

FINANCE AND POLICY COMMITTEE

AGENDA



Monday 20 January 2025

at 2.00 pm

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

MEMBERS: FINANCE AND POLICY COMMITTEE

Councillors Allen, Creevy, Feeney (VC), Hargreaves, Harrison (C), Lindridge, Little, Nelson, Oliver, Reeve and Young.

Parish Council Co-opted Member: M Ireland (Dalton Piercy Parish Council)

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 27 November 2024 (*previously published and circulated*)
- 3.2 To receive the minutes of the meeting of the Health and Wellbeing Board held on 9 September 2024

4. BUDGET AND POLICY FRAMEWORK ITEMS

- 4.1 Medium Term Financial Strategy (MTFS) 2025/26 to 2027/28 – *Director of Finance, IT and Digital*

5. KEY DECISIONS

No items

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. OTHER ITEMS REQUIRING DECISION

No items

7. ITEMS FOR INFORMATION

No items

8. ANY OTHER BUSINESS WHICH THE CHAIR CONSIDERS URGENT

FOR INFORMATION

Date of next meeting - Monday 10 February 2025 at 10.00 am in the Civic Centre,
Hartlepool



HEALTH AND WELLBEING BOARD

MINUTES AND DECISION RECORD

9 September 2024

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

Present:

Councillor Harrison, Leader of Council (In the Chair)

Prescribed Members:-

Elected Members, Hartlepool Borough Council - Councillors Boddy, Darby and Roy
Representatives of NHS North East and North Cumbria Integrated Care Board -
Katie McLeod (substitute for Karen Hawkins)

Director of Public Health, Hartlepool Borough Council – Craig Blundred
Executive Director of Children's and Joint Commissioning Services, Hartlepool
Borough Council - Sally Robinson

Executive Director of Adult and Community Based Services, Hartlepool Borough
Council - Jill Harrison

Representatives of Healthwatch - Margaret Wrenn and Stephen Thomas (substitute
for Christopher Akers-Belcher)

Other Members:-

Representative of Hartlepool Voluntary and Community Sector – Christine Fewster

Representative of Tees, Esk and Wear Valley NHS Trust (TEWV) – Jamie Todd

Representative of GP Federation - Fiona Adamson

Observer – Statutory Scrutiny Representative, Hartlepool Borough Council –
Councillor Jorgeson

Also in attendance:-

Stacey Hunter, Group Chief Executive Officer - North Tees and Hartlepool NHS
Foundation Trust and South Tees Hospitals NHS Foundation Trust

James Bromiley Associate Director of Group Development, North Tees and
Hartlepool NHS Foundation Trust and South Tees Hospitals NHS Foundation
Trust

Councillor Little, Hartlepool Borough Council

Julian Penton - Co-Lead Officer, Hartlepower Community Trust

Lynsey Wright - Tees, Esk and Wear Valley NHS Trust (TEWV)

Ruth Dalton - Group Director of Communications, North Tees and Hartlepool
NHS Foundation Trust and South Tees Hospitals NHS Foundation Trust

Claire Robinson - Public Health Principal, Hartlepool Borough Council

Vineeta O'Key – Public Health Registrar, Hartlepool Borough Council

Officers:-

Joan Stevens - Statutory Scrutiny Manager

Gemma Jones – Scrutiny and Legal Support Officer

11. Apologies for Absence

Apologies for absence were received from Levi Buckley, Christopher Akers-Belcher, Denise McGuckin, Brent Kilmurray, Supt Martin Hopps, Karen Hawkins, Sonya Black, Carl Jorgeson.

12. Declarations of interest by Members

Councillor Boddy declared a personal interest as a Governor of Tees Esk and Wear Valley NHS Foundation Trust.

13. Minutes of meetings

- (i) The minutes of the meeting held on 8th July 2024 were confirmed.

14. South Tees Hospital NHS Foundation Trust and North Tees and Hartlepool NHS Foundation Trust Group Model - *(Group Chief Executive Officer and Associate Director of Group Development, North Tees and Hartlepool NHS Foundation Trust and South Tees Hospitals NHS Foundation Trust)*

A presentation was delivered to the Board to provide an update on the University Hospital Tees (UHT) group model with a focus on:

- UHT Group Governance
- Group Executive and Non- Executive Structure
- Clinical Boards
- Working at scale and with communities
- Looking forward

The Group Chief Executive and the Associate Director of Group Development outlined that the purpose of the group model was to transform outcomes and experiences for patients, staff and the wider population. To allow for joint decision making where possible and to simplify decision making.

A Member referred to reports which included information and data relating to items such as hospital discharges and readmissions which the Representative agreed to continue to provide.

A Member expressed concerns that they were unaware of the appointment for the Group Chief Executive and the implications of the Group Model arrangements on the services in Hartlepool, examples of which were provided. Assurances were provided that the Group Model proposals had been shared with all partners.

A discussion followed with regards to what services would continue to be delivered from the Hartlepool Hospital site and what new services would be brought to the site. Members were advised that the Clinical Boards were reviewing clinical services and all decisions taken would focus on

patient safety. Part of this work included what could be delivered locally and what would be better delivered within specialist sites where the technology and skills were available. It was acknowledged that patient safety was the priority, whilst balancing financial pressures and staff resources was key, examples of which were provided.

Representatives assured Members that there was a commitment to continue delivering services from the Hartlepool Hospital site and any developments would be shared with the Committee. The Statutory Scrutiny Manager agreed to circulate the list of current services currently being delivered from the Hartlepool site.

The Chair acknowledged that it was good to hear that more services are to be brought back to the Hartlepool Site. Members commented on the difficulty of recruitment in specialist areas.

It was explained that it was important to keep pace with innovations and new technology to attract and retain the specialist staff required across the Tees Valley. It was also explained that there is a focus on support in the community and that Hartlepool were ahead of the curve in terms of the community services offered. A representative from the North East and North Cumbria Integrated Care Board referred to the ongoing work in terms of engagement with primary care services.

The Board agreed that the collaboration work was great to hear and that working on the best outcomes for people was crucial.

Decision -

- (i) The Board noted the contents of the presentation.
- (ii) The Statutory Scrutiny Manager agreed to circulate the list of current services being delivered from the Hartlepool site.

15. Local Area Inclusion Plan for Children and Young People with SEND (Special Educational Needs and Disabilities) - *(Executive Director of Children's and Joint Commissioning Services)*

The Board was presented with the Local Area Inclusion Plan including the work being carried out by the wider partnership to support children and young people with SEND. Reference was made to the areas that were currently being tested as detailed on the report. Work was ongoing on the different approaches to investigate how the SEND system could be reformed and advised that some publications were already being piloted and tested. Results would be fed back to the Department for Education, and it is anticipated that the changes will be rolled out more widely.

Thanks was given to the Officers in the development of the plan by the Representative from the Hartlepool Voluntary and Community Sector for ensuring that the family views of those involved were at the heart of the development.

The Executive Director of Children's and Joint Commissioning Services discussed that Autism Spectrum Disorder (ASD) and Social, Emotional, and Mental Health (SEMH) were rising areas and that the common goal was working towards reducing the waiting list for assessments in these areas.

Appreciation was expressed by the Chair for the work in this area.

Decision

- (i) The contents of the report was noted.
- (ii) Consideration was given to how organisations can contribute to
- (iii) meeting the needs of the children and young people with SEND.

16. 'Community Transformation' of Adult Mental Health Services - (Co-Lead Officer, Hartlepower Community Trust)

The Board was given an update with regards to the progress towards changing how support is provided to adults in Hartlepool with mental health issues. The North East and North Cumbria Integrated Care Board has provided additional investment for place based partnerships to deliver community transformation. Community Transformation aims to:-

- Involve people with experience of mental ill-health and using mental health services.
- End the fragmentation of services.
- End "silo working".

This is a move away from the medical model in understanding mental health and instead focuses on the social issues associated with emotional distress. This includes addressing issues such as toxic and stressful environments, problems with accommodation and financial hardship. The second driver is addressing missing skills such as enabling people to build healthy social networks and access employment, taking a more holistic approach to supporting people.

Progress was also outlined in terms of the involvement of people with lived experience. There is now a Hartlepool Lived Experience Forum, who meet 6-weekly, attended by people with current/recent past experience of emotional distress. Members from the forum are also part of the Community Transformation Steering Group.

The Board was also updated on the progress of ending fragmentation of services and the joint working arrangements in place. A resource has been developed involving 40 different organisations pertaining to helping those that are experiencing emotional distress. A series of workshops have also been held providing an opportunity to bring services together.

In terms of joint working arrangements, a weekly "huddle" now takes place at the Council's Central Hub where representatives from the main mental health services and some voluntary organisations meet to share information and ideas.

The Chair welcome the collaborative approach and expressed thanks for the great work being done in this area. A Member asked about the number of people accessing the service and it was advised that this was difficult to answer.

A Member expressed how proud those involved should be regarding the Art Exhibition as part of National Recovery Month and the hope it was providing to families.

Executive Director of Adult and Community Based Services, Hartlepool Borough Council commented that they were pleased to hear that Hartlepool had been identified for this work to take place and this initiative fits well with the work already being undertaken in the Town, explaining that the 'Huddle' was a key part of this.

A question was raised about those that need to be cared for in hospital and the future of Sandwell Park Hospital. A representative from TEWV advised that Sandwell Park had not been a feature of the current health and care infrastructure for a long time. A large part of the current strategy was to continue to deliver as much care as possible whilst people remained in their own homes. However, it was acknowledged that not all ill health can be managed within the community and that hospital intervention is available for those that need it.

The TEWV representative advised that no decision had been made about the future of Sandwell Park Hospital, but assurance was given that the Health and Well Being Board would be consulted.

A suggestion was made by the Chair that Sandwell Park Hospital be a future agenda item.

In response to further concerns raised about those that need hospital treatment for health issues that could not be managed in the community, it was advised that nothing had changed for those with a serious illness that needed hospital intervention. They would continue to be supported back into the community to aid and support discharge; the community transformation only strengthens this.

Members raised concerns that the current hospital provision was out of town and that some family/relatives may experience financial hardship relating to the cost of traveling to hospital visits.

A Member asked what provision was in place to support young people to distinguish between mental health issues and general emotional behaviour. TEWV commented that mental health practitioners are now working out of just under 50% of Hartlepool schools, although they are bidding for funding to have this in all Hartlepool Schools. This work supports teachers and students to differentiate between the different levels of emotional resilience. There are IAPT services in place to support people with talking therapies and that lots of things can be addressed without being medicalised.

A member of Healthwatch commented that this only highlights the significance and importance of the community and voluntary sector and underline the major input that this sector has in the area. They would like to see everyone have the support they need in their own community but there will always be some people that need the care and support in hospital and that some sites are 30 miles away from Hartlepool. Whilst Community transformation gives people access to local care and support, concerns were raised that it was difficult or impossible to visit relatives on a regular basis when they were being cared for outside the town (i.e. in Roseberry Park, West Park or Lancaster House). The Board recognised the need to explore as a matter of urgency the issue of accessibility for the family and friends of the patients, including the future of Sandwell Park.

A representative from the Hartlepool Voluntary and Community Sector noted that wider family support needed to be a consideration especially for unpaid carers. They commented it was important to support those that carer for their family/friends and to look after their mental health.

Decision

- (i) Noted the progress and looked forward to continuing to receive further updates on the progress of Community Transformation.
- (ii) Receive a further report on the future of the Sandwell Park Hospital.

17. Healthwatch Hartlepool – Annual Report *(Chief Executive of Healthwatch Hartlepool)*

A Representative from Healthwatch Hartlepool presented to Board members their published annual report for 2024-25 providing an overview of the work for the year. The report provided Members with an overview of the projects they have been involved with including hospital discharge and the transition of adults with learning disabilities leaving home or supported settings. Healthwatch Hartlepool also make regular representations to service providers and contribute to national decision making whilst influencing future work programmes.

In the discussion following Healthwatch outlined how they ensure recommendations are considered and implemented. Healthwatch Hartlepool work closely with organisations to make sure they are following the recommendations and via a good working relationship with Local Authority and commissioning officers. They also visit regularly and are persistent about the work they do. They are committed to pursuing the progress of recommendations made to each service. Through different approaches taken means they are starting to see how seriously lived experience is being taken.

Executive Director of Adult and Community Based Services, Hartlepool Borough Council noted that the work of Healthwatch regularly feeds into their approach and highlighted the close working relationship with the CQC.

Decision

- (i) The contents of the report were noted.

18. Drug and Alcohol Strategy Update *(Director of Public Health)*

The Board received an update on the progress against the Drug and Alcohol strategy Action Plan for Hartlepool covering 4 priorities: -

Priority 1: Prevention and Early Intervention

Priority 2: Reducing alcohol and drug related harms.

Priority 3: Supporting Wider Health Needs

Priority 3: Reducing Drug and Alcohol Related Crime and Disorder

The aim of the document is to summarise activity and priorities, to support joint working and planning of future activities.

In the discussion that followed initiatives such as Naloxone training and the work of the National Recovery Month were welcomed.

It was also discussed that Recovery data, whilst not featured in this plan, could be brought to the board at a later date.

In response to concerns about recurring hospital admissions for drug and alcohol related issues details of the support arrangements in place were outlined. The need for a

Representative of Hartlepool Voluntary and Community Sector outlined the future joint work that could be carried out to improve the support offered to young people.

Decision

- (i) The Board noted the report.
- (ii) That Recovery data be brought to a future meeting.

19. Draft Joint Health and Wellbeing Strategy (LJHWS) Consultation Approval - *(Director of Public Health)*

Director of Public Health explained that the structure of the Draft Joint Health and Wellbeing Strategy needed to go out for consultation. Areas of the Strategy were highlighted during the discussion and an annual action plan would be developed and brought back the Board in the future. The consultation would also be taken to the Audit and Governance Committee to allow for further debate.

In the discussion that followed Members shared some good news stories and initiatives in relation to health improvements.

Decision

- (i) The Board agreed that the Draft Joint Health and Wellbeing Strategy go out for consultation.

Meeting concluded at 12:05 pm

CHAIR

FINANCE AND POLICY COMMITTEE

20 JANUARY 2025



Report of: Director of Finance, IT and Digital

Subject: MEDIUM TERM FINANCIAL STRATEGY (MTFS)
2025/26 TO 2027/28

Decision Type: Budget and Policy Framework

1. COUNCIL PLAN PRIORITY

Hartlepool will be a place:
- where people are enabled to live healthy, independent and prosperous lives
- where those who are vulnerable will be safe and protected from harm
- of resilient and resourceful communities with opportunities for all
- that is sustainable, clean, safe and green
- that has an inclusive and growing economy
- with a Council that is ambitious, fit for purpose and reflects the diversity of its community

2. PURPOSE OF REPORT

- 2.1 The purpose of this report is to provide an update on the impact of the Provisional Local Government Finance Settlement for 2025/26 and to enable Members to approve the budget proposals to be referred to Council, including the level of council tax and adult social care (ASC) precept for 2025/26.

3. BACKGROUND

- 3.1 Comprehensive MTFS reports were considered by Finance and Policy Committee on 25th June 2024 and 25th November 2024. These reports set out the continued financial challenges facing the Council for 2025/26 and over the MTFS period, although it is important to recognise that the Council needs to be sustainable beyond this three-year period and into the longer term. This

report provides a comprehensive update of all areas impacting on the MTFS and specifically the 2025/26 budget, including those areas reported as part of prior updates.

- 3.2 The new Government's first budget delivered by the Chancellor on the 30th October 2024 announced planned increases in expenditure in public services, largely funded through increased taxation. In headline terms, local government was allocated an additional £1.3 billion in government grant funding for 2025/26, although at that time the distribution methodology of this was still to be confirmed.
- 3.3 In advance of the actual Finance Settlement published later in December, as is common practice, the Minister of State responsible for Local Government presented the 2025/26 Local Government Finance 'Policy Statement' in a written statement to parliament. This was presented on the 28th November 2024.
- 3.4 The Policy Statement confirmed that the additional core national resource (c£1.3bn) into local government, was to be distributed via existing grants but also via the creation of new grants namely the 'Recovery Grant' and 'Children's Social Care Prevention Grant'. The Recovery Grant noted as being highly targeted towards those authorities with the highest levels of deprivation. The statement also confirmed the continuation of the current council tax referendum limits of 3% for core council tax and 2% for the adult social care precept. Outside of the announcements relating to core funding, the policy statement also confirmed; that local authorities would be compensated for the direct impact of the pending employers National Insurance Contribution increases, the extension of the new homes bonus for a further year and the introduction of the Extender Producer Responsibility grant from 2025/26. Further details on all areas are provided within the main body of this report.
- 3.5 Notwithstanding the additional funding for 2025/26 noted above, the national medium term funding position presented in the autumn budget continues to indicate restricted funding increases for non-protected departments, which includes the Ministry for Housing, Communities and Local Government (MHCLG), who provide grant funding to councils. The absence of real term increases in the medium term, exacerbates the need for the Fair Funding Review to be delivered, which will reset the funding system to distribute the funding available to councils across the country more fairly, and reflective of need.
- 3.6 Positively, both the Chancellor's Autumn budget statement and Minister's Local Government Finance Policy Statement confirmed the Government's commitment to a full package of funding reforms in 2026/27, and that this will be the start of a multi-year settlement. It was noted that, the funding reforms will build on the previous government's Fair Funding Review, and there will also be a full business rates baseline reset.
- 3.7 The October Autumn Budget confirmed the National Living Wage for age 21 and over will increase from £11.44 an hour (April 2024) to £12.21 per hour

from April 2025, a rise of 6.7%. Whilst welcome in the context of tackling low pay, this rise continues to place significant upwards pressure on social care and other contracted service delivery. With regards to Council employee pay rise forecasts for 2025/26, although the lowest council pay bands are currently above this uplifted NLW rate, the level of increase is likely to be an additional inflationary factor on council employee pay negotiations.

- 3.8 The provisional Local Government Finance Settlement, issued on 18th December 2024, provided the detailed grant allocation to councils and other information needed to set their budgets for 2025/26. The details from the settlement and the impact for Hartlepool is provided in the next section.

4. PROVISIONAL LOCAL GOVERNMENT FINANCE SETTLEMENT 2025/26

- 4.1 This statement provided a number of important announcements regarding council funding as highlighted in the following paragraphs and section 5 details the impact on the MTFS.

Headline increase in Core Spending Power

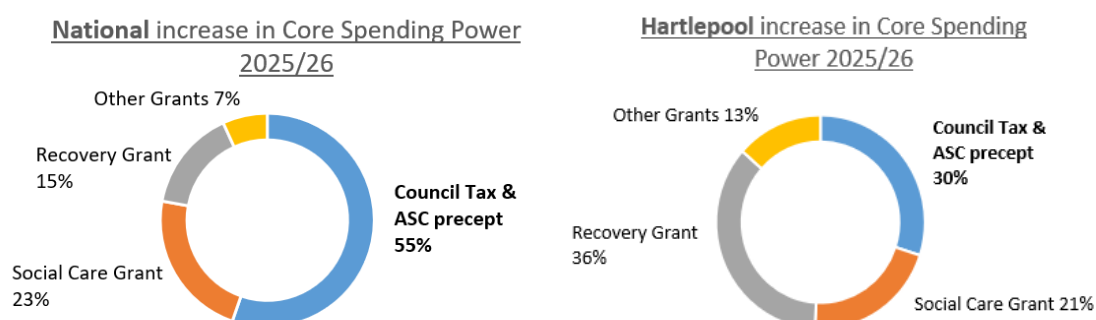
- 4.2 Core Spending Power (CSP) is the Government's measure for comparing all funding 'made available' through the Local Government Finance Settlement. The headline national increase in CSP is 6.0% - a cash increase of £3.9 billion, consisting of the elements detailed in the following table:

Funding Source	Value (£'bn)	Value (%)
Council Tax and Adult Social Care (ASC) precept income	£2.158bn	55%
Social Care Grants	£0.880bn	23%
Recovery Grant (new funding stream)	£0.600bn	15%
Other Grants and Business Rates (net movement)	£0.264bn	7%
Total Core Spending Power Increase	£3.902bn	100.0%

- 4.3 As highlighted by the above table, the Government's total CSP increases are based on the assumption that all authorities will use the maximum available council tax and ASC flexibility. On this basis 55% of the £3.902 billion of the national Core Spending Power increase will need to come from council tax and ASC precept. This underlines the increasing reliance of the current funding system on council tax and the ASC precept to meet the costs of local services.
- 4.4 The Government's Core Spending Power figures include the additional £1.3 billion of grant funding announced in the Chancellor's 2024 Autumn

Statement. An element of this funding is being directed to those councils with higher levels of deprivation, alongside elements also being allocated to equalise the ability of individual councils to raise income from the ASC precept. This means that areas with a low council tax base (i.e. high percentage of properties in bands A and B), including Hartlepool, receive more Social Care grant. The overall impact of these issues is that 30% of the Government's assessment of Hartlepool's Core Spending Power increase for 2025/26 is from council tax and the ASC precept. Whilst this is lower than the 55% national figure, this is an important recurring income for funding Hartlepool services.

- 4.5 The increase in other grants mainly reflects, the Children's Social Care Prevention grant introduction, a CPI increase in the Revenue Support Grant (RSG) and compensation for under-indexing of the business rates multiplier. In addition, New Homes Bonus funding has been continued into 2025/26, but the previous received Services Grant has been removed. Further details on these grants are provided below.
- 4.6 The charts below compare component increases in Hartlepool's Core Spending Power with the National figures using the settlement figures for 2025/26.



- 4.7 A significant proportion of the additional grant funding being directed to Social Care and the increase in council tax limits, including the ASC precept, means that Spending Power increases are greatest for Social Care authorities. This reflects the significant inflationary pressures facing these services, including children's social care and more widely the impact of the National Living Wage and national insurance increase in April 2025. Government figures based on the maximum council tax and ASC precept flexibility being used by all authorities, confirm a national average CSP increase of 6%, an 8.4% increase for Hartlepool, but significantly lower increases for District Councils.

Period covered by settlement

- 4.8 As previously announced by Government, the detailed settlement is for 2025/26 financial year only, which is the seventh successive one-year settlement for councils.

Recovery Grant

- 4.9 This newly introduced grant totalled £600m nationally. The distribution of funding was “highly targeted” towards places that need it most and used a combination of the indices of multiple deprivation (IMD) and council tax base as the formula for distribution. Hartlepool’s allocation from this grant totals £3.610m for 2025/26. This significant new grant stream, distributed with deprivation as the focus, is likely to have provided the foundations of the anticipated uplift in funding arising from the pending fair funding review i.e. the acceleration of a significant proportion of the anticipated uplift in resources into the 2025/26 financial year.

Children’s Social Care Prevention Grant

- 4.10 A further new grant introduced to “lay the groundwork for children’s social care reform”, totalling £250m nationally. Hartlepool’s allocation from this grant totals £0.870m for 2025/26. The provisional settlement did note that conditions are placed on this, but these conditions will not be confirmed until the final settlement is published in early 2025. Given the uncertainty, there is an assumed matching spend pressure contained within the budget for 2025/26.

Services Grant

- 4.11 This grant was introduced in 2022/23, totalling £822m nationally and the distribution formula included an element for deprivation which was favourable for Hartlepool. The grant was depleted over subsequent years to fund other areas within the settlement and for 2025/26 has now been fully removed.
- 4.12 For the Council, the allocation from this grant was £0.199m for 2024/25. The MTFS has been updated to remove this from 2025/26.

New Homes Bonus

- 4.13 This grant has been extended for a further year as part of the 2025/26 Settlement. Hartlepool’s allocation of £1.067m for 2025/26 is a reduction from 2024/25 (£1.224m), but beyond the amount previously forecast within the MTFS.
- 4.14 The government have confirmed that 2025/26 will be the last year for this grant in its current form, as such it has been fully removed from the MTFS from 2026/27.

Public Health Grant

- 4.15 The core public health grant allocation for 2025/26 is subject to a separate announcement. The 2024/25 grant allocation totalled £9.666m. Any required update will be provided once the final 2025/26 grant allocation is confirmed.

- 4.16 Outside of the core public health grant funding, this service area benefits from a number of other ringfenced grants linked to targeted initiatives. Confirmation has been received that grant funding for ‘Supplementary Substance Misuse Treatment & Recovery’ from the Office of Health Improvement & Disparities will continue into 2025/26. In addition, the Department of Health & Social Care have confirmed the extension of the Local Stop Smoking Services and Support grant totalling £0.129m.

Grants outside of Core Spending Power

Extended Producer Responsibility for Packaging (pEPR)

- 4.17 The Council has received an indicative allocation of £2.187m for the pEPR scheme for 2025/26. This new grant is to cover the existing costs local authorities incur for managing household packaging waste, provide additional funding for new legal duties, and support much needed investment in the waste and recycling industry. The funding is guaranteed in 2025/26, but with no guarantee of levels of funding for future years. Therefore, a £0.200m per year reduction in grant has been factored into the MTFS from 2026/27.

National Insurance

- 4.18 To support local authorities with the impact of employer national insurance changes, a new grant has been introduced to compensate councils for the financial impact on their ‘direct’ staffing costs.
- 4.19 HM Treasury have provided £515m nationally to compensate councils for this additional cost pressure. The allocations to individual authorities will not be confirmed until the Final Settlement is published in early 2025. High level forecasting indicates that only circa 60% of the direct cost pressure can be funded from the £515m available. A grant estimate of £0.850m has been included in the MTFS from 2025/26. This compares to a calculated direct cost of £1.4m.
- 4.20 Note, no compensation is being provided for indirect costs arising from the National Insurance increase.

Other Grant Changes

- 4.21 As part of the government initiative to simplify the grant funding system a number of smaller grants have either been merged into the Revenue Support Grant or merged together into larger single grants. The overall impact on the council from these changes is neutral.
- 4.22 In acknowledgement of the discontinuing of the New Homes Bonus funding stream, which is likely to be recycled, and the Fair Funding Review including business rates reset, the MTFS has been updated to incorporate an assumed increase in grant funding including business rates reset redistribution. A prudent increase of £2m in 2026/27 and a further £1m in 2027/28 have been

incorporated into the updated MTFS. The total £3m increase has been phased over 2 years to reflect the likely transition period involved in the movement to an updated funding system. There is no certainty this funding will materialise, and the position will be carefully monitored and the MTFS updated accordingly as part of future years budget setting processes.

5. IMPACT OF PROVISIONAL 2025/26 LOCAL GOVERNMENT SETTLEMENT ON RESOURCES

- 5.1 The previous MTFS update reported to the Committee in November was predicated on a number of assumptions which informed the forecast increase in government grants to be received by the Council. Members were advised that the actual impact on individual councils would not be known until the provisional 2025/26 Local Government Finance Settlement was announced.
- 5.2 As detailed in the previous section the settlement has confirmed changes to funding for 2025/26 and provided the detailed allocations for the majority of grants for individual councils.
- 5.3 The most significant changes since the last report are the introduction of the Recovery, Children's Social Care Prevention and pEPR grants and the increase in the Social Care grant. The removal of the Services Grant from 2025/26 and the New Homes Bonus from 2026/27 are the significant areas of reduction on the MTFS.
- 5.4 Overall there is a £9.832m net increase in 2025/26 grant resources provided through the Settlement, as summarised below. However, it is important to note that the MTFS did have a £4.065m unfunded balance for 2025/26, which was anticipated to be met from grant increases and also further significant expenditure pressures relating to National Insurance and Children's Social Care Prevention Grant conditions, detailed further in section 6, need to be fully funded.

	Nov 2024 F&P	Provisional Settlement
	Forecast Increase /(Decrease) in Grant Resource £m	Actual Increase /(Decrease) in Grant Resource £m
Introduction of Recovery Grant	0	3.610
Introduction of Extended Producer Responsibility for Packaging (pEPR) Grant	0	2.187
Increase in Social Care funding	0	2.112
Introduction of Children's Social Care Prevention Grant	0	0.870
National Insurance Grant (Estimate)	0	0.850
Increase in Revenue Support Grant and Business Rates Top Up Grant	0.382	0.392
Decrease in New Homes Bonus Grant	(0.777)	(0.157)
Decrease in Services Grant	0	(0.199)
Other grant changes	0.167	0.167
Net increase / (decrease) in Grant Resources	(0.228)	9.832

Dedicated Schools Grant

- 5.5 The Chancellor's Autumn Budget confirmed a national increase in funding for the core schools budget of £2.3 billion, increasing per pupil funding in real terms. £1 billion of this funding is being directed towards supporting the special educational needs and disabilities (SEND) system. Following receipt of individual authority allocations in December, it has been confirmed that Hartlepool's DSG will increase by £1.667m for 2025/26.
- 5.6 As reported through the quarterly budget monitoring updates to Committee, Hartlepool, like many other local authorities across the country has an inherent deficit within its DSG budget, largely driven by shortfalls on High Needs block funding. The Council have engaged with the Education and Skills Funding Agency (ESFA) over recent months to discuss a DSG Management Plan, which sets out an approach to stabilise the position and reach a sustainable budget position in the medium term.
- 5.7 The reported quarter 2 position to Committee in November 2024 indicated a forecast £4.070m overspend for 2024/25. Given this significant level of shortfall, the additional funding provided by government for 2025/26, although welcome, is unlikely to be sufficient to mitigate the position in the short term.

6. BUDGET PRESSURES

- 6.1 The medium term financial plan is constantly evolving. The current forecasts for 2025/26 budget pressures informing the budget proposals, and also the pressures into the medium term are documented in this section. The table below provides estimates of these pressures, which have increased by £4.249m for 2025/26, since the November report. The main changes relate to Employer National Insurance impacts (£2.940m) and spend provision linked to the newly introduced Children Social Care Prevention Grant (£0.870m). Detailed commentary is provided in the subsequent paragraphs.

	2025/26 £m	2026/27 £m	2027/28 £m	Total £m
Spending Pressures				
Pay and Price Inflation	3.650	4.369	2.991	11.010
National Insurance Contributions	2.940	0.031	0.031	3.002
Children's Social Care	6.870	1.500	1.530	9.900
Waste Disposal	1.500	0.530	0.041	2.071
Capital Financing	0.250	0.250	0.250	0.750
Transformation Capacity	0.250	0.005	0.005	0.260
Total Spending Pressures	15.460	6.685	4.848	26.993

Pay and Prices - Pay Award Inflation

- 6.2 The national pay offer for 2024/25 was agreed during October 2024. Following ballots, the trade unions accepted the original pay offer, which equates to £1,290 per employee regardless of grade, up to spinal point 43. This increase equated to a 5.77% increase at spinal point 2 and 2.50% at point 43. Spinal points above 43 received a 2.50% increase. The agreed 2024/25 pay award was below the value provided for when setting the 2024/25 budget, resulting in a saving of approximately £1.000m in 2024/25. This £1.000m, on-going, saving is factored into MTFS position for 2025/26.
- 6.3 Given the lower levels of inflation in the economy, the MTFS currently has a pay award assumption for 2025/26 of 3% and then 2% in subsequent years, in line with the government's target inflation level. The significant increase to the National Living Wage may create upward pressure on any pay award negotiations for 2025/26 and as such pay assumptions in relation to these financial years, will be kept under close review.
- 6.4 The actual pay settlement is likely to be agreed at some point during the 2025/26 financial year, therefore pay provision will be held centrally until agreement is reached.

Employers National Insurance Rate and Threshold

- 6.5 The Chancellor's Autumn Budget provided confirmation that the employer National Insurance (NI) contribution rate would increase from April 2025

and there would also be a lowering of the threshold at which employer contributions become payable. The contribution rate is to increase from 13.8% to 15% and the payment starting threshold is to reduce from £9,100 to £5,000.

- 6.6 The government confirmed it would compensate councils for the 'direct cost' of this NI increase, although as noted in 4.19 above, the allocations to individual authorities will not be confirmed until the Final Settlement is published in early 2025, and are not expected to meet the full cost increase.
- 6.7 The indirect cost impact on councils of the NI changes e.g. social care providers and other third parties, has not been funded directly by government. The government have indicated that other funding streams made available through the settlement should be used to manage this cost impact.
- 6.8 The 2025/26 budget includes provision of £2.940m to meet the above noted pressures arising from the NI changes. Where uncertainty still remains once the budget is presented for approval, appropriate contingency funding will be held within the pay award and price contingency.

Pay and Price - General Price Inflation

- 6.9 The Consumer Price Index (CPI) measure of inflation rose slightly to 2.6% in November 2024 from 2.3% in October 2024. This rise to above 2% was anticipated and driven by the rise in Ofgem's utility price cap on 1st October and increases in fuel costs.
- 6.10 Inflation forecasts and general economic stability continues to be heavily caveated around the potentially volatile impacts of geopolitical factors, namely escalating developments in the Middle East, Ukraine/Russia conflict and the recent United States election.
- 6.11 Given the general lower inflationary environment, coupled with procurement efficiencies generated, no general inflation has been allowed for 2025/26, with provision reverting to 2% over the remaining MTFS period. Bespoke inflation is included for contracts where specific inflation indices are used and provision for identified minor pressures has also been included.

Pay and Price – Adult Social Care Contracts

- 6.12 The net budget for packages of care is approximately £32m and annual increases to care home fees and home care rates are determined using an established formula. The annual inflation uplift is based on a range of factors and recent increases have been driven predominantly by increases in the National Living Wage (NLW) and the level of non-pay inflation.

- 6.13 The Government's Autumn Budget confirmed the National Living Wage for age 21 and over will increase from £11.44 an hour (April 2024) to £12.21 per hour from April 2025, a rise of 6.7%. The increase to £12.21 is above early planning assumptions, therefore the budget requirement forecast has been adjusted accordingly throughout the budget setting process. The increases on the non-pay inflation elements of the budget are largely informed by the prevailing inflation measures.
- 6.14 As noted at section 6.7 above third party providers, including those providing social care, will be impacted by the changes to employer national insurance contributions. This is likely to result in a further budgetary pressure within this area, although the government have confirmed that council's will not be directly funded for this.
- 6.15 Given the number of driving factors noted, a prudent, but reasonable assessment of fee uplifts has been included within the MTFS, however, this remains an area of risk until uplifts are agreed with providers.

Pay and Price – Income

- 6.16 Historically, for budget planning purposes it has been assumed that all discretionary fees and charges will increase in line with inflation each year. Given the council's financial position and the recent inflationary impact on the council's expenditure budgets, it is proposed to uplift discretionary fees and charges for 2025/26 by a minimum of 5%. Areas with existing income budget shortfalls will still action an increase in charges in April 2025 where appropriate, but prudently the overall income budget target will not be increased, allowing the price increase to address the existing gap.

Energy Inflation

- 6.17 Recent years have seen unprecedented market volatility, driven by Covid-19, the Russia-Ukraine war, extreme weather patterns and geopolitical tensions, as well as the UK and Europe's ambitions to move to better security of supply and alternative generation types. This has created a monumental shift in what typical market activity looks like. This movement from traditional market norms has created a market that is very reactive and has the potential to move far more substantially in very short windows of time.
- 6.18 In response to this turbulence, the Council progressed a twofold strategy of increasing the revenue budget for anticipated long term prices, coupled with use of an energy reserve for the shorter term spike. This approach has served the Council well since 2022/23.
- 6.19 The Council purchases its energy via the regional North East Purchasing Organisation (NEPO), which has an agreed Risk and Purchasing Strategy in place to forward buy energy as deemed prudent. At present,

approximately half of the energy requirement for 2025/26 has been purchased.

- 6.20 Although energy pricing is forecast to fall in 2025/26, from a budgeting perspective this is likely only to minimise or remove the requirement to supplement the budget with use of the Energy Reserve. To that end, at this stage it is prudent to maintain the base budget and apply normal inflation increases, with the position monitored closely given the potential for further market volatilities.

Children's Social Care

- 6.21 The budget pressures in this area continue to be of significant concern for our Council, and many across the region and country. Many areas of expenditure relating to children in our care are experiencing significant and on-going inflationary pressures, these include; external placements, independent foster agency (IFA) placements, allowance payments as well as the associated staffing demands.
- 6.22 In addition to the inflationary pressures, the proportion of children needing to be placed in the most costly, external placement homes, continued to increase during 2024. There are currently 42 children in external residential placement care. The complexity of children's needs is driving this increase, at a time where finite capacity in the specific market is leading to ever increasing prices being demanded for accommodation. The average weekly cost of a placement has increased by over 40% over the last three years. The average cost of a new external placement since September 2024 has been £5,100 per week (range £4,125 to £7,000), with the current highest cost external placement being in excess of £12,000 per week.
- 6.23 The Council continues, where possible, to try and mitigate pressures through; promotion of in-house fostering including as part of a large scale regional recruitment initiative, opening new Local Authority run homes within Hartlepool and also working in partnership with local providers to secure local, lower cost placements. In addition, increased staffing resource, funded by invest to save reserves, is being provided during 2024/25, through the creation of an additional team to provide further support to families who are at risk of having children enter the care system. This team commenced its valuable 'edge of care' intervention activity during the summer and has been fully staffed since October 2024.
- 6.24 Despite this approach and additional resources of £4.5m being added to the budget for 2024/25, the budget is experiencing significant pressure in the current financial year, with a 2024/25 forecast overspend, approaching £6m. Given this significant and unprecedented spend pressure it has been deemed necessary to increase the MTFS budget requirement to £9.0m (£6.0m 2025/26, £1.5m 2026/27 and £1.5m 2027/28). The profile reflects the need to address the current shortfall position followed by lower

inflationary driven increases, as initiatives to tackle, curb and ultimately aim to reverse this growing pressure continue.

- 6.25 The financial impact on the council's financial stability and resilience due to this pressure is of extreme concern and one which requires a multifaceted approach to address. This includes the need for government intervention in the provider market, additional funding from government to acknowledge the correlation of care needs linked to deprivation, introduction of a major early intervention support programme to assist parenting and societal issues impacting on families, alongside, the measures being delivered locally within the resource we have, as noted in 6.23 above.
- 6.26 The Government's Autumn Budget and subsequent provisional finance settlement has acknowledged the national crisis in this area, with; £880m of the £1.3bn for 2025/26 to be directed to wider Social Care, the creation of the Children's Social Care Prevention Grant and also the use of deprivation measures to distribute the newly created Recovery Grant.
- 6.27 The newly created Children's Social Care Prevention Grant (£0.870m allocated) is subject to grant conditions but these were not released as part of the provisional finance settlement and noted to follow with the final settlement in early 2025. Given the uncertainty regarding the grant conditions a matching spend pressure of £0.870m has been added to the £9m general Children's Social Care budget noted above. Should the conditions allow, it is proposed that this budget be utilised to allow the continuation of the 'edge of care team' which is currently funded on a temporary basis from reserves, or directed to support the Staying Close initiative should grant funding not continue.
- 6.28 In addition to the activity noted above, the Government's Autumn Budget red book, detailed the following plan; "Building on existing reform pathfinders, and the new investment in kinship and fostering announced in Phase 1 of the Spending Review, the government will set out plans for fundamental reform of the children's social care system in Phase 2. This will include promoting early intervention to help children to stay with their families where possible and fixing the broken care market".

Waste Disposal

- 6.29 Hartlepool has entered into a partnership with six other Local Authorities in the region to procure a new Energy from Waste facility. The procurement process is on-going, with an anticipated go-live date during 2029. The Council has benefitted from very competitive gate fees with the current incumbent, however, these fees are forecast to step up significantly for the 2025/26 year as part of the contract extension arrangement.
- 6.30 The financial due diligence work continues in relation to the above. The forecast budget impact of £2m remains within the MTFS period, and the latest understanding of the phasing is incorporated in the latest budget plans.

Capital Financing

- 6.31 A recurring annual saving of £2m has previously been taken over a 12 year period (2017/18 to 2028/29) following a change to the Council's Minimum Revenue Provision (MRP) policy at the time. This saving unwinds to £1m, with a reduction in 2029/30 of £0.6m and a further £0.4m in 2030/31. To avoid these cliff edge impacts on the MTFS, a capital financing pressure of £0.150m per annum was previously introduced in the MTFS. This annual pressure was increased to £0.250m to reflect the approved borrowing requirement for the Highlight leisure facility.
- 6.32 A recent review of the MRP policy has identified an inconsistency in approach across borrowing areas. The proposed alignment of this approach across all areas (as included in **Appendix B**) will provide a reduced MRP cost in the short term, slowly increased over the life of the asset, resulting in greater alignment with budgets as they naturally inflate.
- 6.33 The council's capital financing requirement will need to be met through increases in borrowing at some point in the short to medium term. The primary source of borrowing is the Public Works Loan Board (PWLB) operated by the government's Debt Management Office. The rate at which the PWLB will lend to authorities is tagged to the rate at which the government borrows, known as the Gilt Rate. This rate is currently at higher levels than in recent years, due to a number of UK economic and geopolitical factors. The council will continue to carefully consider its Treasury Management position to determine the likely timelines for rate reductions and how this will impact on borrowing costs. An additional budget pressure may arise in this area if interest rates do not subside.

Transformation Capacity

- 6.34 In recognition of the transformation work needed to ensure a balanced and sustainable budget position going forward, an indicative sum of £250,000 has been allocated to increase transformation capacity and resilience. Further details are provided in Section 9 below.

7. LOCAL FUNDING

Business Rates

- 7.1 Under the current Business Rates funding regime, the Council retains locally 49% of Business Rate income. Inherent in the system is an annual uplift based on September CPI, therefore this has been factored into the position at 1.67%. In addition, an assumed increase in business rates of £0.500m is now factored into the MTFS, this is evidenced by growth in business rates collectable in recent years. All other assumptions impacting Business Rates have remained unchanged i.e. provision for appeals, uncollectable debt and discretionary reliefs will remain broadly consistent.

- 7.2 The Government have confirmed that the standard multiplier will be indexed at 1.67% and that the small rate multiplier will be frozen for 2025/26. From 2026/27, new powers to set differing rates for particular sectors will likely allow permanently lower charges for those businesses in the Retail Hospitality and Leisure (RHL) sector. For 2025/26 the RHL sector will receive relief of 40%, which is a reduction from the 75% relief being provided in the current financial year.
- 7.3 The Council is still completing the government return (due 31 January 2025) which confirms the level of funding arising through the Business Grants retention regime. A verbal update will be provided to the Finance and Policy Committee should a material difference to budget assumptions arise.
- 7.4 There does remain the on-going risk that the Council will enter a safety net position should we experience significant appeals or reductions to our business rates base. In simple terms this comes about if the collectable business rates falls below 92.5% of the baseline. Funding will be provided by government to support the Council in such a scenario, albeit there will be an increased cost of circa £1.1m a year until any reset is enacted. A reserve is held to help mitigate this position for one year should it occur.
- 7.5 Generally, the impact of additional cost pressures on businesses and uncertain consumer demand may impact on the collectability of business rates. The position will be kept under review and adjustments made to forecasts should the need arise.

Business Rates – Business Rates Retention Zone

- 7.6 As part of the wider Tees Valley Investment Zone, a business rates retention zone will come into operation within Hartlepool. This covers an area of the town centre, the production village and Oakesway Industrial estate. A baseline rates retention has been agreed with the government based on current rates applied. Any growth above this level will be fully retained locally i.e. the share of any growth that would have been paid to central government (50%) will instead be retained by the Tees Valley Combined Authority. The council will retain its share of growth, but with reduced flexibility.
- 7.7 The retained uplift has to meet the overall aims of the investment zone, being to:
- provide for local economic growth within the region
 - support existing local strategies with a focus on growth
 - support the priority sector within the Investment Zone; and
 - represent value for money for the government.
- 7.8 As agreed with government the Investment Zone uplift will be re-invested back into the aims which is to accelerate growth for the priority sector of digital and creative. This covers:

- infrastructure requirements
- skills
- business support
- research and innovation; and
- wider place-based barriers to growth.

7.9 It should be noted that this includes any uplift in Hartlepool Council's share and as such this could limit any business rates growth in these areas from being applied to wider MTFS pressures, unless a link back to the Investment Zone priorities can be made.

Council Tax

- 7.10 The Council has a track record of Council Tax base growth in recent years. Whilst new build continues to be positive, the position continues to be impacted by exemptions and discounts, including the Single Person Discount (SPD). Hartlepool is not unique in facing these pressures. Investment in fraud detection is providing reductions in the claiming of SPD, which positively impacts the base position.
- 7.11 Whilst housing growth continues to be positive, there remains a risk that the wider economic environment i.e. interest rates, may have a detrimental impact on growth as well as collectability of Council Tax should household incomes continue to be under strain. Growth in the base of 675 is now allowed for in the budget model for 2025/26. This reflects the increases anticipated following "holiday home" premiums to be introduced in 2025/26 as well as our efforts to reduce SPD fraud. Base increase prudently reverts to 300 per year for 2026/27 and 200 per year thereafter but will be kept under review.
- 7.12 As noted within section 3 of the report, the Local Government Finance Policy Statement confirmed that the council tax referendum limits would be unchanged for 2025/26 at 3% for core council tax and 2% for the adult social care precept, and that the governments published Core Spending Power increases were predicated on Council's utilising this full 5% rise.
- 7.13 The presentation of the council tax bill is required to be amended from 2025/26, the Policy Statement confirmed; "The government will require local authorities to adjust the presentation of the adult social care precept on council tax bills from 2025/26, so that they show a single line for the council tax increase set by social care authorities. This will not only simplify bills received by billpayers but also provide clarity on council tax increases set by local authorities."
- 7.14 With regard the non-Council elements of the council tax charge, the individual 'precepting bodies' are responsible for setting their own council tax levels in accordance with the specific government council tax referendum principles and which meet their own budgetary requirements. The Government has set the following 2025/26 council tax referendum limits for these bodies:

Type of Body	Referendum Limit 2025/26
Police and Crime Commissioner	Band D increase of £14
Fire and Rescue Authorities	Band D increase of £5
Town and Parish Councils	No limits have been set

- 7.15 The forecast 2024/25 year-end position on the council tax account is indicating a surplus of £0.305m of which £0.254m relates to the Council's share. This £0.254m surplus will be distributed to the council in 2025/26, therefore has been included in the updated budget position as a one-off benefit in 2025/26.

8. RESERVES

- 8.1 The Council holds reserves for a variety of purposes, including those allocated for known commitments and risks, including capital schemes, the MTFS budget position, our insurance fund and business rates appeals risks. The reserve position has been volatile in recent years given the significant inflationary and demand pressures experienced. The only unallocated reserve is our general fund reserve, which serves as a reserve of last resort.
- 8.2 As reported to committee in November, a detailed review of reserves was carried out to redirect resources to priority areas, which included bolstering the Budget Support Fund given the on-going pressures.
- 8.3 The use of one-off reserves to balance the on-going revenue budget position is not a financially sustainable basis to set our budget. However, the volatility of local government finances over recent years has necessitated we do so, but in a planned and carefully managed way. The Budget Support Fund is available to smooth the budget deficits where possible, as well as to meet one-off costs associated with generating on-going efficiencies.
- 8.4 For the 2024/25 budget setting, £3.166m of the Budget Support Fund was used to support the overall budget position. The one-off nature of reserves means that the budget position is detrimentally hit in subsequent years as their use unwinds. In addition, based on the latest outturn forecast overspend for 2024/25, a further £1.670m of the Budget Support Fund will need to be utilised.
- 8.5 Updated proposals for the utilisation of reserves to support the 2025/26 budget are detailed in section 9.

9. STRATEGY FOR BALANCING THE BUDGET POSITION

- 9.1 Based on the position outlined in sections 3 to 8 of the report, the updated budget forecast over the three year MTFS period is shown in the table below.
- 9.2 The table below shows the gap to be addressed before the inclusion of any council tax increase or the incorporation of savings proposals. The gap for 2025/26 totals £7.079m rising to £14.041m over the MTFS period.

- 9.3 The gap for 2025/26 is lower than that reported in November given the positive impact of increased government funding. The 2025/26 and MTFS forecast gap, shown in the table below has been fully updated for the provisional local government finance settlement funding announcements.

	2025/26 £m	2026/27 £m	2027/28 £m	Total £m
Spending Pressures				
Pay and Price Inflation	3.650	4.369	2.991	11.010
National Insurance Contributions	2.940	0.031	0.031	3.002
Childrens Social Care	6.870	1.500	1.530	9.900
Waste Disposal	1.500	0.530	0.041	2.071
Capital Financing	0.250	0.250	0.250	0.750
Transformation Capacity	0.250	0.005	0.005	0.260
Total Spending Pressures	15.460	6.685	4.848	26.993
Government Grant Changes	(9.832)	(1.389)	(1.469)	(12.690)
Gap Before Local Funding	5.628	5.296	3.379	14.303
Business Rates	(0.895)	(0.483)	(0.493)	(1.871)
Council Tax - Base Increase	(1.339)	(0.595)	(0.397)	(2.332)
Collection Fund (Surplus)/Deficit	(0.130)	0.254	0.000	0.124
Gap Before Current Use of Reserves	3.263	4.472	2.490	10.225
Temporary Use of Budget Support Fund (2024/25 reversal)	3.166	0.000	0.000	3.166
Temporary Use of Investment Income (2024/25 reversal)	0.650	0.000	0.000	0.650
Bottom Line Gap to be Addressed (before Council Tax increase & savings)	7.079	4.472	2.490	14.041
Cumulative Gap (before Council Tax increase & savings)	7.079	11.551	14.041	

Transformation and Efficiency Strategy

- 9.4 Where possible, a strategic and transformational approach to addressing the MTFS funding shortfall and wider financial planning is being adopted.
- 9.5 The Council's Transformation Plan approved by the Finance and Policy Committee in June 2024 outlined the approach and principles to achieve the Target Operating Model for the council.
- 9.6 Transformation activity is progressing in the following key areas;
- **Demand Management;**
 - Adult Social Care – Sustainability
 - Childrens Social Care – Sufficiency
 - Waste and Recycling

- **Service Reviews;**
 - Leisure, Culture and Performance Review
 - Schools Catering and Cleaning Review
- **Land and Property Review**
- **Fees and Charges Review**
- **Digitalisation and Back Office;**
 - Customer Contact
 - Income and Cash Management
 - Revenues collection and maximisation
 - ICT Transformation
 - Digital Blue Print Reviews

9.7 Activity is progressing on these schemes to determine savings that will be realised over the MTFS period. The 'Transformation and Efficiency Strategy' at **Appendix A** provides further details on the approach, activity within each area, high level savings estimates and resourcing requirements to support this programme.

9.8 As noted, budget savings associated with this Transformation Strategy will be realised over the MTFS period. To assist budget planning, a high level and prudent forecast of additional revenue savings to be achieved through the strategy totals £2.500m. This is currently profiled to be achieved over 2 years £1.500m in 2026/27 and a further £1.000m in 2027/28.

2025/26 Savings Proposals

9.9 Given the immediate funding shortfall to be addressed for 2025/26 there was a need to identify some additional savings more quickly. To support the delivery of a balanced budget for 2025/26, detailed savings proposals were developed, then reported to the F&P Committee in November 2024. Savings were referred to the relevant policy committees for consideration and comment during December.

9.10 In developing savings proposals for 2025/26, Directors and lead members sought to minimise the impact on staff numbers across the authority. It is envisaged that any reductions in staffing for 2025/26 will predominantly be the removal of vacant posts, natural turnover and voluntary redundancy.

9.11 The reported savings proposals totalled £2.954m for 2025/26 and £3.109m in total of the MTFS period, these are shown by Directorate in the table below. **Appendix B** provides the detailed proposals along with information on equality and poverty impact.

	2025/26 £m	2026/27 £m	2027/28 £m	Total £m
Adults and Community Services	(0.630)	(0.155)	(0.050)	(0.835)
Childrens and Joint Commissioning	(0.198)	0.000	0.000	(0.198)
Development, Neighbourhoods and Regulatory	(0.675)	(0.050)	0.000	(0.725)
Finance, IT and Digital	(0.357)	0.000	0.000	(0.357)
Legal, Governance and Human Resources	(0.094)	0.000	0.000	(0.094)
Corporate	(1.000)	0.050	0.050	(0.900)
TOTAL SAVINGS	(2.954)	(0.155)	0.000	(3.109)

9.12 In the main, feedback from the Committees on the proposed savings was positive and all savings were approved by the respective Committees. **Appendix C** provides the responses received from each Committee.

9.13 The table below shows the overall MTFS position taking in to account the savings and transformation plans but before including additional income arising from increases in council tax and any use of reserves. This shows a 'Gap to be addressed before council tax increase and use of reserves' of £4.125m for 2025/26 rising to £8.432m over the MTFS period.

	2025/26 £m	2026/27 £m	2027/28 £m	Total £m
Gap to be Addressed	7.079	4.472	2.490	14.041
Savings Proposals	(2.954)	(0.155)	(0.000)	(3.109)
Transformation / Future Savings	0.000	(1.500)	(1.000)	(2.500)
Bottom Line Gap to be Addressed (after savings but before Council Tax increases and use of reserves)	4.125	2.817	1.490	8.432
Cumulative Gap	4.125	6.942	8.432	

9.14 The position presented continues to have an element of uncertainty and risk given both the current global and national economic uncertainty, but also the medium term duration. **Appendix D** provides greater detail of the main risks and associated sensitivities impacting on the position.

Council Tax Increases

9.15 As noted in section 3.4 the Government's referendum limit for council tax for 2025/26 has remained unchanged at 3% for core council tax and 2% for the Adult Social Care Precept, resulting in an effective maximum increase of 4.99%. A greater rise would require a referendum or Government consent. A number of councils across the country are seeking permission for a rise beyond this limit.

9.16 The significant budget gap for 2025/26 and also over the medium term period clearly demonstrates the need to utilise the full council tax increase allowable of 4.99% for 2025/26, and this is proposed. A rise of 4.99% is in line with the

government assumptions which have been included with the published Core Spending Power increases with the Settlement. The draft impact per household is set out in the table below.

Band	Household %	2024/25 Council Tax (inc ASC) £	2025/26 Council Tax (inc ASC) * £	Annual Increase £	Weekly Increase £
A	52	1,322.95	1,388.96	66.01	1.27
B	17	1,543.44	1,620.45	77.01	1.48
C	15	1,763.93	1,851.95	88.02	1.69
D	8	1,984.42	2,083.44	99.02	1.90
E	4	2,425.40	2,546.43	121.03	2.33
F	2	2,866.38	3,009.41	143.03	2.75
G	1	3,307.37	3,472.40	165.03	3.17
H	1	3,968.84	4,166.88	198.04	3.81

* The figures presented for 2025/26 are draft and will be confirmed as part of the statutory calculations presented to Council on 20 February 2025.

- 9.17 A total council tax rise of 4.99% for 2025/26 would generate additional on-going revenue of **£2.625m** to support the 2025/26 budget gap of **£4.125m**. This position would then necessitate the use of **£1.500m** of reserves in 2025/26 to balance the budget position.

Use of Reserves

- 9.18 As detailed at 9.17, for 2025/26 after the inclusion of a 4.99% total council tax increase, use of £1.500m of reserves will be needed to balance the budget. As previously noted, the use of one-off reserves to balance the on-going revenue budget position is not a sustainable approach. Whilst it shunts the budget gap back a year, it presents a danger that the Council simply utilises one-off money on delaying decisions. In addition, this approach reduces the scope for the Council to use these reserves to invest and innovate in order to generate recurring savings. However, the budget position, coupled with increases spend pressures and future uncertainty on government funding is necessitating the use of reserves for 2025/26. The need to protect and minimise the use of reserves is paramount, to this end the transformation savings are to be progressed to meet this gap in a managed way.
- 9.19 The aim of setting the Council's budget is that it should be sustainable over the medium term period, with recurring spend funded by recurring income. Decisions on use of reserves should be made consistent with that aim. As such it continues to be proposed that any use of reserves should be done on a prudent basis over the period so that within the current MTFS cycle the budget is fully sustainable.
- 9.20 The Council's Budget Support Fund helps to smooth the budget position over the MTFS period as well as meeting any one off costs associated with budget reductions e.g. redundancies. The table below shows the current forecast

reserve balance for 2024/25 and usage after the requirement to balance the 2025/26 budget and potential further £1.500m usage in 2026/27 whilst the Transformation Strategy is fully delivered (£3.000m total usage of 2 years).

	£m
Balance as at 31 March 2024	7.947
Add	
Previously approved reserve transfers	3.147
Adjusted Balance	11.094
Less	
Planned Use of reserve to support 2024/25 budget	(3.166)
Use of reserve to support 2024/25 forecast overspend (as at Q2)	(1.670)
Use of reserve to support 2025/26 – 2026/27 budget	(3.000)
Forecast uncommitted balance over the period	3.258

- 9.21 Following the earmarking of funding as outlined in the table above, there is £3.258m remaining in the Budget Support Fund to support any further requirements for 2024/25 outturn and the MTFS position over the medium term and beyond.
- 9.22 The overall Council reserves position and their latest forecast usage profile are included at **Appendix E**.

Overall Position

- 9.23 After taking account of the proposed council tax rise, 2025/26 savings proposals and Transformation & Efficiency Strategy, the budget position for 2025/26 is balanced with the utilisation of £1.500m of reserves. The wider MTFS is forecasting to be in a balanced position by 2027/28, should council tax increases of 4.99% be applied in each of the subsequent years.

	2025/26 £m	2026/27 £m	2027/28 £m	Total £m
Gap to be Addressed	4.125	2.817	1.490	8.432
Council Tax and Adult Social Care Precept increase	(2.625)	(2.817)	(2.990)	(8.432)
Use of Reserves 2025/26	(1,500)	1,500	0	0
Indicative Use of Reserves 2026/27	0	(1,500)	1,500	0
Bottom Line Gap to be Addressed	0	0	0	0
Cumulative Gap		0	0	

- 9.24 The development of this strategy to achieve a balanced and sustainable financial position for the Council over the medium term is positive. As noted throughout the report and within Risk Assessment provided at **Appendix D**, the nature of this medium term time period provides scope for movements, both positive and negative, away from the forecasts provided within this report.

The main areas of potential change and impact on the strategy, which will continue to be monitored closely, are;

- Fair Funding Review progression and outcome - the government have committed to progressing a full fair funding review with implementation, through a multi-year settlement, from 2026/27. This review is likely to direct increased grant resource to Councils like Hartlepool, with a forecast of increased grant factored into this MTFS.
- Business Rates system reset - linked to the Fair Funding Review the government have also committed to reset the business rates system baseline, which is significantly overdue. The approach to this reset is currently unknown and will be developed during 2025/26 for implementation in 2026/27. Both grant funding changes from fair funding and the business rates reset are likely to have transition periods to phase in changes in resource.
- Transformation delivery – the successful delivery of the council's Transformation Programme, as detailed in **Appendix A**, is critical to delivering further savings over the medium term period which are included in this strategy.
- Council tax referendum limits and local decisions – the referendum limit for council tax increases over recent years has been set at 5%. The negative impact of the fair funding review and business rates reset on some authorities, would lead to a position where a 5% level or above is likely to continue. As always, local decisions on council tax rises are informed by the financial position within each council, and therefore considered and approved annually. The presented strategy assumes a 5% per year increase over the MTFS period, but this will be subject to agreement on an annual basis.
- Spend pressures – given the diverse nature of council activity and the impact of many external factors on demand and prices, this area is extremely difficult to forecast. Known pressures are provided for within this strategy and further areas will be added or adjusted for, as they arise over the period.
- Government Policy – changes to the make-up and role of local government will continue to evolve with government policy and direction. A recent example of a potential change in the medium term from government policy, is the impact arising from the review of Social Care, linked to the National Care Service agenda.

9.25 As noted these areas will be kept under close review, with the MTFS periodically updated and reported to committee.

10. Consultation

- 10.1 Savings proposals as outlined in November MTFS report were referred to individual Policy Committees. Feedback from the Committees is included as **Appendix C**.
- 10.2 Consultation with local business representatives and Trades Unions was also carried out during December and January. With the feedback from these groups noted at **Appendix F**.

11. ROBUSTNESS ADVICE

- 11.1 Section 25 of the Local Government 2003 includes the statutory duty in respect of the budget report to Council:
- ‘the Chief Financial Officer (CFO) of the authority must report to it on the following matters: a) the robustness of the estimates made for the purposes of the calculations; and b) the adequacy of the proposed financial reserves.’
- 11.2 The council is required to take this report into account when making its decision in relation to setting the annual budget and setting the council tax. Section 26 of the same Act places an onus on the CFO to ensure the Council has established a minimum level of reserves to be retained to cover any unforeseen demands that could not be reasonably defined within finalising the proposed budget.
- 11.3 The following statement has been prepared by the Director of Finance, IT and Digital as the Council's CFO to fulfil this duty and gives the required advice relating to the 2025/26 financial year including a consideration of the budget proposal as a whole and all the financial risks facing the Council.

Statement by the S151 Officer

- 11.4 Local Authorities are required by law to set a balanced budget. In recent years the Council has relied on using reserves to temporarily balance the budget on a year by year basis. Even with the significant increase in government funding and a proposed council tax increase, we will use £1.500m to balance the 2025/26 budget.
- 11.5 The requirement to utilise reserves is driven by a number of factors;
- The significant inflationary pressures being experienced by the Council, not least on Children's Social Care and increased pay award provision in the light of the living pay increase;
 - Unwinding of historic use of reserves to balance the budget; and
 - Delay in fair funding reform and business rates baselining, from which we have a realistic expectation of additional funding.

- 11.6 Firstly, I can confirm that I consider the estimates made as part of budget setting to be robust. Known budget pressures have been largely addressed to the extent possible and/or reasonable. Where residual pressures remain, Directors are aware of the extent of these pressures and the necessity to take remedial action.
- 11.7 Savings proposals have been diligently prepared and signed off by the finance team. The proposals for 2025/26 do not include any unsubstantiated targets.
- 11.8 Secondly, with regard to the adequacy of financial reserves I can confirm that they are robust in the sense that sufficient reserves are in place to balance the 2025/26 budget position and the medium term position to the extent forecast. The budget position as presented relies on a significantly reduced use of reserves than previous years and this is a positive step forward for the council.
- 11.9 I do have concerns that I will be unable to provide such assurance for the medium term should the MTFs position change significantly. This medium term judgement reflects the following concerns;
- Continued inflationary pressures;
 - Significant financial risks around our social care budgets;
 - The need to invest in transformation savings where possible;
 - Notwithstanding fair funding, a forecast tightening of government funding over the medium-term; and
 - Reduced ability to make “game-changing” savings to address our budget position.
- 11.10 Given the on-going uncertainty, my robustness advice is based on the proviso that the following actions will continue to be taken:
- Every effort is made to reduce the in-year underspend so as to limit, as far as possible, the call on the budget support fund in 2025/26;
 - The current “financial grip” in place in the current year is continued into 2025/26 and beyond should the budget position necessitate;
 - Transformation savings are brought forward during 2025/26 where possible to significantly mitigate the position; and

Whilst the budget would be set utilising £1.500m of reserves, the approach set out above aims to minimise the call on reserves as far as possible in order to provide flexibility for future financial years, to ensure a balanced budget is achievable.

- 11.11 For clarity, given the reserves position for 2025/26 and over the medium term it would not be robust to utilise reserves at a higher level than currently proposed. That being the case, should a maximum increase in council tax not be agreed, additional savings to the corresponding amount would be required.

- 11.12 Members are legally required to ‘have regard’ to this robustness advice and must carefully consider the detail of this advice before making any decisions on council tax increases.

12. LEGAL CONSIDERATIONS

- 12.1 The following issues are relevant in relation to this report:

- the Local Government Finance Act 1992 requires local authorities to set a balanced budget – this report details proposals to achieve this legal requirement;
- the Local Government Act 2003 requires local authorities to consider the advice of their Section 151 Chief Finance Officer (the Director of Finance, IT and Digital) when making budget decisions. This advice must include details of the robustness of the estimates made for the purposes of the calculations and the adequacy of the proposed financial reserves. These requirements are detailed in section 11.

- 12.2 The statutory council tax calculations are an administrative responsibility that the Council as the statutory ‘billing authority’ is required to undertake once the Council has set its own council tax level and the individual precepting authorities have set their own Council Tax levels. These statutory council tax calculations will be presented to Council on 20 February 2025. This report will also provide any required updates arising from the Final Local Government Finance Settlement which is expected to be received during February. As noted in 11.10 above, should any additional funding be confirmed, this would be used to reduce the proposed use of the Budget Support Fund in 2025/26 or held within contingency.

13. EQUALITY AND DIVERSITY

- 13.1 The savings proposals put forward will impact on the delivery of frontline services or service users to varying degrees. There are some proposals which simply by the nature of the service area that they cover will impact on those with protected characteristics. However, owing to the financial challenges facing the Council there is no choice but to change, redesign and potentially close services to reduce costs. Where this occurs the council will aim to minimise the impact on those with protected characteristics and will focus on securing services for those who are the most vulnerable within those protected characteristics.
- 13.2 Members are aware from previous MTFs reports that in making financial decisions the Council is required to demonstrate that those decisions are made in a fair, transparent and accountable way, considering the needs and the rights of different members of the community. This is achieved through assessing the impact that changes to policies, procedures and practices could have on different equality groups.

- 13.3 The impact of the savings proposals and overall central assessment will have been undertaken to determine the cumulative impact of the savings proposals on each individual protected characteristics. This information is included at **Appendix B**.

14. CHILD AND FAMILY POVERTY

- 14.1 The analysis has been undertaken to determine the potential impact of the proposals put forward as detailed in **Appendix B** also considers the impact on those living in poverty and disadvantage.

15. OTHER CONSIDERATIONS

Risk Implications	Risk Implications are considered throughout the report and also outlined in Appendix D .
Financial Considerations	As set out in the main body of the report
Subsidy Control	No subsidy control issues are expected to arise from the proposals within this report.
Staff Considerations	Potential staffing implications of the savings are included within the Savings detailed in Appendix B .
Asset Management Considerations	Asset Management implications of the savings are included, where appropriate, within the Savings detailed in Appendix B .
Environment, Sustainability and Climate Change Considerations	Environmental, Sustainability and Climate Change considerations of the savings are included, where appropriate, within the Savings detailed in Appendix B .

16. RECOMMENDATIONS

- 16.1 It is recommended that Members refer the following proposals to Council on 20 February 2025:
- i) Note the contents of the report, including that the Core Spending Power increase is based on governments assumption that Councils will increase council tax to the maximum allowable;
 - ii) Recommend to Council an increase to core council tax of 2.99% and an adult social care precept increase of 2%, thus providing £2.625m of recurring funding;
 - iii) Recommend to Council the overall budget proposal set out in the report and appendices, including savings of £2.954m and use of one-off reserves of £1.500m;

- iv) Recommend to Council that any capital receipts generated be used to fund revenue costs associated with delivery of the Transformation Programme, as required;
- v) Note the robustness advice detailed in section 11 of the report; and
- vi) Note that any changes arising from the completion of the NNDR1 and receipt of the Final Local Government Finance Settlement will be adjusted in the 2025/26 budget.

16.2 It is further recommended that members note that the detailed 2025/26 statutory council tax calculations incorporating the council tax levels set by individual precepting authorities i.e. the Police and Crime Commissioner, Cleveland Fire Authority and individual parish councils, will be referred to Council on 20 February 2025.

17. REASON FOR RECOMMENDATIONS

17.1 To enable the Finance and Policy Committee to approve the proposals to be referred to Council to enable the budget and council tax level, including ASC precept, for 2025/26 to be set.

18. BACKGROUND PAPERS

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

- Council - Medium Term Financial Strategy (MTFS) 2024/25 Statutory Budget and Council Tax determination – 22nd February 2024.
- Finance and Policy Committee – Medium Term Financial Strategy (MTFS) 2025/26 to 2027/28 - 25th June 2024.
- Finance and Policy Committee – Medium Term Financial Strategy (MTFS) 2025/26 to 2027/28 - 25th November 2024.

19. CONTACT OFFICER

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Sign Off:-

Managing Director	Date: 07/01/25
Director of Finance, IT and Digital	Date: 07/01/25
Director of Legal, Governance and HR	Date: 07/01/25

Transformation and Efficiency Strategy

1. Background

- 1.1 The council at its June 2024 Finance and Policy Committee meeting, agreed an overarching transformation plan. This sets out how the Council will change the way that we use our resources so that we are able to continue to provide high quality services whilst responding to the difficult financial situation that we continue to face. It builds on the changes that the Council have delivered over the last 10+ years and outlines how we will continue to evolve as an organisation.
- 1.2 We have developed the Transformation Plan to clearly articulate how we will develop as an organisation. Our Target Operating Model is one where we:
- are a modern, innovative and dynamic organisation;
 - have a sustainable financial future;
 - have a skilled and flexible workforce and become an 'employer of choice'; and
 - deliver more purposeful, high-quality services to meet the needs of our residents as efficiently as possible.
- 1.3 We will achieve our Target Operating Model through the following measures:
- accelerate the process of modernisation across the council, allowing us to deliver high quality, cost-effective services in a challenging environment;
 - invest in the Council's employees, assets and technology to create more modern working practices and provide fit for purpose services that are accessible for residents;
 - develop ways of working that reduce demand and enable residents to live independent lives with minimal involvement with the Council;
 - ensure that as an organisation we have the skills, culture, capacity and behaviour to make this change possible;
 - engage with our residents, businesses and other partners to ensure that they are at the heart of the services we deliver and the decisions we make; and
 - make best use of the data and systems that we have available to us to make informed decisions about our future direction and service delivery.
- 1.4 This Transformation Plan will help us to deliver our new Council Plan which sets out our organisational priorities for the next five years. We recognise that transformation will be an on-going process for the Council so this is a dynamic plan which will need to be reviewed and updated on an annual basis.
- 1.5 We aim to see the following outcomes as a result of our Transformation Plan:

- Improved service quality and value for money;
- More cost-efficient services;
- Purposeful, responsive, customer focussed services;
- Highly trained, flexible employees who are engaged and motivated;
- Further development of a learning and ‘can do’ culture;
- The best standards of customer care;
- Delivery of financial savings;
- Environmental savings and benefits;
- Increases in the level of income generated; and
- Modern, efficient and consistent work processes.

1.6 The council has identified the following transformation principles which will underpin all of our transformation activities:

- **Commissioning and Procurement** – being efficient and commercially minded with a consistent approach across the Council.
- **Communications and Marketing** – ensuring clear and consistent messaging and branding from the Council. Actively promoting the Council and Hartlepool to residents, visitors and potential investors.
- **Data** – making the best use of available data to inform decisions and future service delivery. Ensuring that all decisions are based on appropriate data and evidence.
- **Digital** – promoting customer self-service through efficient and IT / Digital enabled processes. Giving employees’ access to digital infrastructure that will enable more efficient and effective service delivery and decision making. Utilising Artificial Intelligence in a controlled and responsible manner.
- **Employees / Organisational Culture** – ensuring employees are skilled and empowered to adapt and excel as the organisation evolves. Demonstrating our organisational values and behaviours in all that we do.
- **Equality, Diversity and Inclusion** – respecting and valuing everyone’s differences and needs. Seeking to address inequalities including poverty and socio-economic disadvantage.
- **Governance** – being a lean organisation with appropriate delegations in place allowing members to set the strategic direction and officers the space and freedom to enact. Ensuring an appropriate Performance Assurance Framework is in place that provides assurance at all levels of the organisation.
- **Income Generation** – ensuring we have a consistent and coherent policy on fees and charges. Undertaking trading activity where it is appropriate, adds value and covers costs. Ensuring that where commercial activity is considered that this is open, transparent and supported by a robust business plan.
- **Net Zero** – ensuring we take all available opportunities to reduce emissions and our carbon footprint.

- **Property / Assets** – making efficient use of council land and property. This will include embedding hybrid working and reducing the need for physical office space. Also, reducing the carbon impact of Council activities.
- **Residents** - enabling residents to live independent lives through empowerment and signposting. Ensuring resident engagement and building trust between the Council and its community.
- **Resources** - making better use of resources / reducing financial costs.

- 1.7 People will need to be at the heart of the process of delivering change and transformation across the Council. Strengthening the culture of the organisation and the pace of change will be imperative to ensure the delivery of an ambitious programme that will improve services, as well as making better use of resources.

Employees

- 1.8 We want to empower our employees to be innovative and creative and to share their ideas for service improvement. It is not just ‘what’ we achieve, it is also about ‘how’ we do it. We want to ensure that our organisational values and behaviours are demonstrated through this process.
- 1.9 Employees will have a range of opportunities to find out more about the Transformation Plan and the role that they have to play in ensuring Hartlepool Borough Council becomes the organisation that we are striving for it to be. This will include:
- The sharing of information and regular updates by email from ELT and on the intranet / Your Say Staff Hub;
 - The opportunity to make suggestions and share their ideas – this will include opportunities to do this anonymously;
 - Participation in specific projects and service reviews;
 - Sharing customer views and feedback; and
 - Employee surveys and the annual Employee Survey.

Residents

- 1.10 We want to ensure that residents have a voice and are able to influence the services that the Council delivers. We are keen to work alongside residents to ensure that our services are fit for purpose and meet the needs of our residents whilst being efficient and effective.
- 1.11 Residents will have a range of opportunities to find out more about the Transformation Plan and the role that they can have to play in ensuring Hartlepool Borough Council becomes the organisation that we are striving for it to be. This will include:

- The sharing of information and regular updates through Hartbeat and social media;
- The opportunity to make suggestions and share their views and ideas through the Your Say platform; and
- Participation in specific projects and service reviews including co-production opportunities.

Businesses

- 1.12 We want to ensure that businesses are able to influence the services that the Council delivers. We are keen to work alongside businesses to ensure that our services are fit for purpose and meeting need whilst being efficient and effective.
- 1.13 Businesses will have a range of opportunities to find out more about the Transformation Plan and the role that they can have to play in ensuring Hartlepool Borough Council becomes the organisation that we are striving for it to be. This will include:
- The sharing of information and regular updates through the Hartlepool Economic and Business Forum and other networks;
 - The opportunity to make suggestions and share their views and ideas through the Your Say platform;
 - Participation in specific projects and service reviews including co-production opportunities.

Partners

- 1.14 We want to ensure that partners from the public and Voluntary, Community and Social Enterprise (VCSE) sectors are able to influence the services that the Council delivers. We are keen to work alongside partners to ensure that our services are fit for purpose and meeting need whilst being efficient and effective.
- 1.15 Partners will have a range of opportunities to find out more about the Transformation Plan and the role that they can have to play in ensuring Hartlepool Borough Council becomes the organisation that we are striving for it to be. This will include:
- The sharing of information and regular updates through partnership groups and networks and VCSE channels;
 - The opportunity to make suggestions and share their views and ideas through the Your Say platform;
 - Participation in specific projects and service reviews including co-production opportunities.

2. Phase 1 (2025/26 to 2027/28)

- 2.1 The Council has identified 12 transformation projects, under 5 distinct themes. These projects will be delivered to help us achieve our ambitious outcomes, whilst also supporting us to deliver our Medium Term Financial Strategy.
- 2.2 Progress on the Transformation Plan will be managed by the Executive Leadership Team (ELT) with a Transformation Plan Update Report presented to Finance and Policy Committee as part of the quarterly finance updates. Transformation will be a standing item on the Local Joint Consultative Committee to ensure our Trade Union partners are fully engaged and informed as the programme develops.
- 2.3 Savings and cost avoidance have already been delivered during 2024/25. Future indicative savings are set out below. These will be revised as the programme progresses, business cases are developed and greater clarity on savings is gained.
- 2025/26 £0.675m (included within proposed budget)
 - 2026/27 £1.500m (target)
 - 2027/28 £1.000m (target)
- 2.4 These indicative targets are considered the minimum required in order to ensure the budget position becomes sustainable going forward, but crucially are deemed realistic and achievable. They are front loaded to provide impetus and to balance the budget in their respective years. Importantly, the targets do not include “cost avoidance” savings, that are equally key in areas of significant demand pressures, such as Childrens Social care.

Theme 1 – Demand Management

- 2.5 The council has a number of high demand areas, resulting in increased costs. The aim of the projects in this theme is to drive down cost pressures, by either removing or deflecting demand to other more appropriate organisations or individuals. In doing so, as well as removing costs, it is envisaged that that elements of these projects will improve service provision and outcomes.

Area	Detail
1 – Adult Social Care Sustainability	To maximise income for the council by introducing online financial assessment, accelerating financial contribution and increasing debt recovery. This will be supported by maximising the income of residents with adult social care needs. Key sub projects include: a) On-line financial assessments – procure a system module and review processes to enable quicker indicative assessments, reducing waiting times and thus enabling income collection to commence earlier.

	<p>b) Debt collection – strengthen debt collection arrangements via the councils central income and debt management team to sensitively maximise income collection and recovery.</p> <p>A target of £300,000 has been set for this project (included within 2025/26 budget). The target may be refined as the projects develop or additional opportunities arise.</p>
2 – Childrens Social Care Sufficiency	<p>A multi-faceted approach to reduce the number of children coming into care whilst ensuring those in care have their needs met through a more cost effective in house model. Key sub projects include:</p> <ul style="list-style-type: none"> a) Childrens Homes - progressing the opening of internally run HBC homes and working with trusted providers to reduce placement costs. b) Fostering – consideration of a refreshed model for foster carers that increases capacity of foster placements, including those with higher level of need/complexity. c) Edge of Care – provision of an edge of care team to support young people (including those with additional needs) who are at risk of family breakdown, leading to a reduction in the number of children coming into care. d) Slowing Down the System – mapping the system from contact at the front door through to children existing care. Introducing gatekeeping points to allow for reflection and wider thinking about opportunities to slow the system down and preventing children coming into care. Promote children leaving care through reunification back to family. <p>There are no explicit savings targets associated with this project. The MTFS provides for constrained additional funding from 2026/27 and it is envisaged that these actions will enable the service to continue within those existing resource provisions. Should the Edge of Care team prove to be successful, the associated budget will be mainstreamed at the earliest opportunity.</p>
3 – Waste and Recycling	<p>A project to review options with the aim of increasing recycling rates and associated income and reducing residual waste costs and associated costs.</p> <p>An initial target of £50,000 is assigned to this project (included within 2025/26 budget), however, as work develops it is anticipated that a more stretching target will be identified.</p>

Theme 2 – Service Review

- 2.6 Two service areas have been identified for potential in depth review to determine whether the operating model remains appropriate, whether there are opportunities for a more commercial approach or alternative delivery models. Service improvement/delivery will go hand in hand with identification of savings as a key deliverable of any reviews. These reviews are in their infancy and may conclude that the current model is the correct one, and that the potential for savings is limited.

Area	Detail
4 – Leisure, Culture and Performance Reviews	<p>The review will seek to determine and implement the most efficient and cost effective model for operating leisure and cultural services, maximising income for the Council and managing assets effectively.</p> <p>At this stage an external consultancy has been procured by the service to undertake an initial options assessment that will inform possible direction of this project.</p> <p>No savings have been identified for this project at this stage.</p>
5 – Schools Catering and Cleaning Review	<p>Recent years have seen increased challenge in providing a financially sustainable catering and cleaning offer to schools. The academisation of schools, particularly into multi-academy trust structures has led to loss of schools and hence loss of economies of scale. In addition, increased staffing costs, coupled with food inflation has necessitated a greater council contribution to these services.</p> <p>The review will consider how these services can become financially sustainable, initially over a three year period. This may result in the increasing of charges, but equally different provision models may be considered.</p> <p>An initial target of £100,000 is assigned to this project (included within 2025/26 budget), however, as work develops a stretching target may be identified given the aim of financial sustainability.</p>

Theme 3 – Land and Property Review

- 2.7 There is only one project within this theme. The project seeks to address a number of challenges being experienced with council wide asset management, whilst improving utilisation of assets and management to allow the Council to reduce its need for physical assets and the high running costs associated with maintaining a complex property portfolio.

Area	Detail
6 – Land and Property Review	<p>Key Sub projects include:</p> <ul style="list-style-type: none"> a) Surplus Land and Property Review – review of potential surplus land and property assets for release or use, including for the HRA. b) Facilities Management Review - Undertake a review of the current operational arrangements for facilities management across the council and recommend appropriate actions. The project aims to determine the true level of resources consumed by estate management, where they reside within the organisation and whether a more efficient and effective approach is achievable to save costs, streamline processes and minimise risks of asset failure.

	<p>c) Future Workplace – To determine the appropriate workplace and property needs of circa 1,000 officers and members situated within the civic centre, including a business case for any proposed options.</p> <p>There are currently no savings targets associated with this project. It is anticipated that the work undertaken will release assets for sale in a timely manner to generate capital receipts for reinvestment in transformation, whilst also aiding housing growth and other inward investment opportunities.</p>
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Theme 4 – Council Wide Fees and Charges Review

- 2.8 This is one overarching project, covering the councils approach to the setting of fees and charges.

Area	Detail
7 – Fees and Charges Review	<p>The aims of this project include:</p> <ul style="list-style-type: none"> • Generation of additional charging opportunities to maximise council resources; • Review of existing charging in comparison to regional and national benchmarking data; • Ensure there is a council wide understanding of full cost recovery where that is the policy aim, and that a model is in place to ensure this is achieved; • Ensure there is a council wide awareness of the subsidy arrangements in place for certain services and agreement that this is appropriate and in line with council policy; and • Develop a more strategic and policy lead approach to charging, including the development of a charging policy and published fees and charges schedule. <p>An initial target of £500,000 (not included in 2025/26 budget) has been allocated to this project, phased in over 2 years. This will be firmed up and revised as work progresses.</p>

Theme 5 – Digital and Back Office

- 2.9 This theme covers a number of back office functions and focuses on using increased digital means to ensure more efficient service provision. Whilst some projects stand alone, others are enablers for a number of front line service transformation and improvement projects.

Area	Detail
8 – Customer Contact	A review of customer contact to further understand and streamline the customer journey. Our digital led approach will be further embedded across the organisation to shift customer contact online where possible. Back office

	<p>processes will be streamlined in conjunction with the customer journey review. Key sub projects include:</p> <ul style="list-style-type: none"> a) Roll out of a new customer focused website to make online enquiries and transactions easier. b) Implementation of a new intranet to reduce internal contact, promote a corporate approach and streamline internal processes. c) Develop increased website interaction through the likes of chat bot or similar enquiry functionality. d) Appropriate consolidation of council websites to ensure a corporate approach to communications and branding, whilst ensuring we maintain the quality and purpose of high performing satellite websites, where deemed appropriate. e) Review of the customer contact model across the organisation to ensure high volume, low complexity enquiries are resolved efficiently and effectively. This element will likely be undertaken over several years reflecting the scale and complexity of such re-organisation. <p>This project is a key enabler of better way of working and minimising the cost of customer contact. Savings will be confirmed as projects develop. At this stage it is envisaged that a stretching savings target will be set.</p>
9 – Income and Cash Management	<p>A review of cash usage and management across the council. Key aspects include:</p> <ul style="list-style-type: none"> a) Client cash management – explore opportunities for pre-payment cards or similar for vulnerable clients who currently are provided cash advances where the council manages their finances. This sub project is a pre-cursor to any review of the cash office, given these transactions account for approximately 50% of the cash office usage. b) Cash Office – review the operation of the cash office in the light of the significant reduction in cash transactions and the sub optimal customer experience of a separate cash office and customer enquiry desks. c) Petty Cash Review – consideration of closing all petty cash floats in operation across the council given the move to on-line and card transactions. d) Card processing – review of our card processing, including ensuring we receive best value for the various card processing regimes in place across the council, and that our processes operate as efficiently as possible and are fully compliant with industry requirements. e) Treasury Investment Review – consolidate the improvements made to daily cash management to ensure opportunities for investment returns are maximised whilst ensuring we prioritise security and liquidity of our cash balances. <p>A savings target of £100,000 has been set for this project and is included within the 2024/25 MTFS savings proposals. No additional savings are envisaged.</p>
10 – Revenues Collection and Maximisation	<p>The council has an historically strong Council Tax and NNDR collection achievement. In recent years, collection has been challenging given the hangover from the covid-19 pandemic where enforcement action was suspended, the subsequent cost of living crisis and a general increase in the number who can afford to pay but are hesitant to do so.</p>

	<p>Arrears collection remains strong but increased in year collection will ultimately lead to higher overall collection and lower costs to collect.</p> <p>Key elements include:</p> <ul style="list-style-type: none"> a) Continue to promote and expand online Council Tax to reduce printing and postage costs and streamline access to information for the household. b) Develop processes to enable customers to update their records linked to back office systems so eliminating re-keying of data by revenues staff and thus improving efficiency in the process. c) Work with VCS sector to adopt different ways of interacting with those in poverty to support payment of council tax and reduction in arrears. d) Continue and widen fraud prevention work making use of all available data sources and new technology to minimise both intentional and unintentional fraud. e) Consider other digital innovations to promote debt collection. <p>Whilst this project initially focuses on council tax and business rates collection, expansion to other areas, for example sundry debt, is likely as the project continues.</p> <p>An initial savings target of £125,000 has been set for this project (included in the 2025/26 budget), and this includes £100,000 from the increase to the Council Tax Base for 2025/26.</p> <p>Increased payment of council tax will ensure the council is able to continue with its 98.5% collection rate. It is unlikely to result in increased income generation.</p>
<p>11 – ICT Transformation</p>	<p>There is a strong argument that the council has historically underfunded its ICT provision. This has resulted in the council being somewhat “behind the curve” with regard to ICT provision and transformation.</p> <p>The council entered into a new managed contract in December 2023 which will ensure transformation of the IT environment, and this work is progressing well, with systems migrated to the cloud, new rationalised printer estate, rollout of M365 licences and migration to Windows 11, in addition to a programme to refresh older laptops to ensure an evergreen desktop estate. Work has already been carried out to increase cyber resilience, however, there continues to be an assessment of the rapidly evolving and ever-changing cyber threat landscape and what protection/mitigation needs to be implemented by the council.</p> <p>This work will continue as an enabler to wider transformation. As well as modernising our ways of working, there will also be a focus on data retention and quality to ensure the organisation can make best use of emerging opportunities, such as Artificial Intelligence.</p> <p>Where opportunities emerge to consolidate systems, this will be explored.</p>

	As a key enabler project, there is no savings target currently associated with this project. This may be revised should system consolidation opportunities arise.
12 – Digital Blue Print Reviews	<p>There are a number of emerging digital solutions to high cost spend areas. These include the use of Artificial Intelligence, but also existing mainstream technology to improve processes and therefore save money.</p> <p>The council will look to progress a number of these in tranches over the medium term period. These will be subject to individual business case development. Individual projects may migrate to existing transformation programmes, should they align better.</p> <p>In conjunction, the council's internal digital team will undertake holistic transformation reviews of service areas on a rolling basis, with a view to identifying the removal of manual processes, system integrations and general efficiency improvements.</p> <p>Savings targets will be developed for this project as digital solutions are developed and rolled out.</p>

3. Resources

- 3.1 The council has established a transformation reserve of £1.75m to fund enabling works in support of individual projects. Experience of councils elsewhere, including neighbouring councils suggests that this will be insufficient given the scale of transformation needed to ensure the council is sustainable going forward.
- 3.2 The £1.75m is fully committed, albeit this includes a commitment of £0.800m to fund 18 months of costs associated with edge of care support and additional fostering capacity for 2025/26. This has been funded from the reserve as a trial to prove the effectiveness of this team. Should it prove successful, and early indications show it is, then the team will be mainstreamed within existing budgets from 2026/27 or earlier if budgets allow.

		2024/25 £m	2025/26 £m	2026/27 £m	Total £m
	Demand Management				
	ASC - Sustainability	0.000	0.000	0.000	0.000
	CSC - Sufficiency *	0.270	0.530	0.000	0.800
	Waste and Recycling	0.000	0.000	0.000	0.000
	Service Review				
	Leisure, Culture and Performance Review	0.000	0.000	0.000	0.000
	Schools Catering and Cleaning Review	0.000	0.000	0.000	0.000
	Land and Property Review				
	Land and Property Review	0.170	0.055	0.055	0.280

Council Wide Fees and Charges Review				
Council Wide Fees and Charges Review	0.000	0.040	0.000	0.040
Digital and Back Office				
Customer Contact	0.150	0.000	0.000	0.150
Income and Cash Management	0.000	0.000	0.000	0.000
Revenues Collection and Maximisation	0.000	0.000	0.000	0.000
ICT Transformation **	0.000	0.000	0.000	0.000
Digital Blueprint	0.012	0.300	0.000	0.312
Management and other				
Management and other	0.128	0.040	0.000	0.168
TOTAL ALLOCATION	0.730	0.965	0.055	1.750

3.3 The remaining £0.950m is earmarked for the following projects.

Project	2024/25 £m	2025/26 £m	2026/27 £m	Total £m
Land and property review	0.170	0.055	0.055	0.280
Council wide fees and charges review	0.000	0.040	0.000	0.040
Customer contact	0.150	0.000	0.000	0.150
Digital Blueprint	0.012	0.300	0.000	0.312
Management and other	0.128	0.040	0.000	0.168
Total	0.460	0.435	0.055	0.950

	2024/25 £m	2025/26 £m	2026/27 £m	Total £m
Demand Management				
ASC - Sustainability	0.000	0.000	0.000	0.000
CSC - Sufficiency *	0.270	0.530	0.000	0.800
Waste and Recycling	0.000	0.000	0.000	0.000
Service Review				
Leisure, Culture and Performance Review	0.000	0.000	0.000	0.000
Schools Catering and Cleaning Review	0.000	0.000	0.000	0.000
Land and Property Review				
Land and Property Review	0.170	0.055	0.055	0.280
Council Wide Fees and Charges Review				
Council Wide Fees and Charges Review	0.000	0.040	0.000	0.040
Digital and Back Office				
Customer Contact	0.150	0.000	0.000	0.150
Income and Cash Management	0.000	0.000	0.000	0.000
Revenues Collection and Maximisation	0.000	0.000	0.000	0.000
ICT Transformation **	0.000	0.000	0.000	0.000
Digital Blueprint	0.012	0.300	0.000	0.312
Management and other				
Management and other	0.128	0.040	0.000	0.168
TOTAL ALLOCATION	0.730	0.965	0.055	1.750

- 3.4 Unless funding currently allocated to Edge of Care can be freed up in 2025/26 or 2024/25 spend can be funded by mainstream revenue budgets, then the £1.750m is fully committed. This limits the capacity to progress transformation at speed.
- 3.5 ICT budgets were realigned following the new NEC contract, with a focus on investment and modernisation. Provision exists within mainstream budgets and a separate reserve for IT transformation costs, and as such a call from this budget is not expected.
- 3.6 It is unusual to embark on a major transformation project without a dedicated support team or programme office. Without providing dedicated resource then transformation will likely fail or be piecemeal at best. In order to remedy this, an on-going revenue budget of £250,000 has been created, commencing in 2025/26.
- 3.7 The government has recently extended the flexible use of capital receipts to allow for their continued use to fund transformation activity. The key criteria when deciding whether expenditure can be funded by the capital receipts flexibility is that it is forecast to generate on-going savings to an authority's net service expenditure. The majority of transformation projects would comply with this requirement. This extension lasts until 2030.
- 3.8 A stipulation of this flexible use is that the council produces a Flexible Use of Capital Receipts Strategy, setting out details of projects to be funded through flexible use of capital receipts prior to that start of each financial year. This appendix is considered to meet this requirement. As such it is proposed that any capital receipts generated will, in the first instance, be earmarked for transformation activity. Specifically at this stage:
- Digital transformation and customer contact reviews up to the sum of £1m during the year 2025/26 and 2026/27. Their use will be reported during regular updates to Finance and Policy. This will include the success of the service transformation being funded by the receipts.
- 3.9 Note, as capital receipts yet to be generated are not included within the capital programme, there is no impact on our capital financing requirements or Prudential code indicators.
- 3.10 The council will ensure all requirements to meet the flexible use of capital receipts is met, including notifying the Secretary of State regarding our intention to use this flexibility, should this requirement remain.

Budget Book Service Area	Committee	Proposal	Detail	Indicative Saving			Capacity / Investment Needed	Initial Risks / Impact Consideration	Negative equality or poverty impact identified	Impact Assessment Notes
				25/26 £000	26/27 £000	27/28 £000				
ASC - Working Age Adults Day Service	Adult and Community Based Services	Reduction in transport and service budgets	Transport budget has had £50k underspend since covid and there is a further service budget underspend of £25k, both of which can be removed with no impact to services or staffing.	75	0	0	No	None	N/A	There is no anticipated impact as there is no proposed change to the delivery of the existing service. Underspends on transport and a further service budget are to be removed with no impact to services or staffing.
ASC - Commissioning: Adults	Adult and Community Based Services	Contract saving	Introducing a dispersed supported housing model for adults with mental health needs resulted in a £50k saving in 2023/24. This can be removed from the budget with no impact to services or staffing.	50	0	0	No	None	N/A	There is no anticipated impact as there is no proposed change to the delivery of the existing service. Underspend on the contract budget is to be removed with no impact to services or staffing.
P&CBS - Allotments	Adult and Community Based Services	Increase allotment fees	Introduce rent increase for 2026/27 to reduce the subsidy required for the service and to move towards a self sustainable model over a number of years.	0	25	0	No	None	A and J	The proposal to increase allotment fees may have an impact on age (a proportion of allotment holders are older) and those living in poverty and disadvantage making it less affordable for them to access the service. The proposed fee increase is line with the recommendations of an independent review and will support the gradual reduction of Council subsidy for the allotment service. Allotment tenants already have the option of paying in ten instalments and have also been given the option of moving to a smaller plot or splitting their plot where this can be accommodated.
P&CBS - NMRN Subsidy	Economic Growth and Development	Reduce subsidy provided to NMRN	Agreement to reduce subsidy by £50k for 2025/26 with an expectation of further reduction in subsequent years.	50	50	50	No	None - already agreed.	N/A	There is no specific impact anticipated.
P&CBS - Events & Theatres	Economic Growth and Development	Review funding associated with delivery of events.	Review the viability of the Council continuing to deliver events such as the Christmas Light Switch On as well as contributing to other independently delivered local events such as Wintertide and the Folk Festival. Consideration of available options to retain the Firework display at no cost to the council.	75	0	0	No	If this budget is deleted or reduced, the Council's ability to deliver any events will be reduced / removed.	J	The proposal means that free to access events may not happen and this may negatively impact on those living in poverty and disadvantage who are unable to afford alternative, paid-for events delivered by the Council or private providers. However, the Council offers concessionary rates for performances, leisure memberships etc.

P&CBS - Active & Creative Hartlepool	Adult and Community Based Services	Review of operations within Active & Creative Hartlepool services.	Review of operating model and staffing structure to achieve savings. This may include reviewing opening hours, changes to the services offered and reductions in staff numbers.	40	40	0	No	Risk to maintaining successful Leisure and Culture offer across current sites will need to be managed.	N/A	Savings in 2025/26 relate primarily to back office efficiencies and vacant posts. Proposed savings for 2026/27 will be subject to further impact analysis.
P&CBS - Community Hubs	Adult and Community Based Services	Review of Community Hub operating model.	Review of operating model and staffing structure to achieve savings. This may include reviewing opening hours, changes to the services offered and reductions in staff numbers.	40	40	0	No	Risk to maintaining successful Community Hub offer across current sites will need to be managed.	N/A	Savings in 2025/26 relate primarily to back office efficiencies and vacant posts. Proposed savings for 2026/27 will be subject to further impact analysis.
				330	155	50				

Service Transformation - Any savings identified are a target to deliver and indicative only at this stage.

ASC - Packages of Care	Adult and Community Based Services	Modernisation of financial assessment and debt recovery processes to maximise resources and streamline operations.	Introduce online financial assessments and promote welfare benefit maximisation to increase income, alongside an updated approach to debt recovery.	300	0	0	Investment in online financial assessment (already identified through Market Sustainability and Improvement Fund grant). May require additional capacity in the User Property & Finance Team to achieve the savings.	Inherent risk associated with income generation due to cost of living.	N/A	There is no anticipated impact as there is no proposed change to the delivery of the existing service. The proposed change relates to back-office processing activities. There is a potential positive impact identified for poverty and disadvantage due to the promotion of welfare benefit maximisation. This should increase the amount of previously unclaimed benefits being accessed by service users.
P&CBS - Museums & Galleries, Sports & Leisure, Events & Theatre	Adult and Community Based Services	Leisure, Culture and Performance Venues Review	A piece of work has been commissioned to review the current operating model of leisure and cultural services and appraise alternative options including transfer to another operator, an arms length model or trust or potential for asset transfer. This work will be concluded by March 2025 and potential savings and timescales can then be determined. Current savings identified for 2026/27 are indicative only at this stage.	0	Tbc	Tbc	No	There is a need to consider collectively as considering assets in isolation risks potential to explore a wider solution for culture and leisure services and makes the option of a leisure trust or similar less attractive / feasible. Dependent on the model adopted there could be a risk of clawback linked to previous investments / grants. There could be a risk to level of services provided dependent on the options considered and selected.	TBC	An independent review of service delivery options has been commissioned. Any savings and an impact assessment will be complete as part of the options appraisal. The outcome of the review will be presented to Members in 2025 to inform budget planning for 2026/27.
				300	0	0				

630	155	50
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Budget Book Service Area	Committee	Proposal	Detail	Indicative Saving			Capacity / Investment Needed	Initial Risks / Impact Consideration	Negative equality or poverty impact identified	Impact Assessment Notes
				25/26 £000	26/27 £000	27/28 £000				
Children's Services (safeguarding children)	Childrens Services	Review of early help/children in need/vulnerable pupils	Changes to Working Together 2023 creates the opportunity to review how we deliver support for children in need and early help. This also links closely with the changes to the role of the LA in supporting vulnerable pupils and family hubs agenda (funding and new burdens from April 2025 not yet known). Opportunity to undertake a full service review looking at lead professional model and realigning workforce.	100	0	0	Can probably be achieved within current capacity of leadership team	Will require a full review of current service configuration to ensure there are no unintended consequences to changes. Will require teams and practitioners to work differently in the future and risk that we are creating more handoff points in the system as children's needs fluctuate across thresholds of need.	N/A	There is no anticipated impact as there is no proposed change to the delivery of the existing frontline service.
Education (excluding DSG)	Childrens Services	Review of work of Management Information Team	Review mandatory work of MIT for statutory returns and volume and cost of non statutory schools work to ensure income meets cost of delivery and if not to cease to provide.	40	0	0	Can probably be achieved within current capacity of leadership team	Cuts to services to schools	N/A	There is no anticipated impact.
Children's Services (direct payments and short break care)	Childrens Services	Review and reduction in provision of direct payments to families in lieu of services and review of SBC service statement and non statutory commissioning with limited impact	Current model for DP requires review and overhaul to be based around need. Parallel to this, we have developed an in house support team for children and young people with disabilities and increased take up of this service can see corresponding decrease in DP. Undertake a systems review of the SB statement and commissioned services to align with enhanced support offer and reduction in DP	40	0	0	Can probably be achieved within current capacity of leadership team	If all non statutory services were to cease, this would lead to an increase in children and families presenting for assistance and support and potentially more children coming into our care.	A & B	Although there will be some change to the way that the service is received by eligible individuals these changes will be subject to the following mitigations: · A wraparound support team is in place to provide direct support to families rather than making payments to families so that they can pay for their own support. · Moving towards direct payments being needs-led rather than funding-led to increase efficiency by being able to block buy activities.

Children's Services (play and care)	Children's Services	Closure of OSCARs out of school and holiday provision	Significant changes in the education and child care landscape has impacted upon the OSCARs service leading to a reduction in the numbers of children who access the provision. As a consequence, the service runs a deficit budget. Work has been undertaken to make the service financially viable and exploring alternative delivery models, however, no viable options have been identified	18	0	0	Can be achieved within current capacity of leadership team	For the children who access OSCARs there will be a need to work with families to make alternative arrangements for them. This will be supported through the child care team who undertake a sufficiency analysis of the child care market and can match demand with vacant places.	N/A	Although the removal of the service will impact on those children who are currently accessing the service mitigation action is planned to support families to access alternative childcare provision.
				198	0	0				

Service Transformation - Any savings identified are a target to deliver and indicative only at this stage.

Children's Services (children in our care)	Children's Services	Increase sufficiency of placements for children in our care	Recruitment campaign to increase the in house foster carer capacity and open one further two 1-2 bed children's home. Block purchase capacity in development of children's home with local VCSO	Cost avoidance	0	0	Capital investment in purchasing property and refurbishment costs. Additional financial cost of staffing and running children's home.	High cost investment but in current independent sector market significantly more cost effective and better quality placements.	N/A	There will be a positive impact on children in our care as they will be able to remain in Hartlepool rather than being placed in out of town placements.
				0	0	0				
				198	0	0				

Budget Book Service Area	Committee	Proposal	Detail	Indicative Saving			Capacity / Investment Needed	Initial Risks / Impact Consideration	Negative equality or poverty impact identified	Impact Assessment Notes
				25/26 £000	26/27 £000	27/28 £000				
Cross Cutting	Finance and Policy	Contract Hire, Travel and Mileage Review	This piece of work will focus on the use of personal mileage claims to encourage improved journey planning to create savings and also the hire of contract vehicles for work purposes to ensure that those costs can be reduced by identifying high and unnecessary spends.	50	0	0	Yes as to improve the efficiency we will need to introduce a new operating system for contract hire vehicles	A significant amount of work has been undertaken on this project, while a further piece of work has commenced which will require some transformational funding to complete this project by establishing a new operating system to effectively manage our contract hire vehicles and reduce future costs.	N/A	There is no anticipated impact.
Construction Team	Neighbourhood Services	The installation of a pilot Solar Project at Tofts Depot	This project will look at installing Solar PV Panels at Tofts Depot to determine the extent and success of implementing similar schemes elsewhere. The project will also reduce the energy usage and create savings which will pay for the work to be undertaken through prudential borrowing.	5	5	0	Yes (Prudential Borrowing)	As this is a pilot project the estimated savings are based on a feasibility analysis and actual savings will only be confirmed once the Solar PV units are installed and operating over a 12 month period, although the likely saving will be split over two financial years	N/A	There is no anticipated impact.
Highways and Transportation	Neighbourhood Services	Review of Winter Maintenance programme	This will look at our existing winter gritting routes and will implement changes to our existing policy based on guidance that defines the primary and secondary gritting routes.	25	0	0	No	Work has commenced on this project to scope out the potential savings and implications of any changes to our current winter maintenance plan.	N/A	There is no anticipated impact.
Community Safety and Engagement	Neighbourhood Services	A review of the Community Safety and Support Services structure will be undertaken	This will involve a restructure of the Community Safety and Support Services Teams to generate a saving.	40	0	0	No	As a result of a number of changes and vacancies within this team, this has enabled work to progress on a potential restructure which will hopefully identify savings.	N/A	Realignment of service which will see the removal of some posts that have been vacant for a number of years and other being reorganised to make the team better aligned with service needs.
Waste Services	Neighbourhood Services	Recycling and Waste Tonnage Review	The new Environment Bill will make changes to how Councils collect and dispose of their waste. This piece of work will look at potential savings and income generations opportunities as a result of these changes including how we can improve our waste collection operations to see if savings can be made or income generated.	50	0	0	Yes - support from the communications team to promote a communications campaign.	We will be looking to implement a food waste trial from October 2025 with an estimated cost of £63k and there is no confirmation from Government that this will be covered, or will the revenue costs only commence in March 2026 when the full roll out starts. Therefore we have an appeal ongoing with food waste capital allocation as the shortfall between our allocation and actual costs if £145k, although no transitional or revenue allocation yet so this remains an unknown potential pressure	N/A	There is no anticipated impact.

Sustainable Transport	Neighbourhood Services	Concessionary fees budget realignment	This will reduce the amount we allocate to concessionary fares to bus operators as demand has reduced over the previous years.	300	0	0	No	This saving can be achieved, although if bus patronage figures increase, then there is a risk that we incur additional costs.	N/A	There is no anticipated impact as there is no proposed change to the delivery of the existing service. Underspends on the service budget are to be removed with no impact to services or staffing.
Highways and Transportation	Neighbourhood Services	Introduction of Signboards / banners licensing	The proposal will require signboards and banners on the highway to be licenced and approved by the Council prior to installation. This was approved at Neighbourhoods and will allow a charge to be made for the display of banners going forward.	10	10	0	No		N/A	There is no anticipated impact.
Facilities Management	Finance and Policy	Installation of Digital advertising signposts on Council land	This will look at the feasibility of two potential sites to erect large scale digital advertising boards to generate income by working with potential partners.	10	10	0	Yes - this could potentially require borrowing or alternative council funding dependent on the model chosen.	Two potential sites have been identified which are dependent on planning permission being obtained	N/A	There is no anticipated impact.
Car Parking	Neighbourhood Services	Car Park Promotions	This would remove all remaining car parking promotions that exist, such as free on Saturdays in December, free on Sundays (except Seaton Carew) and free after 3pm	40	0	0	No	The car parking budget creates a financial pressure to the Council as the income target set is unsustainable, therefore this proposal may not create a saving, but will further help to reduce the budget pressure car parking currently places on the wider Council budget.	J	There is limited potential impact anticipated on those living in poverty and disadvantage. However, the promotions are very specific and time limited e.g. after 3pm in certain town centre car parks, on Saturdays in the run up to Christmas and on Sunday's in the town centre. Limited free short stay parking will remain available in the area.
Passenger Transport	Neighbourhood Services	Home to School Transport Review	This will look at the services offered by the Passenger Transport team to see if additional income can be generated or savings made through changes to our existing practices	10	20	0	Digital Support likely to streamline processes		J	There is no anticipated impact in 2025/26 as there is no proposed change to the delivery of the existing service. Proposals for 2026/27 include digitising the service and this may have an impact on those on those living in poverty and disadvantage who do not have smart phones and are therefore unable to access the online form or the digital bus pass. It is intended that individuals will still be able to have paper bus passes but these may be subject to a charge.
Facilities Management / Corporate Property	Finance and Policy	Public Toilet Review	Review of public toilet facilities provision at both the Headland and Seaton Carew to consider options including a transfer of operation to a third party or potential charging options.	25	0	0	No	There are currently two sets of toilets at each location. Should this review result in any closure, there is a risk that once they are empty, they could become vandalised.	A, B and J	Minimal impact as alternative public toilet facilities will remain available locally within reasonable walking distance.

Street Lighting	Neighbourhood Services	Christmas lights and trees provision review across the Borough	The Council currently installs 3 Christmas trees which are located in the Town Centre, Seaton and the Headland. This proposal will result in only having one tree in the Town Centre. Options to improve the efficiency of our Christmas decoration offer will be considered.	10	5	0	No	There is a risk of public discontent from those locations who will no longer have a tree.	N/A	There is no anticipated impact.
				575	50	0				

Service Transformation - Any savings identified are a target to deliver and indicative only at this stage.

Facilities Management	Finance and Policy	Schools Catering and Cleaning Review	The Council currently offer catering and cleaning contracts to schools, which is partly subsidised, and this proposal will look to remove the subsidy and balance the budget across a three year financial period. A review of academy school provision will form an early part of this review.	100	Tbc	Tbc	No	A number of schools are subsidised. Schools are likely to see an increase in cost of meals to make the service sustainable.	N/A	There is no anticipated impact as there is no proposed change to the delivery of the existing service to the public.
Strategic Asset Management	Economic Growth and Development	Land and Property Review	The Council have a number of potential sites that it could look to market to generate capital receipts and potentially reduce maintenance expenditure. Capital receipts would then be available to either reinvest into transformation projects or fund future capital projects.	Tbc	Tbc	Tbc	Investment may be needed to bring plots to the market.	Potential capital receipts could be impacted by mitigation works as well as wider market demand.	N/A	There is no anticipated impact.
				100	0	0				
				675	50	0				

Budget Book Area	Committee	Proposal	Detail	Indicative Saving			Capacity / Investment Needed	Initial Risks / Impact Consideration	Negative equality or poverty impact identified	Impact Assessment Notes
				25/26 £000	26/27 £000	27/28 £000				
Internal Audit	Finance and Policy	Internal Audit Restructure	Following the retirement of a principal auditor, the post will not be replaced and the audit plan has been amended accordingly.	52	0	0	No	Not public facing impact. The audit plan has been streamlined to adapt to the reduced staffing, whilst ensuring that the audit requirements are met.	N/A	There is no anticipated impact.
Corporate and Finance	Finance and Policy	Accountancy / Shared Services Review	Review of the accountancy and shared services structure, including; removal of apprenticeship vacancy (£20k), 0.5fte funding from early years for new payments process - overall saving to council (£15k), consolidation of accounts payable and accounts receivable team management (£20k) and increased charge to Vivup - staff benefits, for increased reconciliation work (£5k).	60	0	0	No	Potential risk around income collection given AP and AR team merger. This will be managed and will include reviewing council wide debt management to optimise recovery.	A, J and K	Removal of 1 apprenticeship post will potentially have a minor impact on opportunities for young people, those in poverty and disadvantage and care leavers to gain employment with the Council and access the associated training / skill development in place for apprenticeship posts.
Revenues and Benefits	Finance and Policy	Revenues and Benefits On-line	Following the roll out of the new online council tax portal. MyAccount, in 2024/25 and also the shift to a banded LCTS there should be a reduction in postage and printing costs.	25	0	0	No	The printing and postage budget was reduced in 2024/25 on the basis of take-up. However, take up has been low so far - circa 2,500 out of circa 45,000 households. The aim will be to ramp this up over the year, prior to annual billing, and will likely need to include an incentive campaign to increase take up.	N/A	The move to digitalise Council Tax billing was agreed in last year's budget and it was identified that this could potentially impact negatively on certain age demographics and those in poverty who have limited digital access. However, the Council is still providing mitigation against this impact as the existing service continues to be delivered in parallel with the online approach. Therefore no overall impact has been identified.
Revenues and Benefits	Finance and Policy	Revenues and Benefits - apprentice	Currently both the revenues team and benefits team have an apprentice post. Given the increasing migration from HB to UC, the likelihood of appointing a dedicated apprentice within benefits is diminishing. As such it is proposed to offer this vacant post up and have a shared apprentice resource between the two.	20	0	0	No		A, J and K	Removal of 1 apprenticeship post will potentially have a minor impact on opportunities for young people, those in poverty and disadvantage and care leavers to gain employment with the Council and accessing the associated training / skill development in place for apprenticeship posts.

Revenues and Benefits	Finance and Policy	Revenues Court fees	The Council applies costs to council tax and NNDR debt when we reach summons and liability stage. Council tax costs are £85 (£75 Summons and £10 Liability Order) and were last reviewed 2019. For NNDR costs are £110 (£85 at Summons stage and £25 Liability Order) and have not been reviewed since before 2010. The calculation will be updated to current costs incurred: - For Council tax the overall costs will rise to £125; and - For NNDR, costs will increase to £250 (£100 at Summons stage and £150 for Liability order).	100	0	0	No	Options to amend the application of fees has been considered in order to encourage payment of Council Tax at an earlier stage: For Council Tax costs at summons stage will be reduced to £50 and the Liability Order (LO) increased to £75. This is to promote earlier action. Whilst summons costs will not be removed, LO costs will be removed where payment is made in full or a DD is established and maintained, or where an attachment of benefits (AOB) is entered or an agreement in excess of an AOB, so as not to penalise further those on benefits.	J	Increasing fees for council tax and NNDR debts will potentially impact on those in poverty and disadvantage. The proposal has increased mitigation measures including the reduction in costs at Summons stage and removal of LO costs in specific circumstances.
				257	0	0				

Service Transformation - Any savings identified are a target to deliver and indicative only at this stage.

Corporate and Finance / Cross Cutting	Finance and Policy / Adult and Community Based Services	Council Wide Cash "reduction" project	A council wide "cash reduction" and Treasury Management maximisation project, promote online payments and alternative payment methods such as Direct Debits. Specific actions will include: - review of a dedicated cash counter at the civic centre (but still allowing smaller sums to be paid at customer services desks); - reduction or elimination of physical petty cash across the council; - consideration of pre-loaded cash cards for vulnerable clients; and - make permanent some of the TM savings from improved daily managed cash flows.	100	0	0	Potential	Risks will be considered as the project progresses.	B and J	The review of the dedicated cash counter at the Civic may impact on individuals with disabilities and those in poverty and disadvantage who we know access this service. However, the following mitigation actions are planned: - individuals who currently access cash from the Civic will be moved across to pre-payment cards which mean that they will no longer need to attend the civic; - individuals who pay cash in the Civic for things such as council tax bills will be able to use paypoint locations closer to where they live to make their payments saving them time and the cost of getting to the Civic; - customers will be encouraged to pay online or by direct debit however some cash payments will still be able to be taken over the customer service counters in the Civic for those who are unable to do so.
ICT and Customer Services	Finance and Policy	ICT and Digital innovations	Following the introduction of a new contract, the council is modernising its IT services and increasing its digital offer. The website refresh will allow for greater channel shift, as will AI. In conjunction software across the council is likely to be consolidated and processes improved.	Tbc	Tbc	Tbc	Yes, transformation or specific reserve funding required.	Risks will be considered as the project progresses.	N/A	There is no anticipated impact.
				100	0	0				

357	0	0
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Directorate:

Legal, Governance and Human Resources

Appendix B

Budget Book Service Area	Committee	Proposal	Detail	Indicative Saving			Capacity / Investment Needed	Initial Risks / Impact Consideration	Negative equality or poverty impact identified	Impact Assessment Notes
				25/26 £000	26/27 £000	27/28 £000				
Legal	Finance and Policy	Service Review - Merge Democratic services with Scrutiny	Statutory Scrutiny Manager to manage Scrutiny and Democratic services.	59	0	0	No	Potential capacity issue however can be mitigated with developments in digital options for meeting minutes etc/use of Artificial Intelligence.	N/A	There is no anticipated impact.
MD Support/PA's	Finance and Policy	Delete Vacant PA Post	Deletion of a vacant post on the establishment.	35	0	0	No		N/A	There is no anticipated impact.
				94	0	0				

Budget Book Service Area	Committee	Proposal	Detail	Indicative Saving			Capacity / Investment Needed	Initial Risks / Impact Consideration	Negative equality or poverty impact identified	Impact Assessment Notes
				25/26 £000	26/27 £000	27/28 £000				
Corporate	Finance and Policy	Pensions Contribution	The council has a low pension contribution rate given the positive relative performance of Teesside Pension fund. The full triennial valuation that covers the years 23/24, 24/25 and 25/26 included a step increase to this rate. The step in 25/26 will be 1%. The council will seek for this increase to be re-assessed given the current valuation of the fund.	600	0	0	Yes - external specialists have been engaged to work on the councils behalf.	The risks is that an inter-triennial valuation is not possible or that the fund does not agree to this reduced rate.	N/A	There is no anticipated impact.
Corporate	Finance and Policy	Minimum Revenue Provision	The minimum revenue provision (MRP) is the amount required to be charged to the revenue account on an annual basis linked to capital expenditure funded by borrowing. The Council's approach to MRP has been reviewed in light of a refresh of the regulations and the last major policy review being 2016/17. This review has provided an opportunity to move to a revised MRP approach which will release an annual savings and better reflect the time value of money.	300	-50	-50	No	The proposed amended of the MRP policy and its resultant impact will be discussed with the Council's external auditors prior to enacting.	N/A	There is no anticipated impact.
Cross Cutting	Finance and Policy	Fees and Charges	Inflation - the current budget model allows for a 2% increase in fees and charges in line with inflation. It is proposed to set a 5% council wide requirement to be managed by services.	100	0	0	No	Income budgets remain under pressure post covid and changing societal habits, e.g. wfh / on-line shopping.	J	Increase in fees and charges will potentially negatively impact on those in poverty and disadvantage. However, some services will continue to provide mitigations for this with reductions for individuals in receipt of certain benefits.
				1,000	-50	-50				

Key - Equality & Poverty Negative Impact Identified Column

- A - Age

B - Disability

C - Gender Reassignment

D - Marriage and Civil Partnership

E - Pregnancy and Maternity

F - Race
- G - Religion and Belief

H - Sex

I - Sexual Orientation

J - Poverty and Disadvantage

K - Care Leavers

L - Armed Forces Community

Feedback on Savings Proposals from Policy Committees

Neighbourhood Services Committee – 6th December 2024

Issue(s) for consideration

The Executive Director of Development, Neighbourhoods and Regulatory Services reiterated that all councils across the country were facing significant financial challenges owing to the impact of inflation and demand on services along with historic inadequate increases in government funding to meet these challenges. As outlined at Finance and Policy Committee in November, the Council had a forecast budget deficit of £10.519m for 2025/26 and £13.122m over the full MTFS period.

As in previous years, addressing the deficit needed to be managed through budget saving actions which seek to minimise the impact on services where possible and use of reserves. With regard to savings, proposals totalling £2.954m had been proposed for 2025/26 and a total of £3.109m over the MTFS period. Pending publication of the local government finance settlement in late December, the acceptance of the proposals for 2025/26 and utilisation of reserves at the indicated level of £3.5m would leave a remaining budget gap of £4.065m. It is currently assumed that Hartlepool's allocation of the increases in government grants will meet this remaining gap for 2025/25. Should the government funding not be sufficient to close the remaining gap, additional savings will need to be identified and approved for 2025/26. Details of the individual savings were provided in Appendix B with the items relevant to this Committee shaded.

A discussion ensued during which Members were conscious that identifying savings was a regular consideration given the current financial climate, however, it was noted that pension reforms were being explored on a national level and this was welcomed. A Member sought clarification on the partnership working on the new waste treatment facility and the Executive Director of Development, Neighbourhoods and Regulatory Services confirmed that an update report on the future operation of a waste treatment facility within the South Tees Development Corporation area would be considered at a future meeting of the Neighbourhood Services Committee. It was noted that Hartlepool was working in partnership on this project with six other local authorities and they were Darlington, Redcar, Stockton, Middlesbrough, Newcastle and Durham.

A Member commented that pride in the town needed to be revived, and a significant amount of work had been undertaken to maintain services under the financial restraints faced by the Council and compared to a lot of other local authority areas, a lot of services had been maintained. The Chair added that there had been savings year on year but that this level of savings could not be maintained as it would impact on the residents of the town. However, officers were commended on their hard work to secure additional external funding which had continued to make improvements in the most deprived wards.

In response to a question from a Member, the Executive Director of Development, Neighbourhoods and Regulatory Services confirmed that the Council had a duty and legal responsibility to respond to emergencies which would ultimately lead to financial consequences and therefore additional pressure on budgets.

A Member informed the Committee that access to £600k of the Government's Recovery Fund had been secured to examine the causal factors of the riots that had taken place in the summer in the town and this was facilitated by the Assistant Director, Neighbourhood

Services alongside a group of Elected Members. This group would look at social cohesion, resilience and how to improve standards in the future. Members were encouraged by this positive action and asked for further information to be circulated.

Decision

The savings proposals detailed in Appendix B relating to the services within this Committee portfolio were approved to be reported back to Finance and Policy Committee on 20 January 2025.

Adult and Community Based Learning Committee – 9th December 2024

Issue(s) for consideration

The Executive Director for Adults and Community Based Services presented the report which reiterated that all councils across the country were facing significant financial challenges owing to the impact of inflation and demand on services along with historic inadequate increases in government funding to meet these challenges. As outlined at Finance and Policy Committee in November, the Council had a forecast budget deficit of £10.519m for 2025/26 and £13.122m over the full MTFS period.

As in previous years, addressing the deficit needed to be managed through budget saving actions which sought to minimise the impact on services where possible and use of reserves. With regard to savings, proposals totalling £2.954m had been proposed for 2025/26 and a total of £3.109m over the MTFS period. Pending publication of the local government finance settlement in late December, the acceptance of the proposals for 2025/26 and utilisation of reserves at the indicated level of £3.5m would leave a remaining budget gap of £4.065m. It was currently assumed that Hartlepool's allocation of the increases in government grants would meet this remaining gap for 2025/25. Should the government funding not be sufficient to close the remaining gap, additional savings would need to be identified and approved for 2025/26. Details of the individual savings were provided in Appendix B with the items relevant to this Committee shaded with some service areas being cross cutting across more than one Department.

The Chair referred to the significant budgetary pressures the Council was facing, especially in the area of Adult Services and was hoping for a positive financial settlement from the Government in December. The Executive Director of Adult and Community Based Services responded to a number of queries raised by Members of the Committee. There was reference to sponsorship that was received for events such as the annual fireworks display and Christmas lights switch on and the Executive Director of Adult and Community Based Services confirmed that the sponsorship received covered around 10-15% of the total costs of the events but that the events themselves were never anticipated as being self-funded. During the discussions it was suggested that alternative ways to support the annual fireworks event with the support of local shop keepers and businesses should be explored due to its popularity and potential for income generation for local businesses.

In response to a question from a Member, the Assistant Director, Preventative and Community Based Services confirmed that the future operating model for all leisure and cultural activities would be examined to explore ways of making the provision more efficient and effective, including the potential for other organisations to deliver services. Further detail on this would be reported to a future meeting of the Committee.

Decision

The savings proposals detailed in Appendix B relating to the services within this Committee portfolio were approved to be reported back to Finance and Policy Committee on 20 January 2025.

Children's Services Committee – 10th December 2024

Issue(s) for consideration

The Executive Director for Children's and Joint Commissioning Services presented the report which reiterated that all councils across the country were facing significant financial challenges owing to the impact of inflation and demand on services along with historic inadequate increases in government funding to meet these challenges. As outlined at Finance and Policy Committee in November, the Council had a forecast budget deficit of £10.519m for 2025/26 and £13.122m over the full MTFS period.

As in previous years, addressing the deficit needed to be managed through budget saving actions which sought to minimise the impact on services where possible and use of reserves. With regard to savings, proposals totalling £2.954m had been proposed for 2025/26 and a total of £3.109m over the MTFS period. Pending publication of the local government finance settlement in late December, the acceptance of the proposals for 2025/26 and utilisation of reserves at the indicated level of £3.5m would leave a remaining budget gap of £4.065m. It was currently assumed that Hartlepool's allocation of the increases in government grants would meet this remaining gap for 2025/26. Should the government funding not be sufficient to close the remaining gap, additional savings would need to be identified and approved for 2025/26. Details of the individual savings were provided in Appendix B with the items relevant to this Committee shaded for ease of reference.

Elected Members considered each of the savings proposals within the Children's Services Committee's remit and the Executive Director of Children's and Joint Commissioning Services responded to queries raised. Members welcomed that the savings proposed could be achieved with minimal impact on service delivery.

Set out below is a summary of the Committee's discussions and comments in relation to the savings proposals:-

Review of work of Management Information

Team Members welcomed that this proposal would ensure income covered the cost of delivery.

Closure of Oscars out of school and holiday provision

In response to assurances sought that alternative provision would be available during school holidays, the Executive Director of Children's and Joint Commissioning Services advised that whilst it was acknowledged that removal of the service may impact on those children who were currently accessing the service during school holidays, alternative provision was available in the town and holiday information would be available from the childcare team.

Increase sufficiency of placements for children in our care

A Member commented on the benefits of the proposals to increase placements for children in care in Hartlepool. The Chair emphasised the importance of promoting foster carers and reminded Members to promote and share the foster care campaign.

Decision

The savings proposals detailed in Appendix B relating to the services within this Committee portfolio were approved to be reported back to Finance and Policy Committee on 20 January 2025.

Economic Growth and Regeneration Committee – 10th December 2024

Issue(s) for consideration by the Committee

The Executive Director of Development, Neighbourhoods and Regulatory Services reiterated that all councils across the country were facing significant financial challenges owing to the impact of inflation and demand on services along with historic inadequate increases in government funding to meet these challenges. As outlined at Finance and Policy Committee in November, the Council had a forecast budget deficit of £10.519m for 2025/26 and £13.122m over the full MTFS period.

As in previous years, addressing the deficit needed to be managed through budget saving actions which seek to minimise the impact on services where possible and use of reserves. With regard to savings, proposals totalling £2.954m had been proposed for 2025/26 and a total of £3.109m over the MTFS period. Pending publication of the local government finance settlement in late December, the acceptance of the proposals for 2025/26 and utilisation of reserves at the indicated level of £3.5m would leave a remaining budget gap of £4.065m. It is currently assumed that Hartlepool's allocation of the increases in government grants will meet this remaining gap for 2025/25. Should the government funding not be sufficient to close the remaining gap, additional savings will need to be identified and approved for 2025/26. Details of the individual savings were provided in Appendix B with the items relevant to this Committee shaded along with two items on the bottom of page one of Appendix B, subsidy for the National Museum of the Royal Navy and Council run events, that were a crosscutting responsibility with the Adult Services Committee.

A discussion ensued during which Members acknowledged that in view of a number of challenging years due to the level of increase in the cost of living, rising inflation and the increasing demand for adults and children's social care. Difficult budgetary decisions were required and concern was expressed at the use of Council reserves. However, Members were hoping that a positive Government financial settlement would be announced over the next week or so to avoid even more difficult choices to be made in the new year.

During the discussions the increasing cost of children's social care was raised given this was a statutory function of the Council. However, it was noted that the majority of people in Hartlepool do not access this vital service for the children and the benefits of this service were not widely known. Members were mindful that investing in children ultimately leads to investing in the future of Hartlepool and welcomed the ongoing discussions around the potential future provision of children's social care as an in-house service.

The Chair highlighted that the generation of income was paramount to the provision of Council services in the future and a lot of the income from within the responsibilities of this Committee was through undertaking capital projects. In addition to this, the importance of being more entrepreneurial and partnership working was key to supporting the future provision of Council services.

In relation to the future of public events, it was suggested that each event be considered on an individual basis but that work be undertaken to explore ways of partnering with local businesses and traders to generate funding and make events as near cost neutral as possible. The importance of events such as the annual fireworks display and Christmas light switch on was noted. These events were free and were well attended and may be the only events that some children and families were able to attend.

The Chair referred to the land and property review and highlighted the need to look at each asset individually with the view of achieving the best value and best use of each asset. In response to comments by Members relating to future housing provision, the Executive Director of Development, Neighbourhoods and Regulatory Services confirmed that the target for the development of housing in the Borough had been over achieved for the first time in many years and that officers regularly meet with developers who were looking to build in Hartlepool which supported the Council's growth ambitions and that discussions were ongoing with potential developers and the Planning Department in relation to further developing the town.

In conclusion, the Chair commented that Members were hoping for a positive Government financial settlement in December and would keep the pressure on the Government for ongoing financial support to reduce the risk of even more difficult budgetary decisions being required in the future.

Decision

The savings proposals detailed in Appendix B relating to the services within this Committee portfolio were approved to be reported back to Finance and Policy Committee on 20 January 2025.

4.1 Appendix D

MTFS 2025/26 to 2027/28 Risk Assessment

Key risks or issues that may impact on assumptions made with this report and updated MTFS.

Issue and Risk	Potential Impact		
	2025/26	2026/27	2027/28
Pay Awards - Provision included in the MTFS based on reducing inflation and historic norms. No contingency is built in for a higher award. Each 1% of pay award in excess of the MTFS provision costs c£675k.	Negative	Negative	Negative
Level of Reserves - the MTFS is currently based on the likelihood of using £1.5m of one-off reserves in 2025/26 and £1.5m in 2026/27. This in effect utilises a significant proportion of the Budget Support Fund. Revenue reserves overall are forecast to drop from £39m to £13m over the coming four years. This would just leave the emergency unallocated general fund, the insurance fund and a small number of earmarked reserves. There would be very limited reserves available should an in year overspend occur.	Negative	Negative	Negative
Childrens Pressures - the current in year pressure for Childrens Services is circa £6m. It is assumed at this stage that the Childrens Social care sufficiency transformation plans will stabilise and contain pressures to the allowance within the MTFS of £6m in 2025/26, £1.5m 2026/27 and £1.5m 2027/28. At present there is no guarantee that this will be achieved.	Negative	Negative	Negative
Government Funding - Notwithstanding the budget announcements there remains a lack of clarity with regard funding allocations relating to National Insurance compensation for 2025/26, with further information to be released in January/February 2025 From 2026/27, whilst the government have confirmed that they wish to provide fair funding to councils, they are grappling with a significant national deficit, placing in question the ability to provide additional resources to the sector. The redistribution of existing resources through a fair funding should favour deprived areas like Hartlepool.	Positive	Positive	Neutral
Inflationary Pressures - the risk around inflationary pressures has been partially mitigated given the reduced level of CPI over recent months. However, there are still risks around the likes of energy prices, given the geopolitical environment, and government policy.	Negative	Negative	Negative
One-off Grants - the council relies on a number of one off specific grants to support initiatives and day	Negative	Negative	Negative

to day spend on key service areas. A number of these grants are currently scheduled to end at March 2025, with no confirmation of continuation. Should this situation occur a number of preventative schemes will end, capacity across the council will be reduced and potential redundancy costs incurred.			
Borrowing Costs - interest rates and borrowing costs remain stubbornly high. Whilst this is having a short term positive impact on the budget position, over the medium to long term we will need to borrow to fund the capital programme and as such we will require a reduction in these rates so as to prevent a shortfall in our debt charge budget. This will need to be kept under close review and may require some additional or temporary funding to smooth this budget.	Positive	Negative	Negative
Council Tax Base - the base position has seen a significant increase in 2025/26 due to a positive year of housebuilding, new premiums for empty, furnished properties and anti-fraud work. A more prudent estimate has been assumed for 2026/27 and 2027/28 but increased housebuilding could lead to an improved position.	Neutral	Positive	Positive
Waste pressures - there is current uncertainty regarding a number of waste initiatives, including food waste collection, producer responsibility and the suggestion of increased taxation on Energy for Waste facilities. This area will require close monitoring. At this stage, given the budget announcements there is likely to be a positive impact in 2025/26 but possible a negative impact will materialise over the term.	Neutral	Negative	Negative
DSG High Needs Statutory Override - the council held a negative overspend reserve of £1.589m at the end of 2023/24. A further overspend of £4.1m is forecast in the current year, with the overall deficit forecast to be circa £6.6m by the end of 2025/26. At this point the statutory override is scheduled to end, albeit an extension is envisaged. Should the override end, the council would need to fund this deficit position. We would unlikely have the resources to do so and as such may be required to seek Exceptional Financial Support. Note, the Autumn budget confirmed a £1bn injection into SEND budgets and this would help reduce the in year deficits on this budget.	Negative	Negative	Negative

RESERVES FORECASTS (EXCLUDING SCHOOL BALANCES, HRA AND UNUSABLE RESERVES)

APPENDIX E

	Balance as at 31st March 2024	Transfer between Reserves	Balance as at 31st March 2024 (Revised)	Forecast Use of Reserves				Forecast Balance as at 31st March 2028
				2024/25	2025/26	2026/27	2027/28	
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Revenue Reserve	5,501	(1)	5,500	0	0	0	0	5,500
Budget Support Fund (BSF) 24/25-26/27	7,947	3,147	11,094	(4,836)	(1,500)	(1,500)	0	3,258
BSF - Transformation Costs	2,000	0	2,000	0	(1,000)	(500)	(500)	0
BSF - Invest to Save	1,000	750	1,750	(700)	(700)	(350)	0	0
Revenue Grants Unapplied	6,300	(560)	5,740	(2,330)	(1,405)	(924)	(931)	150
Business Rates Risk Reserve	3,250	(2,250)	1,000	0	0	0	0	1,000
Insurance Fund	2,965	0	2,965	(50)	(50)	(50)	(50)	2,765
Children in our Care Reserve	1,230	0	1,230	(475)	(500)	(255)	0	0
BSF - Treasury Management Income	1,150	0	1,150	(650)	(500)	0	0	0
Asset Management Reserve	1,000	0	1,000	(500)	(500)	0	0	0
Earmarked Revenue Reserves under £1m	7,411	(1,086)	6,325	(2,928)	(1,413)	(731)	(441)	812
Revenue Reserves Total	39,754	0	39,754	(12,469)	(7,568)	(4,310)	(1,922)	13,485
Earmarked Capital Reserves	9,606	0	9,606	(4,262)	(2,772)	(2,572)	0	0
Capital Grants Unapplied	16,311	0	16,311	(13,798)	(2,513)	0	0	0
TOTAL	65,671	0	65,671	(30,529)	(12,853)	(6,882)	(1,922)	13,485

Business Group - Budget Consultation Meeting

16th December 2024, 4pm, Leaders Office, Hartlepool Borough Council.

Attendees –

James Magog, Director of Finance IT and Digital of HBC
Denise McGuckin, Managing Director of HBC
Brenda Harrison, Leader of HBC
Tom Feeney, Deputy Leader of HBC
Darren Hankey, North East Chamber of Commerce Chair
Simon Corbett, Hartlepool Economic Business Forum Chair
Reshma Begum – FSB Development Manager North East of England & Tees Valley

Minutes of Meeting

The Director of Finance, IT and Digital Services, the Managing Director, The Leader and Deputy Leader of the Council met with representatives of the Business Community on 16th December 2024. A number of slides were presented setting out the latest budget position for HBC.

The MTFS was presented and a breakdown of savings proposals discussed. The MTFS reflected that presented to Finance and Policy Committee in November 2024, with 2025/2026 being the year that will be the most challenging.

The potential outcome of the local government finance settlement was discussed. On the basis that additional funding was expected, the budget gap will be revisited in January 2025 once the Government position was clear. The Director and MD will keep the representatives updated once we know more.

The representatives asked questions which were answered by the Director and MD. The representatives recognised the challenges ahead and understand the financial position facing the Council. The feedback received was that, should the settlement come through as expected, it was a better message than last year but there is still a lot of challenges to face and savings to make which won't be easy.

The meeting concluded and the business representatives recognised the difficult decisions that have already been made and will need to be made going forward.

Trades Unions - Budget Consultation Meeting

Monday 6 January 2025 at 1.00pm, Committee Room C, Civic Centre

Attendees:

Denise McGuckin, Managing Director, HBC
James Magog, Director of Finance IT and Digital of HBC
Councillor Tom Feeney, Deputy Leader, HBC
Hayley Martin, Director of Legal, Governance and HR, HBC
Tony Hanson, Executive Director, Development Neighbourhood & Regulatory Services, HBC
John Lovatt, Assistant Director, Adults Services, HBC
Craig Blundred, Director of Public Health, HBC
Edwin Jeffries, UNISON
Stephen Williams, UNISON
Simon Wilson, Regional Coordinator, UNISON
Tracey Garrett, UNISON

Apologies:

Jill Harrison, Executive Director, Adults and Community Based Services
Sally Robinson, Executive Director, Children's and Joint Commissioning Services

Minutes of Meeting

The Director of Finance, IT and Digital Services, the Managing Director, Executive Leadership Team, and Deputy Leader of the Council met with Trade Union Representatives. JM presented several slides outlining the current budget position for HBC.

JM presented latest iteration of the MTFS, updated for the provisional local government financial settlement together with a breakdown of savings proposals.

JM confirmed that additional government funding is anticipated, and this will enable the council to set a balanced budget. There was still uncertainty on a number of issues, and these would become clearer with the final settlement. The Director and Managing Director will keep representatives updated once information becomes available. Furthermore, there is a need to continue and accelerate the Transformation programme.

Representatives asked several questions which were answered by the Director and Managing Director. EJ queried staffing relating to Oscars, HM to share proposals with representatives and SR to be asked to provide representatives with list of out of school care provision.

In summary, JM concluded that the MTFS report will be ratified at Finance and Policy Committee 20 January 2025; followed by approval by Council, February 2025.

Representatives thanked Managing Director and Director for a comprehensive presentation. Representatives recognise challenges ahead and understand the financial position, should the settlement come through as expected, the budget is better than last year, but still lot of work to do.