefore be captured as an indirect land value uplift benefit resulting from the intervention. Industry analysis<sup>11</sup> shows that properties within 1km of a regeneration site could on average attract an 3.6% property value uplift due to the increased attractiveness and amenity provided by regeneration activities. The latest VOA data (March 2021) illustrates that there was a total of 1,200 properties in proximity to the Waterfront<sup>12</sup>. Consistent with the approach adopted in Section 3.3.4.1 and to avoid any double counting of impacts across complementary Towns Deal project's, a discrete residential land value benefit has been captured based on 33% of all residential properties within the LSOA area. Applying this conservative assumption reduces the total number of impacted properties to c. 400 homes.

The latest corresponding house price data<sup>13</sup> demonstrates that the average residential property value in proximity to the Waterfront is £96,500 (2021 prices). Across the c. 400 proximate properties within the sphere of influence of the Waterfront, the reference case aggregate value of residential assets is estimated at c.£38.2million (2021 prices). Applying the 3.6% property value uplift to this aggregate asset value will deliver £1.4 million (2021 prices) in asset value growth or indirect land value uplift. Converting this estimation into 2021 prices and values produces an uplift of £1.2m of gross impact, based on a realisation year of 2025. Since no change in land values are assumed in the Do Minimum Scenario, this impact is considered gross additional.

### 3.3.5 Social Wellbeing of Cultural/Heritage Amenities

Currently the Hartlepool Waterfront acts as an integral part of the town's maritime history, providing a direct connection between the Town's residents and its socio-cultural heritage. This connection is reinforced by visitor attractions such as the Museum of Hartlepool and the NMRN. However, not all local residents feel physically connected to the Waterfront due to accessibility challenges (Section 2.2) The proposed intervention seeks to ameliorate this challenge through the delivery of high quality public realm and enhanced pedestrian and cycling connectivity both around the Waterfront and to the Town Centre

This will enable local residents in particular to harness the social wellbeing benefit provided by better interaction with a focal point of the town's rich maritime history. Benchmark statistics associated with the social wellbeing value of restoring heritage amenities was estimated at £8.84 per household (2020 prices)<sup>14</sup>, occurring as a strictly one-time benefit. Applying this benchmark to the total number of properties across Hartlepool (44,360 residential units), generates an aggregate social wellbeing benefit of c. £394,000 (2021 prices). Converting this estimation into 2021 prices and values via appropriate discounting produces an uplift of c. £343,000 of gross impact, based on a realisation year of 2025. Since no change in the Waterfront area is assumed in the Do Minimum Scenario, this impact is considered gross additional.

### 3.3.6 Gross to Net Conversion

As per additionality guidance<sup>15</sup>, gross to net adjustments have been made to the gross additional impacts forecast to materialise in the Do Something scenario. The adjustment factors adopted to generate net additional impacts of the Do Something scenario are outlined below and are consistent with HM Treasury's Green Book as well as Homes England's additionality values<sup>16</sup>.

- Displacement = 14.1%, reflecting the proportion of impacts accounted for by reduced outputs elsewhere.

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<sup>11</sup> CBRE <https://news.cbre.co.uk/cbre-research-regeneration-results-in-a-36-annual-uplift-in-house-price-growth/>

<sup>12</sup> Defined as LSOA E01011974

<sup>13</sup> ONS Median House Prices by Lower Layer Super Output Area (year ending September 2021)

<sup>14</sup> Using DCMS Culture and Heritage Capital Evidence Bank - Economic Values Database, restoration of built heritage asset as a proxy

<sup>15</sup> HCA Additionality Guide

<sup>16</sup> Specifically, the sub-regional 'Regeneration through Physical Infrastructure' at the sub-regional level benchmarks from the HCA (2014) 'Additionality Guide'



- Leakage = 38.7%, reflecting the proportion of impacts that may benefit those outside of the intervention context area.
- Multiplier Effects = 1.33, reflecting further induced economic activity associated with the respective benefit stream through e.g. jobs, expenditure, income.

Further to the standard adjustment factors applied across most impact categories, a discrete additionality factor of 50% was applied to active mode impacts. This reflects the fact that active mode impacts are derived from the additional visitor demand generated by improved connectivity and enhanced public realm at the Waterfront. Such new demand could potentially represent a diversion of existing leisure and recreational trips from other locations where some form of active mode activity was already obtained.

At the same time, a 100% additionality factor was assumed for user experience/ambience impacts, on the basis that the bulk of such impacts accrue to existing users of the facilities and assets that are being transformed and enhanced. At the same time, where such impacts accrue to new visitor demand, it is assumed that the ambience provided by the Waterfront and its enhanced infrastructure will be fully additional given the unique setting and high quality provision proposed.

By aggregating various gross benefit streams outlined above and applying the prevailing factors of additionality, the gross additional impacts are reduced from c. £27 million to c. £19 million in net additional present value of benefit terms (PVB, 2021 prices and values). Note that this additionality analysis assumes that the economic impact of the Do Minimum scenario is zero, and hence no gross-to-net conversion of Do Minimum scenario impacts is undertaken and netted off the Do Something scenario impacts. This is considered a conservative assumption in economic appraisal terms, given the potential for negative economic impacts in the Do Minimum scenario, including:

- Footfall may decline as existing connectivity and public realm issues persist or worsen;
- Amenity and user experience may deteriorate as public investment is not forthcoming;
- Severance for large parts of the local resident population could persist, impacting on potential socio-cultural connection to the Waterfront;
- Land values may not increase as enabling infrastructure is not delivered and wider development strategies are delayed.

Projecting these potential negative impacts could act to further enhance the Do Something scenario relative to the Do Minimum scenario, but to ensure a robust assessment, these potential negative impacts were treated as having zero impact.

**Table 3-5: Aggregated Gross and Net Additional Impacts (£m, PVB, 2021 prices and values)**

Impact Category	Gross Additional Impact	Net Additional Impact
Indirect LVU: Commercial	7.64	5.35
Indirect LVU: Residential	1.20	0.84
Social Cultural Heritage	0.34	0.24
Active Mode	11.72	5.86
User Experience/Ambience	6.57	6.57
Total	27.47	18.86

### 3.4 Economic Costs

Table 3-6 presents the base scheme costs profiled across the years. Note all funding is assumed to be provided by the Town Deal Programme. It should be noted that these costs relate to CAPEX only. More details on the derivation of base scheme costs is provided in the Financial Case (Section 4).

**Table 3-6 Base Scheme Costs - Do Something (£m, nominal values, undiscounted)**

Funding	2021/22	2022/23	2023/24	2024/25	Total
Total	0.00	1.27	4.23	0.00	5.49

To generate the present value of costs (PVC) in 2021 prices and values the following adjustment stages have been undertaken:

- Accommodating real growth using the Office for Budget Responsibility (OBR) forecasts
- Applying optimism bias at 44%<sup>17</sup>; and
- Discounting to 2021 values.

Following the steps outlined above generates a PVC for the Do Something scenario of £7.07 million as illustrated in Table 3-7.

**Table 3-7 Scheme Costs for Economic Appraisal (£m, 2021 prices and values)**

Funder	2021/22	2022/23	2023/24	2024/25	Total
Public	0.00	1.71	5.36	0.00	7.07
Private	0.00	0.00	0.00	0.00	0.00
Total	0.00	1.71	5.36	0.00	7.07

### 3.5 Value for Money Assessment

Taking into account estimates for both the PVB (Section 3.3) and the PVC (Section 3.4), Table 3-8 presents the value for money metrics relating to the Do Something scenario. The analysis demonstrates that the Do Something scenario unlocks substantially more economic benefits than public costs, resulting in a Benefit Cost Ratio (BCR) approaching 3.0:1 and a positive Net Present Social Value (NPSV). This represents good value for public sector investment.

**Table 3-8: Scheme Value for Money Metrics (£m, 2021 prices and values)**

Value for Money Metric	Derivation for Do Something	Do Something
Net Additional PVB	A – from Table 3-5	18.86
Total PVC of Public Sector Costs	B – from Table 3-7Table 3-7	7.07
Total PVC of Private Sector Costs	C – from Table 3-7	0.00
Total PVC of Economic Costs	D = B+C	7.07
BCR	E = (A-C)/B	2.67
NPSV	F = A-D	11.79

### 3.6 Sensitivity Tests

To gain an understanding of the sensitivity of the economic appraisal to changes in key input assumptions, the following sensitivity tests were undertaken:

- Sensitivity Test 1: An increase in scheme costs by 50%;
- Sensitivity Test 2: Removal of impacts relating to land value uplift (in the event the project does not catalyse regeneration and increased attractiveness as far as intended); and
- Sensitivity Test 3: No change in footfall or active mode accessibility, resulting in loss of active mode benefits (which are entirely generated by new users) and some user experience/ambience benefits (which are partly generated by new users).

The outcomes of these tests are presented in Table 3-8. The tests demonstrate that substantially increasing schemes costs (i.e. Sensitivity Test 1) or reducing the scale of scheme benefits by excluding key impact categories (Sensitivity Test 2 and 3) will not undermine the project's performance to the extent that the project no longer represents value for money. The outcome of all three tests is similar in terms of impact on BCR (i.e. it is reduced from c. 2.7 to c. 1.8), meaning benefits are forecast to continue to outweigh costs even with significant negative changes to the project's performance. At the same time, NPSV remains positive across all sensitivity tests.

<sup>17</sup> As per the Standard Civil Engineering benchmark referenced in HM Treasury Green Book's Supplementary Guidance on Optimism Bias

**Table 3-9: Sensitivity Tests (£m, 2021 prices and values)**

Value for Money Metric	Derivation	Sensitivity Test 1	Sensitivity Test 2	Sensitivity Test 3
Net Additional PVB	A	18.86	12.67	12.68
Total PVC of Public Sector Costs	B	10.61	7.07	7.07
Total PVC of Private Sector Costs	C	0.00	0.00	0.00
Total PVC of Economic Costs	D = B+C	10.61	7.07	7.07
BCR	E = (A-C)/B	1.78	1.79	1.79
NPSV	F = A-D	8.25	5.60	5.61

In addition to sensitivity testing, a switching values assessment was undertaken to understand the proportional increase in costs or proportional decrease in benefits that would be required to achieve a BCR position for the Do Something scenario that equates to 1.0.

**Table 3-10: Switching Values Summary**

Change in Key Metric	To Converge on BCR of 1.0
Increase in Public Costs	267%
Reduction in Net Benefits	63%

The analysis presented in Table 3-10 highlights that benefits can reduce by 63% before the BCR threshold of 1.0 is passed. Likewise, costs can increase by 267% before the BCR threshold of 1.0 is achieved. This assessment, allied with the sensitivity testing, demonstrates that there is significant margin for benefits reduction or cost growth within the project before its value for money position deteriorates significantly based on conventional metrics. This highlights the robustness of the economic appraisal to changes in key assumptions.

### 3.7 Wider Impacts

In addition to the monetised impacts described in Section 3.3 there are additional non-quantifiable or wider benefits that could result from intervention. With reference to the Logic Model (Section 2.6.4) and Case for Change (Section 2.2), the wider impacts that could be expected to occur if the preferred option is delivered include:

- Supporting social cohesion by making the Waterfront more accessible: in addition to the social wellbeing benefit of improved links to a significant maritime heritage asset captured in Section 3.3.5, the intervention has the potential to support social and community cohesion. In particular, by restoring the Waterfront, renewing its position as a focal point for the Town and providing space for public use, the intervention provides significant opportunity for social interaction and community engagement and acts to maximise the links between Hartlepool's residents and its storied past.
- Catalysing Wider Regeneration of the Waterfront: the enabling infrastructure delivered by the intervention will make the Waterfront a more attractive location for public and private investment, as it starts the process of resolving the challenges currently afflicted the area described in Section 2.2. Whilst a range of development opportunities are already being pursued by various landowners and stakeholders at the Waterfront, delivery of better access to the area and a more attractive urban environment through public realm improvements could de-risk investment from third parties, helping to bring development forward and expedite full regeneration of the Waterfront. This could manifest in acceleration of strategic development at the Waterfront (e.g. Leisure Centre, Trincomalee Wharf) and delivery of the wider Waterfront Programme.
- Supporting wider growth in the Visitor Economy: The attractiveness of Hartlepool as a destination for leisure travellers is forecast to increase with the arrival of the world-famous Tall Ships Race event in July 2023. The intervention will safeguard the short-term boost in the visitor economy associated with the Tall Ships Race, and support the conversion of the short-term boost into long-term sustainable growth by providing the conditions and environment for the Waterfront to become a more holistic destination for visitors. This will be achieved via provision of enhanced access and visitation to existing assets at the Waterfront including NMRN, Museum of Hartlepool, Navigation Point. The growing visitor economy could

be marked by increased footfall visitors, increased overnight visitors, increased expenditure/dwell time, increased business turnover, increased employment and increased productivity and output for the Town.

- Driving improved health via the leisure centre: Improved access and therefore visitation to the proposed leisure centre at The Highlight, improving financial viability of the asset and community use. In particular, inducement of increased use of the proposed leisure centre could have a significant impact on public health and wider social value outcomes in Hartlepool. HBC's Social Value Calculator Report suggests that use of leisure centre facilities generates some £104 of social value impact per person, as regular physical activity can support physical and mental health, subjective wellbeing, individual development and social/community development. Increasing access to leisure centre facilities could see the aggregate social value of HBC's leisure assets increase beyond the current £770,000 value.
- Meanwhile and temporary use: The intervention provides enabling infrastructure, including improved public space, which could be used to facilitate the hosting of temporary or pop-up events (e.g. functions linked to the Tall Ships Race). This could provide opportunities for HBC to generate revenue (through licensing for amenities/ancillary uses necessary for hosting events), support social interaction and reinforce the importance and status of the Waterfront as community asset.
- Diversification of economic and commercial activity in the Town Centre: by facilitating wider leisure, cultural, community and commercial opportunities at the Waterfront, the intervention provides an opportunity to strengthen pivot the Town Centre away from an overwhelming focus on retail. Diversification of economic and commercial activity away from the heavily concentrated retail presence will increase the vitality, vibrancy and viability of the entire Town Centre.
- Enhanced levels of social and economic activity within central areas in Hartlepool: The renovation proposals will improve accessibility between Wesley Chapel and Hartlepool Town Centre. This could drive footfall, extend dwell time and increase expenditure within central areas. In turn this will incentivise the locational choices of businesses and could unlock greater levels of social and economic activity within the 'Heart of Hartlepool'. Further, existing businesses will benefit from increased visitation and footfall, helping to safeguard some 1,750 jobs linked to the visitor economy in proximity to the Waterfront.
- Better integration of the Waterfront and historic retail core: improved accessibility across the entirety of the defined Town Centre will support more linked trips and longer dwell times within Hartlepool's central area. This will add to the Town's destination status, as visitors can more easily utilise a range of facilities for a range of purposes, all in a single visit.
- Complementing other proposed Town Deal schemes: By making the Town Centre more concentrated through access improvements between the Waterfront and traditional retail core, the intervention will also support the Reimaging Middleton Grange and Wesley Chapel Redevelopment project's also seeking funding via the Town Deal funding. In combination, the three projects have the potential to revitalise and rejuvenate the entire Town Centre, driving footfall growth, improved image and economic activity in the Town Centre.
- Increased use of public transport: minor improvements to bus facilities including the bus stop in proximity to the NMRN could provide further opportunities for more sustainable travel to the Waterfront, further boosting modal shift beyond what might be achieved through active mode infrastructure provision. Further, existing users of bus facilities that are improved typically benefit from improved waiting experience, which can be valued through value of time metrics.
- Decarbonisation: better access by non-car modes and provision of green infrastructure could help HBC to reduce the Waterfront's carbon footprint and make significant contributions to its Climate Change Strategy.
- Construction Stage Temporary Job Creation: During the construction stage, the active mode connectivity and public realm works could generate c. 76 job years for the construction industry<sup>18</sup>. These jobs could result in additional expenditure within the local economy, leading to further jobs being created within supply chains.

Taken together, the monetised impacts described in Section 3.3 combined with the above wider impacts, could transform the Waterfront area's performance against socioeconomic metrics contained in the Indices of Multiple Deprivation. As noted in Section 2.2, many neighbourhoods in close proximity to the Waterfront fall within the 10% most deprived places nationally. However, by increasing opportunities for physical activity, transport connections, urban environment, investor and visitor sentiment, connections to socio-cultural assets and heritage and catalysing further, wider regeneration, the intervention could help combat some of

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<sup>18</sup> HCA Calculating Cost Per Job - Best Practice Note; pivoting from scheme costs of £6.4 million and infrastructure labour coefficient of 13.9 jobs per £1m of construction output per year

the most acute deprivation issues and contribute to the improved position of proximate communities in deprivation rankings.

### **3.8 Summary**

The Economic Case demonstrates that the Waterfront Circuit represents 'high' value for money, delivering a BCR of 2.67 under the preferred option's core scenario. Further, sensitivity testing and switching values assessments highlight the robustness of the value for money position of the project against substantial changes in key economic modelling assumptions. Allied to a wide range of positive non-quantifiable and wider economic impacts, which will not be realised in the absence of intervention, the Economic Case therefore demonstrates that from a value for money perspective, the outcomes and impacts resulting from the Do Something scenario are preferable to business as usual under the Do Minimum scenario.

## 4. Financial Case

### 4.1 Introduction

The financial case seeks to demonstrate the affordability and funding strategy for the preferred option, by considering the following issues:

- Scheme cost development;
- Consideration of funding options;
- Determination of proposed funding strategy and profile to deliver preferred option;
- Affordability from upfront capital and ongoing operational perspectives;
- Financial risks and potential mitigation measures; and
- Wider financial implications for the scheme promoters and funding stakeholders.

### 4.2 Project Costs

#### 4.2.1 Capital Costs

The project's capital expenditure is estimated at £5.5 million (Table 4-1), inclusive of all building works, project design and development (c. 20% of total building works costs), risk/contingency (c. 40% of base cost estimate, recognising early stage of project development) and inflation (c. 6% for tender price and construction inflation, from Q1 2021 through to the mid-point of the construction programme [Q3 2023]). This estimate is within the provisionally allocated Town Deal budget envelope of £6.2 million for the project.

The capital costs presented in Table 4-1 were estimated by cost consultants at Jacobs, who adopted the following assumptions in their cost estimate:

- The cost estimate represents an Order of Magnitude cost estimate commensurate with the early stage of project definition and development;
- The figures reported in this estimate are based on limited design information, and at this stage should be considered as indicative only;
- It is assumed no statutory diversion will be required;
- Third party claims, asbestos/toxic/hazardous materials are not present; and
- Exclusive of VAT.

Further detail on the derivation of scheme costs is provided in Appendix D.

**Table 4-1: Indicative Cost Estimate for Project**

Element	Cost
Construction	2,132,000
Prelims	640,000
Overhead and Profit	139,000
<b>Total Building Works</b>	<b>2,911,000</b>
Design and Development	582,000
<b>Base Cost Estimate</b>	<b>3,493,000</b>
Risk Allowance	1,397,000
<b>Risk Adjusted Cost</b>	<b>4,890,000</b>
Inflation	604,000
<b>Inflation Adjusted Cost</b>	<b>5,494,000</b>

It should be noted that an alternative version of the project, including higher specification materials and finishes has also been costed at £6.4 million. This estimate lies above the £6.2 million provisionally allocated Town Deal budget envelope. In the absence of co-funding opportunities to bridge the potential £200,000 funding deficit at this point, the higher specification project is not pursued further as part of the current

business case. Should co-funding materialise, there is scope to transition to higher specification project delivery.

### 4.2.2 Operational Costs

HBC and partners Jacobs have been working collaboratively to ensure that the design principles of the Waterfront Circuit scheme dovetail and complement the wider place-based regeneration principals adopted elsewhere at the Waterfront (e.g. at existing public realm schemes delivered at The Highlight). Project Managers on schemes such as the Highlight Leisure development and public realm improvements have shared design principles with the project's lead architects to agree common principles. This is intended to ensure that there is a high quality and connected theme to all development but also that the development is sustainable and allows for rationalised and efficient ongoing maintenance in order to minimise long term operational and revenue implications.

Within this context, no new operational budget is allowed for operations and maintenance of the infrastructure delivered (as per Section 4.3.2); HBC's Neighbourhoods and Regulatory Services department will incorporate any activities within their existing budgets for such activities, via the Place Management function.

## 4.3 Funding and Revenues

### 4.3.1 Capital Funding Arrangements

The capital costs associated with delivery of the preferred option will be fully covered through the Town Deal programme's provisionally allocated funding for the project, i.e. £5.5 million. Table 4-2 demonstrates the scale and timing of funding over the project development and delivery phases. The spending profile assumes capital expenditure towards additional design (including detailed design and associated contingencies), plus initial construction outlay in the current financial year, followed by more significant construction and delivery costs in 2023/24 (particularly in the build up to the Tall Ships Race in July 2023).

**Table 4-2: Capital Cost Spending Profile (nominal values)**

Element	2022/23	2023/24	2024/25	Total
Construction	£164,000	£1,968,000	£0	£2,132,000
Prelims	£49,231	£590,769	£0	£640,000
Overhead and Profit	£10,692	£128,308	£0	£139,000
Total Building Works	£223,923	£2,687,077	£0	£2,911,000
Design and Development	£582,000	£0	£0	£582,000
Base Cost Estimate	£805,923	£2,687,077	£0	£3,493,000
Risk Allowance	£322,323	£1,074,677	£0	£1,397,000
Risk-Adjusted Cost	£1,128,246	£3,761,754	£0	£4,890,000
Inflation	£139,358	£464,642	£0	£604,000
Total	£1,267,604	£4,226,396	£0	£5,494,000

### 4.3.2 Operational Funding Arrangements

As noted in Section 4.2.2, no additional operational funding will be made available for the project, meaning the maintenance regime for the new assets will need to be covered by existing maintenance budgets for HBC's Neighbourhoods and Regulatory Services department, via the Place Management function. No additional liability will be passed on to HBC or any other public body.

## 4.4 Affordability Assessment

The project is considered affordable throughout its capital and operational phase, ensuring ongoing project viability. From a capital perspective, although funding is not yet fully secured from the Town Deal Programme, there is a high degree of confidence that the suggested funding will materialise, subject to



approval of the current business case. From an operational perspective, any new and/or improved assets will be maintained utilising existing highway and public realm maintenance budgets, meaning no additional long-term financial burden for HBC.

## 4.5 Financial Risks

A comprehensive set of financial risks is provided in Table 4-3. However, the key financial risks to the project can be summarised as follows:

- **Uncertainty of project costing:** the level of detail included in the cost estimates is necessarily high level, reflecting the level of scheme development at this stage. To this end, the cost estimates represent Order of Magnitude cost estimates that are indicative in nature. The cost estimates are informed by material quantities gauged from high level preliminary proposal designs for the proposed intervention and unit rates benchmarked from standard industry sources. As detailed design progresses, a firmer costs estimate will emerge. To mitigate against the resulting uncertainty in cost estimation, a significant risk and contingency allowance (40%) has been allowed (Table 4-1). Further, sensitivity testing outlined in the Economic Case (Section 3.6) estimates the impact of significant increases on costs on the project's value for money, demonstrating that even with a 50% increase in scheme costs, the scheme's benefits will continue to outweigh the scheme's costs.
- **Inflation:** the cost estimates for the project include inflation allowances of 6% for tender price and construction inflation. Although the allowance is not based on formal data from BCIS or other resources, the project's cost consultants deem the allowance sufficient to reflect the current market uncertainty towards material and labour costs. In the event that inflation is higher than forecast, the risk allowance provides some headroom to cover additional costs.
- **Funding Risk:** it is noted that the Town Deal Programme's funding is only provisionally allocated at this stage. In the absence of business case approval and drawdown of Town Deal funding, the project could be delayed until other funding sources materialise, or reduced in scope.
- **Failure to Incentivise Wider Investment in Waterfront:** the financial investment in the Waterfront Circuit is intended to expedite wider public and private sector investment into the Waterfront Programme. However, macroeconomic and external factors may influence wider investment, independent of the Waterfront Circuit scheme. In the event that the Waterfront Circuit project proceeds but does not catalyse wider investment, there is a risk that public funding towards the Waterfront Circuit does not leverage the full potential of the Marina area as intended.

**Table 4-3: Financial Risk Matrix**

Risk Item	Impact Type	Impact Description	Mitigation
Project cannot be delivered in budget envelope	Delay in Delivery and Reduced Quality/Scale of outputs generated.	Insufficient resources to complete the scheme. Scheme halted whilst: (i) scheme reduced to meet budget, or (ii) further funds from wider public sources, agreed via Cabinet approval. Reduced or delayed scheme delivered.	Cost plan prepared and to be updated as design work progresses. Close monitoring of spend. Pre-tender estimate to gauge suitability of design & Value Engineering process before tender award. Early discussion to be undertaken with potential contractors, to provide greater certainty. Development of robust, evidence-based risk allowance/contingency pot - with regular budget monitoring and consideration of use of contingency pot. Ongoing monitoring and review of emerging funding programmes to identify alternative sources of funding, as required.
Scheme overruns +/- or overspends			
Non-compliance with group accounting rules & Companies House	Reduced Quality/Scale of outputs generated.	Financial penalties & reputational damage to HBC..	Use of external audit/accountancy advice.
Non-compliance with HMRC requirements			
Members may withdraw support for project	Delay in Delivery and Reduced Quality/Scale of outputs generated.	Loss of political support may necessitate use of funding on alternative projects	Regular briefing/update reports to portfolio holder and wider cabinet (if necessary), Arrange mechanism such that once the bid is approved at cabinet (if necessary) and by S151 officer, co-funding can be



Risk Item	Impact Type	Impact Description	Mitigation
			pursued/finalised/confirmed/guaranteed if appropriate.
Towns Fund not awarded	Reduced Quality/Scale of outputs generated.	Insufficient resources to complete the scheme. Scheme halted whilst: (i) scheme reduced to meet revised budget, or (ii) further funds from wider public sources, agreed via Cabinet approval. Reduced or delayed scheme delivered.	Appointment of consultant team to support business case development. Ongoing monitoring and review of emerging funding programmes to identify alternative sources of funding, as required.
Breach of funding conditions	Delay in Delivery and Reduced Quality/Scale of outputs generated.	Clawback of part or all Towns Fund grant funds. Loss of support for scheme. Scheme halted or abandoned	Close monitoring of procurement, defray and draw down of Towns Fund and other grants, with full audit trail retained for inspection - use of external audit/accountancy advice.

## 4.6 Wider Financial Implications

The project does not seek to increase the financial exposure of any public sector body involved. Town Deal capital of c. £5.5 million has already been provisionally allocated subject to approval of this business case. Other public and private investment into the wider Waterfront Programme is independent of this project. Within this context, the project is not expected to leverage further financial pressures on any funding stakeholders.

Similarly, because operational and maintenance costs to support the project will be met from the existing broad transport budget for highways and public realm maintenance, HBC will not suffer from increased financial risk as a result of increased operational costs.

## 4.7 Summary

The financial case demonstrates that the project is affordable from a capital and operational perspective, subject to confirmation of funding from the Town Deal Programme. As the project is expected to be fully funded by the Town Deal, there is no reliance on wider public or private investment to deliver the specific scheme proposed as part of this business case.

## **5. Commercial Case**

### **5.1 Introduction**

The Commercial Case seeks to establish a viable procurement route for delivery of the preferred option by establishing:

- Potential commercial delivery models set within the context of HBC's existing commercial and procurement strategies;
- Market testing to determine market appetite to deliver the project;
- Key delivery partners in the project development and delivery phase; and
- Identification of a preferred procurement strategy.

### **5.2 Commercial Deliverability**

#### **5.2.1 Market Demand and Interest**

HBC have fielded increasing numbers of enquiries from companies and organisations of varying sizes and capabilities since the announcement of Town Deal funding for Hartlepool and particularly as the project concepts and business cases have been developing. The interest HBC has received ranges from smaller local consultancies to large multi-national and multi sector companies interested in roles from specific elements of delivery to strategic delivery partner roles. Interest has been received from Meldrum, Atkins, SWECO, Willmott Dixon, WSP through to smaller local companies with introduction meetings clearly stating their ability to deliver out on Town Deal needs.

#### **5.2.2 Land Ownership**

Most activities will take place within the public highway boundary. There may be minor interfaces between proposed works and third party land along Maritime Avenue and near Slake Terrace. However, no land acquisition is anticipated; HBC work closely with third party land holders including Jomast Developments and NMRN meaning agreement to proceed with minor enabling infrastructure works is likely to emerge. Further, HBC have already entered into a Memorandum of Understanding with Jomast Developments to commit to strategic development across the Town, which should streamline any discussions around land ownership. As such, land ownership is not considered a constraint on project development or delivery from a commercial perspective.

#### **5.2.3 Planning Considerations and Other Consents**

Informal discussions with the Local Planning Authority were held in March 2022, where the proposals put forward as part of the Waterfront Circuit project were shared with HBC officers. Feedback from the informal discussions were positive, albeit the feedback does not constitute formal planning advice.

Based on the informal discussion and a review of the proposed project against the terms of the Town and Country Planning (General Permitted Development) (England) Order 2015, in particular the permitted development rights of Hartlepool Borough Council as the Local and Highways Authorities, it is understood that most activities proposed will not require formal planning permission. That said, there is potential for planning permission to be required to deliver discrete components of the proposed scheme (for example the proposed cycle stands / storage and proposed waterside development). Whilst these requirements are not considered to present a major risk to project development or delivery, it may be necessary to prepare and submit a request to HBC for pre application advice. Such a request would require the completion of the one stop shop non householder pre application form and supporting statement setting out a detailed description of the proposed development together with which components are considered permitted development and which require planning permission. This would also include an outline of a proposed strategy for any subsequent planning application including any environmental and other technical assessments that would be required to be submitted in support. The requirements of the Habitats and Environmental Impact Assessment Regulations would also be considered. The final pre application submission would include collation of supporting information including site location plan, sketches of the proposed development, site photographs, proposed site layout and a design statement.

Following the receipt of pre application advice from the Local Planning Authority, preparation and submission of the planning application(s) would be taken forward. Both steps (i.e. pre-application advice and formal planning permission, where required) are reflected in the Project Programme presented in Section 6.4.

## 5.2.4 Proposed Delivery Model

A two-phase approach to project delivery is proposed, focussing on delivery of a series of quickly implementable activities before the arrival of the Tall Ships Race in July 2023, followed by delivery of remaining elements post-Tall Ships Race after July 2023. To this end Table 5-1 outlines those activities that fall within each project phase:

**Table 5-1: Phasing Approach to Project Delivery**

Phase 1 – Pre Tall Ships Race (July 2023)	Phase 2 – Post Tall Ships Race (July 2023)
Waterside edge: new pavours	Maritime Avenue Junction 1: traffic calming
Maritime Avenue Edge: fence de-clutter	Maritime Avenue Junction 2: traffic calming
Seaton Carew Link: new footway	Maritime Avenue Junction 1: traffic calming
Seaton Carew Link: widening existing footway	Victoria Terrace Junction: traffic calming
New lighting columns (+ fix existing broken)	Waterside Community: additional planting
1No cycle stand to north	Remaining cycle stands
Benched public seating	Bus stop improvements
Wayfinder signing (minus that in immediate vicinity of proposed northern train station exit)	
Public litter bins	

A number of different options and routes to market are available to HBC to deliver the two-phased approach to the project. For consistency, a common approach to design and delivery across both phases is anticipated, to maximise the potential for project efficiencies. Whilst the final procurement route has not yet been specified, the likely approach to appointing design and construction teams is outlined below, based on experience of similar projects delivered by HBC (as per Section 5.2.5). At this stage, HBC is minded to appoint a Strategic Delivery Partner (SDP) to support delivery of the entire HBC Capital Works Programme (i.e. including all HBC-led Town Deal projects and wider projects). The SDP will be responsible for overseeing project delivery across the suite of capital projects, with remit for leading procurement processes and managing projects on behalf of HBC once commenced. Whilst a final route to appointing an SDP has not yet been determined, HBC have access to various frameworks including Pagabo and SCAPE, which provide access to suitable partners.

From a design perspective, it is likely that the current project development and design team will be retained by HBC through to completion of detailed design and development of tender drawing packs. The design team will work to a specification set by HBC via the appointed SDP. This will allow HBC full input into the design process through the appointed SDP. The design team will be responsible for developing the tender drawings pack issues to prospective contractors.

In terms of appointing a principle contractor, HBC will utilise established procurement routes, for example, the pre-approved contractors on HBC's 'Select Lists of Contractors for Civil Engineering & Highways Works and Coastal Protection Works' or the NEPO 'Civil Engineering and Infrastructure Framework'. Whilst a preferred route has not been identified at this stage, the potential options will be evaluated with reference to key factors including; quality, price, contractor selection and timescale. It is expected that both routes will result in selection of a principle contractor via a Single Stage Traditional Procurement process, facilitated by accessing an appropriate framework.

This traditional procurement method is considered to be the most appropriate approach because it allows HBC to retain large elements of control of the project which may have been lost if an alternative approach, such as Design & Build, had been utilised. This option allows for designs to be developed to a satisfactory standard in advance of planning, building control, procurement etc which allows for greater cost certainty and management of risk.

By utilising a framework, the pre selection process has already been undertaken, thus narrowing the pool of potential contractors to those suitable for the scale of project. It also reduces procurement timeframes by

nullifying the need for a multi-stage tender process (e.g. avoiding a Selection Questionnaire stage to shortlist potential contractors).

### 5.2.5 Procurement Assurance

Procurement will be undertaken in line with HBC's Contract Procedure Rules and Procurement thresholds. Key assurance requirements outlined in these policies include:

- Commitment to use of NEPO or the Select List to deliver works wherever possible;
- Finance and Policy Committee to review outcomes after the completion of a tender procedure or a quotation with a value in excess of £60,000 (Goods and Services) or £100,000 (Works);
- Corporate Procurement Officer Open all quotations / tenders in excess of £25,000;
- For projects valued between £100,000 and OJEU threshold (£5,336,937), HBC must seek a response to the opportunity from at least 4 companies (minimum 3 local where possible);
- For projects over the OJEU threshold, a full Tender Procedure via the Public Contract Regulations 2015 will apply.

### 5.2.6 Experience of Delivering Similar Projects

HBC have significant experience of delivering public realm and connectivity projects, through a range of procurement routes. In recent years, activity has included upfront public realm investment to support the development of the £25m Highlight Leisure Centre, improved public realm in the Church Street area, and the completed and restored outdoor events space on Hartlepool's Headland at Elephant Rock which recently won the Small Category Award at the ICE (Institution of Civil Engineers) North East awards. Further details on a range of recent project is provided in Table 5-2. This experience provides confidence that HBC have the capacity and capability to deliver projects of this nature to time and budget.

**Table 5-2: Summary of Recent Delivery Experience**

Project	Value	Procurement Route	Activities
Church Street/Church Square Public Realm Works (2017)	£3 million	Two-stage open tender process, with tenderers completing a Pre-Qualification Questionnaire, shortlisted and then invited to ITT stage.	At Church Street, removal of the existing footways and carriageways and remodelling of both to provide wider footpaths and redefined carriageway/ parking. The area has both day time and night time economies to accommodate.  At Church Square, complete remodelling of the area with the removal of all paving and street furniture and the introduction of new clay pavers, rain gardens, specimen trees and a raised granite oval feature. The area is predominantly day time economy
The Waterfront Public Realm Works (2019)	£1.3 million	Further competition via HBC's Select Lists of Contractors. 5 companies invited to tender – 4 companies responded. The Conditions of Contract used were the NEC3 Engineering and Construction Contract, 2013 , Option E,	Delivery of the first phase of the public realm works to regenerate the derelict Jackson Landing site, in advance of leisure centre development.
Headland Bandstand Area Regeneration (2020)	£900k	Further competition via HBC's Select Lists of Contractors. The terms and conditions used were the NEC3 Engineering and Construction Contract 2013	Restoration of an existing public space to include a new retaining wall, paved area, soft landscaping and seating areas.

### 5.2.7 Payments Mechanisms and Contractual Arrangements

Although not confirmed at this stage, it is expected that the proposed project will be delivered in line with the NEC3 Engineering and Construction Contract 2013, as per similar recent projects delivered by HBC (Table 5-2). Specific payment mechanisms and contractual arrangements will be confirmed in line with the specific

contract selected at the time of appointments. In any case, the payment mechanism adopted by HBC for delivering the preferred option will follow principles established in HM Treasury's 'Guide to Developing the Project Business Case', including a focus on incentivising service providers to deliver services to time, specification and cost. Where procurement routes have specific protocols to adopt, these will be considered (e.g. fixed price/costs and payment on delivery of specified outputs, where appropriate). Further, where existing frameworks are utilised to procure contractors or partners, standard mechanisms designed to avoid performance issues will be employed.

### 5.2.8 Procurement Timelines

The procurement process is influenced by the two-phased approach to project delivery. A high level project programme is provided at Table 6-1. From a procurement perspective, the key milestones in the project include:

- Retention of existing project development and design team for both phases – Early Summer 2022;
- Development of tender package for Phase 1 and 2: December 2022;
- Contractor tender process via established framework for both phases – Quarter 1, 2023
- Appointment and mobilisation of main contractor: Quarter 1, 2023; and
- Construction of Phase 1 works: Quarter 1, 2023 to July 2023.
- Construction of Phase 2 works: Jul 2023 to March 2024.
- Build contract complete: March 2024.

Note that to expedite the procurement and delivery process, the design works for Phases 1 and 2 will be undertaken concurrently. Further, a tender exercise to appoint a single principal contractor for both phases will ensure an accelerated approach to procurement and consistency of delivery across Phase 1 and 2.

### 5.2.9 Wider Procurement Policies

HBC has a political desire to maximise the local and social benefit not just from the delivery of the Towns Fund programme but across all its capital programme. To this end, HBC considers Social Value when commencing all Tenders/Quick Quotes over £25K not just Services but Goods and Works as well. Where appropriate a specific Social Value question is asked as follows:

*"Please describe how you might bring additional benefits to Hartlepool Borough Council and the people of Hartlepool over and above the specified requirements. You should consider for example how you could improve the economic, social and environmental well-being of Hartlepool."*

*Your answer will ideally contain quantifiable information that is relevant to the lifetime of this contract rather than historic benefits delivered during past contracts"*

This specific question alone currently carries up to 10% but there may also be social value elements in other questions asked. The percentages are dependent upon what other factors are important to the department in respect of that particular procurement. This question was also asked at the application stage for appointing HBCs Select List of Contractors for Civil, Engineering and Highways Works & Coastal Protection Works, meaning all firms on the Select List have committed to the principle of maximising social value.

In addition to HBC's existing approach to maximising Social Value in procurement in delivery, the Council is considering utilisation of the National 'Themes, Outcomes, Measures' (TOMs) model for assessing Social Value. NEPO is currently leading a region wide consultation with all 12 local authorities to help shape the development of a North East TOMs model, which could provide a consistent, standard method for reporting and measuring social value. Acknowledging the difficulty of navigating the TOMs process for small businesses, NEPO is aiming to work together to create a local model that is robust and can confidently be used throughout the region by both procurers and suppliers.

Building on the transition towards TOMs as a mechanism for ensuring Social Value, in the most recent procurement to deliver a £1.8m housing retrofit and energy efficiency programme, HBC used the National TOMs framework with a 10% weighting on social value, securing in excess of £200k of social value benefit across a range benefits. HBC is exploring the potential to increase the social value element to secure further benefits.

As far as reasonably possible, HBC are committed to utilising local firms and contractors to deliver works. The Procurement Quarterly Update Report for F&P Committee reports on tenders awarded over £60,000 (for Goods and Services) and over £100,000 (for Work). In July 2021, there were 5 tenders/quick quotes reported. Of these, 3 were awarded to Hartlepool companies and 1 to a Stockton company. However, when looking at all Tenders/Quick Quotes and Exemptions HBC awarded via the e-tendering portal between 19<sup>th</sup> January 2021 and 8<sup>th</sup> June 2021, 121 contracts were awarded with a value of £ 11,302,831. Of these £6,335,386 (51 contracts) were awarded to Hartlepool Companies. This represents 56 % in value (42.5% in numbers) to Local companies.

## **6. Management Case**

### **6.1 Introduction**

The Management Case seeks to establish that the project can be successfully delivered by HBC and its partners, underpinned by robust arrangements around management, governance, monitoring and evaluation. Within this context, the Management Case considers:

- The organisation and governance structures responsible for delivering the project, as well as the roles and responsibilities of key individuals;
- The presence of appropriate assurance processes;
- The key programme milestones the project needs to achieve;
- Residual risks and their management;
- Project management arrangements;
- Ongoing requirements for stakeholder management; and
- Requirements for monitoring and evaluation.

### **6.2 Project Organisation and Governance**

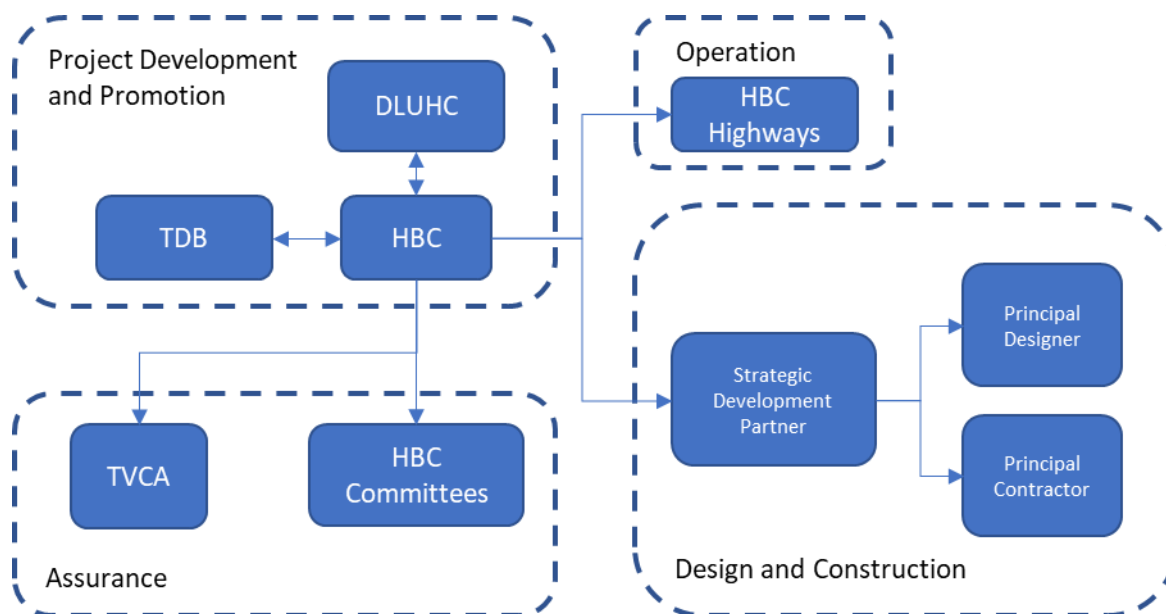
#### **6.2.1 Project Structure**

The overarching project structure at an organisational level is outlined in Figure 6-1. This demonstrates that a range of organisations have involvement at different stages of the project:

- Project Development and Promotion Phase: responsible bodies for developing the Waterfront Circuit project within the wider Hartlepool Town Deal Programme
  - DLUHC: central government department responsible for administering Town Deal Programme and providing capital funding for this project.
  - HBC: project promoter, accountable body and conduit for securing Town Deal capital funding to deliver the project.
  - TDB: vehicle for developing and promoting the Town Deal Programme and Vision.
- Assurance Phase: responsible for business case review and approval to secure drawdown of Towns Fund capital funding.
  - TVCA: appointed as local review and assurance body.
  - HBC Full Council and Committee Structure: ultimate approval of business case.
- Design and Construction Phase: responsible for project delivery
  - Strategic Delivery Partner: to be appointed by HBC to oversee management and delivery of entire capital programme (inclusive of all Town Deal and wider projects)
  - Principal Designer: to be appointed by HBC via the SDP, as per the procurement processes outlined in Section 5.2.4. Will lead detailed design and prepare tender drawings.
  - Principal Contractor: to be appointed by HBC via the SDP, as per the procurement processes outlined in Section 5.2.4. Will lead construction of the project in line with the tender drawings.
- Operational Phase: responsible for maintaining the assets delivered through the Waterfront Circuit project.
  - HBC's Neighbourhoods and Regulatory Services: will provide ongoing asset maintenance as part of their wider portfolio of public realm maintenance and renewal, via the Place Management function.



Figure 6-1: Organisational Level Project Structure



Within this structure, the following named individuals have been identified to play specific roles with key responsibilities:

- Hartlepool Borough Council:
  - Senior Responsible Officer (SRO): HBC Section 151 Officer Chris Little, Director of Resources and Development. Ultimate responsibility for the project (and the wider Town Deal Programme) within the accountable body.
  - Lead Officer for Town Deal: Paul Taylor will have day-to-day responsibility for ensuring the Town Deal Programme and its constituent projects (including the Waterfront Circuit) progress through the development and delivery phase, reporting to the Programme Management and Capital Programme Boards.
  - Town Deal Project Manager: Elizabeth Watt will be responsible for day-to-day management of activities associated with the Town Deal Programme and its constituent projects (including the Waterfront Circuit), reporting to the Lead Officer and Project Steering Group.
- Hartlepool Town Deal Board: A number of members of the TDB<sup>19</sup> were appointed to the Project Steering Group for the project and will provide project input and oversight from the perspective of the TDB. They will ensure that project development does not lose sight of the vision and objectives set out for Hartlepool's Town Deal in the TIP.

Building on the high level overview outlined in Figure 6-1, DLUHC have confirmed that assurance, Value for Money, spend and other key performance indicators will be monitored through a funding contract between Central Government and HBC. It is proposed that an annual review of performance and activity will take place ahead of following years drawdown to confirm that DLUHC's governance requirements and gateway are satisfied.

## 6.2.2 HBC Capital Governance

Given HBC's role as project promoter and accountable body, the project represents an HBC Capital Project. As such, the development and delivery stages of the project will need to comply with HBC's established organisational principles, including following the Council's standard governance structures. The Council operates a strong capital governance structure to oversee all capital projects and programmes (Figure 6-2). This involves all capital projects being mandated by a Capital Programme Board and reported into the Council's decision-making process including requiring approvals by both an Economic Growth and

<sup>19</sup> Including Reshma Begum (Development Manager for the Federation of Small Businesses), Councillor Shane Moore (Leader of HBC), Ros Adamson (General Manager at the National Museum of the Royal Navy), Councillor Cameron Stokell (Deputy Leader of HBC)

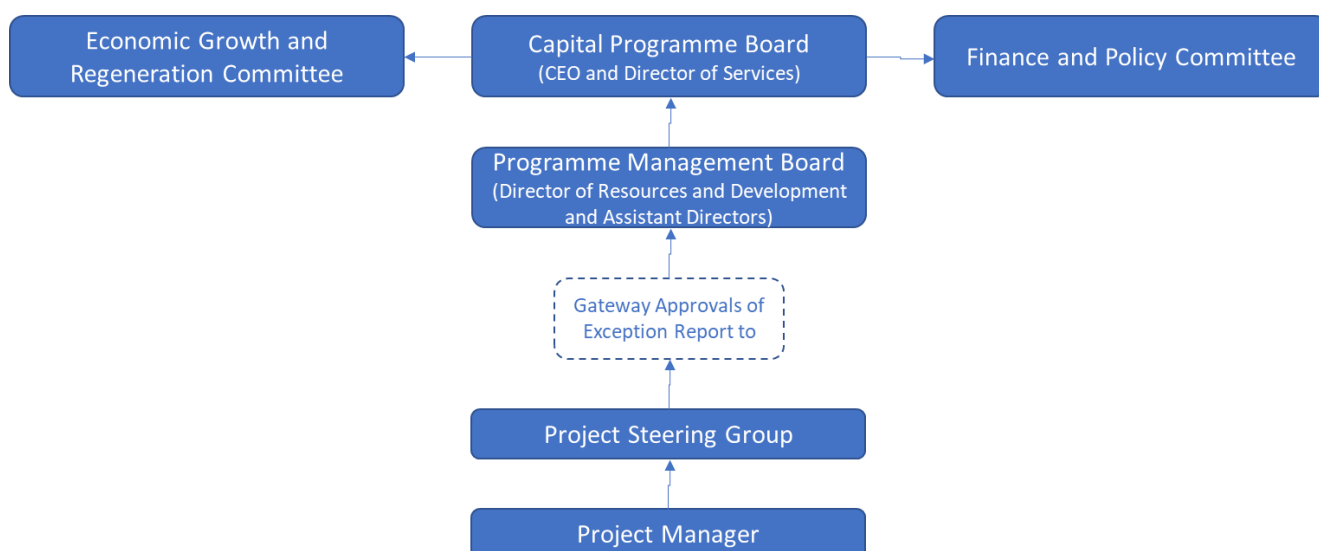


Regeneration Committee and a Finance and Policy Committee. Capital project performance is reported monthly to the Capital Programme Board and regular reports to the Finance and Policy Committee. A steering group of key stakeholders will be formed to oversee the development and the performance of the project will be measured and monitored through the funding contract.

The Town Deal projects, as individual projects, will all be mandated through capital governance including the Waterfront Circuit scheme. The Capital Programme Board will ensure that key performance indicators (KPI's), targets and milestones are established pre delivery, as well as ensuring Monitoring and Evaluation processes, risk registers and budget monitoring processes are in place, which will be managed through the contract to deliver.

The governance process could also utilise the proposed Strategic Delivery Partner function that HBC seeks to establish to support delivery of its capital programme<sup>20</sup>. HBC is developing a longer term pipeline of place based regeneration beyond the delivery of the Towns Deal programme and underway with significant regeneration projects. The capital programme includes over 30 projects and the pipeline includes projects such as £3m of housing retrofit improvements, restoration of the Borough Hall, seafront public realm improvements at Seaton Carew, the Elwick Bypass development, while hopeful of securing Levelling Up Funding for further strategically important schemes.

Figure 6-2: HBC Governance Structure



### 6.3 Assurance

In line with Towns Fund expectations, a three line model of assurance will be adopted as part of the business case approval process:

- Internal checks and approvals by main authors, Jacobs and the Project Steering Group (with HBC project management oversight).
- External review and assessment of risk by TVCA.
- Final approval of interventions and onward delegations for delivery by relevant HBC's Committees and Boards, as documented in Figure 6-2 with details shared with the Town Deal Board.

Assurance and delegated responsibilities within the procurement, design and construction stages are documented within Section 6.2. Ultimately, the project will be guided by BC's established assurance and approval processes through development and delivery stages, which provide confidence that quality, schedule and the scheme costs are being well managed with oversight from senior figures within the organisations. These processes have been applied to previous and ongoing major capital

<sup>20</sup> HBC intend to establish this function independently of the Waterfront Circuit or wider Town Deal Programme; it will cover HBC's full capital programme and is therefore appointment of the Strategic Delivery Partner does not form part of the present business case.

schemes and represent a robust approach to project management and assurance that will underpin development and implementation of the project.

In particular, HBC's internal governance structures enable structured gateway approvals between the Project Steering Group and Programme Management Board that seek to manage delivery of a successful project.

## 6.4 Programme/Schedule Management

A high level project programme is provided at Table 6-1. Key milestones suggest that in broad terms, project development (including design) from Summer 2022 through to December 2022, with construction works following on from early 2023 to July 2023 for Phase 1 (to ensure delivery of key activities in advance of the Tall Ships Race). Phase 2 works will then continue through to March 2024 before completion of activities. This programme is necessarily short, in order to ensure critical assets are in place for the Tall Ships Race. It may require some design and development work 'at-risk' in advance of business case approval and draw down of Town Deal funding.

**Table 6-1: Project Programme**

Activity	Timeframe
Draft Final Business Case Submission	11 <sup>th</sup> May 2022
Draft Final Business Case Local Assurance and Approval	11 <sup>th</sup> May 2022 – 20 <sup>th</sup> July 2022
Final Business Case Submission to DLUHC	21 <sup>st</sup> July 2022
Confirmation of DLUHC Town Deal Funding	Autumn 2022
Retention of Current Project Development and Design Team, Commencement of Further Design Works	Early Summer 2022
Pre-App Planning Advice	Autumn 2022
RIBA Stage 2/3 and Public Consultation	Mid-Summer-December 2022
Planning Application Submission and Review/Approval Process (if required)	December 2022 – March 2023
Development of Tender Pack for Phase 1 and 2	December 2022
Principal Contractor Tender Process for Phases 1 and 2 Combined	January – March 2023
Appointment and Mobilisation of Principal Contractor	March 2023
Construction of Phase 1 Works	March – July 2023
Construction of Phase 2 Works	July 2023 – March 2024
Completion	March 2024

## 6.5 Risk Management

Risk management will be controlled within the governance structures outlined in Section 6.2. A project risk register was developed utilising an industry standard risk score matrix for capital projects, predicated on scale and likelihood of risk materialising (as per Figure 6-3).

**Figure 6-3: Risk Scoring Matrix**

<b>Impact</b>	Very High - 5	5	10	15	20	25
	High - 4	4	8	12	16	20
	Moderate - 3	3	6	9	12	15
	Low - 2	2	4	6	8	10
	Very Low/Negligible - 1	1	2	3	4	5
		Very Low/Negligible - 1   Low - 2   Moderate - 3   High - 4   Very High - 5				
		<b>Likelihood</b>				

Utilising this matrix, all potential risks and their likely impacts were outlined first, alongside existing control measures already in place and the need for additional mitigation measures to counter any residual risk (see Appendix C).

Within the risk register, the key risks identified for the project were grouped into the following themes:

- Political – risks under this category are those linked with failure to deliver on local/national policies.
- Economic/ Funding – these relate to failure in obtaining funding as well national and regional specific economic conditions that could affect the project.
- Physical – the risks are associated with physical hazards that ranges from people, buildings, vehicles, equipment and the land.
- Operational - primarily this covers the risks linked with management of the project outputs.
- Partnership/ Contractual – these relate to risks that could arise from contractually conditions with third parties as well as using contractors to delivery works.
- No Joint Venture/development partner in place yet.
- Professional/Managerial risks – linked with competency, capability and the capacity of staff.
- Legislative/ Regulatory – compliance with national or European laws and regulations, both current and when potential changes occur.

The detailed risks, mitigation plan and risk likelihood analysis is presented in the Risk Register (Appendix C). Note that the financial risks identified in Section 4.5 are captured within the risk register, primarily under the 'economic/funding' and 'financial' themes.

The key findings of the risk register development was that most identified risks had control measures already in place, reflecting HBC's thorough approach to risk management. That said, significant residual risk (i.e. a risk score greater than or equal to 15 based on the above scoring matrix) and specific mitigation measures were noted relating to the following issues:

- Changes in priorities for elected officials;
- Failure to produce a clear vision to fit within the wider Town Deal Programme and complementary schemes being promoted in the Heart of Hartlepool;
- Damage to services/utilities at site; and
- Changed scope or requirements.

Through identified mitigation measures such as ongoing engagement and briefings with elected officials and wider stakeholders, commissioning of further design work to ensure project scope is finalised, undertaking a suite of site surveys and production of a robust business case to maximise opportunity to secure Towns Fund investment funding, the risk register demonstrates that the significance of all residual risks identified above are minimised.

## 6.6 Stakeholder Engagement Proposals

Building on the activities already undertaken in support of the project (Section 2.7), stakeholder engagement and communications will be at the heart of project development and delivery going forward. A strong governance structure specifically relating to engagement has been established to ensure a comprehensive approach to ongoing engagement. This will be managed by Hartlepool Borough Council's Strategic Development Team, which has both detailed knowledge of the Town Deal Programme and the context of Hartlepool.

The Strategic Development Team will be able to provide a joined up approach and will be able to link up with other engagement activities, events and stakeholder activity across broader programmes and initiatives where appropriate. The team's strategic role across the Council and ongoing work within the public, private and voluntary sectors means they can co-ordinate across other engagement activity that will be of relevance to the Town Deal at large, and the Waterfront Circuit project in particular.

This approach will be overseen by the Town Deal Board Engagement Sub Group, which consists of:

- Hartlepool Borough Council Communications and Marketing Manager;
- Hartlepool Borough Council, Town Deal Project Manager;
- Chair of Love Hartlepool, Community organisation;
- Principal and Chief Executive of Hartlepool College of Further Education;
- Chair of Town Deal Board; and
- North East Chamber of Commerce.

Other officers and organisations will be invited onto the subgroup as appropriate. The subgroup will provide a progress report to each Town Deal Board meeting to allow scrutiny and a challenge of the engagement process. The Project Steering Group for this project will also support engagement activities.

A communications strategy and action plan is currently being developed by HBC's Communication and Marketing Team and Town Deal Board Engagement Sub Group. This will ensure that communication and messaging is coordinated, timely and relevant to the target audiences. The communications strategy covers audiences, methods of communication, responsibility, and guiding principles for effective communication. The sub group will utilise and build upon the relationships established during the initial engagement exercise's including the support from Radio Hartlepool; Hartlepool Life and Hartlepool Mail Newspaper's; Thirteen Housing Association; Hartlepower Voluntary Sector Organisation; Hartlepool United Football Club; Middleton Grange Shopping Centre and the Salaam Centre.

To support the Town Deal Board Engagement Sub Group, it was agreed that the North Tees and Hartlepool NHS Foundation Trust would support the Towns Deal with this work across all the five agreed projects within the Town Deal Programme, including the Waterfront Circuit project. The involvement of the NHS Trust reflects the organisation's role and reputation as a key, trusted anchor within the community. The Trust's support for the Engagement Sub Group is proposed to occur through a two stage approach; the first being communications and marketing support to develop and support delivery of a communication and engagement plan. The second role would be to undertake public engagement with the local community on the five schemes. There will be extensive communication to the residents of Hartlepool; acknowledging there is a need to manage residents' expectations and timescales. Work is underway to identify key groups in the community including the youth population. Already there have been numerous enquiries regarding the funding and how and when it will be spent. Funding has been secured from the Towns Deal Board on a fixed-term basis to support these roles.

## 6.7 Benefits, Monitoring and Evaluation

In line with the Towns Fund Monitoring and Evaluation Guidance, HBC will formally report twice annually on inputs and activities and most outputs, intermediate outcomes and outcomes, through comparison against project plans and budgets. Outcomes will be reported on an annual basis, alongside some outputs. It is noted that DLUHC will lead on data collection for intermediate outcomes and outcomes, with the onus on HBC to provide information against only a small subset of indicators. A baseline position against all outputs and outcomes will also be captured in advance of interventions. HBC's project team will be responsible for undertaking these activities.

The indicators that HBC's monitoring activities will cover are summarised in Table 6-2. Further details on Monitoring and Evaluation are provided in Appendix E.

**Table 6-2: Monitoring and Evaluation Overview**

Indicator Category	Indicator	Frequency of Report
Inputs and Activities	<ul style="list-style-type: none"><li>▪ Outturn costs of project delivery</li><li>▪ Co-funding outturn costs</li><li>▪ Co-funding committed</li></ul>	<ul style="list-style-type: none"><li>▪ Twice yearly</li><li>▪ Twice yearly</li><li>▪ Twice yearly</li></ul>

Indicator Category	Indicator	Frequency of Report
Outputs	<ul style="list-style-type: none"> <li># of Construction stage full-time jobs supported</li> <li>Total length of new cycle ways</li> <li>Total length of new pedestrian paths</li> <li>Amount of public realm improved</li> <li>Amount of existing parks/greenspace/outdoor improved</li> <li>Amount of new parks/greenspace/outdoor space</li> </ul>	<ul style="list-style-type: none"> <li>Twice yearly</li> <li>Annually</li> <li>Annually</li> <li>Annually</li> <li>Annually</li> <li>Annually</li> </ul>
Outcomes	<ul style="list-style-type: none"> <li># of permanent jobs safeguarded</li> <li># of permanent jobs created, both direct and indirect<sup>21</sup></li> <li>Automatic / manual counts of pedestrians and cyclists (for active travel schemes)</li> </ul>	<ul style="list-style-type: none"> <li>Annually</li> <li>Annually</li> <li>Annually</li> </ul>

Note that beyond the Town Deal monitoring and evaluation process documented in Table 6-2, the project will also fall within the remit of HBC's Waterfront Programme (Appendix F) which has established its own impact and strategic outcomes strategy. This strategy commits HBC to monitoring the waterfront's performance against a range of headline KPIs, which the Waterfront Circuit project will contribute towards (alongside a range of other projects). Within this context, a parallel, wider monitoring and evaluation programme will be put in place to assess the outcomes and impacts associated with the Waterfront Circuit project, as part of the wider Waterfront Programme. This could provide further evidence for HBC and partners relating to the success (or otherwise) of the project.

Further, in addition to the Towns Fund-mandated indicators documented in Table 6-2, HBC will also consider monitoring the following metrics to ensure performance against scheme objectives (Section 2.5.3) and the Logic Model (Section 2.6.4) can be assessed:

- Visitor numbers to the Waterfront in general and to specific assets (e.g. NMRN and proposed leisure centre);
- Public health outcomes for local residents;
- User experience/ambience (via user surveys);
- Changes in public transport patronage (bus and rail);
- Commercial and residential property values;
- FTE Employment estimates, to monitor change in employment opportunities locally;
- Number of temporary/pop up events hosted locally;
- The area's performance against the Indices of Multiple Deprivation; and
- Community belonging and social interaction.

The timing and frequency of reporting will be conducted as follows:

- 6 month reporting – due 1st December to reflect a April-September window and 1st June to reflect a November-March window.
- Annual reporting – due 1st June to reflect the financial year April-March

It is understood that evaluation activities will be organised centrally by DLUHC with recourse to a specialist evaluation provider. No further evaluation activities will be undertaken by HBC or any other project stakeholders.

In terms of knowledge sharing, it is envisaged that any lessons learnt through project delivery and operation will be disseminated in the first instance to HBC's economic development and regeneration team, which oversee economic growth activities across the Borough. This will support successful delivery of future projects

<sup>21</sup> Note that no jobs will be created as a result of the scheme. The scheme will, however, create the conditions that allow wider development to come forward at the Waterfront and therefore facilitate employment opportunities indirectly

of this nature elsewhere in the HBC area. Given TVCA's role in assuring the project, HBC will also disseminate data and delivery experience to constituent authorities within the TVCA umbrella. This could inform public realm, connectivity and wider regeneration project design and execution across the sub-region. HBC will also support sharing of information and experiences with DLUHC to support a national evidence base on successful delivery of public realm, connectivity and regeneration initiatives, if appropriate.

## POVERTY IMPACT ASSESSMENT

### 7.2 APPENDIX 3

<b>1. Is this decision a Budget &amp; Policy Framework or Key Decision? YES</b> <b>If YES please answer question 2 below</b>				
<b>2. Will there be an impact of the decision requested in respect of Child and Family Poverty? YES</b> <b>If YES please complete the matrix below</b>				
GROUP	POSITIVE IMPACT	NEGATIVE IMPACT	NO IMPACT	REASON & EVIDENCE
Young working people aged 18 - 21	✓			<p>The Business Case finds that the renovation of Wesley Chapel has the potential to unlock job creation through providing employment opportunities across the new hotel, bar/restaurant and commercial units. This could act to reduce unemployment pressures and deliver productivity benefits to the wider economy.</p> <p>Applying green book compliant employment densities to the corresponding floorspace allocated for each activity of the new development generates 55 full-time equivalent (FTE) employment opportunities when the hotel facility opens. 16% of UK hospitality employees are under 24 (Economic Insights Report 2019) and therefore new opportunities will be provided by the Wesley for this age sector.</p>
Those who are disabled or suffer from illness / mental illness				
Those with low educational attainment				
Those who are unemployed	✓			<p>It is estimated in the BC that around 10% of the new employment opportunities could accrue to unemployed residents in Hartlepool. Further, 40% of the economic output (measured in terms of GVA) associated with previously unemployed residents obtaining work, represents the welfare impact of increased productivity from employment. Given average per worker productivity of c. £45,000<sup>1</sup> (2019 prices), the annual productivity impact of supporting unemployed residents to re-enter the labour market is c. £104,000 per year (2021 prices). Profiling over the thirty-year appraisal period and discounting generates an aggregate benefit stream of £1.8m</p>

<sup>1</sup> ONS Sub-regional Productivity

## POVERTY IMPACT ASSESSMENT

### 7.2 APPENDIX 3

Those who are underemployed	✓			Further to the productivity impact highlighted for those unemployed, a social-wellbeing benefit can also be applied for previously unemployed people gaining employment. Wellbeing analysis in the Business Case suggests the value of gaining employment for unemployed residents will be £5,980 per person per year
Children born into families in poverty				
Those who find difficulty in managing their finances				
Lone parents				
Those from minority ethnic backgrounds				



## POVERTY IMPACT ASSESSMENT

## 7.2 APPENDIX 3

**Poverty is measured in different ways. Will the policy / decision have an impact on child and family poverty and in what way?**

[illegible]

### Overall impact of Policy / Decision

POSITIVE IMPACT		ADJUST / CHANGE POLICY / SERVICE	
NO IMPACT / NO CHANGE		STOP / REMOVE POLICY / SERVICE	
ADVERSE IMPACT BUT CONTINUE			

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

# FINANCE AND POLICY COMMITTEE

20<sup>th</sup> June 2022



**Report of:** Managing Director

**Subject:** CORPORATE PEER CHALLENGE

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## 1. TYPE OF DECISION/APPLICABLE CATEGORY

For information

## 2. PURPOSE OF REPORT

- 2.1 To inform Members of the forthcoming Corporate Peer Challenge that will take place from 13<sup>th</sup> to 16<sup>th</sup> September 2022 supported by the Local Government Association (LGA).

## 3. BACKGROUND

- 3.1 The LGA corporate peer challenge (CPC) approach involves a team of experienced officers and members spending time with another council as 'peers' to provide challenge and share learning. Participating councils receive a comprehensive report and recommendations from the peer team and then identify their own action plan to respond. Peer challenges are an established tool that supports councils to drive improvements and efficiency.
- 3.2 The CPC is available to all councils and there is no charge to participate. The LGA expects that all councils will complete a CPC at least every five years. The last CPC that took place in Hartlepool was in September 2012.
- 3.3 Six months after a CPC, the LGA organises a check-in meeting. This is a facilitated session which creates space for the council's senior leadership to explore progress and challenges with the peers, and discuss their next steps.

#### 4. CORPORATE PEER CHALLENGE

4.1 It has been 10 years since the last CPC took place in Hartlepool and there has been a lot of change in that time. The Council now has an established committee based system of governance and has faced year on year reductions in core budgets over a prolonged period of time. It is therefore timely to review our strengths and areas for improvement with support from external peers who have relevant knowledge and experience to share.

4.2 The Corporate Peer Challenge (CPC) will cover five core elements:

- **Local priorities and outcomes** – Are the Council's priorities clear and informed by local context? Is the Council delivering effectively on its priorities?
- **Organisational and place leadership** – Does the Council provide effective local leadership? Are there good relationships with partner organisations and local communities?
- **Governance and culture** – Are there clear and robust governance arrangements? Is there a culture of challenge and scrutiny?
- **Financial planning and management** – Does the Council have a grip on its current financial position? Does the Council have a strategy and a plan to address its financial challenges?
- **Capacity for improvement** – Is the organisation able to support delivery of local priorities? Does the council have the capacity to improve?

4.3 The CPC have also been requested to reflect on the Council's approach in two additional areas:

- **Organisational risk and resilience** – How has the Council responded to the challenge of supporting its future financial sustainability whilst balancing organisational risk and mitigating the impact on people services? This will consider the impact that financial savings are having on neighbourhoods and communities, and the extent to which 'core back office' services have been streamlined to a point where resilience and service delivery could potentially be at risk.
- **Economic regeneration** – How effective is the Council's narrative to its communities around the social and economic aspirations and outcomes of our planned economic regeneration activities? Has the Council got the right balance between investing in big capital projects and using capital funding to maintain its existing physical infrastructure? This will consider the Council's significant capital programme and the Economic Growth Strategy.

- 4.4 The CPC Team will include a combination of Councillor and Officer Peers from a range of different local authorities. Work to confirm the members of the Team is currently underway but will include:
- Chief Executive Officer Peer - TBC
  - Independent Councillor Peer – TBC
  - Conservative Councillor Peer - TBC
  - Senior Officer Peer with finance expertise - Joseph Holmes, Executive Director Resources, West Berkshire Council
  - Senior Officer Peer with people expertise - Delyth Curtis, Deputy Chief Executive People, Cheshire West and Chester Council
  - Senior Officer Peer with economic regeneration expertise - Chris Ashman, Director of Regeneration, Isle of Wight
- 4.5 In advance of their visit the CPC Team will be given an Information and Data Pack which will include a Position Statement prepared by the Council and a small suite of background documentation that will assist the CPC Team in their work.
- 4.6 In preparation for the CPC Team visit a members briefing session will be held in early September and there will be a number of communications to elected members and staff in the lead up to their visit.
- 4.7 The CPC Team will be on site from Tuesday 13<sup>th</sup> to Friday 16<sup>th</sup> September 2022. During that time they will meet with a range of people including elected members, Council employees and representatives from partners in the public, private, voluntary and community sector. A timetable will be prepared in advance of their visit and this will include a range of activities from meetings with individuals, small group meetings and wider focus groups. In addition the CPC Team may attend meetings that are already scheduled to take place during their visit including meetings of council committees or relevant partnerships or outside bodies. The visit will end with a formal feedback session which will outline the CPC Team's findings and their recommendations.
- 4.8 Following the visit the LGA will prepare a written report on the CPC Team's findings and their recommendations. It is expected that the report and an action plan setting out the Council's proposed response will be shared with Council in December 2022.

## 5. OTHER CONSIDERATIONS

### 5.1

Risk Implications	The Council's approach to risk will be considered as part of the Corporate Peer Challenge. If any recommendations are identified in relation to this then the Council's proposed response will be included in the report back to Finance and Policy Committee in December.
Financial Consideration	The Council's approach to finance will be considered as part of the Corporate Peer Challenge. If any recommendations are identified in relation to this then the Council's proposed response will be included in the report back to Finance and Policy Committee in December.
Legal Considerations	No relevant issues.
Consultation	The Corporate Peer Challenge process will include consultation with relevant individuals and groups. The specifics of what has been undertaken will be included in the December report to Finance and Policy Committee.
Child / Family Poverty	No relevant issues.
Equality and Diversity	The Council's approach to equality and diversity will be considered as part of the Corporate Peer Challenge. If any recommendations are identified in relation to this then the Council's proposed response will be included in the report back to Finance and Policy Committee in December.
Section 17 of the Crime and Disorder Act 1998	No relevant issues.
Staff	No relevant issues.
Asset Management	The Council's approach to asset management will be considered as part of the Corporate Peer Challenge. If any recommendations are identified in relation to this then the Council's proposed response will be included in the report back to Finance and Policy Committee in December.
Environment, Sustainability and Climate Change	No relevant issues.

## **6. RECOMMENDATIONS**

- 6.1 Finance and Policy Committee are requested to note that a Corporate Peer Challenge will be taking place from 13<sup>th</sup> to 16<sup>th</sup> September 2022 and that the findings report and an action plan setting out the Council's proposed response will be brought to Council in December 2022

## **7. REASONS FOR RECOMMENDATIONS**

- 7.1 The LGA expects that all councils will complete a Corporate Peer Challenge at least every five years and it has been 10 years since the last Corporate Peer Challenge took place.

## **8. BACKGROUND PAPERS**

- 8.1 None.

## **9. CONTACT OFFICERS**

- 9.1 Denise McGuckin  
Managing Director  
01429 523001  
denise.mcguckin@hartlepool.gov.uk

Sign Off:-

Managing Director



Director of Resources and Development



Chief Solicitor



# FINANCE AND POLICY COMMITTEE

20<sup>th</sup> June 2022



**Report of:** Director of Resources and Development

**Subject:** MEDIUM TERM FINANCIAL STRATEGY (MTFS)  
2022/23 to 2024/25 – TERMS AND CONDITIONS OF  
EMPLOYMENT SAVING

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## 1. TYPE OF DECISION/APPLICABLE CATEGORY

Holding report for information.

## 2. PURPOSE OF REPORT

- 2.1 The purpose of this report is to provide an update on the proposed changes to employee terms and conditions of employment.

## 3. BACKGROUND

- 3.1 Council on 16<sup>th</sup> 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.

- 3.2 A Trade Union consultative ballot held in January 2022 with employees who were members of the relevant Trade Unions resulted in a no majority support from employees, therefore, there was no agreement with Trade Unions through collective bargaining to change the employee terms and conditions of employment, as shown in paragraph 3.1 above.

- 3.3 The estimated saving for this proposal is £395,000.



#### **4. TRADE UNION NEGOTIATION**

- 4.1 Further negotiations with Trade Unions have been held and a revised offer agreed which has proceeded to ballot. This offer has removed the reduction in protection and focuses solely on an enhanced buyout payment in exchange for a 'Yes' vote for those employees directly affected by the reduction in premium rates. The payment effectively 'buys out' the 3 year protection and is equivalent to 2 years' worth of lost earnings as a result of the removal of weekend enhancements. If a 'Yes' vote is secured, each employee will receive a different buyout payment, depending on their individual circumstances and financial impact of loss of weekend enhancements.
- 4.2 The Trade Union ballot is 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 Thursday 19<sup>th</sup> May 2022 and will close on Thursday 9<sup>th</sup> June 2022 (noon). The results will be confirmed on Monday 13<sup>th</sup> June 2022. Members will be updated on the outcome of the ballot verbally at Finance and Policy Committee on 20<sup>th</sup> June 2022.
- 4.3 The Trade Unions have agreed that the votes of the three Unions will be counted as a single ballot.

#### **5. OPTIONS FOLLOWING OUTCOME OF BALLOT**

- 5.1 If there is a majority 'Yes' vote then changes to the Council's Terms and Conditions of Employment to remove premium rates of pay for contracted weekend work will be implemented from 1<sup>st</sup> August 2022 and buyout payments will be made to affected staff.
- 5.2 If there is a majority 'No' vote then members will need to make a decision on the next steps. A detailed assessment will be undertaken on the financial and risk implications of implementing the options available to members. Supplementary information following the outcome of the ballot will be provided to members at the Finance and Policy Committee on 20<sup>th</sup> June 2022.

#### **6. IMPLICATIONS**

- 6.1 A full and detailed assessment of all implications will be provided for each of the options available to members at the Finance and Policy Committee of 20 June 2022.

## **7. RECOMMENDATIONS**

- 7.1 It is recommended that Members note this holding report. A verbal update on the outcome of the ballot and next steps for member consideration will be provided at Finance and Policy Committee on 20<sup>th</sup> June 2022.

## **8. REASONS FOR RECOMMENDATIONS**

- 8.1 To advise the Committee of the current position in respect of the terms and conditions of employment savings proposal.

## **9. BACKGROUND PAPERS**

Finance and Policy Committee - Medium Term Financial Strategy (MTFS)  
2022/23 to 2024/25 – 13<sup>th</sup> December 2021

Council - Medium Term Financial Strategy (MTFS) 2022/23 to 2024/25 – 16<sup>th</sup>  
December 2021

Finance and Policy Committee – Medium Term Financial Strategy (MTFS)  
2022/23 – 2024/25 – 14<sup>th</sup> February 2022

## **10. CONTACT OFFICER**

Chris Little  
Director of Resources and Development  
[chris.little@hartlepool.gov.uk](mailto:chris.little@hartlepool.gov.uk)  
Tel: 01429 523002

Claire McLaren  
Assistant Director, Corporate Services  
[claire.mclaren@hartlepool.gov.uk](mailto:claire.mclaren@hartlepool.gov.uk)  
Tel: 01429 523003