

# **AUDIT AND GOVERNANCE COMMITTEE**

## **AGENDA**



**Wednesday 24 January 2018**

**at 10.00 am**

**in Committee Room B  
Civic Centre, Hartlepool**

MEMBERS: AUDIT AND GOVERNANCE COMMITTEE

Councillors Belcher, Cook, Hall, Hamilton, Harrison, Martin-Wells and Tennant.

Standards Co-opted Members; Mr Stan Cronin, Mr Norman Rollo and Ms Clare Wilson.

**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 6 December, 2017.

**4. AUDIT ITEMS**

4.1 Treasury Management Strategy – *Director of Finance and Policy*

4.2 Consultation on External Auditor Scale of Fees for 2018/19 – *Director of Finance and Policy*

**5. STANDARDS ITEMS**

None.

**6. STATUTORY SCRUTINY ITEMS**

6.1 Delayed Transfers of Care – *Director of Adult and Community Based Services*



- 6.2 Investigation into Elective Surgery at the University Hospital of Hartlepool Site and High Quality Maternity Services – Expert Evidence:-
  - (a) Covering report – *Statutory Scrutiny Officer*
  - (b) Expert evidence – *Dr Denis Walsh, Associate Professor in Midwifery, University of Nottingham*
- 6.3 Big Conversation (Mortality Rates) and the Refugee Project – Presentation - *Deputy Medical Director, North Tees and Hartlepool NHS Foundation Trust*
- 6.4 Mental Health - Council Referral – *Statutory Scrutiny Officer*
- 7. **MINUTES OF THE RECENT MEETING OF THE HEALTH AND WELLBEING BOARD**
  - 7.1 To receive the minutes of the meeting held on 16 October 2017.
- 8. **MINUTES FROM RECENT MEETINGS OF THE FINANCE AND POLICY COMMITTEE RELATING TO PUBLIC HEALTH**

No items.
- 9. **MINUTES OF RECENT MEETING OF TEES VALLEY HEALTH SCRUTINY JOINT COMMITTEE**
  - 9.1 To receive the minutes of the meeting held on 20 July 2017
- 10. **MINUTES FROM RECENT MEETING OF SAFER HARTLEPOOL PARTNERSHIP**
  - 10.1 To receive the minutes of the meeting held on 20 October 2017.
- 11. **REGIONAL HEALTH SCRUTINY UPDATE**
- 12. **ANY OTHER BUSINESS WHICH THE CHAIR CONSIDERS URGENT**

For information: -

Date and time of forthcoming meetings –

Wednesday 14 February, 2018 at 10.00 am  
Wednesday 14 March, 2018 at 10.00 am  
Wednesday 25 April, 2018 at 10.00 am



# **AUDIT AND GOVERNANCE COMMITTEE**

## **MINUTES AND DECISION RECORD**

### **6 DECEMBER 2017**

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

**Present:**

Councillor: Ray Martin-Wells (In the Chair).

Councillors: Sandra Belcher, Rob Cook, Ged Hall, Lesley Hamilton,  
Brenda Harrison and John Tennant.

Co-opted Member: Mr Stan Cronin.

Also Present: Councillor Carl Richardson (Vice-Chair of Adult Services Committee).  
Catherine Andrews, Mazars.

Officers: Jill Harrison, Director of Adult and Community Based Services  
Dr Paul Edmondson-Jones, Interim Director of Public Health  
Dr Esther Mireku, Acting Consultant in Public Health  
John Morton, Assistant Director, Finance and Customer Services  
Noel Adamson, Head of Audit and Governance  
Joan Stevens, Statutory Scrutiny Officer  
David Cosgrove, Democratic Services Team

## **70. Apologies for Absence**

Apologies for absence were received from Co-opted Members Mr Norman Rollo and Ms Clare Wilson.

## **71. Declarations of Interest**

None.

## **72. Minutes of the meeting held on 15 November, 2017**

Confirmed.

## **73. Mazars Report – Audit Progress Report** *(Assistant Director Finance and Customer Services)*

The representative from Mazars, the Council's external auditors, updated the Committee on the progress in delivering the 2016/17 audit work, which

was now complete. Mazars had issued their audit opinion, value for money conclusions and audit certificate on 22 September and the Annual Audit Letter was the subject of the following committee item.

The Mazars representative stated that the certification of claims work in relation to housing benefits was complete and the certified claim was submitted on 10 November ahead of the 30 November deadline. Similarly, work on the Teachers pensions return had been completed and the findings submitted on 26 October, ahead of the 30 November deadline. This return had been amended for two errors found in the sample of 34 teachers tested.

The Committee was informed that work had commenced on the planning work for the 2017/18 audit. The report also drew Members attention to the national publications and updates that were relevant to the Committee's audit responsibilities.

### **Recommended**

That the Mazars Audit Progress Report be received and noted.

## **74. Mazars Report – Annual Audit Letter** (*Assistant Director Finance and Customer Services*)

The Assistant Director, Finance and Customer Services reported that the Annual Audit Letter had been received from Mazars and had been circulated to all Councillors. The letter gave an unqualified opinion on the Councils accounts, which was the best outcome for the audit.

The Mazars representative commented that the outcome of the audit was very positive with an unqualified opinion being given on the Council's accounts and the arrangements for achieving value for money in the use of resources. The Mazars representative did highlight the Future Challenges section of the report to Members indicating that the Council had left itself well placed to address the challenges of the coming years.

### **Recommended**

That the Mazars Annual Audit Letter be received and noted.

## **75. Internal Audit Plan 2017/18 Update** (*Head of Audit and Governance*)

The Head of Audit and Governance reported on the ongoing progress of the Internal Audit section in completing its plan. The report outlined that a further twelve audits had been completed. The majority had achieved a 'Satisfactory' assurance level, though three had achieved only 'limited' assurance and a series of recommendations for each had been agreed for

implementation. The three audits concerned Stores, Direct Payments and Community Safety.

The Head of Audit and Governance indicated that in relation to the Stores audit, division of duties in relation to managing stock was weak, with one officer having too much control over the process. A new authorisation process has been implemented to address this issue. The concerns in relation to Direct Payments and Community Safety both centred around administrative arrangements and there was no indication of any financial mismanagement.

Members discussed the three 'limited' assurance audits and questioned the Head of Audit and Governance on the major concerns raised within each audit. In relation to the Stores audit, the officer stated that reductions in overall staffing levels and the transfer of stock to the new depot site had led to one individual having the ability to both order and write off stock. The recommendations from the audit had been implemented and there were no concerns raised during the audit in relation to stock levels and security.

The concerns in relation to the Direct Payments audit were administrative and all the recommendations had been implemented. Again, there were no concerns of any financial impropriety. The concerns around Community Safety related to the administrative arrangements in place to manage the service which included the issuing of vouchers to young people in need. There were no concerns regarding the use of the vouchers but the reconciliation of remaining and distributed vouchers had required action.

### **Recommended**

That the report be noted.

## **76. Respite Opportunities and Short Breaks Consultation – Update** *(Statutory Scrutiny Officer)*

The Statutory Scrutiny Officer reported that at the meeting held on 20 September 2017 Members were informed about the Consultation and agreed that, should a Regional Joint Health Scrutiny Committee be formed to respond to the consultation, Councillors Hamilton and Harrison be appointed as Hartlepool's representatives on the Joint Committee. A Respite Opportunities and Short Breaks Joint Health Scrutiny Committee was established and had met on 11 October 2017 and 20 November 2017 to consider the proposals.

The Adult Services Committee at its meeting on 5 October 2017 had also considered the consultation and had agreed their response and the minutes of the meeting were submitted as an appendix.

The Statutory Scrutiny Officer stated that the closure date for responses to the consultation was 11 January 2018 which effectively made this the last

opportunity for Members to air their views. The Members that had attended the Regional Joint Health Scrutiny Committee meetings were invited to present their views of the process and the proposals currently out for consultation.

Councillor Harrison stated that she had been unable to attend the first meeting of the Regional Joint Health Scrutiny Committee and had appointed Councillor Cook as her substitute. Councillor Cook addressed the Committee separately. Councillor Harrison stated that she had only become aware of the real significance of the changes proposed and the effects they could have during the second regional meeting. There had been over 50 people present representing users and their families of the Middlesbrough facilities and it only became clear through meeting them and hearing their stories that Councillor Harrison became aware of the high needs of some of the users of the services and how essential they were to their families. It was clear from some of the families present that should their respite facilities be withdrawn, they could very soon end up in crisis.

Councillor Harrison stated that in her opinion the facilities should not be closed and that the alternatives proposed simply did not meet the needs of the people involved to the point where it simply appeared they were not being listened to. While there were only two people from Hartlepool currently receiving these services, there could be more in the future and the respite services needed to be maintained.

Councillor Hamilton echoed Councillor Harrison's comments and indicated that having worked in residential social care for people with disabilities she understood the issues these families had to face on a daily basis. It was difficult to comprehend the proposals being made in light of the needs of some of the individuals that accessed these services. Councillor Hamilton also expressed her grave concern at the lack of CCG attendance at the Adults Services Committee to respond to Councillors concerns or explain their proposals. Councillor Hamilton was also extremely concerned that the proposals had not been worked through in any detail with the families involved and if they were implemented and failed, it would likely be the local authority that would have to step in at short notice to provide this essential back-up to families with high needs dependents.

Councillor Cook commented that he had attended the first meeting of the Regional Joint Health Scrutiny Committee and had been extremely concerned that the presentation by the CCG and NHS officers almost gave the impression this was a done deal. They also seemed to be little interested in the views from Hartlepool as there were only two users of the current services from the town. Members from the other local authorities present at the meeting shared similar views. Councillor Cook did note that there had been some initial consultation done on the proposals which were in favour and he questioned how many people had been involved in that. It was indicated that 25 people had attended that event.

The Chair indicated that in terms of the scrutiny of the issue, that had been

effectively handed over to the Joint Committee but Members could still have their comments fed into the process and the Chair requested that any additional comments to those expressed today should be forwarded to the Statutory Scrutiny Officer so they could be compiled and submitted before the deadline. The Chair indicated that it was clear in the meeting that the Committee was strongly opposed to the proposals put forward in respect of the respite services. This view could be expressed to the Joint Committee with the request that the CCG formally suspend their consultation process and review them in light of the comments being made. This was supported by the Committee unanimously.

A Healthwatch representative commented that at the initial consultation event, people were aware that only two Hartlepool residents accessed the services and the proposals put forward would have supported those two people. The Chair indicated that it was easy to disregard small numbers when so often consideration was being given to significantly larger groups. The Chair stated that he would be disappointed should the views of Hartlepool be disregarded due to the low numbers and would ensure this was raised through the Regional Committee should this occur. Members were also concerned that while there may only be two users of the service from Hartlepool at this time the future needs, and indeed the currently unmet need, may be much higher.

The Statutory Scrutiny Officer reminded Members that this Committee still held the power to make a formal referral to the Secretary of State.

The Director of Adult and Community Based Services commented that the Adult Services Committee had received a similar presentation to the consultation event. Only two options had been presented and the Committee had been informed that Option 1 had received support at the Hartlepool consultation event. Members of the Committee had since been made aware that the event may not have been attended by any of the families that use the service, and had also been made aware that there was strong opposition to the proposals. Although the Adult Services Committee had expressed support for Option 1 (based on the information provided) significant concerns had been identified in relation to lack of beds available in community settings within Hartlepool that could meet the potentially complex health needs of the individuals concerned and the financial envelope available for the service, which may be insufficient to meet future need given the increasing number of people with complex needs moving into adulthood and the implications of the Transforming Care Programme.

The Chair suggested that in light of the comments made by the Members that had attended the Regional meetings, he would write on behalf of the Committee to the CCG seeking a suspension of the consultation process as while there may have been some limited support for one of the proposals put forward there had been little involvement of the families using the services at that stage and a full and proper consultation process directly with users needed to be undertaken.

The Director indicated that the CCG representatives had been invited to the next meeting of the Adult Services Committee to provide further information regarding the Transforming Care Programme; a separate issue which may impact on respite provision in the future as there will be more people with complex needs supported within local communities.

The Vice-Chair of the Adult Services Committee commented that as many people as possible needed to attend that meeting. It appeared clear that the CCG had made its mind up regardless of the views of users. The Councillor stated that he was aware of one of the families that were regular users of the specialised respite facilities and without access to appropriate carers on a regular basis, the potential long term costs to wider society could be significant. A member of the public commented on his own experience in trying to access the services and indicated that there was significant unmet demand in Hartlepool.

The Chair indicated that with the support of Members he would issue a press release following the meeting seeking the suspension of the consultation. This was supported by Members.

#### **Recommended**

1. That the comments of Members be noted for inclusion in a formal response to the consultation.
2. That any further comments from Members should be directed to the Statutory Scrutiny Officer in sufficient time for them to be included in an response to the Consultation ahead of the 11 January 2018 deadline.

### **77. Care Quality Commission - Consultation on Reporting and Rating NHS Trusts' Use of Resources** (Statutory Scrutiny Officer)

The Statutory Scrutiny Officer submitted a report on the Care Quality Commission's (CQC) consultation regarding Reporting and Rating NHS Trusts' Use of Resources. The consultation closed on 10 January 2018 and the Consultation document was submitted as an appendix to the report and the consultation questions were set out in the report. The Chair requested that any Members with comments on the consultation document contact the Statutory Scrutiny Officer so that a formal response could be submitted ahead of the 10 January deadline.

#### **Recommended**

That Committee Members consider the consultation document and questions and submit any comments to the Statutory Scrutiny Officer ahead of the 10 January 2018 deadline to allow the formulation of a response to the consultation.



## **78. Pharmaceutical Needs Assessment Review – Consultation** *(Interim Director of Public Health)*

The Interim Director of Public Health reported on the updated draft Pharmaceutical Needs Assessment (PNA) for Hartlepool, as part of the formal consultation period for the document which had been circulated at the previous meeting of the Committee.

The Director reported at the meeting that there had been an appeal against a NHS decision not to allow a pharmacy at Middle Warren. It was understood the appeal had been upheld though no formal notification had yet been received. The decision would allow for the provision of a pharmacy in or around the shopping parade on Merlin Avenue within one year. A Member commented that there was no available unit at the shops on Middle Warren nor were there any present plans to build further units.

### **Recommended**

That the the interim results of the ongoing 60 day consultation and the draft Pharmaceutical Needs Assessment for Hartlepool be noted.

## **79. Investigation into Elective Surgery at the University Hospital of Hartlepool Site and High Quality Maternity Services** *(Statutory Scrutiny Officer)*

The Statutory Scrutiny Officer reported that representatives from Hartlepool and Stockton-on-Tees Clinical Commissioning Group and North Tees and Hartlepool NHS Foundation Trust attended the previous Committee meeting held on 25 October 2017 to provide a setting the scene presentation, which included usage figures for both elective surgery and maternity services.

The Committee, at its meeting held on 25 October 2017, requested additional information regarding elective surgery and day cases at the University Hospital of Hartlepool. The following information had been requested -

- (a) Why is there a decrease in day cases at Hartlepool?
- (b) How many people from Hartlepool (that could have used the Hartlepool day case services) went to North Tees hospital for the procedure and reasons for this?

A written response had been submitted by the Trust and was submitted with the report for Members information.

### **Recommended**

That the reported information be noted.

**80. Joint Health and Wellbeing Strategy 2018-2025** (*Interim Director of Public Health*)

The Interim Director of Public Health gave a short presentation to the Committee on the final draft Health and Wellbeing Strategy 2018-2025 which now included the comments raised during the earlier rounds of consultation prior to this final consultation of the document before its submission to Hartlepool and Stockton CCG and Finance and Policy Committee for referral to Council for adoption in March 2018.

The Chair requested that if any Member had any final points to raise on the draft strategy they should contact the Statutory Scrutiny Officer and the Interim Director of Public Health.

**Recommended**

1. That the finalised version of the Health and Wellbeing Strategy 2018-2025 be noted and that it is also noted that the strategy, and implementation plan, contained within it will be presented to Council on the 27 March 2018;
2. Committee noted that an update report in relation to the implementation of the Health and Wellbeing Strategy 2018-2025 would be submitted for Members consideration on a 6 monthly basis.

**81. Hospital Shuttle Bus – Verbal Update** (*Statutory Scrutiny Officer*)

The Statutory Scrutiny Officer reported that North Tees and Hartlepool NHS Trust had announced some changes to the shuttle bus service between Hartlepool and North Tees hospitals. The main impact would be on staff; services for patients wouldn't be affected. The new timetable, copies of which were circulated to Members, was focussed more around patients for clinic and visiting times. There would also be contracted taxi facilities for those with appointments outside of the timetable.

The Chair stated that he had been made aware of the forthcoming changes and did ask the Trust and CCG for a breakdown of the usage of the service. The numbers of patients and visitors were very low. The main impact of the changes would be on staff, though it had to be noted that the staff had had the facility as promised for the four years after the changes to services in the two hospitals and the impact on staff was outside of the remit of this Committee. There were also potentially some HMRC impacts on staff if the service continued for them.

What was of more concern to the Chair was the booking system for the bus for patients and visitors which the Chair considered needed some revision.

The Chair indicated that the changes would be monitored to ensure they were still serving patients and visitors. It was also highlighted that those on low incomes could claim back the costs of travel between the two hospitals though it was acknowledged this wasn't widely known and required receipts to be taken to the Bursars office at North Tees Hospital.

Members were concerned what services would be available over the Christmas holidays for those wishing to visit family members in hospital. The Chair indicated that he would ask for those details and circulate them, to Members.

It was also commented in the meeting that a change in focus of the service would help visitors and patients as the buses were often full of staff. The lack of disabled friendly vehicles was also highlighted. The Chair commented that disabled friendly taxis could be booked through the service.

The Statutory Scrutiny Officer had asked what publicity was going to be undertaken on the service and was awaiting details from the Trust's PR Department. An update would be reported to the Committee in the New Year.

### **Recommended**

That the report be noted and that a further update be provided early in the New Year.

## **82. Minutes of the meeting of Safer Hartlepool Partnership held on 15 September, 2017**

Received.

## **82. Any Other Items which the Chairman Considers are Urgent**

Sustainable Transformation Partnership

A Member asked if it would be possible to have an update on the STP process timetable in the New Year. The Chair reminded Members that at the last meeting the Committee had been informed by the NHS Trust that there would be no firm proposals from the process in 2018. This was extremely frustrating as there were several units said to be under threat of closure. Getting staff to fill positions in these units would be almost impossible; other staff would then leave leading to the unit becoming unsustainable and thus leading to its closure almost like a self fulfilling prophecy.

The Statutory Scrutiny Officer commented that other service changes would

still be coming forward and should not be lost in the focus on the STP. The Chair assured the Committee that he would not want to see anything 'slip under the radar'. Everyone was aware that finance would be driving most of the STP recommendations and that the sooner the recommendations were out in the public domain the sooner they could be examined constructively.

**Recommended**

That the discussions be noted and a further update be provided in the New Year once there were matters/issues to be brought to Members' attention.

The meeting concluded at 11.20 am.

CHAIR

# AUDIT AND GOVERNANCE COMMITTEE

24<sup>th</sup> January 2018



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

**Subject:** TREASURY MANAGEMENT STRATEGY

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## 1. PURPOSE OF REPORT

1.1 The purposes of the report are to:

- i. Provide a review of Treasury Management activity for 2016/17 including the 2016/17 outturn Prudential Indicators;
- ii. Provide a mid-year update of the 2017/18 Treasury Management activity; and
- iii. Enable the Audit and Governance Committee to scrutinise the recommended 2018/19 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 arising from historic capital expenditure funded from Prudential Borrowing;
- the borrowing strategy for the use of Prudential Borrowing for approved capital investment business cases where loan repayment costs are funded from budget savings and / or increased income, previous examples have included LED streetlight replacement, housing schemes and the development of a new 'Centre for Independent Living'; 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 has been reduced as part of the Medium Term Financial Strategy. 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 1<sup>st</sup> April, 2004, and has subsequently been updated.
- 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 outturn position for 2016/17
  - Treasury Management Strategy 2017/18 mid-year review
  - Treasury Management Strategy 2018/19
  - Minimum Revenue Provision and Interest Cost and Other Regulatory Information 2018/19

### 3. ECONOMIC ENVIRONMENT AND OUTLOOK FOR INTEREST RATES

- 3.1 **Global Outlook** – World growth is currently on a trend of stronger performance with subdued but rising earnings and falling levels of unemployment. In October the International Monetary Fund (IMF) upgraded its forecast for world growth from 3.2% to 3.6% for 2017 and 3.7% for 2018.
- 3.2 In addition, the expectation of inflation increasing is generally low and in particular wage inflation has been subdued despite unemployment falling to historically very low levels in the UK and US. The likely reason for this is a combination of a shift towards flexible working, self employment, falling union membership and increasing globalisation and specialism of individual countries. This has meant that labour in one country is in competition with labour in other countries which may be offering lower wage rates, increased productivity or a combination of the two. Technology is exerting downward pressure on wage rates and this is likely to grow with an accelerating movement towards automation, robots and artificial intelligence, leading to repetitive tasks being taken over by machines or computers.
- 3.3 **UK** – The UK surprised markets with strong economic growth in 2016 however growth in 2017 has proven weak with the forecast being revised down from 2% in March to 1.5% in the Autumn Budget Statement. The Office for Budget Responsibility’s revised growth forecast up to 2022 is set out in the following table:

Year	March 2017 Growth Forecast	Autumn Budget 2017 Growth Forecast
2017	2.0%	1.5%
2018	1.6%	1.4%
2019	1.7%	1.3%
2020	1.9%	1.3%
2021	2.0%	1.5%
2022	-	1.6%

- 3.4 The Bank of England's (BoE) Monetary Policy Committee (MPC) surprised markets and forecasters at its meeting on 14 September 2017 by indicating that the Bank Rate may soon need to rise in response to their view that the amount of spare capacity in the economy was significantly diminishing. The Bank was also concerned that the withdrawal of the UK from the EU would cause additional inflationary pressures over the next few years.
- 3.5 At its 2 November 2017 meeting the MPC followed through with its earlier warning and delivered a 0.25% increase in Bank Rate raising it back to 0.5%. It also gave forward guidance that they only expect to raise Bank Rate twice more in the next three years to reach 1.0% by 2020. This is in line with the Bank's previous statements that Bank Rate would only go up very gradually and to a limited extent.
- 3.6 However, there is much uncertainty around Brexit negotiations, consumer confidence and business confidence on spending to invest that it is possible that the Bank will vary from its forward guidance in response to emerging economic issues.
- 3.7 **EU** – Economic growth in the EU had been poor for several years following the financial crisis despite the European Central Bank (ECB) eventually cutting its main rate of interest to -0.4% and undertaking a massive programme of Quantitative Easing (QE). However growth picked up in 2016 and has now gathered strength and momentum as a result of this stimulus:
- 2017 Quarter 1 – +0.5% (+2.0% year on year)
  - 2017 Quarter 2 – +0.6% (+2.3% year on year)
  - 2017 Quarter 3 – +0.6% (+2.5% year on year)
- 3.8 However, despite providing massive monetary stimulus the ECB is still struggling to increase inflation to its 2% target (inflation in October was 1.4%). Forecasters therefore do not believe it will increase rates until possibly 2019, though the ECB has announced it will slow down its QE purchases from January 2018.
- 3.9 **USA** – Growth in the USA has proven volatile in 2015 and 2016, and 2017 has continued this trend with quarter 1 growth of 1.2%, rising to 3% in quarter 3. Unemployment has fallen to 4.2%, the lowest level for many years and inflation pressures have been building. The Federal Reserve has

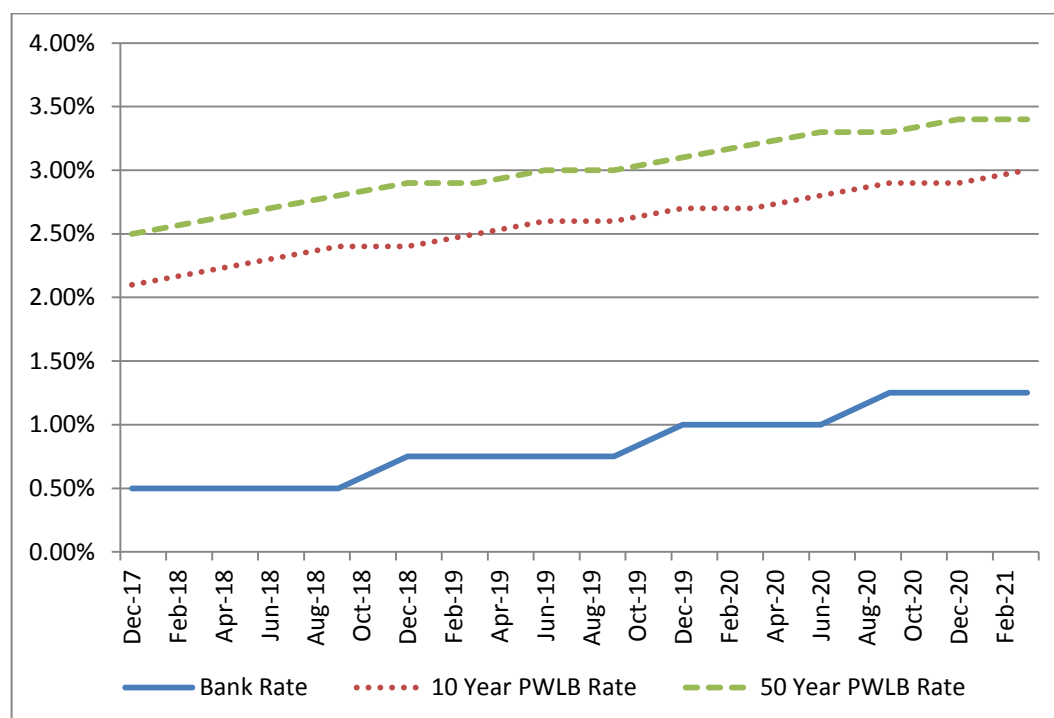
started a gradual increase in interest rates with four increases in total (three since December 2016). Forecasters expect it to increase interest rates one more time in 2017 which would increase its central interest rate to 1.5%. There is an expectation that there will be a further four interest rate rises in 2018.

- 3.10 **Other Economies** – In China economic growth has continued to weaken despite repeated rounds of central bank stimulus with many commentators believing that risks to economic growth are increasing. Japan has been struggling to stimulate growth and meet its inflation target of 2% despite huge monetary and fiscal stimulus.

3.11 **Interest Rate Forecasts**

- 3.12 It has been almost ten years since the financial crash of 2008, when liquidity suddenly dried up in the financial markets. Many commentators assert that the monetary policy measures taken by central banks to counter a sharp worldwide recession were successful. The key measures being a combination of lowering central interest rates and using QE to flood the financial markets with liquidity.
- 3.13 The key issue now is that the period of stimulating economic recovery and warding off the threat of inflation is coming to an end and a new period has already started particularly in the US, of reversing those measures i.e. by raising central interest rates and reducing QE \$4.5tn.
- 3.14 As outlined above the BoE have given forward guidance that the Bank Rate will only go up very gradually and to a limited extent. However owing to many external factors influencing the UK economy and uncertainty surrounding Brexit, forecasting future interest rates remains extremely challenging. Link Asset Services (formerly known as Capita Asset Services, the Council's Treasury Management advisors) continue to update their forecasts to reflect statements made by the Governor of the Bank of England and changes in the economy. Their latest forecast anticipates a further increase in the Bank Rate to 0.75% in December 2018 and a further increase to 1% in December 2019 in line with the forward guidance recently issued by the BoE.



Interest Rate Forecast up to Mar 2021

- 3.15 Since the late 1990s Bank Rate averaged 5% until 2009 when the Bank of England reduced it to the historically low 0.5% in response to the financial crisis and again to 0.25% in 2016 following the EU referendum. Over the same period PWLB rates have been significantly higher than they are at present. The rates for 10 year loans were on average 5% prior to the financial crisis but subsequently fell to between 3% and 4%. The rates for 50 year loans were also on average 5% although this trend continued throughout the financial crisis. PWLB interest rates fell to historically low levels in early 2015 predominantly as a consequence of falling oil prices. They fell further following the EU referendum to the current levels. In the context of previous interest rates, current rates are at an unprecedented low level though have increased since the low levels seen 2016.

#### 4. TREASURY MANAGEMENT OUTTURN POSITION 2016/17

##### 4.1 Capital Expenditure and Financing 2016/17

- 4.2 The Council's approved capital programme is funded from a combination of capital receipts, capital grants, revenue contributions and prudential borrowing.
- 4.3 Part of the Council's treasury management activities is to address the prudential borrowing need, either through borrowing from external bodies, or utilising temporary cash resources within the Council. The wider treasury activity also includes managing the Council's day to day cash flows, previous borrowing activities and the investment of surplus funds. These activities are structured to manage risk foremost, and then to optimise performance.

- 4.4 Actual capital expenditure forms one of the required prudential indicators. As shown at Appendix A, the total amount of capital expenditure for the year was £21.858m, of which £9.379m was funded by Prudential Borrowing.
- 4.5 The Council's underlying need to borrow is called the Capital Financing Requirement (CFR). This figure is the accumulated value of capital expenditure which has been financed from Prudential Borrowing. Each year the Council is required to apply revenue resources to reduce this outstanding balance.
- 4.6 Whilst the Council's CFR sets a limit on underlying need to borrow, the Council can manage the actual borrowing position by either;
- borrowing externally to the level of the CFR; or
  - choosing to use temporary internal cash flow funds instead of borrowing; or
  - a combination of the two.
- 4.7 The Council's CFR for the year was £101.456m as shown at Appendix A comprising £71.902m relating to the core CFR and £20.482m relating to business cases and £9.072m relating to the Housing Revenue Account (HRA). This is lower than the approved estimate of £108.920m owing to rephasing of capital expenditure in 2017/18.
- 4.8 The Council's total long term external borrowing as at 31<sup>st</sup> March, 2016 was £87.7m and reduced to £85.7m at 31<sup>st</sup> March 2017. This decrease was in line with the approved strategy and reflected the partial repayment of annuity loans taken out in previous financial years.
- 4.9 The total borrowing remains below the CFR and there continues to be an element of netting down investments and borrowing to a level that is expected to be sustainable.
- 4.10 **Prudential Indicators and Compliance Issues 2016/17**
- 4.11 Details of each Prudential Indicator are shown at Appendix A. Some of the prudential indicators provide either an overview or specific limits on treasury activity. The key Prudential Indicators to report at outturn are described below.
- 4.12 The **Authorised Limit** is the "Affordable Borrowing Limit" required by Section 3 of the Local Government Act 2003. The Council does not have the power to borrow above this level. Appendix A demonstrates that during 2016/17 the Council has maintained gross borrowing within its Authorised Limit.
- 4.13 **Net Borrowing and the CFR** - In order to ensure that borrowing levels are prudent, over the medium term the Council's external borrowing, net of investments, must only be for a capital purpose. Net borrowing should not exceed the CFR for 2016/17 plus the expected changes to the CFR over

2017/18 and 2018/19. The Council has complied with this Prudential Indicator.

#### 4.14 The treasury position 31<sup>st</sup> March 2017

4.15 The table below shows the treasury position for the Council as at the 31<sup>st</sup> March, 2017 compared with the previous year:

Treasury position	31st March 2016		31st March 2017	
	Principal	Average Rate	Principal	Average Rate
<b>Fixed Interest Rate Debt</b>				
- Tees Valley Unlimited Loan	£1.6m	0.00%	£2.2m	0.00%
- PWLB	£41.1m	2.97%	£38.5m	3.04%
- Market Loans (Maturities)	£0.0m	0.00%	£25.0m	3.92%
- Market Loans (LOBOs)	£45.0m	4.00%	£20.0m	4.12%
<b>Total Long Term Debt</b>	<b>£87.7m</b>	<b>3.45%</b>	<b>£85.7m</b>	<b>3.47%</b>
<b>Total Investments</b>	<b>£61.1m</b>	<b>0.54%</b>	<b>£46.5m</b>	<b>0.40%</b>
<b>Net borrowing Position</b>	<b>£26.6m</b>		<b>£39.2m</b>	

4.16 At the time the LOBOs were taken out the prevailing PWLB rates were between 4.25% and 4.55%. The LOBOs have therefore allowed the Council to achieve annual interest savings between 0.13% and 0.43% compared to prevailing PWLB loans.

4.17 A key performance indicator shown in the above table is the very low average rate of external debt of 3.47% for debt held as at 31<sup>st</sup> March, 2017. This is a historically low rate for long term debt and the resulting interest savings have already been built into the Medium Term Financial Strategy.

4.18 The Council's investment policy is governed by Department of Communities and Local Government (DCLG) guidance, which has been implemented in the annual investment strategy approved by Council.

4.19 The Council does not rely solely on credit ratings and takes a more pragmatic and broad based view of the factors that impact on counterparty risk. As part of the approach to maximising investment security the Council has also kept investment periods short (i.e. in most cases between three and six months but a maximum of one year). The downside of this prudent approach is that the Council achieved slightly lower investment returns than would have been possible if investments were placed with organisations with a lesser financial standing and for longer investment periods. However, during 2016/17 the risk associated with these higher returns would not have been prudent.

4.20 A prudent approach will continue to be adopted in order to safeguard the Council's resources.

#### 4.21 Regulatory Framework, Risk and Performance 2016/17

4.22 The Council's treasury management activities are regulated by a variety of professional codes, statutes and guidance:

- The Local Government Act 2003 (the Act), which provides the powers to borrow and invest as well as providing controls and limits on this activity;
- The Act permits the Secretary of State to set limits either on the Council or nationally on all local authorities restricting the amount of borrowing which may be undertaken (although no restrictions have been made since this power was introduced);
- Statutory Instrument (SI) 3146 2003, as amended, develops the controls and powers within the Act, and requires the Council to undertake any borrowing activity with regard to the CIPFA Prudential Code for Capital Finance in Local Authorities;
- The SI also requires the Council to operate the overall treasury function with regard to the CIPFA Code of Practice for Treasury Management in the Public Services;
- Under the Act the DCLG has issued Investment Guidance to structure and regulate the Council's investment activities;
- Under section 238(2) of the Local Government and Public Involvement in Health Act 2007 the Secretary of State has taken powers to issue guidance on accounting practices. Guidance on Minimum Revenue Provision was issued under this section on 8<sup>th</sup> November, 2007.

4.23 The Council has complied with all of the above relevant statutory and regulatory requirements which limit the levels of risk associated with its Treasury Management activities

### 5. TREASURY MANAGEMENT STRATEGY 2017/18 MID YEAR REVIEW

5.1 The Treasury Management Strategy for 2017/18 was approved by Council on 23<sup>rd</sup> February 2017. The Council's borrowing and investment position as at 30<sup>th</sup> September 2017 is summarised as follows:

	£m	Average Rate
Tees Valley Unlimited Loan	2.2	0.00%
PWLB Loans	37.2	3.07%
Market Loans (Maturities)	25.0	3.92%
Market Loans (LOBOs)	20.0	4.12%
<b>Gross Debt</b>	<b>84.4</b>	<b>3.49%</b>
Investments	47.1	0.37%
<b>Net Debt as at 30-09-17</b>	<b>37.3</b>	

5.2 In November 2017 additional borrowing of £1.3m (not reflected in the above table) was undertaken to secure business cases in line with the approved Strategy, for the following schemes:

- Street Lighting
- Allotments
- Wheelie Bins
- Depot

5.3 Net Debt has decreased since 31<sup>st</sup> March 2017 owing to positive cash flows. It is anticipated that the net debt will increase towards the end of the year in line with previous years as a result of reducing cash flows.

5.4 As part of the Treasury Strategy for 2017/18 the Council set a number of prudential indicators. Compliance against these indicators is monitored on a regular basis and there are no breaches to report.

## **6. TREASURY MANAGEMENT STRATEGY 2018/19**

6.1 Prudential Indicators and other regulatory information in relation to the 2018/19 Treasury Management Strategy is set out in Appendix B.

6.2 The key elements of the Treasury Management Strategy which Members need to consider are the Borrowing and Investment Strategies, detailed in section 7 and 8.

## **7. BORROWING STRATEGY 2018/19**

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

### **7.2 Core Borrowing Requirement**

7.3 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.

7.4 Since the unprecedented reduction in Base Rate to 0.5% in March 2009 the Treasury Management Strategy has been to net down investments and borrowings resulting in annual savings reflected in the outturn strategy. 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 temporarily avoid long term borrowing would be used up. The MTFS for 2018/19 to 2020/21 recommends proposals for using significant one-off resources and therefore a large proportion of reserves will be used up over the next three years and will not be available to net down the borrowing requirement. Therefore, in advance of this a decision was taken to partially fund the core borrowing requirement when long term PWLB interest rates fell to unprecedentedly low levels in January 2015.

7.5 This decision has secured low long term interest rates, meeting the objective of funding the borrowing requirement at historically low long term interest rates. This action secured the Treasury Management savings built into the budget since 2015/16 of £1.270m, which reduced the recurring budget by 21%.

7.6 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 owing to the unprecedented financial environment 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 Finance and Policy if it is in the best interests of the Council to do so.

#### 7.7 **Borrowing Requirement Business Cases**

7.8 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 resulting in a General Fund budget pressures and corresponding increase in the overall budget deficit.

7.9 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 reduction in interest rates and current interest rate forecasts it is recommended that a strategy of temporarily internally funding business cases maybe 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.

#### 7.10 **Borrowing in Advance of Need**

7.11 The Council has some flexibility to borrow funds for use in future years. The Director of Finance and Policy may do this under delegated power where, for instance, an increase in interest rates is expected. 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.

### 8. **INVESTMENT STRATEGY 2018/19**

8.1 The Department for Communities and Local Government (CLG) issued investment guidance in 2010 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 Finance and Policy has produced Treasury Management Practices covering investment counterparty policy which requires approval each year.

8.2 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.

### 8.3 Counterparty Selection Criteria

8.4 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.

8.5 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

8.6 The Director of Finance and Policy 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.

8.7 In 2014/15 as markets began to return to more "normal" conditions a review of the current counterparty list was completed and for the 2015/16 Treasury Management Strategy Members approved the addition of Svenska Handelsbanken (a high credit quality Swedish bank) to the counterparty list. Their credit ratings remained strong throughout the financial crisis and have continued to remain strong never falling below the category A rating in the table of investment criteria outlined below. The counterparty limit was initially set at £1m with an investment time limit of 3 months. For the 2016/17 Treasury Management Strategy Members approved an increase in the counterparty limit to £3m and then again to £5m for the 2017/18 strategy. It is now recommended that Svenska Handelsbanken is brought into line with

other category A counterparties and no longer identified separately i.e. counterparty limit raised to £15m and the duration of investments increased to a maximum of one year.

8.8 The table below shows the proposed limits in 2018/19 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-	£15m	1 Year
B	F1/A-	P-1/A3	A-1/A-	£10m	1 Year
C	Debt Management Office/Treasury Bills/Gilts			£40m	1 Year
D	Part Nationalised Banks and Banks covered by UK Government Guarantee			£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)

\*including Svenska Handelsbanken

## 8.9 Specified and Non-Specified Investments

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

8.11 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.

8.12 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.

8.13 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).

## 9. MINIMUM REVENUE PROVISION AND INTEREST COSTS AND OTHER REGULATORY INFORMATION 2018/19

9.1 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).

9.2 CLG 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.

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

- For capital expenditure incurred before 1<sup>st</sup> 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 affected by reducing the MRP in relation to this capital expenditure by reducing 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 1<sup>st</sup> 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.

#### 9.4 **CIPFA Treasury Management Code of Practice**

9.5 The Council has adopted CIPFA Treasury Management Code of Practice. Confirmation of this is the first prudential indicator.

#### 9.6 **Treasury Management Advisors**

9.7 The Council uses Link Asset Services – Treasury Solutions (formerly known as Capita Asset Services) as its external treasury management advisors.

9.8 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.

9.9 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.

#### 9.10 **Markets in Financial Instruments Directive (MIFID II)**

9.11 On 3<sup>rd</sup> January 2018 an updated version of the European Union's Markets in Financial Instruments Directive (known as MIFID II) comes 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

9.12 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) will 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.

9.13 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.

9.14 It is the view of the Director of Finance and Policy that the Council meets the minimum requirements to opt up and therefore will choose to opt up to

professional status in order to maintain the Council's ability to operate effectively under the new regime.

- 9.15 The process of opting up will be onerous and in response the Chartered Institute of Public Finance and Accountancy (CIPFA) have launched an online platform to assist local authorities who wish to opt up to professional status. This platform is dependent on Financial Institutions subscribing to the platform and many are either already live on the system or are in the process of signing up. However there are some institutions that have not subscribed to the platform and the Council will have to complete a separate opting up process with these institutions.

## **10. FINANCIAL CONSIDERATIONS**

- 10.1 As detailed in preceding paragraphs.

## **11. RISK IMPLICATIONS**

- 11.1 None.

## **12. LEGAL CONSIDERATIONS**

- 12.1 None.

## **13. CHILD AND FAMILY POVERTY**

- 13.1 None.

## **14. EQUALITY AND DIVERSITY CONSIDERATIONS**

- 14.1 None.

## **15. SECTION 17 OF THE CRIME AND DISORDER ACT 1998 CONSIDERATIONS**

- 15.1 None

## **16. STAFF CONSIDERATIONS**

- 16.1 None

## **17. ASSET MANAGEMENT CONSIDERATIONS**

- 17.1 None

## **18. CONCLUSION**

- 18.1 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.

- 18.2 The report sets out the borrowing strategy for the core CFR of netting down the remaining under borrowing against investments but highlights the continued economic uncertainty and the possibility that if circumstances change further borrowing may be required. The report also outlines a strategy of temporarily internally funding business cases 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.
- 18.3 In relation to the investment strategy the Council has adopted an extremely prudent approach over the last few years and continues to do so. It is recommended that the Council approves the revised counterparty criteria as set out in paragraphs 8.7 to 8.8.

## 19. RECOMMENDATIONS

- 19.1 It is recommended that Members approve the following proposals:

19.2 **Treasury Management Outturn Position 2016/17**

- i) Note the 2016/17 Treasury Management Outturn detailed in section 4 and Appendix A.

19.3 **Treasury Management Strategy 2017/18 Mid-Year Review**

- ii) Note the 2017/18 Treasury Management Mid-year Position detailed in section 5.

19.4 **Treasury Management Strategy 2018/19 (Prudential Indicators)**

- iii) Approve the prudential indicators outlined in Appendix B.

19.5 **Borrowing Strategy 2018/19**

- iv) **Core borrowing requirement** – following the securing of exceptionally low interest rates approve that the remainder of the under borrowing is netted down against investments.
- v) To note that in the event of a change in economic circumstances that the Director of Finance and Policy may take out additional borrowing if this secures the lowest long term interest cost.
- vi) **Borrowing required for business cases** – Approve the strategy of internally borrowing for business cases to mitigate counterparty risk, reduce borrowing costs and generate an internal investment return. Note that if this strategy is adopted that action may be taken by Director of Finance and Policy to externally borrow for these schemes if an interest rates rise is expected.

19.6 **Investment Strategy 2018/19**

vii) Approve that Svenska Handelsbanken be brought into line with other category A counterparties and no longer identified separately.

viii) Approve the Counterparty limits as set out in paragraph 8.8.

19.7 **Minimum Revenue Provision (MRP) Statement**

ix) Approve the MRP statement outlined in paragraph 9.3 above.

**20. REASON FOR RECOMMENDATIONS**

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

**21. CONTACT OFFICER**

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



## Appendix A

**Prudential Indicators 2016/17 Outturn**1. Ratio of Financing Costs to Net Revenue Stream

This indicator shows the proportion of the total annual revenue budget that is funded by the local tax payer and Central Government, which is spent on servicing debt.

2016/17 Estimate		2016/17 Outturn
6.40%	Ratio of Financing costs to net revenue stream	6.80%

2. Capital Expenditure

This indicator shows the total capital expenditure for the year.

2016/17 Estimate £'000		2016/17 Outturn £'000
29,341	Capital Expenditure	21,858

The actual is lower than estimated owing to the phasing of capital expenditure between years.

3. Capital Expenditure Financed from Borrowing

This shows the borrowing required to finance the capital expenditure programme, split between core expenditure and expenditure in relation to business cases.

2016/17 Estimate £'000		2016/17 Outturn £'000
326	Core Capital Expenditure Financed by Borrowing	609
8,101	Business Case Capital Expenditure Financed by Borrowing	7,849
2,400	HRA Capital Expenditure Financed by Borrowing	921
<b>10,827</b>	<b>Total Capital Expenditure Financed by Borrowing</b>	<b>9,379</b>

The actual is lower than estimated owing to the phasing of overall expenditure between years.

#### 4. Capital Financing Requirement

CFR is used to determine the minimum annual revenue charge for capital expenditure repayments (net of interest). It is calculated from the Council's Balance Sheet and is shown below. Forecasts for future years are directly influenced by the capital expenditure decisions taken and the actual amount of revenue that is set aside to repay debt.

2016/17 Estimate £'000		2016/17 Outturn £'000
71,346	Core Capital Financing Requirement	71,902
27,023	Business Case Capital Financing Requirement	20,482
10,551	HRA Capital Financing Requirement	9,072
<b>108,920</b>	<b>Total Capital Financing Requirement</b>	<b>101,456</b>

The capital financing requirement is lower than estimated owing to the the phasing of capital expenditure.

#### 5. Authorised Limit for External Debt

The authorised limit determines the maximum amount the Council may borrow at any one time. The authorised limit covers both long term borrowing for capital purposes and borrowing for short term cash flow requirements. The authorised limit is set above the operational boundary to provide sufficient headroom for operational management and unusual cash movements. In line with the Prudential Code, the level has been set to give the Council flexibility to borrow up to three years in advance of need if more favourable interest rates can be obtained.

2016/17 Limit £'000		2016/17 Peak £'000
131,000	Authorised limit for external debt	87,649

The above Authorised Limit was not exceeded during the year. The level of debt as at 31<sup>st</sup> March 2017, excluding accrued interest was £85.660m. The peak level during the year was £87.649m.

#### 6. Operational Boundary for External Debt

The operational boundary is the most likely prudent, but not worst case scenario, level of borrowing without the additional headroom included within the authorised limit. The level is set so that any sustained breaches serve as an early warning that the Council is in danger of overspending or failing to achieve income targets and gives sufficient time to take appropriate corrective action.



2016/17 Limit £'000		2016/17 Peak £'000
121,000	Operational boundary for external debt	87,649

The operational limit was not exceeded in the year. The peak level of debt was £87.649m.

## 7. Interest Rate Exposures

This indicator is designed to reflect the risk associated with both fixed and variable rates of interest, but must be flexible enough to allow the Council to make best use of any borrowing opportunities.

2016/17 Limit £'000	Upper limits on fixed and variable interest rate exposure	2016/17 Peak £'000
121,000	Fixed Rates	42,649
91,000	Variable Rates	45,000

The figures represent the peak values during the period.

## 8. Maturity Structure of Borrowing

This indicator is designed to reflect and minimise the situation whereby the Council has a large repayment of debt needing to be replaced at a time of uncertainty over interest rates, but as with the indicator above, it must also be flexible enough to allow the Council to take advantage of any borrowing opportunities.

	Upper Limit £000	Lower Limit £000	Actual by Maturity Date £000	Actual by soonest call date £000
Less than one year	111,000	0	3,944	8,944
Between one and five years	121,000	0	12,052	27,052
Between five and ten years	121,000	0	3,341	3,341
Between ten and fifteen years	121,000	0	3,555	3,555
Between fifteen and twenty years	121,000	0	3,101	3,101
Between twenty and twenty-five years	121,000	0	1,935	1,935
Between twenty-five and thirty years	121,000	0	2,129	2,129
Between thirty and thirty-five years	121,000	0	2,548	2,548
Between thirty-five and forty years	121,000	0	6,005	6,005
Between forty and forty-five years	121,000	0	1,955	1,955
More than forty-five years	121,000	0	45,095	25,095

9. Investments over Maturing over One Year

This sets an upper limit for amounts invested for periods longer than 364 days. The limit was not exceeded as a prudent approach to investment has been taken owing to uncertainties in the economy this is in line with the Treasury Management Strategy. Consequently all investments made during the year were limited to less than one year.

	1 year £000	2 year £000	3 year £000
Maximum Limit	30,000	0	0
Actual	14,000	0	0

**TREASURY MANAGEMENT STRATEGY 2018/19 REGULATORY INFORMATION  
AND PRUDENTIAL INDICATORS**

**1. INTRODUCTION**

- 1.1 The regulatory information and prudential indicators for the 2018/19 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 the new 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	2017/18 Revised £'000	2018/19 Estimate £'000	2019/20 Estimate £'000	2020/21 Estimate £'000
<b>CFR at 1st April</b>	<b>101,455</b>	<b>101,528</b>	<b>107,369</b>	<b>106,700</b>
Capital Expenditure Financed by New Borrowing	620	4,080	1,816	1,691
Approved Borrowing Rephased from 2016/17 and Borrowing Profiled for Future Years	5,746	0	0	0
Less Borrowing to be Rephased to 2018/19 and Borrowing Profiled for Future Years	(4,053)	4,053	0	0
Less Repayment of CFR	(2,240)	(2,292)	(2,485)	(2,398)
<b>CFR at 31st March</b>	<b>101,528</b>	<b>107,369</b>	<b>106,700</b>	<b>105,992</b>
Less assets held under Finance Lease	(396)	(380)	(364)	(348)
<b>Borrowing Requirement</b>	<b>101,132</b>	<b>106,989</b>	<b>106,336</b>	<b>105,644</b>

Corporate Borrowing Requirement	73,091	72,467	71,269	70,191
Business Case Borrowing Requirement	18,510	24,344	24,889	25,275
Housing Revenue Account Borrowing Requirement	9,531	10,178	10,178	10,178
<b>Borrowing Requirement</b>	<b>101,132</b>	<b>106,989</b>	<b>106,336</b>	<b>105,644</b>

- 3.6 As part of the Medium Term Financial Strategy the Council is required to approve the 2018/19 capital programme summarised as follows:

<b>Capital Expenditure</b>	<b>2017/18 Revised £'000</b>	<b>2018/19 Estimate £'000</b>	<b>2019/20 Estimate £'000</b>	<b>2020/21 Estimate £'000</b>
New Approved Capital Expenditure	6,171	12,602	5,778	5,210
Rephased Capital Expenditure from 2016/17 and Expenditure Profiled for Future Years	17,288	0	0	0
Approved Capital Expenditure Profiled for Future Years	(2,452)	2,452	0	0
2017/18 Capital Expenditure to be Rephased	(7,799)	7,799	0	0
<b>Capital Expenditure for the Year</b>	<b>13,208</b>	<b>22,853</b>	<b>5,778</b>	<b>5,210</b>
<b>Financed by:</b>				
Capital grants and contributions	5,551	8,027	3,962	3,519
Other Capital Funding	0	495	0	0
Capital Expenditure to be funded from New Prudential Borrowing	620	4,080	1,816	1,691
Capital Resources Rephased from 2016/17 and Capital Resources Profiled for Future Years	17,288	0	0	0
Rephased Capital Resources from 2016/17 and Capital Resources Profiled for Future Years	(10,251)	10,251	0	0
<b>Total Funding</b>	<b>13,208</b>	<b>22,853</b>	<b>5,778</b>	<b>5,210</b>

Non-HRA Capital Expenditure	12,360	21,651	5,778	5,210
HRA Capital Expenditure	848	1,202	0	0
<b>Total Capital Expenditure</b>	<b>13,208</b>	<b>22,853</b>	<b>5,778</b>	<b>5,210</b>

#### 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 Council Tax
- 4.3 This indicator identifies the revenue costs associated with new schemes included in the three year Capital Programme recommended in the budget strategy report compared to the Council's existing approved commitments and current plans.

	Forward Projection	Forward Projection	Forward Projection	Forward Projection
	2017/18 £'000	2018/19 £'000	2019/20 £'000	2020/21 £'000
<b>CouncilTax - Band D</b>	£2.26	£6.58	£2.93	£2.73

4.4 Incremental Impact of Capital Expenditure on Housing Rent Levels

- 4.5 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.

	Forward Projection	Forward Projection	Forward Projection	Forward Projection
	2017/18 £'000	2018/19 £'000	2019/20 £'000	2020/21 £'000
<b>Weekly Housing Rent Levels</b>	£0.00	£0.00	£0.00	£0.00

4.6 Ratio of Financing Costs to Net Revenue Stream

- 4.7 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.

	2017/18 Estimate	2018/19 Estimate	2019/20 Estimate	2020/21 Estimate
<b>Non-HRA financing cost to General Fund Net Revenue Stream</b>	6.40%	4.07%	4.14%	4.07%

4.8 Ratio of Finance Costs to HRA Net Revenue Stream

- 4.9 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.

	2017/18 Estimate	2018/19 Estimate	2019/20 Estimate	2020/21 Estimate
<b>HRA financing cost to HRA Net Revenue Stream</b>	34.24%	34.36%	33.70%	33.40%

**5. BORROWING PRUDENTIAL INDICATORS****5.1 Debt Projections 2017/18 – 2020/21**

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

<b>Debt and Investment Projections</b>	<b>2017/18 Revised £'000</b>	<b>2018/19 Estimated £'000</b>	<b>2019/20 Estimated £'000</b>	<b>2020/21 Estimated £'000</b>
Long Term Borrowing 1 April	85,660	85,660	85,660	89,777
Expected change in Long Term Debt	0	0	4,117	0
<b>Debt at 31 March</b>	<b>85,660</b>	<b>85,660</b>	<b>89,777</b>	<b>89,777</b>
<b>Borrowing Requirement</b>	<b>101,132</b>	<b>106,989</b>	<b>106,336</b>	<b>105,644</b>
<b>Under Borrowing</b>	<b>(15,472)</b>	<b>(21,329)</b>	<b>(16,559)</b>	<b>(15,867)</b>

Non-HRA Debt	76,129	75,482	79,599	79,599
HRA Debt	9,531	10,178	10,178	10,178
<b>Total Debt</b>	<b>85,660</b>	<b>85,660</b>	<b>89,777</b>	<b>89,777</b>

5.3 Although the Council has reduced its under borrowing in recent years the table 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 2018/2019 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.

<b>External Debt</b>	<b>2017/18 Revised £'000</b>	<b>2018/19 Estimated £'000</b>	<b>2019/20 Estimated £'000</b>	<b>2020/21 Estimated £'000</b>
Gross Borrowing	85,660	85,660	89,777	89,777
Other Long Term Liabilities	396	380	364	348
<b>Total Gross Borrowing</b>	<b>86,056</b>	<b>86,040</b>	<b>90,141</b>	<b>90,125</b>
<b>Borrowing Requirement</b>	<b>101,132</b>	<b>106,989</b>	<b>106,336</b>	<b>105,644</b>

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.

<b>Borrowing Limits</b>	<b>2017/18 £'000</b>	<b>2018/19 Estimated £'000</b>	<b>2019/20 Estimated £'000</b>	<b>2020/21 Estimated £'000</b>
Operational Limit	122,000*	127,000*	126,000	126,000
Authorised limit	132,000*	137,000*	136,000	136,000

\*These Limits include provision for potential temporary borrowing related to the phasing of capital receipts over the period of the MTFS.

- 5.8 The Council is also limited to a maximum HRA CFR through the HRA self-financing regime. The following table shows the HRA debt cap, the HRA CFR and the actual level of HRA debt (i.e. borrowing).

<b>HRA Debt Limits</b>	<b>2017/18 Revised £'000</b>	<b>2018/19 Estimated £'000</b>	<b>2019/20 Estimated £'000</b>	<b>2020/21 Estimated £'000</b>
HRA Debt Cap	10,890	10,890	10,890	10,890
HRA CFR	9,531	10,178	10,178	10,178
<b>HRA Headroom</b>	<b>1,359</b>	<b>712</b>	<b>712</b>	<b>712</b>
HRA Debt	9,531	10,178	10,178	10,178
<b>HRA Under/Over Borrowing</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

## 6. INVESTMENT PRUDENTIAL INDICATORS AND OTHER LIMITS ON TREASURY ACTIVITY

### 6.1 Investment Projections 2017/18 – 2020/21

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



2016/17 Outturn £'000	Year End Resources	2017/18 Revised £'000	2018/19 Estimate £'000	2019/20 Estimate £'000	2020/21 Estimate £'000
52,892	Balances and Reserves	35,392	21,225	17,905	14,668
(1,396)	Collection Fund Adjustment Account*	0	0	0	0
3,078	Provisions	3,078	3,078	3,078	3,078
<b>54,574</b>	<b>Total Core Funds</b>	<b>38,470</b>	<b>24,303</b>	<b>20,983</b>	<b>17,746</b>
6,246	Working Capital**	8,500	8,500	8,500	8,500
<b>60,820</b>	<b>Resources Available for Investment</b>	<b>46,970</b>	<b>32,803</b>	<b>29,483</b>	<b>26,246</b>
(15,795)	(Under)/over borrowing	(15,472)	(21,329)	(16,559)	(15,867)
<b>45,025</b>	<b>Expected Investments</b>	<b>31,498</b>	<b>11,475</b>	<b>12,925</b>	<b>10,379</b>

\* 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	2018/19 Estimated 1% £'000	2018/19 Estimated -1% £'000
Interest on Borrowing	196	(196)
Investment income	(132)	132
<b>Net General Fund Borrowing Cost</b>	<b>65</b>	<b>(65)</b>

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	2018/19 Upper £'000	2019/20 Upper £'000	2020/21 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	2018/19 Upper £'000	2019/20 Upper £'000	2020/21 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:

<b>Maturity Structure of fixed interest rate borrowing 2018/19</b>				
	<b>2017/18 £000 Lower Limit</b>	<b>2017/18 £000 Upper Limit</b>	<b>2018/19 £000 Lower Limit</b>	<b>2018/19 £000 Upper Limit</b>
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.

<b>Limit for Maximum Principal Sums Invested &gt; 364 days</b>			
	<b>1 year £000</b>	<b>2 years £000</b>	<b>3 years £000</b>
Maximum	20,000	0	0

## 6.7 Performance Indicators

- 6.8 The Code of Practice on Treasury Management requires the Council to set performance indicators to assess the adequacy of the treasury function over the year. These are distinct historic indicators, as opposed to the prudential indicators, which are predominantly forward looking. The Council will produce the following performance indicators for information and explanation of previous treasury activity:

- Average rate of borrowing for the year compared to average available
- Debt – Average rate movement year on year

# **AUDIT AND GOVERNANCE COMMITTEE**

**24 January 2018**



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

**Subject:** CONSULTATION ON EXTERNAL AUDITOR  
SCALE OF FEES FOR 2018/19

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## **1. PURPOSE OF REPORT**

- 1.1 To update and inform Members of the formal communication received by the Director of Finance and Policy from Public Sector Auditor Appointments (PSAA) to consult on the proposed scale of fees for the work to be undertaken by appointed auditors in respect of the 2018/19 financial statement at bodies that have opted into PSAA's national auditor appointment scheme.

## **2. BACKGROUND**

- 2.1 A report to Audit and Governance Committee on 20.09.17 informed Members of the proposal to appointment Mazars LLP to audit the accounts of Hartlepool Borough Council (HBC) for five years from 2018/19.
- 2.2 It was agreed that Members note the appointment of Mazars LLP to audit the accounts of HBC for five years from 2018/19 and the Director of Finance and Policy confirmed this to PSAA by email before their deadline of Friday 22 September.

## **3. CONSULTATION ON 2018/19 SCALE OF FEES**

- 3.1 PSAA proposes that scale fees for 2018/19 for all opted-in bodies should be reduced by 23 per cent, compared to the fees applicable for 2017/18. This means a fee of £83,882 for 2018/19 for HBC, the fee for 2017/18 was £108,938. This proposal continues the practice of averaging firms' costs, so that all bodies benefit from the same proportionate savings irrespective of the firm appointed to a particular opted-in body.

- 3.2 PSAA state that this reduction is possible as a result of the favourable prices secured from firms in the recent audit services procurement. It follows a period from 2012/13 to 2017/18 in which scale fees reduced in two stages by an aggregate of 55 per cent, in part reflecting reductions in the size and scope of the Audit Commission, for example with the closure of its inspection services.
- 3.3 The deadline for response to the consultation was 15.01.18, so following consultation with the Chair of the Audit and Governance Committee, a response was sent indicating our satisfaction with the fee and the proposals for future years.

#### **4. RISK IMPLICATIONS**

- 4.1 Participation in the national procurement organised by PSAA will reduce the risk that the Council would face higher external costs, or may not be able to appoint its own external audit at a time when audit firms will be concentrating on securing PSAA contracts, or contracts from larger authorities.

#### **5. FINANCIAL CONSIDERATIONS**

- 5.1 In order to prove the Council meets its duty of providing best value, the most appropriate procurement method must be used to provide external audit services. The current method of a centralised collective purchase arrangement has led to the Council paying 55% less for external audit than in 2011/12 (even before taking into account inflation) and a further saving of 23% for 2018/19. The savings that the Council has made have been taken as part of the MTFs and used to partly offset the impact of Government grant cuts.
- 5.2 It is anticipated that the national PSAA procurement will secure best value in relation to future external audit contracts.

#### **6. LEGAL CONSIDERATIONS**

- 6.1 The Council has a legal duty to ensure it has an annual external audit of its accounting records and financial statements.

#### **7. CHILD AND FAMILY POVERTY CONSIDERATIONS**

- 7.1 There are no child and family poverty considerations.

#### **8. EQUALITY AND DIVERSITY CONSIDERATIONS**

- 8.1 There are no equality and diversity considerations.

#### **9. STAFF CONSIDERATIONS**

- 9.1 There are no staff considerations.

## **10. ASSET MANAGEMENT CONSIDERATIONS**

- 10.1 There are no asset management considerations.

## **11. RECOMMENDATIONS**

- 11.1 It is recommended that Members note the response to PSAA consultation on 2018/19 Scale of Fees following consultation with the Chair of the Audit and Governance Committee.

## **12. REASON FOR RECOMMENDATIONS**

- 12.1 To ensure that the Audit and Governance Committee is kept up to date with all issues that are relevant to the pursuance of its remit.
- 12.2 To ensure that the Council has in place arrangements to procure the best possible external audit service at the most competitive price by benefiting from collective buying power.

## **13. BACKGROUND PAPERS**

- 13.1 Local Audit and Accountability Act.  
Local Audit (Appointing Persons) Regulations 2015.  
Audit Committee Report 20 September 2017.  
PSAA Consultation on 2018/19 scale of fees.

## **14. CONTACT OFFICER**

- 14.1 Chris Little  
Director of Finance and Policy  
Civic Centre  
Victoria Road  
Hartlepool  
TS24 8AY  
Tel: 01429 523003  
Email: [chris.little@hartlepool.gov.uk](mailto:chris.little@hartlepool.gov.uk)

# **AUDIT AND GOVERNANCE COMMITTEE**

24 January 2018



**Report of:** Director of Adult and Community Based Services

**Subject:** DELAYED TRANSFERS OF CARE

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## **1. PURPOSE OF REPORT**

- 1.1 To update the Committee on the current position in relation to Delayed Transfers of Care.

## **2. BACKGROUND**

- 2.1 In September 2016, the Health and Wellbeing Board made a referral to the Audit and Governance Committee regarding a change in how Delayed Transfers of Care (DToCs) were recorded and reported.
- 2.2 Following a significant amount of work involving the Council's Adult Service and NHS partners, the Audit and Governance Committee was advised in March 2017 that the agreed position as set out below had been implemented:
- In the context of current capacity pressures in the care sector, it is likely that there will be some delays attributable to social care; these will be reviewed on a monthly basis to ensure accuracy of reporting.
  - Any delays relating to people awaiting nursing home placements should be attributable to the NHS, as the CCG is the responsible commissioner.
  - A piece of work to be undertaken to agree what constitutes a 'reasonable alternative' for people linked to the Trust's Patient Choice Policy. Until additional capacity is available in Hartlepool it is reasonable and acceptable to promote out of area placements, within a reasonable travelling distance, as an alternative to someone remaining in an acute hospital bed when they are medically fit for discharge. Work has commenced on preparing a set of principles to support this approach.
  - The September 2016 return submitted by the Trust is to be revised and resubmitted to NHS England on the basis of the criteria agreed above.

- North Tees and Hartlepool NHS Foundation Trust will send all future returns to HBC for sign off prior to submission to NHS England on basis of criteria agreed above.

2.3 It was also reported to the Audit and Governance Committee in March 2017 that performance in relation to DToCs had improved significantly, and was expected to improve further as additional care home capacity became available within Hartlepool.

### 3. CURRENT POSITION

3.1 Annual targets for DToCs are agreed through the Better Care Fund Plan and reported to the Health and Wellbeing Board.

3.2 Local targets for DToCs were not achieved in 2016/17, and it was recognised that a key challenge that affected performance in 2016/17 was availability of nursing home beds, which accounted for 42% of delays over the year.

3.3 The position in relation to nursing beds has improved significantly in 2017/18 with new nursing home provision available from May 2017 and a further development expected early in 2018.

3.4 During Q1 of 2017/18 there were 1,190 delayed days reported against a target of 1,279 days meaning that the target was achieved.

3.5 During Q2 of 2017/18 there were 882 delayed days reported against a target of 1,037 days, evidencing further improvement against this measure.

3.6 These figures combined demonstrate that in the first six months of 2017/18, the number of DToCs in Hartlepool was under target by 244 days or 10.5%.

3.7 The main reasons for reported delays during this time period were people awaiting nursing home placement or availability; patient or family choice and people awaiting further non-acute NHS care (including intermediate care, or rehabilitation services).

3.8 Factors that have contributed to this improvement in performance include:

- Development of an Integrated Discharge Team;
- Weekend working arrangements;
- Implementation of the Patient Choice Policy which has ensured that patients and their families receive consistent messages and appropriate support to consider alternatives;
- Development of Integrated Discharge Pathways;
- Support for people to access suitable out of area placements; and
- Support for existing care homes to maintain residential care capacity.



- 3.9 The success of the Integrated Discharge Team was recognised in June 2017 when the team won the Best Innovation Project award at the North East, Cumbria, Yorkshire and Humber Commissioning Awards.
- 3.10 Further actions have been identified to maintain and further improve performance including:
- Building on the success of the Integrated Discharge Team;
  - Further development of Trusted Assessor approaches following the successful pilot for the elective orthopaedic pathway; and
  - Continued support for care homes to ensure sustainability of the local care market.
- 3.11 DToC performance will continue to be closely monitored through the Better Care Fund, and reported to the Health and Wellbeing Board on a quarterly basis.

#### **4. RECOMMENDATIONS**

- 4.1 It is recommended that Members note the current positive position in relation to Delayed Transfers of Care.

#### **5. REASONS FOR RECOMMENDATIONS**

- 5.1 To provide the Committee with an update on the issue of Delayed Transfers of Care, which was referred by the Health and Wellbeing Board.

#### **6. CONTACT OFFICER**

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

## AUDIT AND GOVERNANCE COMMITTEE

24 January 2018



**Report of:** Statutory Scrutiny Officer

**Subject:** INVESTIGATION INTO ELECTIVE SURGERY AT THE UNIVERSITY HOSPITAL OF HARTLEPOOL SITE AND HIGH QUALITY MATERNITY SERVICES – EXPERT EVIDENCE

### 1. PURPOSE OF REPORT

- 1.1 To inform Members that Dr Denis Walsh, Associate Professor in Midwifery at the University of Nottingham will be in attendance at today's meeting to provide information to the Committee in relation to the study conducted by the University into midwifery led units.

### 2. BACKGROUND INFORMATION

- 2.1 As part of the Committee's investigation into Elective Surgery at the University Hospital of Hartlepool Site and High Quality Maternity Services, the Committee agreed, at its meeting held on 15 November 2017, to invite expert evidence from Dr Walsh, who is an Associate Professor in Midwifery at the University of Nottingham. Dr Walsh led a study into midwifery led births and will be in attendance at today's meeting to provide the Committee with information regarding the study and the outcomes. A summary of the study is attached at **Appendix A**.

### 3. RECOMMENDATIONS

- 3.1 The Audit and Governance Committee note the update and seek clarification on any issues, where required.

### BACKGROUND PAPERS

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

- (a) Minutes from the Audit and Governance Committee held on 15 November 2017.

**Contact Officer:-** Joan Stevens – Statutory Scrutiny Officer  
Chief Executive's Department – Legal Services  
Tel: 01429 284142  
Email: joan.stevens@hartlepool.gov.uk

## Major increase in midwifery unit births since 2010

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**Date:** 15 February 2017

Births in midwifery units in England have trebled, up from five per cent to 14 per cent over the last six years, a new study by researchers at The University of Nottingham has shown.

The research, funded by the NIHR HS&DR Programme, revealed that the number of midwifery units alongside hospital obstetric units almost doubled from 53 to 97 during the period 2010 to 2016.

However, despite this increase, 25 per cent of all NHS trusts in England still have no midwifery units, denying women the opportunity to access this type of care, which has been shown to provide personalised care to women, to decrease caesarean birth rates and costs per birthing.

Dr Denis Walsh, Associate Professor of Midwifery, who led the study, said: “Midwifery units are better for mothers, safe for babies and cheaper for the NHS.”

The new study charts the change in birth trend since a 2010 survey which was carried out by Oxford University as part of the Birthplace in England programme.

The increase in provision of midwifery unit care is a response to a national policy, in place since 2007, that all women should be able to choose their place of birth. A woman’s right to book into a midwifery unit for their care has been reinforced by the Government’s Five Year Forward View for maternity, and recommendations by NICE, the National Institute for health and Clinical Excellence.

The latest research also found a marked difference between the prospects for ‘alongside’ midwifery units and those which are ‘freestanding’ in the community, involving a journey by ambulance should the woman need medical care in addition to midwifery care.

There has been stagnation in numbers of freestanding midwifery units (FMU), up just four from 58 to 61, despite robust research showing they offered equally good and, in some respects, better outcomes than alongside midwifery units.

FMUs have been prone to opening and closing cycles and were put under strain by small numbers and financial pressures. FMUs varied widely in terms of their numbers of births each year. Five freestanding units had more than 400 births each year, with the largest providing care in labour to 650 women and babies. However, many had much smaller numbers; more than half of FMUs (58 per cent) had fewer than 200 births a year and 37 per cent had fewer than 100.

Over the period studied, the number of hospital obstetric units reduced by 10 per cent from 177 to 159. Three of the five largest freestanding midwifery units replaced obstetrics units.

Cathy Warwick, Chief Executive of the Royal College of Midwives, said: “This is very valuable research. It is very encouraging that more women are making the choice to give birth in this type of midwife-led unit. It suggests that when women have real choice about where they want to give birth, that midwife-led care is a choice they want to make.

“It is disappointing to see that a quarter of trusts do not have midwifery units. It is also disappointing that there has been such a small increase in the number of freestanding midwife-led units. I hope this will begin to change as a result of the Government’s National Maternity Review in England. This promises much more maternity care right in the heart of our communities. I think there is also an onus on trusts and the Government to raise awareness of freestanding midwifery led units, and of midwife-led care in general, so that women are aware that this choice exists and can make that choice.”

The results were launched at a Royal College of Midwives-accredited conference, Implementing the National Maternity Review in Rural Areas, on Monday February 13.

Wendy Cutchie, Lead Midwife for Midwifery Led Units and Community Midwifery Services at The Shrewsbury and Telford Hospital NHS Trust, said: “Midwifery units provide women and their families with more personalised care, possibly because of their small scale, possibly because of the particular philosophy of care, which is sometimes called a 'social model of care'. We deliberately focus on responding to social and emotional needs and helping women to feel confident to give birth and become a mother.”

## AUDIT AND GOVERNANCE COMMITTEE

24 January 2018



**Report of:** Statutory Scrutiny Officer

**Subject:** MENTAL HEALTH – COUNCIL REFERRAL

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### 1. PURPOSE OF REPORT

- 1.1 To inform Members that Full Council, at its meeting held on 14 December 2017, made a formal referral to the Audit and Governance Committee in relation to mental health provision in Hartlepool.

### 2. BACKGROUND INFORMATION

- 2.1 As outlined within the Authority's Constitution (part 4, paragraph 9), the Audit and Governance Committee has a mandatory obligation to consider referrals from Council, Policy and other Council committees, within the timescale prescribed. (dependent upon origin of referral)
- 2.2 The referral is outlined below for Member's information:-
- That Council makes a formal referral to the Audit and Governance Committee, requesting that a review of mental health provision in Hartlepool be undertaken, with a view to finding ways of improving access to the availability of mental health services within the Borough for all residents. The referral to be undertaken as part of the 2018/19 Work Programme.'
- 2.3 As requested by Council, the referral will be added to the 2018/19 work programme.

### 3. RECOMMENDATIONS

- 3.1 The Audit and Governance Committee note the referral.

### BACKGROUND PAPERS

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

- (a) Council agenda – 14 December 2017 -

<https://www.hartlepool.gov.uk/meetings/meeting/3627/council>

**Contact Officer:-** Joan Stevens – Statutory Scrutiny Officer  
Chief Executive's Department – Legal Services  
Tel: 01429 284142  
Email: joan.stevens@hartlepool.gov.uk

# HEALTH AND WELLBEING BOARD

## MINUTES AND DECISION RECORD

16 October 2017

The meeting commenced at 5 pm in the Civic Centre, Hartlepool

### **Present:**

Representatives of Hartlepool and Stockton-on-Tees Clinical Commissioning Group, Dr Timlin (In the Chair)

### **Prescribed Members:**

Elected Members, Hartlepool Borough Council – Councillors Buchan and Clark  
Representatives of Hartlepool and Stockton-on-Tees Clinical Commissioning Group – Dr Andrea Jones

Interim Director of Public Health, Hartlepool Borough Council – Dr Paul Edmondson-Jones

Director, Children's and Joint Commissioning Services, Hartlepool Borough Council – Sally Robinson

Director, Adults and Community Based Services, Hartlepool Borough Council – Jill Harrison

Representatives of Healthwatch – Ruby Marshall and Margaret Wrenn

### **Other Members:**

Representative of Tees Esk and Wear Valley NHS Trust – David Brown

Representative of GP Federation – Fiona Adamson

Also in attendance:-

Representatives of the following organisations:-

Healthwatch – Lynn Allison, Christopher Akers-Belcher, Liz Fletcher, Carol Sherwood and Stephen Thomas

Clinical Commissioning Group – Nicola Childs and Lisa Tempest

Hartlepool Carers – Christine Fewster

York University – Brian Loader, Dr Nathan Manning, Dr Amanda Mason-Jones

Young People from the Digital Futures Project.

Artists involved in the Digital Futures Project – Stuart Langley, Suzie Devey and Diane Watson.

Hartlepool Borough Council Officers - Kimberley Butler, Leigh Keeble, Dr Esther Mireku, Juliette Ward and Amanda Whitaker

## 23. Apologies for Absence

Councillor C Akers-Belcher, Leader of Council  
Elected Member, Hartlepool Borough Council – Councillor Thomas  
Representative of Hartlepool Voluntary and Community Sector – Tracy Woodall  
Representative of Cleveland Police – ACC Jason Harwin

## 24. Declarations of interest by Members

Dr Timlin and Councillor Clark declared an interest due to their involvement in the Project.

## 25. Minutes

The minutes of the meeting of the Board held on 4 September 2017 were confirmed.

There were no matters arising from the minutes.

## 26. Young Futures Project Update *(Director of Children's and Joint Commissioning Services)*

A report had been circulated which provided the Board with an update of the Young Future's project. It had been decided following work by the Dudley Youth Health Research group, presented at the Healthwatch England Conference, that Hartlepool would develop a similar model. The model had focused on engaging with young people around their experiences of health and social care and understanding their experiences and expectations for ongoing development of services. Based on the Dudley model, it had been decided to train young people to research the health and social care issues for young people. To allow this approach, Healthwatch, Hartlepool Borough Council and York University had compiled a proposal for Young Future's project and had been successful in a bid for funding from the Economic and Social Research Council.

The Board was advised that recruitment and involvement of young people had commenced using a variety of techniques, providing young people with information around aims, commitment and involvement of the project. Twenty two young people had attended a two day residential at York University which had provided an opportunity for the young people to understand the aims of the project in more depth. Throughout the residential the young people had learned more about research methods and their importance. Once themes had been decided, an outline of their project had been planned. Since returning to Hartlepool the groups had sustained their commitment and had met a number of times to continue with their research and development of their project area. An online survey had been developed which all three groups had contributed to, covering all three group's area of work.

Groups had focused on generic themes of young people's experience of mental health problems, mental health and social care provision and activities that made young people feel good about themselves and contribute to emotional wellbeing. Following the data collection, the three groups had developed art work that represented their findings. The art work was on display at the Board meeting.

At the meeting, the Board was advised of further information relating to the background to the project and project information. Brian Loader, Senior Lecturer provided an overview of the involvement of York University and reflected on the Project. An overview of the project was also provided by way of a film which was shown to the Board at the meeting.

Young people representatives presented the following:-

- Information and key findings regarding young people's experience of mental health
- Information and key findings on young people's experience of mental health services
- Information and key findings on the impact of leisure activities on emotional wellbeing

Following a facilitated group work session when groups addressed a number of key questions associated with the Project, the Board received feedback from the Groups which included the following:-

- Practical measures including more input into locations for young people to go, increased use of young inspectors and targeted websites.
- Teachers and other professionals to be trained so that they are more aware of mental health issues and that young people be involved in training to ensure professionals know how to be accessible to young people.
- Increased accessibility and communication associated with Hartlepool Now website and the availability of the Family Services directory to ensure more 'front facing'.
- Use of social media compared to use of websites.
- In terms of leisure facilities, the promotion of free gym memberships, reviewing the criteria (the current threshold is aged 14), promotion of rewards schemes and inclusion in Health and Wellbeing Strategy.
- Benefits associated with involvement in music in terms of promoting social and emotional wellbeing. It was highlighted that there were issues associated with the cost of purchasing instruments. The reopening of the Northern Lights Academy was highlighted as a new development in relation to creative arts.
- It was considered that there was a need for more low level support eg. The training of youth workers to provide support.
- Difficulties arising from booking a GP appointment were highlighted including issues associated with feelings of intimidation. It was suggested that there needed to be improved access to school nurses



and also drop in sessions targeted to young people.

- The operation of a 'one stop shop' in Lambeth was highlighted in terms of a safe environment where there was no stigma attached to attending. The one stop shop in Middleton Grange Shopping Centre was highlighted as being a provision for young people which is used by many young people although it was recognised that there was potential to further develop that offer.
- Concerns were expressed regarding the period of waiting time to be seen by CAHMS and that the service appeared to only treat young people with the highest levels of need.
- The need for a consistent approach to be adopted across all schools although funding was identified as a significant barrier.

The artwork displayed at the meeting was highlighted to the Board in terms of the displayed images, posters and ceramics.

Prior to the meeting closing, expressions of appreciation were expressed to all those who had attended and contributed to the meeting with particular reference to the young people and the Council's youth workers/participation team.

### **Decision**

- (i) Board members noted the report and discussed the findings of the project including how the data collected can be used to improve services for young people.
- (ii) The Board recommended that the implications of the research findings are reflected in the ongoing refresh of the Hartlepool Health and Wellbeing Strategy.
- (iii) The feedback from the Groups was referred to York University for further consideration.

## **27. Any Other Business**

None

Meeting concluded at 6.30 p.m.

CHAIR

**TEES VALLEY HEALTH SCRUTINY JOINT COMMITTEE**  
20 July 2017

**PRESENT -**

**Representing Darlington Borough Council:**

Councillors Newall (in the Chair), J. Taylor and L. Tostevin.

**Representing Hartlepool Borough Council:**

Councillors L Hamilton and B Harrison.

**Representing Middlesbrough Council:**

Councillors E Dryden, J McGee and D Rooney.

**Representing Redcar and Cleveland Council:**

Councillor I Jeffrey.

**Representing Stockton-on-Tees Borough Council:**

Councillor E Cunningham.

**APOLOGIES** – Councillor Thomson (Redcar and Cleveland Borough Council), Councillors Grainge and Hall (Stockton-on-Tees Borough Council), P Mennear, Scrutiny Officer, Stockton-on-Tees Borough Council and A Pearson, Governance Manager, Redcar and Cleveland Borough Council.

**OFFICERS IN ATTENDANCE** – K Graves (Darlington Borough Council), L Stones (Hartlepool Borough Council), C Breheny (Middlesbrough Council), and G Woods (Stockton-On-Tees Borough Council).

**EXTERNAL REPRESENTATIVES –**

**NHS Hartlepool and Stockton and Darlington CCG –**

J Heaney.

**NHS North East Commissioning Support –**

N Black, S Clayton, L Cooke, L Dauncey and J McGuiness.

**NHS South Tees CCG –**

M Burdon.

**Tees Esk and Wear Valley Foundation Trust – Durham and Darlington  
Child and Adolescent Mental Health Services –**

G Leckenby.

**1. APPOINTMENT OF CHAIR FOR THE MUNICIPAL YEAR 2017/18 –**

**RESOLVED** – That Councillor Wendy Newall, Darlington Borough Council be appointment Chair for the Municipal Year 2017/18.

**2. APPOINTMENT OF VICE-CHAIR FOR THE MUNICIPAL YEAR 2017/18** – The Chair advised the Scrutiny Committee that Councillor L Grainge of Stockton-on-Tees Borough Council had expressed an interest for the position of Vice-Chair.

**RESOLVED** – That Councillor L Grainge be appointed Vice-Chair for the Municipal Year 2017/18.

**3. DECLARATIONS OF INTEREST** – Mark Burdon, NHS South Tees CCG declared an interest as he was a candidate in the Billingham North By-Election within Stockton-on-Tees being held today.

**4. MINUTES** – Submitted – The Minutes (previously circulated) of the meeting of the Tees Valley Health Scrutiny Joint Committee held on 26 April 2017.

**RESOLVED** – That, with the deletion of Councillors E Cunningham and L Tostevin in the list of Apologies for Absence, the Minutes be approved as a correct record.

**5. MATTERS ARISING** – In relation to Minute 4 it was confirmed that the Mind Blue Light Project information would be circulated to Members in due course.

**6. MENTAL HEALTH SERVICES FOR CHILDREN AND YOUNG PEOPLE** – In January 2016 Scrutiny Committee received a report regarding the Child and Adolescent Mental Health Transformation Plan and the Committee had agreed to receive progress updates.

Mark Burdon, Development Manager, NHS South Tees Clinical Commissioning Group (CCG) gave a PowerPoint presentation which provided information relating to services for young people and in doing so referred to the NHS England publication, in 2015, of Future in Mind.

Future in Mind set out what was needed to create a system that brought together the potential of the web, schools, social care, the NHS, the voluntary sector, parents and children and young people themselves.

In the Tees Valley the report has led to several key achievements which were outlined for the Committee and included a dedicated crisis and liaison service for children and young people being made available in acute hospital and in the community 24/7. Bereavement support for children under 5 who have lost a family member is a specialist area not provided before and this therapy is done through play. Specialist eating disorders service for children and young people are now being accessed by either GP or Self-referral and not through CAMHS.

One of the aims of Future in Mind was early intervention services working with schools to train all staff in schools, from teachers to dinner ladies, to identify any early signs of a child in need. In terms of service provision the CCG's commission is based around

understanding where a child has an emotional and wellbeing need and how that need can best be met.

It was confirmed that the work was different across the local authority areas and that the CCG was looking at the whole school environment. In Middlesbrough teachers refer to the Head Start service, a preventative and early intervention approach to equip young people aged 10-16 years to cope better with difficult circumstances, preventing them from experiencing common mental health problems before they become serious issues. People were becoming more aware of alternatives available in advance of referring to CAMHS and demand for that service was rising which had led to the majority of waiting times for children accessing CAMHS being lower than national standards.

It was reported that the aim was to move away from the current tiered system of mental health services to a more needs-led flexible service drawing on specialisms with health, local authority and education services to provide a social and emotional wellbeing pathway. This includes improving the understanding and offer for vulnerable groups such as SEND, LAC and Conduct Disorder. Schools and Children's Services currently commission services for children and the best way to get best services is to fund together. In that regard it was suggested that joint working taking place over the Tees Valley should also be reflected by moving to joint commissioning arrangements.

In terms of Improving Access to Psychological Therapies (IAPT) for children it was stated that this was a skills set and there was a move to increase the skills of all people who work, or come into contact, with children in order to prevent children moving to adult specialist services.

Committee was advised that nationally there is a rising demand for CAMHS which was being reflected in Teesside and referrals from families were being regularly received. In Teesside 62 per cent of all referrals are assessed by TEWV with 72 per cent of referrals requiring treatment. Many referrals do not necessarily lead to full treatment as some just need assurances that everything is alright. TEWV has an internal target to see children within four weeks. Darlington now has a single point of access and 100 per cent of children receive a telephone appointment within 24 to 48 hours and a face-to-face appointment within five days. Ninety five per cent of children are seen for their second appointment within nine weeks. In Hartlepool and Stockton almost all children are assessed within four weeks.

References were made to the amount of children self-harming in 2016/17, high suicide levels amongst young people which peaked during exams and University entry times and austerity measures being a prime factor for health issues in deprived areas.

Jo Heaney of NHS Hartlepool and Stockton and Darlington CCG's reported that the Tees Valley had a suicide charter, Task Forces were across the Tees Valley and a long established Suicide Action Group tackled the issue of suicide. Not all suicides were preventable as many people are not known to mental health services and do not present elsewhere for help. A lot of work currently undertaken was around emotional wellbeing and supporting families.

It was explained that the Futures in Mind funding was not a separate funding stream and, following a question, the view of the CCG was that given its high profile it would be difficult to see the additional funding in children's mental health services being withdrawn. It was emphasised that efforts had been made to try and up skill the wider workforce rather than bring in specialist support and that part of the TEWV contract was to provide training to anyone who works with children including school staff and governors, midwives and health visitors.

It was queried whether there had been any impact since schools changed to academies and what services were available for refugees and asylum seekers. It was reported that in Middlesbrough all schools bought into the Head Start Service and didn't have to have local authority links. Priory Woods School and Arts College which provided education for pupils with severe learning difficulties and profound and multiple needs, had its own approach which worked really well. Refugees were screened by TEWV which accessed language sources to ensure people could speak in their own language. The Regional Refugee Forum had advised not to put specialist services in place but to increase awareness in existing services. It was stated that being placed in a strange place and community could have as much a detrimental effect as that which a child had left behind in their native country and the key was better integration and being active in the community.

The CCG made reference to Stockton's secondary schools which had adopted a whole school approach. A champion was in all schools, usually the SENCO, Head Teacher or Deputy Head and was the identified point of contact. These champions have a link into CAMHS to ensure they are responding appropriately and are fully engaged in the process.

The Chair referred to the report of the Health Select Committee on suicide prevention and suggested this topic be considered at Item 10- Scrutiny work Programme.

**RESOLVED** – (a) That the thanks of this Committee be extended to Mark Burdon and Jo Heaney for their interesting and informative presentation.

(b) That the information presented be noted.

**7. RECOMMISSIONING OF IMPROVING ACCESS TO PSYCHOLOGICAL THERAPIES (IAPT) SERVICES** – NHS Hartlepool and Stockton on Tees, Darlington and South Tees Clinical Commission Group's submitted a report (previously circulated) providing updates in relation to the current IAPT programme delivery, future service modelling and proposals for informal engagement of the IAPT Services for NHS Darlington CCG, NHS Hartlepool and Stockton on Tees CCG and NHS South Tees CCG.

It was reported that the current service contract for Hartlepool and Stockton-On-Tees and South Tees CCGs was delivered via an Any Qualified Provider model, due to end in June 2018 and for NHS Darlington CCG the service was provided by Talking Changes, a joint venture consortium and part of an arrangement with Durham Dales, Easington and Sedgefield CCG and North Durham CCG, due to end in March 2019.

Darlington also provides a counselling service which service users with a psychological need can access.

It was the aim of the CCG's to remodel and re-commission IAPT services to reflect the needs of those using the service and align Darlington to Hartlepool and Stockton-On-Tees.

A period of formal engagement is to be undertaken with voluntary and community sector organisations, service users and families, staff and carers to ascertain what is most important to them, this could be transport, location or family.

It was reported that any proposals involving a significant change to the way IAPT services are provided would be subject to formal consultation, proposals with less significant changes would be subject to further informal engagement. The outcome of the consultation will determine the offers, a single point of access may be a better pathway, however, every area has a clear mandate of what needs to be provided through IAPT.

South Tees CCG advise that, as the model in South Tees will not extensively change, there would be no need for formal consultation however an involvement exercise will be undertaken with the public.

**RESOLVED** – (a) That the current programme of IAPT provision be noted.

(b) That the process and timescales for engagement be noted.

(c) That the proposals for future modelling of IAPT services be noted.

(d) That any change considered significant would be subject to further formal engagement be noted.

(e) That further updates following the engagement phase be submitted to a future meeting of the Tees Valley Joint Health Scrutiny Committee.

**8. STAKEHOLDER ENGAGEMENT FINDINGS AND PROPOSAL TO CONSULT: TRANSFORMING CARE RESPITE SERVICES REVIEW** – NHS Hartlepool and Stockton-On-Tees Clinical Commissioning Group and NHS South Tees Clinical Commissioning Group submitted a report (previously circulated) providing updates on progress of transforming care respite services, findings of the initial stakeholder engagement activities, next steps with required timescales and proposals to consult.

The review was to look at how people with learning difficulties, and their families and carers, could use a range of different types of services, closer to the family home and making sure that services are planned and delivered in a way that meets their needs and helps them to have more control.

The review focussed on service users in the Hartlepool and Stockton-On-Tees CCG and South Tees CCG areas. Darlington was not included in the review.

Committee were advised that an exercise to map the services available had been undertaken and details were provided of the current and potential future need of the service in the CCG areas.

Seven scenarios had been developed based on the combined priorities of the CCG and people involved with two being taken forward to consultation.

It was stated that Transforming Care focussed on moving beds from hospital settings and providing respite and beds in a different way and model, for example, an overnight stay in a Premier Inn with care still being provided by Health Care Assistants.

Committee were also advised that a competent and qualified workforce would be available and have a good understanding of the clinical need of service users. It was stressed that the focus was to offer a choice and be responsive to the needs of the individual providing the best respite for them and this was not necessarily in a hospital bed.

As options for the future delivery of respite opportunities could mean a significant change to the way health funded response services for people with Learning Disabilities and complex needs are provided, formal public consultation is required.

A Consultation Plan is being developed with a view to a consultation period of 10 weeks commencing 28 August 2017. A public event is to be held in each of the affected areas with Inclusion North supporting the development of three specific sessions in each of the four areas. It is proposed to use case studies in order to explain possible options and Members urged that the workforce was consulted on the proposals and that the living wage was included in the standard contract documentation.

**RESOLVED** – (a) That the progress of the project be noted.

(b) That the findings of the initial engagement, required next steps and timescales be noted.

(c) That the proposals for formal consultation for a period of 10 weeks be noted.

(d) That the workforce be consulted on the proposals during the consultation process.

(e) That, Scrutiny Committee assesses the information provided and, as Darlington was not directly affected by the proposals, each affected Local Authority consider the impact of the proposals and consider how a response would be provided.

**9. TEES VALLEY HEALTH SCRUTINY JOINT COMMITTEE – PROTOCOL –**  
Submitted – The Protocol for the Tees Valley Health Scrutiny Joint Committee for the Municipal Year 2017/18.

**RESOLVED** – That the protocol for the Municipal Year 2017/18 be agreed.

**10. WORK PROGRAMME 2017/18** – The Chair presented the report of the Democratic Officer requesting Members give consideration to the priorities for the Committee's Work Programme for the Municipal year 2017/18.

Reference was made to the standard items pertaining to Quality Accounts and monitoring of the North East Ambulance Service (NEAS) which would automatically be included in the programme. Members raised concerns around the New Ambulance Standards and their implications for NEAS and the North East having the lowest level of funding in the Country at £26.70 per person, as opposed to Yorkshire of £35 per person, for the service. Members also requested that, whilst monitoring NEAS, comparisons for ambulance standards be brought to a future meeting of this Joint Scrutiny Committee.

It was also suggested that a piece of work be undertaken on suicide rates within the Tees Valley.

Members considered further potential Work Programme topics which were detailed in the submitted report.

It was stated that as there were only four scheduled meetings within the Municipal Year, the Committee could not do justice to all topics. Members felt that as mental health currently had a large nationally focus, Breast Screening and Cancer Mortality in the Tees Valley be deferred for this Municipal Year.

In relation to the Transforming Care Respite Services Review/Development Members felt that, as Darlington was not directly affected and the Tees Valley Health Joint Scrutiny Committee's footprint would not fit the review's footprint, each authority should respond individually to the Review and this item be removed from the Committee's Work Programme.

**RESOLVED** – That the Work Programme be updated to reflect the decisions of this Committee.

**11. FUTURE MEETING ARRANGEMENTS 2017/18** – The Committee noted the proposed meeting dates for the remainder of the 2017/18 Municipal Year, which were as follows:

- 11 October 2017;
- 19 January 2018; and
- 18 April 2018.

It was stated that all meetings would commence at 10:00am and be held in Committee Room No 2 at the Town Hall, Darlington.

**RESOLVED** - That the future meeting arrangements, as detailed in the submitted report, be approved.



## **SAFER HARTLEPOOL PARTNERSHIP MINUTES AND DECISION RECORD**

20 October 2017

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

### **Present:**

Councillor: Christopher Akers-Belcher (In the Chair)  
Councillor Steve Thomas  
Clare Clark, Head of Community Safety and Engagement  
Chief Superintendent Alastair Simpson, Cleveland Police  
Chief Inspector Nigel Burnell, Chair of Youth Offending Board  
John Bentley, Safe in Tees Valley  
Steve Johnson, Cleveland Fire Authority  
Jean Golightly, Hartlepool and Stockton on Tees Clinical  
Commissioning Group

Rachelle Kipling was in attendance as substitute for Barry Copping, Carole Johnson as substitute for Paul Edmondson-Jones and Ann Robertson as substitute for Julie Allan

Also present: Councillor Alan Clark, Hartlepool Borough Council  
Helen Baker, Cleveland Police

Officers: Rachel Parker, Community Safety Team Leader  
Denise Wimpenny, Principal Democratic Services Officer

### **29. Apologies for Absence**

Apologies for absence were submitted on behalf of Barry Copping, Police and Crime Commissioner for Cleveland, Denise Ogden, Director of Regeneration and Neighbourhoods, Hartlepool Borough Council, Paul Edmondson Jones, Interim Director of Public Health, Hartlepool Borough Council, Julie Allan, National Probation Service, John Graham, Durham Tees Valley Community Rehabilitation Company and Sally Robinson, Director of Children's and Joint Commissioning Services, Hartlepool Borough Council.

### **30. Declarations of Interest**

None.

### **31. Minutes of the meeting held on 15 September 2017**

Confirmed.

### **32. Matters Arising from the Minutes**

Min 25 – Youth Justice Strategic Plan

With regard to Minute 25 relating to the Youth Justice Strategic Plan, the Member from the CCG sought clarification on the discussions regarding blast at the last meeting to which the Chief Superintendent updated the Partnership on the debate. It was noted that discussion had included the way in which partners and services worked together in terms of cross-agency working, information sharing and the opportunities to test the level of Partnership problem solving. An action had been allocated to the Chief Inspector of Neighbourhoods (Chair of the Youth Offending Board) to provide feedback to the Partnership on the level of engagement and information sharing in terms of addressing anti-social behaviour.

In relation to Minute 28 regarding the Substance Misuse Sub-Group update, a representative from the Public Health Department apologised for the misunderstanding at the last meeting and sought the Partnership's views on a way forward. The Chair indicated that this report should be considered at the next meeting of the Partnership in December.

#### **Decision**

- (i) That the Chief Inspector of Neighbourhoods (Chair of the Youth Offending Board) provide an update report to the next meeting in relation to the effectiveness of cross-agency working including the level of information sharing and communications across partnerships in terms of addressing anti-social behaviour.
- (ii) That the Substance Misuse Sub-Group update report be submitted to the next meeting of the Partnership.

### **33. Domestic Abuse Strategic Group Update including Presentation on Victim Withdrawal Rates** *(Director of Regeneration and Neighbourhoods)*

#### **Purpose of report**

To provide an overview of activity undertaken by the Hartlepool Domestic Abuse Strategy Group during 2017.

To receive a presentation on victim withdrawal rates as a key area of work undertaken by the Domestic Abuse Sub-Group.

**Issue(s) for consideration**

The Head of Community Safety and Engagement introduced the report which provided background information to the purpose of the Domestic Abuse Group. The Partnership was referred to the action plan, appended to the report, which provided an update on progress to date and incorporated the four key strategic objectives in terms of prevention of abuse, partnership working, provision of services and pursuing perpetrators.

It was reported that good progress had been made against the Domestic Violence and Abuse Action Plan. Details of work that had been carried out to date together with future work was outlined. The importance of training for front line staff was highlighted.

The representative from the Public Health Department commented on the benefits of the White Ribbon Campaign and the Interim Director of Public Health's involvement and experience in this area. It was envisaged that a small working group would be developed together with an outline plan, an update of which would be presented to the next meeting of the Partnership.

In support of the report, a representative from Cleveland Police, who was in attendance at the meeting, provided the Partnership with a presentation in relation to victim withdrawal rates which was a key area of work undertaken by the Domestic Abuse Sub-Group. The presentation focussed on the following:-

- Statistical Information - 14,500 incidents of Domestic Abuse reported in Cleveland last year which equates to 12% of all recorded crime
- How to better protect victims – 55% of victims withdraw their support for a prosecution
- Results of Victim Survey undertaken to continually improve service provision
- Analysis – Voice of the Victim
- What works
  - My sister's Place (MSP)
  - Independent Domestic Abuse Advisory Services
- Response – Victim Engagement Strategy
  - Prepare/Prevent/Protect/Pursue
- Assess Impact Success

Partnership Members welcomed the initiative and commented on the benefits as a result. A query was raised as to the potential reasons for

higher rates of children witnessing domestic abuse in Hartlepool than other areas in the Tees Valley. The representative from Cleveland Police advised that the launch of Operation Encompass in Hartlepool may be a contributory factor as well as the demographics of households given that the number of children in households in Hartlepool was greater than neighbouring areas. It was acknowledged that there was more work to do to gain a better understanding of this issue.

In the lengthy discussion that followed, the representative responded to issues raised in relation to the presentation. Clarification was provided regarding the roles and responsibilities of the IDVA Co-ordinator and recently appointed Independent Chairs as well as the funding arrangements. The benefits of the IDVA Co-ordinator post were also outlined. In response to a query raised regarding the referral arrangements, the representative provided clarification regarding the circumstances in which a safeguarding referral could be made. The importance of prevention was emphasised and the Chair was keen to utilise any publicity material available to assist with prevention. The representative outlined the current promotion arrangements and referred to a recently developed Hollie Guard mobile phone application which was available to vulnerable victims and agreed to provide this information following the meeting. The Chair suggested that the community safety and prevention information, including details of Clare's Law, be publicised in the December edition of the Council's Hartbeat magazine.

In concluding the debate, the Head of Community Safety and Engagement reported that whilst the number of incidents of domestic abuse reported to the Police continued to be of concern, data collected by Cleveland Police did, however suggest a reduction in the number of MARAC repeat referrals, details of which were set out in the report. The increase in the number of referrals to the Outreach element of the specialist domestic abuse service was also indicative of an increased awareness amongst statutory services of the wider help available for victims and their families.

The Chair thanked the representative for an informative presentation.

### **Decision**

- (i) The contents of the report and progress made to date against the Domestic Violence and Abuse Action Plan be noted.
- (ii) The contents of the presentation and comments of Members were noted.
- (iii) That an outline plan in relation to the White Ribbon Campaign be submitted to the next meeting of the Partnership.
- (iv) That information relating to the Hollie Guard Mobile Phone application be provided to Partnership Members following the meeting.

- (v) That community safety and prevention information, including details of Clare's law, be publicised in the December edition of the Council's Hartbeat magazine.

### **34. Community Engagement and Cohesion Strategy (Draft)** *(Director of Regeneration and Neighbourhoods)*

#### **Purpose of report**

To consider and comment on the Council's Community Engagement and Cohesion Strategy (Draft)

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

The report set out the background to the development of the Council's Draft Community Engagement and Cohesion Strategy, attached as Appendix 1.

The strategy had been informed by the views expressed last summer through Your Say, Our Future and the recent Voluntary and Community Sector Survey. It had also been developed to reflect what worked well in Hartlepool and elsewhere and to build upon the strong foundations that were already in place in the town.

The strategy had been prepared in the style of a plan on a page. This was intended to ensure that the strategy was simple and easy to understand and could be used as an easy reference document. An action plan would sit alongside the strategy to set out what specifically would be done to ensure that the vision of the strategy was delivered. Some examples of what might be included were set out within the draft strategy. The action plan would be further developed following the 8 week consultation period with a final draft being presented to Finance and Policy Committee in January 2018 and final approval by Council expected in March 2018.

Details of the consultation arrangements were provided, as set out in the report.

With regard to the proposed consultation and engagement process and the proposals to utilise community hubs as a basis for key consultation the Chair commented that community hubs should include the Centre for Independent Living and the strategy should reflect the Council's commitment to the Tees Valley City of Sanctuary.

#### **Decision**

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

- (ii) That the strategy should include reference to the Centre for Independent Living as a basis for key consultation and the Council's commitment to the Tees Valley of Sanctuary.

### **35. Hate Crime Update** *(Director of Regeneration and Neighbourhoods)*

#### **Purpose of report**

1. To update the Safer Hartlepool Partnership on the level of reported hate incidents and crimes across Hartlepool.
2. To inform the Safer Hartlepool Partnership of the publication of new public policy statements by the Crown Prosecution Service (CPS) on how it will prosecute hate crime and support victims in England and Wales.

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

The Community Safety Team Leader presented the report which provided the background to concerns reported nationally about rising reports of hate crimes linked to the EU Referendum and the Partnership's request for a report in September 2016 outlining the current trends in relation to hate crimes and incidents in Hartlepool. The report highlighted that although numbers remained low, there had been an increase in racially motivated incidents in Hartlepool over the period April 2015 to July 2016.

On a national level these concerns had been responded to by the CPS initiating a 13 week consultation with a view to publishing revised policy statements covering a number of strands of hate crime, as detailed in the report.

It was reported that further analysis had been undertaken to investigate the prominence of hate crime reported and detailed information for the period September 2016 to August 2017 was provided, with 167 hate crime incidents recorded by the police in Hartlepool which represented an increase of 17 incidents when compared to the same period the previous year. Information as a comparator with the previous year was also provided in relation to racially motivated incidents which were following an increasing trend with incidents increasing by 22%.

The Partnership was advised of the key points contained within the newly revised Policy Statements, published in August 2017, in relation to prosecuting hate crime

Following presentation of the report, the Community Safety Team Leader responded to queries raised in relation to hate crime figures by type.

The Chief Superintendent commented on the potential reasons for an

increase in hate crime which included links to the EU referendum and changes to the way in which hate crime was recorded. The increase in the use of social media provided an opportunity for individuals to air their views and there had been an increase in on-line racist related comments following Brexit which had also contributed to the growth in hate crime. Partnership Members were briefed on the recent measures introduced by the police to tackle hate related crime. Given that hate crime was still under reported, the rise in hate crime figures could be viewed as a positive measure. In relation to the higher number of terrorist attacks nationally in the last year, positive community action, in response to such consequences had been evident.

The Chair questioned whether any analysis had been undertaken in terms of the level of hate crime attributed to social media. In response, the Chief Superintendent indicated that whilst the majority of hate crime was linked to public order offences on the street, a significant level of unreported hate crime was taking place on line, details of which would be presented to a future meeting.

Emphasis was placed upon the importance of encouraging individuals to report such issues and the need to promote third party reporting centres. Clarification was sought in terms of what could be done, as a local authority, to ensure the relevant information was provided to assist in securing a successful prosecution. Members were advised that the vision did provide a reporting mechanism for hate crime, which the police were currently reviewing and would include exploring links with local processes.

The need to widely promote how issues of this type could be reported via social media was suggested and the Chair requested that this be taken forward by the Communications Group.

### **Decision**

- (i) That the trends in relation to hate crime, and incidents in Hartlepool be noted.
- (ii) That the comments of Members, as outlined above, in relation to the implications of the CPS's Public Statements for Hartlepool, and how the Partnership might raise awareness of the changes to the prosecution of hate crime and encourage more victims of hate to come forward, be noted.
- (iii) In recognition of the severity of hate crime, that measures be taken to ensure that the Council's own Policies and Procedures complement the Crown Prosecution Service's new Public Policy Statements.
- (iv) That the Crown Prosecution Service be invited to attend a future meeting of the Partnership to provide feedback on the impact of the

new policy statements.

- (v) That the Chief Superintendent provide statistics on the level of hate crime that could be attributed to social media to a future meeting of the Partnership.
- (vi) That the Communications Group be requested to explore the most appropriate methods of reporting hate crime via social media.

### **36. Date and Time of Next Meeting**

The Chair reported that the next meeting would be held on Friday 8 December 2017 at 10.00 am.

The meeting concluded at 12 noon.

CHAIR