AUDIT AND GOVERNANCE COMMITTEE

AGENDA

HARTLEPOOL BOROUGH COUNCIL

Thursday 9 February 2023

at 10.00 am

in the Council Chamber,
Civic Centre, Hartlepool.

MEMBERS OF AUDIT AND GOVERNANCE COMMITTEE:

Councillors Allen, Cook, Cowie, Creevy, Falconer, Feeney, Hall, Loynes, D Nicholson and Smith.

Standards Co-opted Independent Members: - Mr Martin Slimings and Ms Tracy Squires.

Standards Co-opted Parish Council Representatives: Parish Councillor John Littlefair (Hart) and Parish Councillor Alan O'Brien (Greatham).

Local Police Representative.

1. **APOLOGIES FOR ABSENCE**

2. **TO RECEIVE ANY DECLARATIONS OF INTEREST BY MEMBERS**

3. **MINUTES**

   3.1 To confirm the minutes of the meeting held on 12th January 2023

4. **AUDIT ITEMS**

   4.1 Treasury Management Strategy 23/24 Third Quarter Review 22/23 - *Director of Resources and Development*

5. **OTHER ITEMS FOR DECISION**

   5.1 Crustacean Deaths Working Group - Verbal Update – *Councillors Creevy and Cook*

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 <u>everyone</u> 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. **STANDARDS ITEMS**

No items.

7. **STATUTORY SCRUTINY ITEMS**

Crime and Disorder Scrutiny

No items

Health Scrutiny

7.1 Substance Misuse Investigation - Session 2 - Review Of The Reconfigured Substance Misuse Service And Needs Assessment Data:-

i) Report - *Director of Public Health*
ii) Presentation - *Public Health Principal*

7.2 North Tees and Hartlepool Foundation Trust – Verbal Update – *Associate Director of Governance and Transformation, NTHFT*

8. **MINUTES FROM THE RECENT MEETING OF THE HEALTH AND WELLBEING BOARD**

No items.

9. **MINUTES FROM THE RECENT MEETING OF THE FINANCE AND POLICY COMMITTEE RELATING TO PUBLIC HEALTH**

No items.

10. **MINUTES FROM RECENT MEETING OF TEES VALLEY HEALTH SCRUTINY JOINT COMMITTEE**

No items.

11. **MINUTES FROM RECENT MEETING OF SAFER HARTLEPOOL PARTNERSHIP**

No items.

12. **REGIONAL HEALTH SCRUTINY UPDATE**

No items.

13. **DURHAM, DARLINGTON AND TEESSIDE, HAMBLETON, RICHMONDSHIRE AND WHITBY STP JOINT HEALTH SCRUTINY COMMITTEE**

No items.

14. **ANY OTHER BUSINESS WHICH THE CHAIR CONSIDERS URGENT**

For information: -

Forthcoming Meetings: -

Thursday 9 March at 2023 at 10.00 am (Please Note – Additional Meeting)
Thursday 16 March, 2023 at 2.00 pm

All meetings will take place at the Civic Centre, Hartlepool.

AUDIT AND GOVERNANCE COMMITTEE

MINUTES AND DECISION RECORD

12 JANUARY 2023

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

Present:

Councillor: Rob Cook (In the Chair)

Councillors: Allen, Creevy, Feeney, Hall, Loynes and D Nicholson

Co-opted Members:

Martin Slimings– Independent Member
Parish Councillor John Littlefair (Hart)

Also Present: Ray Martin-Wells, North Tees and Hartlepool Foundation Trust
Daniel Ahmed and Sally Harris, Foundations

Officers: Craig Blundred, Director of Public Health
Claire Robinson, Public Health Principal
Dean Langstaff, Public Health Intelligence Specialist
Jill Blackett, Interim Head of Service
Joan Stevens, Statutory Scrutiny Manager
Gemma Jones, Scrutiny and Legal Support Officer
Denise Wimpenny, Principal Democratic Services Officer

60. Apologies for Absence

Apologies for absence were submitted on behalf of Councillors Cowie, Falconer, Smith, Independent Member Tracy Squires and Parish Councillor Alan O'Brien (Greatham).

61. Declarations of Interest

None

62. Minutes of the meeting held on 15 December 2022 2022

Confirmed subject to the removal of Independent Member Tracy Squires from the Members present list.

63. Regulation of Investigatory Powers Act 2000 (RIPA) - Quarterly Update (*Chief Solicitor)*

It was reported that Hartlepool Borough Council had powers under the Regulation of Investigatory Powers Act 2000 (RIPA) to conduct authorised covert surveillance and was required to provide Members with a quarterly update as to the use of those powers. Members were informed that in the quarter to the date of this meeting, there had been no RIPA Authorisations authorised.

Decision

The report was noted.

64. Director of Public Health – Annual Report *(Director of Public Health)*

The Director of Public Health reported on the background to the requirement for the Director of Public Health to write an annual report on the health status of the town and the Local Authority duty to publish it in accordance with the Health and Social Care Act 2012.

The theme of the 2022 Annual Report was to look at the whole picture of health in Hartlepool, exploring data, and first hand views from a number of local residents, in relation to three key stages of life “the best start in life”, “living well” and “living well in later life. The report included information in relation to the health inequalities which caused some of the biggest challenges and compared Hartlepool residents’ experiences with their neighbours, or with other parts of the country and also compared health data in Hartlepool with data from the North East and England. The key issues that Hartlepool needed to focus on were outlined and included the importance of linking in with the work of the Health and Wellbeing Strategy, the issues resulting from the pandemic and Members were encouraged to watch the video which had recently been shared with a number of Committees.

In the discussion that followed, Members welcomed the report and the formats in which it was available. The Director of Public Health responded to issues raised arising from the report. Clarification was provided in relation to the challenges around vaccine hesitancy, particularly in children, and the measures in place to increase take up. It was reported that work was ongoing to gain a better understanding around the reasons for a reduction in take up of the vaccine and the Committee was keen to receive an update at a future meeting of this Committee on the outcomes of this work. In response to a query raised, details of how the report and outcomes would be shared and accessed by outside organisations were outlined and the Director of Public Health agreed to share such information to any additional groups that Members felt appropriate.

Recommended

(i) That the Director of Public Health's Annual Report be noted and that he be congratulated on the accessible format of the document.

(ii) That feedback on the outcome of work in relation to vaccine hesitancy in children be reported to a future meeting of this Committee.

(iii) That Members provide clarification following the meeting of any groups/outside organisations the public health report and outcomes should be shared with.

65. Review of the Reconfigured Substance Misuse Service and Needs Assessment Data *(Director of Public Health)*

The report provided background information and updated the Committee on the progress and process taken to reconfigure substance misuse services across Hartlepool including increased investment from the National Drug Strategy. The report included the findings from the recent draft Substance Misuse Needs Assessment 2022 and future work to develop a Hartlepool Substance Misuse Strategy with partners.

In support of the report a detailed and comprehensive presentation was provided which included the following issues:-

- Proposed structure of sessions
  Session 1 - 12 January 2023
  Session 2 – 9 February 2023
  Session 3 – 16 March

- Background and context

- Health Needs Assessment and Strategy

- Needs Assessment Data
  - Hartlepool Adults Substance Misuse Referrals 2011/21
  - Hartlepool Young People's Substance Misuse Referrals 2011/21
  - % of substance misuse treatment referrals by ward 2011 – 21
  - % of adults substance misuse caseload using each substance 2021/22 Hartlepool and England
  - Hospital admission per 100,000
  - Alcohol specific hospital admissions England 2019/20
  - Deaths from drug misuse
  - % of unmet need within substance misusing population 2021/22 – Hartlepool and England

- START – New Hartlepool model
  – Overview of Transformation Programme delivered by an integrated team between HBC and Foundations

In the lengthy discussion that followed whilst Members welcomed the proposals the Committee considered the statistics presented and raised concerns that Hartlepool had the 10^{th} highest alcohol related hospital admissions in England and high rates of drug related deaths. The potential factors contributing to high death rates were questioned and the benefits of the START programme were debated.

Officers responded to queries raised arising from the presentation. Clarification was provided in relation to how the data was collated in terms of what was classified as a successful completion and details of aftercare support arrangements in terms of employment opportunities.

The dangers of recreational drug use were highlighted and Members were keen to receive information in terms of the measures in place to address this including the involvement of the police. The Public Health Principal advised that during session 3, consideration of the draft strategy would include working with the police in terms of the enforcement element of the programme. It was noted that work had also been commissioned with Teesside University to carry out some research into recreational drug use, the findings of which could be shared with the Committee.

During the course of discussions in relation to the benefits of substance rehabilitation concerns were raised that there was only one bed allocated in the area and, whilst the department would continue to review this, it was unlikely to increase due to the ongoing pressures in the NHS. The Committee requested that the following additional information be provided:-

- The factors influencing drug related deaths and lessons learnt.
- The number of service users securing employment following completion of a successful detox programme.
- The costs associated with placing individuals out of the area for residential rehabilitation and detox to include costs across the Tees Valley and background information as to why an out of area placement was necessary/beneficial.
- Any additional information available from Teesside University in relation to recreational drug use.
- More detailed police data particularly around enforcement.
- A copy of the presentation slides.

Recommended

(i) The Committee agreed the proposed format of reporting to Audit and Governance Committee

- Session one 12^{th} January 2023 - Overview of the current journey to date review implemented treatment model and

presentation of the draft Substance Misuse Needs Assessment for Hartlepool.
- Session two 9th February 2023 - The new model and treatment offer including partner and service user feedback on new model
- Session three 16th March - Consolidation, vision and timescale for the substance misuse strategy and next steps.

(ii) The Committee noted the progress taken to refresh the Substance Misuse Needs Assessment and the highlighted proposals and issues for consideration.

(iii) That the restructure of treatment services in Hartlepool be noted and the additional national investment to enhance treatment quality.

(iv) That the document would inform the development of a Substance Misuse Strategy and action plan and annual reports will be submitted to the Committee to show progress against priorities.

(v) That additional information requested by Members, as detailed above, be provided following the meeting.

(vi) An annual update on substance misuse in Hartlepool be included as part of the Audit and Governance Committees work programme.

66. Accessibility of Council Services for those with Disabilities and Lifelong Conditions – Final Report

(Statutory Scrutiny Manager)

It was agreed that this item be withdrawn and deferred to a future meeting.

Recommended

That the report be deferred to a future meeting.

67. Scrutiny Investigation – Recommendation Update

(Statutory Scrutiny Manager)

The Scrutiny and Legal Support Officer presented a report updating the Committee on progress made to date against investigations undertaken. Members were referred to Chart 1, which provided details of overall progress made on the implementation of the scrutiny recommendations for the Anti-Social Behaviour investigation, the first completed investigation since the Covid-19 pandemic. Members were provided with a detailed explanation of progress made against each scrutiny recommendation agreed by the Committee since the last report presented prior to the Covid-19 pandemic, as set out in an appendix to the report.

In relation to recommendations that were still outstanding, the reasons behind those would continue to be monitored and reported back to Members as part of the 6 monthly monitoring updates.

In the lengthy discussion that followed, the Scrutiny and Legal Support Officer responded to issues raised arising from the report. A number of queries were raised which included the following comments, suggestions and requests for clarification/further information following the meeting as set out below:-

(i) A Member commented on the benefits of the Crucial Crew support in the town and was disappointed to note the potential loss of venue in 2024. Further information around the implications/options available in relation to this proposal was requested.

(ii) Whether the 523100 phone number is still in use.

(iii) The implications of the new civil injunction arrangements around anti-social behaviour was requested including clarification as to whether Community Trigger training was still being provided to Members. It was also suggested that any anti-social behaviour training material be shared with Members of the Committee.

(iv) That anti-social behaviour data in relation to the new police anti-social behaviour software application be provided to a future meeting.

(v) The benefits of partnership working with Nottingham University was highlighted in relation to a number of specific investigation recommendations and disappointment expressed that it had not been possible to progress this. It was suggested that a letter be sent from the committee to encourage Nottingham University to engage with the implementation of the relevant investigation recommendations.

Recommended

(i) That progress against the agreed recommendations of the Audit and Governance Committee, since 2021/2022 municipal year be noted.

(ii) That the comments/requests of Members as set out above be noted and actioned as appropriate.

(iii) That a letter be sent from the committee to encourage Nottingham University to engage with the implementation of the relevant investigation recommendations.

68. Any Other Items which the Chairman Considers are Urgent

The Chairman ruled that the following item of business should be considered by the Committee as a matter of urgency in accordance with the provisions of Section 100(B) (4)(b) of the Local Government Act 1972 in order that the matter could be dealt with without delay.

69. North Tees and Hartlepool Foundation Trust Update

A representative from North Tees and Hartlepool Foundation Trust, who was in attendance at the meeting, provided a verbal update on the current work of the Foundation Trust. Discussions were ongoing in terms of collaboration between North Tees and Hartlepool Foundation Trust and South Tees and once this had been considered by the Board, the outcome would be reported back to this Committee. North Tees and Hartlepool continued to be one of the top performing trusts in terms of ambulance hand over times, and the Trust were currently working with the ambulance service in relation to a two hour crisis response initiative which had exceeded the target. Outcomes of current performance targets as a comparator with the national average were also provided as well as details of the challenges around delayed discharges due to the lack of wrap around care in the community.

In the discussion that followed Members commented on issues arising from the update. The Chair requested that further information be provided to a future meeting of this Committee in relation to the work with North East Ambulance Service around admission avoidance.

Recommended

(i) That the contents of the update and comments of Members be noted and actioned as appropriate.

(ii) That the outcome of discussions with the Board around collaboration arrangements be reported back to this Committee.

(iii) That further information be provided to a future meeting of this Committee in relation to the work with North East Ambulance Service around admission avoidance.

70. Crustacean Mass Deaths

Councillor Creevy, the appointed representative on the recently established Working Group in relation to crustacean mass deaths, provided the Committee with an update of discussions held at the first meeting of the Working Group where the terms of reference and key aims had been agreed. It was reported that Philip Thompson, Independent Member from

Redcar had been appointed as Chair of the Working Group and Councillor Creevy had been appointed as Vice-Chair.

Elected Members debated issues arising from the update. Clarification was provided regarding the membership and remit of the Group, frequency of meetings and background information to the reasons for the establishment of the Working Group. Reference was made to the evidence heard by DEFRA Committee in October 2022, a link to which was available and would be circulated to Members together with details of the role and remit of the Group.

Recommended

(i) That the contents of the update and comments of Members be noted.

(ii) That the evidence heard by DEFRA Committee together with the role and remit of the Group be provided following the meeting.

(iii) That regular update reports be provided to this Committee.

71. Date and Time of Next Meeting

It was reported that the meeting would be held on Thursday 9 February 2023 at 10.00 am.

The meeting concluded at 11.30 am.

CHAIR

AUDIT AND GOVERNANCE COMMITTEE

9th February 2023

HARTLEPOOL BOROUGH COUNCIL

Report of: Director of Resources and Development

Subject: TREASURY MANAGEMENT STRATEGY 2023/24 AND THIRD QUARTER REVIEW 2022/23

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1. PURPOSE OF REPORT

1.1 The purposes of the report is to:

i. Provide the third quarter update of the 2022/23 Treasury Management activity; and
ii. Enable the Audit and Governance Committee to scrutinise the recommended 2023/24 Treasury Management Strategy before it is referred to the full Council for approval.

2. BACKGROUND

2.1 The Treasury Management Strategy covers:

- the borrowing strategy relating to the Council's core borrowing requirement in relation to its historic capital expenditure (including Prudential Borrowing);
- the borrowing strategy for the use of Prudential Borrowing for capital investment approved as part of the Medium Term Financial Strategy; and
- the annual investment strategy relating to the Council's cash flow.

2.2 The Treasury Management Strategy needs to ensure that the loan repayment costs of historic capital expenditure do not exceed the available General Fund revenue budget, which was reduced as part of the Medium Term Financial Strategy in previous years. Similarly, for specific business cases the Treasury Management Strategy needs to ensure loan repayment costs do not exceed the costs built into the business cases. As detailed later in the report these issues are being managed successfully.

2.3 The Local Government Act 2003 requires the Council to 'have regard to' the CIPFA (Chartered Institute of Public Finance and Accountancy) Prudential Code and to set prudential indicators for the next three years to ensure capital investment plans are affordable, prudent and sustainable.

2.4 The Act requires the Council to set out a Treasury Management Strategy for borrowing and to prepare an Annual Investment Strategy, which sets out the policies for managing investments and for giving priority to the security and liquidity of those investments. The Secretary of State has issued Guidance on Local Government Investments which came into force on 1st April, 2004, and has subsequently been updated, most recently in 2021. The 2021 Prudential and Treasury Management Codes has a new prudential indicator for 2023/24 the Liability Benchmark (LB) and details are provided in paragraph 8.8.

2.5 The Council is required to nominate a body to be responsible for ensuring effective scrutiny of the Treasury Management Strategy and policies, before making recommendations to full Council. This responsibility has been allocated to the Audit and Governance Committee.

2.6 This report covers the following areas:

- Economic background and outlook for interest rates;
- Treasury Management Strategy 2022/23 3rd Quarter review;
- Treasury Management Strategy 2023/24; and
- Minimum Revenue Provision and Interest Cost and Other Regulatory Information 2023/24

3. ECONOMIC ENVIRONMENT AND OUTLOOK FOR INTEREST RATES

3.1 **UK –** The UK economy has faced an extended and ongoing period of economic uncertainty. Inflation continues to be an economic pressure and at the 15th December 2022 meeting the Bank of England's Monetary Policy Committee (MPC) voted 6-3 to raise Bank Rate by 0.50% from 3.0% to 3.50%. It is expected the by Bank of England that inflation will fall from its peak in October as energy price inflation drops out of the calculation. However, domestic price pressures remain strong and the Bank of England is expected to raise interest rates further.

3.2 The Chancellor's Autumn Statement on 17th November 2022 succeeded in restoring the Government's fiscal credibility in the eyes of the financial markets. The package included net spending increases in 2023/24 and 2024/25, and fiscal tightening after 2024/25.

3.3 The Office for Budget Responsibility's revised growth forecast up to 2025 are set out in the following table:

Year	March 2022 Growth Forecast	November 2022 Growth Forecast
2022	3.8%	4.2%
2023	1.8%	(1.4%)
2024	2.1%	1.3%
2025	1.8%	2.6%

3.4 **European Union (EU) –** As at November 2022, GDP had increased by 0.2% in quarter 3. The unemployment rate fell to a record low in October. Whilst this resilience is not expected to last, the recession which is thought to be underway may not be as bad as initially expected. The energy crisis, though severe, has eased a little and national governments have announced generous levels of fiscal support.

3.5 **USA –** Growth has slowed and forecasters expect a mild recession in 2023. However, core inflation is likely to fall sharply, which analysts think will convince the Federal Reserve to begin cutting interest rates again by end of 2023.

3.6 **Other Economies –** In China, gross domestic product (GDP) rose by 3% in 2022, the second slowest rate in almost half a century. The sudden relaxation of its strict zero-Covid rules, have led to a rapid rise in Covid cases that will likely be a drag on growth in the early part of 2023. In Japan, headline inflation increased to 3.7% in October, the strongest since December 1990. The Government's supplementary budget aimed at dampening inflation should bring inflation back below the Bank's 2% target by Q2 2023.

3.7 **Interest Rate Forecasts**

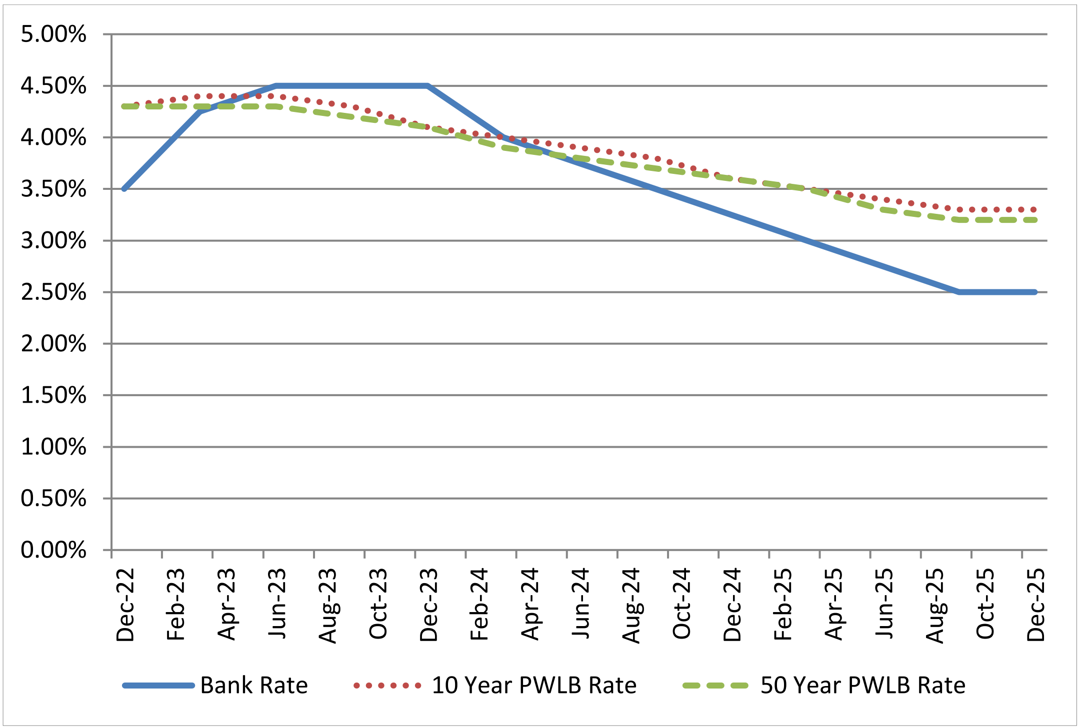
3.8 Link Asset Services (the Council's Treasury Management advisors) continue to update their interest rate forecasts to reflect statements made by the Governor of the Bank of England and changes in the economy.

3.9 Expectations remain for Bank Rate to peak at 4.5% which reflects a view that the MPC are keen to demonstrate further its anti-inflation credentials by delivering a succession of rate increases. However, there are several challenges ahead that could see the Bank leave rates at an elevated level for longer, once the peak is reached by mid-2023. The major challenges are the tight labour market, the war in Ukraine and the implications for further energy subsidies for UK households and businesses.

3.10 Link anticipate the Bank of England will be keen to loosen monetary policy when the worst of the inflationary pressures are behind us – but that timing will be one of fine judgement; cut too soon, and inflationary pressure may well build up further; cut too late and any downturn or recession may be prolonged.

3.11 Economic and interest rate forecasting remains difficult with so many influences impacting on the economy. UK gilt yields (i.e. Government borrowing) and PWLB rates forecasts made by Link Asset Services may be liable to further amendment depending on how the political and economic developments transpire over the next year, including Bank of England decisions.

3.12 Interest Rate Forecast up to December 2025



3.13 Against the background of the above forecasts for interest rates the decision to borrow for the Highlight when interest were much lower has secured a fixed interest rate of 2.31% for 40 years. This provides a significant recurring annual saving for the Council.

4. TREASURY MANAGEMENT STRATEGY 2022/23 3rd QUARTER REVIEW

4.1 The Treasury Management Strategy for 2022/23 was approved by Council on 24th February 2022. The Council's borrowing and investment position as at 31st December 2023 is summarised as follows:

	£m	Average Rate
PWLB Loans	28.0	3.42%
Market Loan (Annuity)	16.7	2.31%
Market Loans (Maturities)	25.0	3.92%
Non-Market Loans (Maturities)	0.3	0.00%
Market Loans (LOBOs)	20.0	4.12%
Gross Debt	**90.0**	**3.49%**
Strategic Investments	25.0	5.2%
Day to Day Investments	29.8	1.9%
Gross Investments	**54.8**	**3.61%**
Net Debt as at 31-12-22	**35.2**	

4.2 The Council continues to keep under review the most opportune approach to borrowing. Given the increase in interest rates experienced during 2022, no additional borrowing has been entered into, with cash balances being used to manage the capital programme in the short to medium. This ensures that the Council is not exposed to increased costs at a time of volatility and relatively high interest rates. The position will be kept under review, with the potential for short term borrowing options if these are determined to be most cost effective, when the need to borrow arises, pending a reduction in longer term rates.

4.3 The increase in interest rates also presented the Council with an opportunity to maximise investment returns over the short to medium term. Detailed cash flow modelling has allowed investments to be placed for a longer time period (up to a year) with a number of institutions, so as to achieve the higher rates of investment interest now available. This pro-active approach will enable the Council to generate an additional forecast £2.5m over the coming three financial years, making a significant one-off contribution to the Medium Term Financial Plan, thus reducing the need for service reductions elsewhere in the Council.

4.4 In maximising these returns, the Council has reviewed its list of counter parties and increased both category A and category B by £5m each. This is still deemed to be prudent and remains low in comparison to other Local Authorities. Risk is spread amongst a number of institutions. The principals and hierarchy of security / liquidity / rate of return continue to be closely adhered to.

5 TREASURY MANAGEMENT STRATEGY 2023/24

5.1 Prudential Indicators and other regulatory information in relation to the 2023/24 Treasury Management Strategy is set out in Appendix A.

5.2 The key elements of the Treasury Management Strategy which Members need to consider are the Borrowing and Investment Strategies, detailed in section 6 and 7.

6. BORROWING STRATEGY 2023/24

6.1 Borrowing strategies are needed for the core borrowing requirement and the borrowing requirement related to specific business cases, as outlined in the following paragraphs.

6.2 **Core Borrowing Requirement**

6.3 The continuing objective of the Council’s Treasury Management Strategy is to fund the core annual borrowing requirement at the lowest possible long term interest rate.

6.4 Owing to the continued low Base Rate the Treasury Management Strategy has been to net down investments and borrowings. The existing Treasury Management Strategy has always recognised that this approach was not sustainable in the longer term as the one-off resources which have been used to avoid temporarily long term borrowing, would be used up.

6.5 Total borrowing remains below the CFR and the strategy continues an element of netting down investments and borrowing. This is at a level that is forecast to be sustainable. However, it may be appropriate to take out further borrowing and the position will be kept under constant review. A decision to borrow up to the CFR may be taken by the Director of Resources and Development if it is in the best interests of the Council to do so. It is recommended that the Director of Resources and Development is authorised to implement Treasury Management arrangements which minimise the short and long term cost to the Council.

6.6 **Borrowing Requirement Business Cases (including the Housing Revenue Account)**

6.7 The financial viability of each business case is assessed on an individual basis reflecting the specific risk factors for individual business cases. This includes the repayment period for loans and fixed interest rates for the duration of the loan. This assessment is designed to ensure the business case can be delivered without a General Fund budget pressure and corresponding increase in the overall budget deficit.

6.8 In order to ensure that the above objectives are achieved a strategy of fully funding the borrowing for business cases has been adopted in recent years. However, given the current interest rate forecasts it is recommended that a strategy of temporarily funding internally business cases may be appropriate in order to mitigate counterparty risk. The timing of long term borrowing decisions will then be managed carefully to ensure that interest rates are fixed at an affordable level.

6.9 **Borrowing in Advance of Need**

6.10 The Council has some flexibility to borrow funds for use in future years for the approved capital programme. The Director of Resources and Development may do this under delegated power where, for instance, where the forecast increase in interest rates over the next few years is not expected to reduce as highlighted earlier in the report. In these circumstances borrowing early at fixed interest rates may be undertaken where this will secure lower fixed interest rates for specific business cases; or to fund future debt maturities (i.e. if the remaining LOBOs were called). Any borrowing in advance of need will be reported to the Council in the next Treasury Management report.

7. INVESTMENT STRATEGY 2023/24

7.1 The Department of Levelling Up, Housing and Communities (DLUHC) issued investment guidance in 2010, updated in 2017, and this forms the structure of the Council's policy. The key intention of the Guidance is to maintain the current requirement for authorities to invest prudently and that priority is given to security and liquidity before interest return. This Council has adopted the CIPFA publication Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes and applies its principles to all investment activity. In accordance with the Code, the Director of Resources and Development has produced Treasury

Management Practices covering investment counterparty policy which requires approval each year.

7.2 The primary objectives of the Council's investment strategy in order of importance are:

- safeguarding the re-payment of the principal and interest of its investments on time;
- ensuring adequate liquidity; and
- investment return.

7.3 **Counterparty Selection Criteria**

7.4 The Council's criteria for providing a pool of high quality investment counterparties uses the credit rating information produced by the three major ratings agencies (Fitch, Moody's and Standard & Poor's) and is supplied by our treasury consultants. All active counterparties are checked against criteria outlined below to ensure that they comply with the criteria. Any counterparty failing to meet the criteria would be omitted from the counterparty list. Any rating changes, rating watches (notification of a likely change), rating outlooks (notification of a possible longer term change) are provided to officers almost immediately after they occur and this information is considered on a daily basis before investments are made. For instance a negative rating watch applying to a counterparty at the minimum criteria will be suspended from use, with all others being reviewed in light of market conditions.

7.5 The **lowest common denominator** method of selecting counterparties and applying limits is used. This means that the application of the Council's minimum criteria will apply to the lowest available rating for any institution. For instance if an institution is rated by two agencies, one meets the Council's criteria, the other does not, the institution will fall outside the lending criteria

7.6 The Director of Resources and Development will continue to adopt a vigilant approach resulting in what is effectively a 'named' list. This consists of a select number of counterparties that are considered to be the lowest risk.

7.7 As detailed in paragraph 4.4, the counter party investment limits for category A were increased to £20m and for category B to £15m. This change increases the flexibility on investments and enables the Council to secure higher interest rates from larger investments, whilst retaining the primary investment objective of safeguarding the Council's money. This strategy will secure investment income of £2.5m over three years to support the Medium Term Financial Position i.e. £1m for 2023/24, £1m for 2024/25 and £0.5m for 2025/26. The table below shows the proposed limits in 2023/24 for the Council:

Category	Fitch	Moody's	Standard & Poor's	Proposed Counterparty Limit	Proposed Time Limit
A	F1+/AA-	P-1/Aa3	A-1+/AA-	£20m	1 Year
B	F1/A-	P-1/A3	A-1/A-	£15m	1 Year
C	Debt Management Office/Treasury Bills/Gilts			£40m	1 Year
D	Part Nationalised Banks			£15m	1 Year
E	Other Local Authorities Individual Limits per Authority: - £8m County, Metropolitan or Unitary Councils - £3m District Councils, Police or Fire Authorities			£40m	1 Year
F	Three Money Market Funds (AAA) with maximum investment of £3m per fund			£9m	Liquid (instant access)

7.8 **Specified and Non-Specified Investments**

7.9 DLUHC regulations classify investments as either Specified or Non-Specified. Specified Investment is any investment not meeting the Specified definition.

7.10 The investment criteria outlined above is different to that used to define Specified and Non-Specified investments. This is because it is intended to create a pool of high quality counterparties for the Council to use rather than defining what its investments are.

7.11 Specified Investments are sterling investments of not more than one-year maturity, or those which could be for a longer period but where the Council has the right to be repaid within twelve months if it wishes. These are low risk assets where the possibility of loss of principal or investment income is small. These would include investments with:

- The UK Government (such as the Debt Management Office, UK Treasury Bills or a Gilt with less than one year to maturity).
- Other Councils
- Pooled investment vehicles (such as Money Market Funds) that have been awarded a high credit rating (AAA) by a credit rating agency.
- A body that has been awarded a high credit rating by a credit rating agency (such as a bank or building society). This covers bodies with a minimum rating of A- (or the equivalent) as rated by Standard and Poor's, Moody's or Fitch rating agencies. Within these bodies, and in accordance with the Code, the Council has set additional criteria to set the time and amount of monies which will be invested in these bodies.

7.12 Non-specified Investments are any other type of investment (i.e. not defined as Specified above). The identification and rationale supporting the selection of these other investments and the maximum limits to be applied are set out below. Non specified investments would include any investments with:

- Building societies not meeting the basic security requirements under the specified investments. The operation of some building societies does not require a credit rating, although in every other respect the security of the society would match similarly sized societies with ratings.
- Any bank or building society that has a minimum long term credit rating of A- for deposits with a maturity of greater than one year (including forward deals in excess of one year from inception to repayment).

8. MINIMUM REVENUE PROVISION AND INTEREST COSTS AND OTHER REGULATORY INFORMATION 2023/24

8.1 There are two elements to the Councils annual loan repayment costs – the statutory Minimum Revenue Provision (MRP) and interest costs. The Council is required to pay off an element of the Capital Financing Requirement (CFR) each year through a revenue charge called the Minimum Revenue Provision (MRP).

8.2 DLUHC Regulations require the Council to approve **an MRP Statement** in advance of each year. This will determine the annual loan repayment charge to the revenue account.

8.3 The budget strategy is based on the following MRP statement and Council is recommended to formally approve this statement:

- For capital expenditure incurred before 1st April 2008 the Council's MRP policy is to calculate MRP based on a 50 year annuity repayment.

    i. Where MRP has been overcharged in previous years, the recovery of the overcharge will be implemented by reducing the MRP in relation to this capital expenditure by reducing future MRP charges that would otherwise have been made. It should be noted that this will ensure the debt will be paid off by 2056/57 whereas the previous 4% reducing balance MRP charge would have left debt of £9.4m at this date.
    ii. The total MRP after applying the adjustment will not be less than zero in relation to this capital expenditure.
    iii. The cumulative amount adjusted for will never exceed the amount overpayment.

- From 1st April 2008 the Council calculates MRP based on asset life for all assets or where prudential borrowing is financed by a specific annuity loan, MRP will be calculated according to the actual annuity loan repayments.

- DLUHC revised its MRP guidance in 2017, which would impact on any future changes to the Council's MRP policy, however the guidance is not retrospective. The approved MRP policy implemented prior to the DLUHC changes is therefore compliant with these revisions and will be carried forward in the future years, until such time as a prudent approach is considered to be appropriate.

- MRP in relation to the Hartlepool Western Growth Corridor (HWGC) will be applied using a 40 year straight line basis, with additional annual Voluntary Revenue Provision (VRP) applied to reflect S106 income to achieve repayment over a 7 to 10 year period. Where additional VRP is made any 'overpayment' may be used to reduce future MRP charges if S106 receipts are delayed.

8.4 **CIPFA Treasury Management Code of Practice**

8.5 The Council will adopt the updated CIPFA Treasury Management Code of Practice published 20th December 2021.

8.6 CIPFA requires full adoption from 1st April 2023. The main objective of the 2021 code was to respond to the major expansion of local authority investment into the purchase of non-financial investments, particularly property. The council has not adopted these owing to the high risk, so no significant changes will need to be made to our existing arrangements.

8.7 The revised Treasury Management Code requires the implementation of the following:
1. Adopt a new liability benchmark treasury indicator to support the financing risk management of the capital financing requirement, with material differences between the liability benchmark and actual loans explained, this is detailed in the following paragraphs;
2. A **knowledge and skills register** for officers and members involved in the treasury function;
3. Reporting to members on a quarterly basis;
4. Have consideration for **Environmental, social and governance (ESG)** issues.

8.8 The current loans are above the liability benchmark and the excess will be invested.

8.9 **Treasury Management Advisors**

8.10 The Council uses Link Asset Services – Treasury as its external treasury management advisors.

8.11 The Council recognises that responsibility for treasury management decisions remains with the organisation at all times and will ensure that undue reliance is not placed upon our external service providers.

8.12 It also recognises that there is value in employing external providers of treasury management services in order to acquire access to specialist skills and resources. The Council will ensure that the terms of their appointment and the methods by which their value will be assessed are properly agreed and documented, and subjected to regular review.

8.13 **Markets in Financial Instruments Directive (MIFID II)**

8.14 On 3rd January 2018 an updated version of the European Union's Markets in Financial Instruments Directive (known as MIFID II) came into effect. It is designed to offer greater protection for investors and inject more transparency into financial markets. Under MIFID II all local authorities will be classified as "retail" counterparties and will have to consider whether to opt up to "professional" status and for which type of investments

8.15 Local authorities that choose not to opt up or do not meet the minimum criteria for opting up (i.e. minimum investment balances of £10m) may face a reduction in the financial products available to them, a reduction in number of brokers and asset managers that will be able to engage with and may face increased fees.

8.16 Local authorities that choose to opt up must be able to satisfy some quantitative tests, and each Financial Institution will independently determine whether the Authority meet the qualitative test of being appropriately knowledgeable, expert and experienced. Financial Institutions also need to satisfy themselves that the Authority can make its own investment decisions and understands the risks involved.

8.17 The Council choose to opt up in order to maintain the Council's ability to operate effectively under the new regime.

9. FINANCIAL CONSIDERATIONS

9.1 As detailed in preceding paragraphs.

10. RISK IMPLICATIONS

10.1 There is a risk in relation to the level of interest rates the Council is able to secure for long term borrowing and the proposals detailed in this report are designed to manage these risks.

10.2 There are also risk implication in relation to the investment of surplus cash and these are addressed in the strategy recommended in section 6.

11. LEGAL CONSIDERATIONS

11.1 The report details how the Council will comply with the relevant legal and regulatory requirements in relation to Treasury Management activities.

12. CHILD AND FAMILY POVERTY

12.1 None.

13. EQUALITY AND DIVERSITY CONSIDERATIONS

13.1 None.

14. SECTION 17 OF THE CRIME AND DISORDER ACT 1998 CONSIDERATIONS

14.1 None

15. STAFF CONSIDERATIONS

15.1 None

16. ASSET MANAGEMENT CONSIDERATIONS

16.1 None

17. CONCLUSION

17.1 For over a decade UK and international interest rates were at a historically and unprecedented low level and this included the Bank of England base rating being 0.5% or less since 2009. It was always anticipated that this position would not be sustained, although the change to slightly higher rates was expected to be gradual and the new 'normal' interest rates would still remain low by historic standards.

17.2 During this period the Council's treasury management strategy minimised the net cost to the Council by netting down investments and borrowings. The strategy also carefully managed the timing on long terms borrowing decision to support individual businesses cases for capital investment, including securing borrowing for Highlight at an interest rate fixed for 40 years of 2.31%.

17.3 The significant economic turmoil of the last year, which is driven by the invasion of Ukraine by Russia, has result in an unprecedented spike in inflation. This has result in central banks across the world increasing interest rates. The political uncertainty over the summer result in an additional temporary spike in interest rates which lasted for a few weeks. During this period the Council acted to secure average interest rates of 5.16% - compared to current and forecast investments rates for the next 12 months of 4.57%. This has been done whilst maintaining the primary Treasury Management objective of security or the Council's money, whilst securing significant interest income to support the budget over the period 2023/24 to 2025/26.

17.4 The report sets out how the Council will comply with the regulatory framework to ensure the Council achieves the lowest borrowing costs and security for any temporary cash investments made by the Council. Within this framework and the more uncertain / volatile financial environment officers will continue to actively manage borrowing and investments to support the overall financial position of the Council.

18. RECOMMENDATIONS

18.1 It is recommended that Members approve that the following proposals are referred to full Council:

18.2 **<u>Treasury Management Strategy 2022/23 3rd Quarter Review</u>**

i) Note the 2022/23 Treasury Management 3rd Quarter Position detailed in Section 4.

18.3 **<u>Treasury Management Strategy 2023/24 (Prudential Indicators)</u>**

ii) Approve the prudential indicators outlined in Appendix A.

18.4 **<u>Borrowing Strategy 2023/24</u>**

iii) **Core borrowing requirement** – following the securing of exceptionally low interest rates approve that the remainder of the under borrowing is netted down against investments.

iv) To note that in the event of a change in economic circumstances that the Director of Resources and Development may take out additional borrowing if this secures the lowest long term interest cost.

v) To authorise the Director of Resources and Development to implement Treasury Management arrangements which minimise the short and long term cost to the Council.

18.5 **<u>Investment Strategy 2023/24</u>**

vi) Approve the Counterparty limits as set out in paragraph 7.7.

18.6 **<u>Minimum Revenue Provision (MRP) Statement</u>**

vii) Approve the MRP statement outlined in paragraph 8.3 above.

19. REASON FOR RECOMMENDATIONS

19.1 To allow Members to fulfil their responsibility for scrutinising the Treasury Management Strategy

20. CONTACT OFFICER

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TREASURY MANAGEMENT STRATEGY 2023/24 REGULATORY INFORMATION AND PRUDENTIAL INDICATORS

1. INTRODUCTION

1.1 The regulatory information and prudential indicators for the 2023/24 Treasury Management Strategy are set out below.

2. PRUDENTIAL INDICATORS

2.1 The Local Government Act 2003 requires the Council to adopt the CIPFA Prudential Code and set prudential indicators. Each indicator either summarises the expected capital activity or introduces limits upon that activity.

2.2 The first prudential indicator is confirmation that the Council has adopted the CIPFA Treasury Management Code of Practice, which the Treasury Management Strategy report confirms.

2.3 Details of the proposed prudential limits are set out in the following sections.

3. CAPITAL EXPENDITURE AND FINANCING REQUIREMENT

3.1 The Council's Borrowing Strategy is driven by the Capital Financing Requirement (CFR) and the Council's view of interest rates. The CFR is the amount the Council needs to borrow to fund capital expenditure incurred in previous financial years and forecast capital expenditure in the next three years which is funded from borrowing. Historically the majority of the Council's CFR related to capital expenditure supported by Government borrowing approvals.

3.2 Government borrowing approvals are authority to fund capital expenditure from loans. Prior to the introduction of the prudential borrowing system in the Local Government Act 2003 Councils could only borrow for capital expenditure authorised by a Government borrowing approval.

3.3 Following the introduction of the prudential borrowing systems Councils can determine their own borrowing levels, subject to revenue affordability. The Council has managed this flexibility carefully owing to the ongoing revenue commitment of taking on new additional borrowing. The Council has only approved specific self-funding business cases, for example affordable housing schemes and a limited amount of General Fund capital expenditure where the resulting loan repayment and interest costs have been funded as a revenue budget pressure.

3.4 Councils ultimately need to fund the CFR by borrowing money from the Public Works Loan Board (PWLB) or banks. The CFR is then repaid over a number of years reflecting the long term benefits of capital expenditure. In simple terms the CFR represents the Council's outstanding mortgage, although the legislation and accounting requirements are significantly more complex.

3.5 The estimated Capital Finance & Borrowing Requirement is shown in the following table:

Capital Financing & Borrowing Requirement	2022/23 Revised £'000	2023/24 Estimate £'000	2024/25 Estimate £'000	2025/26 Estimate £'000
CFR at 1st April	**112,761**	**122,943**	**126,803**	**139,978**
Capital Expenditure Financed by New Borrowing	12,778	6,464	15,567	12,167
Less Repayment of CFR	(2,596)	(2,604)	(2,392)	(2,358)
CFR at 31st March	**122,943**	**126,803**	**139,978**	**149,787**
Less assets held under Finance Lease	(400)	(383)	(367)	(351)
Borrowing Requirement	**122,542**	**126,420**	**139,610**	**149,436**
Corporate Borrowing Requirement	80,136	79,504	90,503	98,873
Business Case Borrowing Requirement	31,422	33,822	34,079	34,595
Housing Revenue Account Borrowing Requirement	10,985	13,094	15,029	15,969
Borrowing Requirement	**122,542**	**126,420**	**139,610**	**149,436**

3.6 As part of the Medium Term Financial Strategy the Council is required to approve the 2023/24 capital programme summarised as follows:

Capital Expenditure	2022/23 Revised £'000	2023/24 Estimate £'000	2024/25 Estimate £'000	2025/26 Estimate £'000
New Approved Capital Expenditure	48,586	32,381	43,613	20,393
Capital Expenditure for the Year	**48,586**	**32,381**	**43,613**	**20,393**
Financed by:				
Capital grants and contributions	32,343	25,844	28,046	6,226
Other Capital Funding	3,465	73	0	2,000
Capital Expenditure to be funded from New Prudential Borrowing	12,778	6,464	15,567	12,167
Total Funding	**48,586**	**32,381**	**43,613**	**20,393**
Non-HRA Capital Expenditure	43,144	28,951	40,115	19,336
HRA Capital Expenditure	5,442	3,430	3,498	1,057
Total Capital Expenditure	**48,586**	**32,381**	**43,613**	**20,393**

4. AFFORDABILITY PRUDENTIAL INDICATORS

4.1 The affordability of the approved Capital Investment Programme was assessed when the capital programme was approved and revenue costs are built into the Medium Term Financial Strategy or individual business cases. The ‘Affordability Prudential Indicators’ are detailed below and are intended to give an indication of the affordability of the planned capital expenditure financed by borrowing in terms of the impact on Council Tax and the Net Revenue Stream.

4.2 Incremental Impact of Capital Expenditure on Housing Rent Levels

4.3 This indicator shows the revenue impact on any newly proposed changes to HRA capital expenditure. At present there will be no impact on housing rent levels as these have been set taking into account the existing HRA capital programme.

	2022/23 £'000	2023/24 £'000	2024/25 £'000	2025/26 £'000
Weekly Housing Rent Levels	£0.00	£0.00	£0.00	£0.00

4.4 Ratio of Financing Costs to Net Revenue Stream

4.5 This shows the net cost of capital borrowing as a percentage of the net budget. The decrease reflects significant savings from locking into historically low interest rates and re-profiling of MRP as outlined in the report.

	2022/23 Estimate	2023/24 Estimate	2024/25 Estimate	2025/26 Estimate
Non-HRA financing cost to General Fund Net Revenue Stream	4.96%	4.40%	4.40%	4.74%

4.6 Ratio of Finance Costs to HRA Net Revenue Stream

4.7 This shows the net cost of capital borrowing as a percentage of the net HRA budget arising from the phased implementation of the business case.

	2022/23 Estimate	2023/24 Estimate	2024/25 Estimate	2025/26 Estimate
HRA financing cost to HRA Net Revenue Stream	32.23%	30.70%	33.19%	33.25%

4.8 This reflects the profile of funding used to finance the HRA, including delaying the use of borrowing.

5. BORROWING PRUDENTIAL INDICATORS

5.1 Debt Projections 2022/23 – 2025/26

5.2 The following table sets out the Council's projected Capital Financing Requirement (CFR) and level of debt:

Debt and Investment Projections	2022/23 Revised £'000	2023/24 Estimated £'000	2024/25 Estimated £'000	2025/26 Estimated £'000
Long Term Borrowing 1 April	90,655	90,655	90,655	90,655
Expected change in Long Term Debt	0	0	0	9,000
Debt at 31 March	**90,655**	**90,655**	**90,655**	**99,655**
Borrowing Requirement	**122,542**	**126,420**	**139,610**	**149,436**
Under Borrowing	**(31,887)**	**(35,765)**	**(48,955)**	**(49,781)**
Non-HRA Debt	79,670	77,561	75,626	83,686
HRA Debt	10,985	13,094	15,029	15,969
Total Debt	**90,655**	**90,655**	**90,655**	**99,655**

5.3 Although the Council has reduced the level of under borrowing in recent years the table, coupled with the funding position outlined at paragraph 6.2, shows that an element of core borrowing can continue to be temporarily deferred by netting down investments and borrowing.

5.4 Limits to Borrowing Activity

5.5 Within the prudential indicators there are a number of key indicators to ensure the Council operates its activities within well defined limits.

5.6 The Council needs to ensure that total borrowing does not, except in the short term, exceed the total of the CFR in the preceding year plus the estimates of any additional CFR for 2022/2023 and the following two financial years. This allows some flexibility for limited early borrowing for future years, but ensures that borrowing is not undertaken for revenue purposes. The following table demonstrates that borrowing will not exceed the CFR.

External Debt	2022/23 Revised £'000	2023/24 Estimated £'000	2024/25 Estimated £'000	2025/26 Estimated £'000
Gross Borrowing	90,655	90,655	90,655	99,655
Other Long Term Liabilities	400	383	367	351
Total Gross Borrowing	**91,055**	**91,038**	**91,022**	**100,006**
Borrowing Requirement	**122,542**	**126,420**	**139,610**	**149,436**

5.7 The following table shows two key limits for the monitoring of debt. The Operational Limit is the likely limit the Council will require and is aligned closely with the actual CFR on the assumption that cash flow is broadly neutral. The Authorised Limit for External Debt is a further key prudential indicator to control the overall level of borrowing. This represents a limit beyond which external debt is prohibited, and this limit needs to be set or revised by the Council. In practice it needs to take account of the range of cash flows that might occur for the Council in addition to the CFR. This also includes the flexibility to enable advance refinancing of existing loans.

Borrowing Limits	2022/23 Revised £'000	2023/24 Estimated £'000	2024/25 Estimated £'000	2025/26 Estimated £'000
Operational Limit	133,000	136,000	150,000	159,000
Authorised limit	143,000	146,000	160,000	169,000

6. INVESTMENT PRUDENTIAL INDICATORS AND OTHER LIMITS ON TREASURY ACTIVITY

6.1 Investment Projections 2022/23 – 2025/26

6.2 The following table sets out the estimates for the expected level of resource for investment or use to defer long term borrowing.

2021/22 Outturn £'000	Year End Resources	2022/23 Revised £'000	2023/24 Estimate £'000	2024/25 Estimate £'000	2025/26 Estimate £'000
63,008	Balances and Reserves	58,000	53,000	48,000	43,000
(5,210)	Collection Fund Adjustment Account*	0	0	0	0
3,639	Provisions	3,639	3,639	3,639	3,639
61,437	**Total Core Funds**	**61,639**	**56,639**	**51,639**	**46,639**
5,646	Working Capital**	5,400	5,400	5,400	5,400
67,083	**Resources Available for Investment**	**67,039**	**62,039**	**57,039**	**52,039**
(22,106)	(Under)/over borrowing	(31,887)	(35,765)	(48,955)	(49,781)
44,977	**Expected Investments**	**35,152**	**26,274**	**8,084**	**2,258**

* It is not possible to estimate the Collection Fund Adjustment Account balance owing to the uncertainty in relation to business rates.
** The working capital balance is an estimate of debtors and creditors at year end based on the average working capital over the last three years.

6.3 Sensitivity to Interest Rate Movements

6.4 Sensitivity to Interest Rate Movements is a prudential indicator that the Authority is required to disclose. The following table highlights the estimated impact of a 1% increase/decrease in all interest rates to the estimated treasury management costs/income for next year. These forecasts are based on a prudent view of a +/- 1% change in interest rates for the borrowing requirement that has not yet been fixed (i.e. under borrowing). Equally for investments they are based on a prudent view of the total amount invested. That element of the debt and investment portfolios which are of a longer term, fixed interest rate nature will not be affected by short interest rate changes. The “Treasury Management Risk Reserve” was established to manage this risk.

Impact on Revenue Budgets	**2023/24 Estimated 1% £'000**	**2023/24 Estimated -1% £'000**
Interest on Borrowing	358	(358)
Investment income	(263)	263
Net General Fund Borrowing Cost	**95**	**(95)**

6.5 There are four further treasury activity limits and the purpose of these are to contain the activity of the treasury function within certain limits, thereby managing risk and reducing the impact of an adverse movement in interest rates.

6.6 The limits are:

i) Upper limits on variable interest rate exposure – This identifies a maximum limit for the percentage of the Council's borrowing and investments that are held with variable interest rates. The proposed limits are detailed in the following table.

Limits on Variable Interest Rates	**2022/23 Upper £'000**	**2023/24 Upper £'000**	**2024/25 Upper £'000**
Borrowing	75%	75%	75%
Investments	100%	100%	100%

ii) Upper limits on fixed interest rate exposure – Similar to the previous indicator this covers a maximum limit for the percentage of the Council's borrowing and investments that are held with fixed interest rates.

Limits on Fixed Interest Rates	**2022/23 Upper £'000**	**2023/24 Upper £'000**	**2024/25 Upper £'000**
Borrowing	100%	100%	100%
Investments	100%	100%	100%

iii) Maturity structure of borrowing – Limits for the 'Maturity Structure of Borrowing' are intended to reduce exposure to large fixed rate sums falling due for refinancing. In the opinion of the Chief Finance Officer limits on fixed and variable rates for **borrowing** are unhelpful and could lead to higher costs of borrowing. Previous experience has shown that it is possible to move from a position of predominantly fixed rate borrowing to variable rate borrowing and then back to fixed rate borrowing over a period of two years. In the Chief Finance Officer's professional opinion this proactive management of investments and borrowing continues to provide the most cost effective strategy for the Council, whilst not exposing the Council to unnecessary risk. The Council should ensure maximum flexibility to minimise costs to the revenue budget in the medium term. These limits are detailed in the following table:

Maturity Structure of fixed interest rate borrowing 2022/23				
	2022/23 Lower Limit	2022/23 Upper Limit	2023/24 £000 Lower Limit	2023/24 £000 Upper Limit
Under 12 months	0	90%	0	90%
12 months to 2 years	0	100%	0	100%
2 years to 5 years	0	100%	0	100%
5 years to 10 years	0	100%	0	100%
10 years to 20 years	0	100%	0	100%
20 years to 30 years	0	100%	0	100%
30 years to 40 years	0	100%	0	100%
40 years to 50 years	0	100%	0	100%
50 years to 60 years	0	100%	0	100%
60 years to 70 years	0	100%	0	100%

iv) Maximum principal sums invested – Total principal funds invested for greater than 364 days – These limits are set with regard to the Council's liquidity requirements and reflect the current recommended advice that investments are limited to short term investments i.e. up to one year.

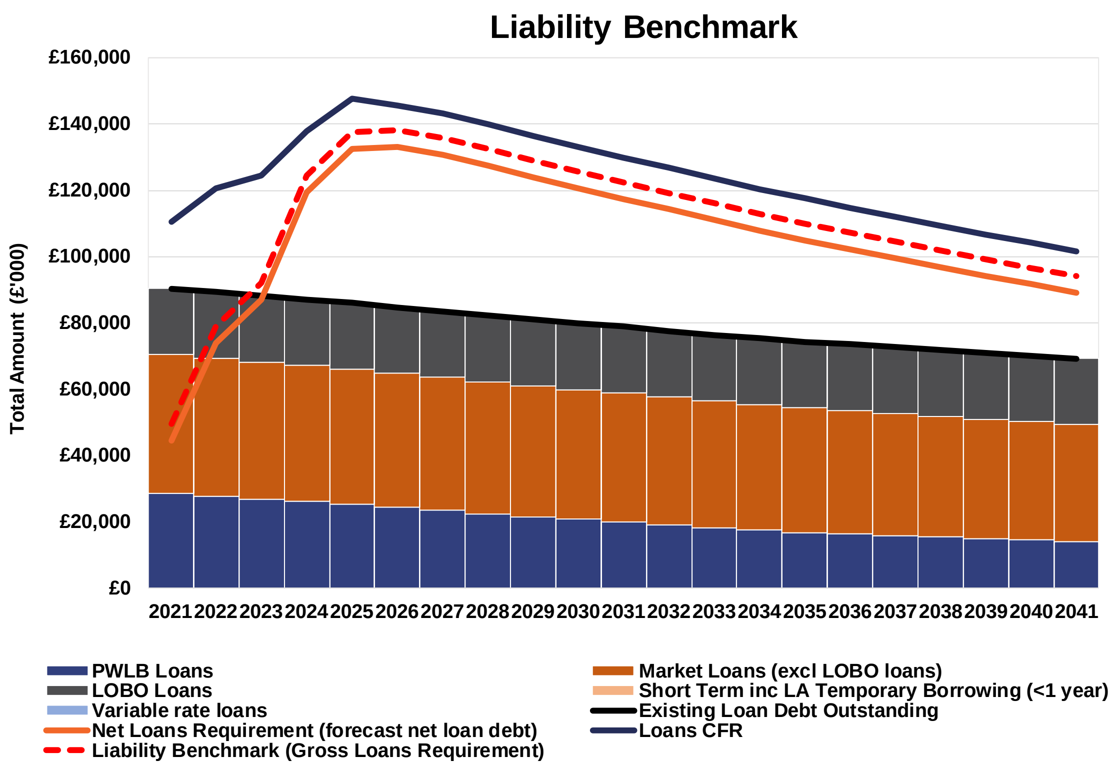
Limit for Maximum Principal Sums Invested > 364 days			
	1 year £000	2 years £000	3 years £000
Maximum	20,000	0	0

6.7 Liability Benchmark

6.8 The liability benchmark treasury indicator is to support the financing risk management of the capital financing requirement, with material differences between the liability benchmark and actual loans. The liability benchmark is a long-term forecast of the Authority's gross loan debt based on its current capital programme and other forecast cash flow movements.

6.9 The chart therefore tells an authority how much it needs to borrow, when and to match maturities with its planned borrowing needs.

6.10 Liability Benchmark



AUDIT AND GOVERNANCE COMMITTEE

9 February 2023

HARTLEPOOL BOROUGH COUNCIL

Report of: Director of Public Health

Subject: SESSION 2 - REVIEW OF THE RECONFIGURED SUBSTANCE MISUSE SERVICE AND NEEDS ASSESSMENT DATA

1. PURPOSE OF REPORT

1.1 This is the second session of three updates to Audit and Governance Committee on the progress and process taken to reconfigure substance misuse services across Hartlepool including increased investment from the National Drug Strategy. The report will also present findings of the recent draft Substance Misuse Needs Assessment 2022 and future work to develop a Hartlepool Substance Misuse Strategy with partners.

2. BACKGROUND

START drug and alcohol service is a partnership between Hartlepool Borough Council and Foundations, a commissioned provider. The service provides support and treatment for adults and young people who are experiencing issues with alcohol or drugs.

This session will focus on the clinical treatment element of the treatment service delivered by Foundations https://foundationshealthcare.co.uk/.

The presentation will cover the START clinical offer and the complexities of care provision to people who use drugs and alcohol including:

- Clinical Offer
- Drug related deaths and health needs of PWUD
- Trauma
- Stigma
- Principles and Values of START care provision - Compassionate care
- Harm reduction interventions locally - near fatal over dose team, Outreach care, Naloxone campaign
- Misuse of drugs act - Fit for purpose?
- World class interventions

3. PROPOSALS/ISSUES FOR CONSIDERATION

3.1 No new proposals wider than those set out in paper one 12 January 2022.

4. RECOMMENDATIONS

4.1 Agree final session proposal:

- Session three 16th March - Consolidation, vision and timescale for the substance misuse strategy and next steps

4.2 It is recommended the Audit and Governance Committee note the progress taken to refresh the Substance Misuse Needs Assessment and the highlighted proposals and issues for consideration.

4.3 Note the restructure of treatment services in Hartlepool and the additional national investment to enhance treatment quality.

4.4 To accept this document will inform the development of a Substance Misuse Strategy and action plan and annual reports will be submitted to the committee to show progress against priorities.

5. REASONS FOR RECOMMENDATIONS

5.1 Public Health have a responsibility to work with partners to develop a substance misuse strategy which is based on data identifying need and is evidence based in order to inform service delivery and:

- Look at opportunities for partnership working across the system to improve preventative support and information and access to support services.

- Aim to develop evidence based, intervention programmes and outreach services ensures a full range of evidence-based services are available to our local treatment population.

- Evidence based programmes offer variety for interventions as well as creating capacity for staff managing large caseloads and space for quality improvement.

- Caseload segmentation can increase the quality of specialist care, staff navigating fewer treatment pathways and providing dedicated interventions to specific substances having an impact on effectiveness of treatment

5.2 To aide service development and enhancing treatment quality, in line with the 2021 drug strategy *From Harm to Hope* and Dame Carol Black recommendations, I recommend consideration be given to the implementation of evidence-based psychosocial intervention programmes, caseload segmentation and increase capacity for outreach services – which has proved promising for people with alcohol problems.

6. BACKGROUND PAPERS

6.1 None.

7. CONTACT OFFICER

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