AUDIT AND GOVERNANCE COMMITTEE

Thursday 10th February 2022

HARTLEPOOL
BOROUGH COUNCIL

Thursday 10th February 2022

at 10.00 am

in the Council Chamber,
Civic Centre, Hartlepool

A limited number of members of the public will be able to attend the meeting with spaces being available on a first come, first served basis. Those wishing to attend the meeting should phone (01429) 523568 or (01429) 523193 by midday on Wednesday 9 February and name and address details will be taken for NHS Test and Trace purposes.

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

AUDIT AND GOVERNANCE COMMITTEE:

Councillors Boddy, Cook, Cowie, Feeney, Hall, B Loynes, D Loynes, Picton, Richardson, Riddle.

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

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

Local Police Representative: Superintendent Sharon Cooney

1. **APOLOGIES FOR ABSENCE**

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

3. **MINUTES**

    3.1 To confirm the minutes of the meetings held on 16th December 2021 and 13th January 2022.

4. **AUDIT ITEMS**

4.1 Mazars Report – Auditors Annual Report – *Assistant Director, Finance*

4.2 Treasury Management Strategy - *Director of Resources and Development*

4.3 Mazars Report - Audit Progress Report - *Assistant Director, Finance*

5. **STANDARDS ITEMS**

5.1 Regulation of Investigatory Powers Act 2000 (RIPA) – Quarterly Update – *Chief Solicitor*

6. **STATUTORY SCRUTINY ITEMS**

Crime and Disorder Scrutiny

No items.

Health Scrutiny

6.1 Covid-19 Update Presentation - *Director of Public Health*

6.2 Hartfield's Medical Practice (part of the McKenzie Group) - Closure Application:-

(a) Covering Report - *Statutory Scrutiny Manager; and*
(b) Closure Proposal - Extended Engagement - *McKenzie Group Practice* –

6.3 Visit to Rowan Suite, University Hospital Hartlepool - Verbal Update - Statutory *Scrutiny Manager*

7. **OTHER ITEMS FOR DECISION**

No items

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

No items.

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

No items

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

No items.

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

11.1 Minutes of the meeting held on 20 September 2021.

12. **REGIONAL HEALTH SCRUTINY UPDATE**

No items.

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

No items.

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

For information: -

Date and time of forthcoming meetings

Thursday 28 February, 2022 at 10.00 am
Thursday 17 March, 2022 at 2.00 pm

AUDIT AND GOVERNANCE COMMITTEE

MINUTES AND DECISION RECORD

16 DECEMBER 2021

The meeting commenced at 10.00 am in the Civic Centre

Present:

Councillor: Rob Cook (In the Chair).

Councillors: Brian Cowie, Ged Hall and Stephen Picton

Co-opted Members:
Martin Slimings – Independent Member
Alan O'Brien – Parish Council Representative

Also Present:
In accordance with Council Procedure Rule 4.2 Councillor Angela Falconer was in attendance as substitute for Councillor Brenda Loynes

Steve Thomas, Healthwatch
Michael Slimings, Community Led Inclusion Partnership
Lisa Lavender, Trussell Trust Foodbank

Officers: Sylvia Pinkney, Assistant Director, Regulatory Services
Noel Adamson, Head of Audit and Governance
James Magog, Assistant Director, Finance
Danielle Swainston, Assistant Director, Joint Commissioning
Penny Thompson, Head of Housing, Hardship and Welfare Services
Joan Stevens, Statutory Scrutiny Manager
Angela Armstrong, Scrutiny and Legal Support Officer
Denise Wimpenny, Principal Democratic Services Officer

Prior to commencement of business the Chair referred to the recent death of former Councillor Jane Shaw and Co-opted Member of the Audit and Governance Committee, Gillian Holbrook. The Committee observed a 1 minute silence as a mark of respect. The Chair took the opportunity to pay tribute and express his personal gratitude to Gillian for her invaluable contributions on the Audit and Governance Committee.

89. Apologies for Absence

Apologies for absence were submitted on behalf of Councillors Moss Boddy, Tom Feeney, Brenda Loynes, Dennis Loynes, Carl Richardson, John Riddle and Independent Member Tracy Squires.

90. Declarations of Interest

None.

91. Minutes of the meetings held on 14 October and 11 November 2021

Confirmed.

92. Internal Audit Plan 2021/22 Update *(Head of Audit and Governance) of Resources and Development)*

The Head of Audit and Governance reported on progress made to date completing the Internal Audit Plan for 2021/22. Members were referred to details of audits completed together with recommendations, risks identified and action plans agreed as a result. Reference was made to the Officers Expenses Audit which was assessed as limited assurance and the Assistant Director of Finance outlined the measures that had been taken to mitigate the risks identified and ensure standards were maintained.

Recommended

That the contents of the report be noted.

93. Safer Hartlepool Partnership Performance (*Director of Neighbourhoods and Regulatory Services)*

The report provided an overview of the Partnership's performance during Quarter 2 – July to September 2021, as set out in an appendix to the report. Information as a comparator with performance in the previous year was also provided. In presenting the report, the Assistant Director, Regulatory Services highlighted salient positive and negative data and responded to queries in relation to crime figures by type.

Clarification was provided in relation to the measures in place to address anti-social behaviour in problematic areas within the town which included targeted activity and joint working between Anti-Social Behaviour Officers, Civil Enforcement and the police. Examples of anti-social behaviour activity were provided and the potential links between anti-social behaviour, deprivation and poverty were questioned.

Recommended

That the contents of the report and comments of Members be noted.

94. Child Poverty Investigation – Covering Report/ Further Evidence *(Statutory Scrutiny Manager/Director of Children's and Joint Commissioning Services)*

As part of the ongoing investigation into Child Poverty, the Statutory Scrutiny Manager introduced the report which provided evidence to inform the next stage of the investigation. The report included background information together with a summary of evidence that had been provided to date.

The Head of Housing and Welfare Services presented a report which provided Members with a brief summary of the findings from talking to residents as well as feedback of case studies from current service users, as set out in an appendix to the report. A representative from the Trussell Trust Foodbank, who was in attendance at the meeting, had been invited to provide details of findings and share experiences around the work undertaken in the Foodbank.

The representative provided data in relation to the number of individuals accessing support from the Trussell Trust Foodbank. The main reasons for individuals requiring support were as a result of benefit changes, delays with payments or debt and low income related issues. Whilst the initial purpose of the foodbank was to support emergency/crisis situations, the Foodbank was finding themselves continuing to support the benefit system, examples of which were provided. The Trussell Trust Foodbank were continuing to push for change and collaborative working and the need for a multi-agency approach to address the wider issues associated with poverty was emphasised. Whilst the representative commended the invaluable benefits of collaborative working in Hartlepool with the Council's Welfare Support Team, it was recognised that more work was needed to support long term change. It was also highlighted that foodbank users often presented with complex needs and required more support than a food parcel. The Trust was currently working on how the wider issues of poverty could be addressed. Emphasis was placed upon the importance of choice and the need for individuals' basic needs to be met.

In the lengthy discussion that followed the Committee debated issues arising from the report including the local welfare support case studies. The representative and officers responded to issues raised. In response to a query raised regarding the numbers accessing foodbanks, Members were advised that the Trussell Trust was just one of the organisations providing support in the town. Whilst Members welcomed the invaluable support of the Trussell Trust and other groups in Hartlepool in terms of collecting food, taking donations, undertaking fundraising activities to support families in need, concerns were reiterated that poverty remained a significant issue in Hartlepool despite the provision of extensive interventions to mitigate the impact from organisations of this type. The wider issues contributing to poverty were debated during which concerns were reiterated in relation to the impact of the withdrawal of the £20 universal credit support, increases in interest rates and cost of living as well as the increasing number of individuals in poverty requiring advice.

Clarification was provided around the various support schemes available including access to food bank vouchers, school meal vouchers as well as digital support arrangements, particularly during the pandemic when community hubs were closed. The Head of Housing, Hardship and Welfare Support was pleased to report that they had been successful in securing funding for a Food Co-ordinator post to deal with redistribution of food to different agencies in the town which was an example of successful collaborative working, details of which were provided. Given the statistics presented in terms of the level of reliance on the Trussell Trust for support, the need to explore the level of need across all food agencies in the town was suggested. The Head of Housing, Hardwhip and Welfare Support commented on the role of the Food Council in terms of co-ordinating distribution across the town.

In concluding the debate, the Scrutiny Support Manager advised that the Committee's final report would be presented to the next meeting of this Committee in January and Finance and Policy Committee. Progress on the recommendations would also be reported on a six monthly basis to this Committee.

Recommended

That the comments of Members and the recommendations set out below be agreed and be utilised to inform the recommendations within the final report to be presented to Finance and Policy Committee:-

1. To work collaboratively with organisations such as Thrive Teesside and The Poverty Truth Network to establish a Poverty Truth Commission in Hartlepool.

2. To establish a Working Group to look further into what is required to formally adopt the Socio Economic Duty, its benefits, how this might reduce poverty and what this means in practical terms for officers of the Council.

3. To consider the research findings and proposed options appraisal for Local Welfare Support when the project evaluation work was complete in January 2022.

4. To work collaboratively with residents, the VCS and other partner agencies on the development of the Child and Family Poverty Strategy built on the voice of lived experience.

A brief comfort break was observed prior to consideration of the following item of business

95. Accessibility of Services to People with Disabilities and Lifelong Learning Conditions – Council Referral – Scoping Report/Setting the Scene Presentation

(*Statutory Scrutiny Manager/Various Organisations)*

The report of the Statutory Scrutiny Manager outlined the background to the referral from Council that the Audit and Governance Committee review, as part of its 2021/22 Work Programme, "accessibility of services for those with disabilities and lifelong conditions to ensure that any barriers, physical, procedural or otherwise, which may inhibit access to services and day to day living are identified so that reasonable adjustments can be made."

The Committee's approval was sought around the definition of accessibility as set out in the report and Members were referred to the Public Sector Equality Duty, the aims of the Duty as well as the key issues in terms of fulfilling the aims of the Equality Duty. The report also set out the aims and terms of reference for the investigation including potential areas of enquiry and sources of evidence and a proposed timetable for Members approval.

The Chair welcomed representatives from the Community Led Inclusion Partnership and Healthwatch who had been invited to attend the meeting as part of the evidence gathering process.

Michael Slimings provided a presentation in relation to the three models of disability and the barriers faced as an individual. The presentation included the following issues:-

- The Charity Model of Disability depicts disabled people as victims of circumstance, deserving of pity.
- The Charity Model and the Medical Model are probably the ones most used by non-disabled people to define and explain disability.
- Seen as tragic victims, that we need care, are not capable of looking after ourselves or able to manage our own affairs and need charity in order to survive.
- The Medical Model assumes that the first step solution is to find a cure or to use WHO terminology – make disabled people more "normal"
- The Social Model – the loss of limitation of opportunities to take part in the normal life of the community on an equal level with others due to physical or social barriers

- The Social Model of disability in action – employer, employee, retired social worker, go on holiday, homeowner, resilient not brave, not wheelchair bound, wheel chair user.

The Healthwatch representative indicated that he was in attendance today not only as a Healthwatch Representative but also on behalf of Tracey Bestford, the Commumity Led Inclusion Partnership Co-ordinator, and also as a colleague of Michael.

Members were provided with a detailed and comprehensive presentation which updated Members on the purpose of the CLIP who were a voluntary constituted group who were passionate about breaking barriers and sharing good practice across Hartlepool. The presentation focussed on the following issues:-

- Promoting the Social Model of Disability
- Changing social attitudes towards disabled people
- The need for disability awareness
- Feedback from listening to our community:-
  Community want better access to social activities, employment, transport, education, parking, healthcare, independent living, adaptions in local places and local events
- Community want to see change to workforce development training/disability awareness, reasonable adjustments, access to GP appointments, drop curbs, community understanding, social isolation, smoother journey into education, co-production on services delivered in Hartlepool, appropriate training for medical professionals, better transport services, better job opportunities, transition into adulthood, better outcomes
- The importance of co-production and empowerment

In the discussion that followed the Committee welcomed the information and personal experiences that had been shared and acknowledged the various barriers to disability. Members commented on the need to change social attitudes towards disabled people, the importance of independent living and ensuring wheelchair users and individuals with access needs were met.

The Chair thanked the representatives for their attendance and invaluable contributions to the investigation and asked Committee Members as well as the representatives to share any views/ideas/suggestions which may assist with the investigation to Scrutiny Officers following the meeting.

Members were advised that CLIP were undertaking regular focus group meetings with the public in relation to these issues which included transport, access to GP services to which members of the Committee were welcome to attend.

Recommended

1. That the proposed remit and terms of reference for the investigation be approved.

2. That the potential areas of enquiry/sources of evidence and methods of investigation as outlined in the report be approved.

3. That the proposed timetable, as set out in the report, including additional meetings as required for undertaking the investigation be approved.

96. Minutes of the recent Meeting of the Health and Wellbeing Board held on 15 October 2021

Received.

97. Minutes from the recent Meetings of the Tees Valley Joint Committee held on 22 June and 24 September 2021

Received

98. Any Other Items which the Chairman Considers are Urgent

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

99. Any Other Business – Pharmaceutical Needs Assessment

The Statutory Scrutiny Manager encouraged Members to complete a Pharmaceutical Needs Assessment questionnaire that had recently been circulated and agreed to recirculate the information following the meeting.

100. Date and Time of Next Meeting

The Chair reported that the next meeting would be held on Thursday 13 January 2022 at 10.00 am and took the opportunity to wish everyone a Merry Christmas and best wishes for the New Year.

The meeting concluded at 12.10 pm.

CHAIR

AUDIT AND GOVERNANCE COMMITTEE

MINUTES AND DECISION RECORD

13 JANUARY 2022

Due to the high level of Omicron Covid cases across the Borough, the levels of staff who were isolating and concerns from Elected Members and staff about meeting face to face meetings, the Managing Director had recommended that unless a report that is scheduled to go to a January Committee is time limited and urgent, it should be deferred to the February meeting of the Committee. In recognition that statutory notice had been given for the Committee meeting scheduled for 13 January 2022, the Chair of the Committee and Leader of the Council was consulted and it was agreed with the Managing Director that the meeting be cancelled.

The decision was taken in accordance with Constitution Reference – MD14a – In exceptional circumstances, such as a global pandemic, the Managing Director Executive in consultation with the Leader and the Ceremonial Mayor may postpone convened meetings of Full Council (including Committee Meetings)

CHAIR

AUDIT AND GOVERNANCE COMMITTEE

10 February 2022

HARTLEPOOL BOROUGH COUNCIL

Report of: Assistant Director Finance

Subject: MAZARS REPORT- AUDITORS ANNUAL REPORT

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1. PURPOSE OF REPORT

1.1 To inform Members of the Audit and Governance Committee that arrangements have been made for representatives from Mazars to be in attendance at this meeting, to present the content of the Auditors Annual Report.

2. BACKGROUND

2.1 This report updates the Audit and Governance Committee on the key messages from the 2020/21 audit of Hartlepool Borough Council by Mazars. The audit was made up of two elements:

- Mazars audit of the financial statements; and
- Mazars commentary on value for money arrangements.

2.2 The Auditors Annual Report was circulated to all members of the Council for information.

3. FINDINGS OF MAZARS

3.1 Details of key messages are included in the main body of the report attached as **Appendix 1**. It is a positive report which includes an unqualified opinion on the Council’s financial statements and states that the work undertaken did not identify any evidence to indicate a significant weakness in the Council’s arrangements in relation to improving economy, efficiency and effectiveness.

4. RISK IMPLICATIONS

4.1 There is a risk that if Members of the Audit and Governance Committee do not receive the information needed to enable a full and comprehensive review of governance arrangements at the Council, this may lead to the Committee being unable to fulfil its remit.

5. FINANCIAL CONSIDERATIONS

5.1 There are no financial considerations.

6. LEGAL CONSIDERATIONS

6.1 There are no legal considerations.

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 That the Audit and Governance Committee:

i. Note the report of Mazars.

12. REASON FOR RECOMMENDATIONS

12.1 To ensure the Audit and Governance Committee is kept up to date with the work of our External Auditor.

13. BACKGROUND PAPERS

13.1 Mazars Auditors Annual Report.

14. CONTACT OFFICER

14.1 James Magog
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4.1 Appendix 1

Auditor’s Annual Report

Hartlepool Borough Council – year ended 31 March 2021

January 2022

mazars

Contents

01

Section 01:

Introduction

1. Introduction

Purpose of the Auditor’s Annual Report

Our Auditor’s Annual Report (AAR) summarises the work we have undertaken as the auditor for Hartlepool Borough Council (‘the Council’) for the year ended 31 March 2021. Although this report is addressed to the Council, it is designed to be read by a wider audience including members of the public and other external stakeholders.

Our responsibilities are defined by the Local Audit and Accountability Act 2014 and the Code of Audit Practice (‘the Code’) issued by the National Audit Office (‘the NAO’). The remaining sections of the AAR outline how we have discharged these responsibilities and the findings from our work. These are summarised below.

Opinion on the financial statements

We issued our audit report on 14 December 2021. Our opinion on the financial statements was unqualified.

Value for Money arrangements

In our audit report, issued on the 14 December 2021, we reported that we had not completed our work on the Council’s arrangements to secure economy, efficiency and effectiveness in its use of resources and had not identified significant weaknesses in those arrangements at the time of reporting. Section 3 confirms that we have now completed this work and provides our commentary on the Council’s arrangements. No significant weaknesses in arrangements were identified and there are no recommendations arising from our work.

Wider reporting responsibilities

We have not yet received group instructions from the National Audit Office and we are unable to issue our audit certificate until this is formally confirmed.

The 2014 Act requires us to give an elector, or any representative of the elector, the opportunity to question us about the accounting records of the Council and to consider any objection made to the accounts. We did not receive any questions or objections in respect of the Council’s financial statements.

02

Section 02:

Audit of the financial statements

2. Audit of the financial statements

The scope of our audit and the results of our opinion

Our audit was conducted in accordance with the requirements of the Code, and International Standards on Auditing (ISAs).

The purpose of our audit is to provide reasonable assurance to users that the financial statements are free from material error. We do this by expressing an opinion on whether the statements are prepared, in all material respects, in line with the financial reporting framework applicable to the Council and whether they give a true and fair view of the Council's financial position as at 31 March 2021 and of its financial performance for the year then ended.

Our audit report, issued on 14 December 2021 gave an unqualified opinion on the financial statements for the year ended 31 March 2021.

Qualitative aspects of the Council's accounting practices

We reviewed the Council's accounting policies and disclosures and concluded that they comply with the 2020/21 Code of Practice on Local Council Accounting, appropriately tailored to the Council's circumstances.

Draft accounts were approved by the Audit and Governance Committee on 29 July 2021 and both the accounts and supporting working papers were of a good quality. Comprehensive working papers were received at the start of the audit on 8 August 2021 and we substantially completed the audit by 19 October 2021. We issued our audit completion report on this date and presented it to the Audit and Governance Committee on 11 November 2021. However, we had to wait for assurance from the pension fund auditor before we could issue our opinion. We received this assurance following clarification of their findings, on 13 December 2021.

Significant difficulties during the audit

We did not encounter any significant difficulties during the course of the audit and we have had the full co-operation of management.

03

Section 03:

Commentary on VFM arrangements

3. VFM arrangements – Overall summary

Approach to Value for Money arrangements work

We are required to consider whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The NAO issues guidance to auditors that underpins the work we are required to carry out and sets out the reporting criteria that we are required to consider. The reporting criteria are:

- **Financial sustainability** - How the Council plans and manages its resources to ensure it can continue to deliver its services
- **Governance** - How the Council ensures that it makes informed decisions and properly manages its risks
- **Improving economy, efficiency and effectiveness** - How the Council uses information about its costs and performance to improve the way it manages and delivers its services

At the planning stage of the audit, we undertake work so we can understand the arrangements that the Council has in place under each of the reporting criteria; as part of this work we may identify risks of significant weaknesses in those arrangements. Where we identify significant risks, we design a programme of work (risk-based procedures) to enable us to decide whether there is a significant weakness in arrangements. Although we describe this work as planning work, we keep our understanding of arrangements under review and update our risk assessment throughout the audit to reflect emerging issues that may suggest there are further risks of significant weaknesses.

Where our risk-based procedures identify actual significant weaknesses in arrangements, we are required to report these and make recommendations for improvement.

The table below summarises the outcomes of our work against each reporting criteria. On the following page we outline further detail of the work we have undertaken against each reporting criteria, including the judgements we have applied.

Reporting criteria	Commentary page reference	Risks of significant weaknesses in arrangements identified?	Actual significant weaknesses in arrangements identified?
Financial sustainability	**9**	No	No
Governance	**11**	No	No
Improving economy, efficiency and effectiveness	**13**	No	No

3. VFM arrangements – Financial Sustainability

Overall commentary on the Financial Sustainability reporting criteria

How the Council identifies significant financial pressures that are relevant to its short and medium-term plans

We have reviewed the Council's overall governance framework, including Council, Finance and Policy Committee and Audit and Governance Committee reports, the Annual Governance Statement, and the Annual Report and Accounts for 2020/21. These confirm that the Council undertook its responsibility to define the strategic aims and objectives, approve budgets and monitor financial performance against budgets and plans to best meet the needs of the Council's service users.

The Council receives assurance on all aspects of financial management and operational performance through reports to the Finance and Policy Committee. This includes:

- overseeing and assuring financial and operational performance;
- considering the risks associated with any material financial transactions;
- considering the financial and operational risks involved in the Council's business and how they are controlled and monitored by management; and
- taking action needed to address issues raised or to make improvements.

Our review of supporting papers confirmed that it did so effectively throughout 2020/21, although reports focused on the risks arising from the pandemic and its financial and operational impact rather than the usual review of the Strategic Risk Register, Council Plan and budget monitoring reports.

The Council's 2020/21 financial plan reflected a strategy of phasing out reliance on reserves, with a budgeted £0.5M use of reserves compared to £3.7M in 2019/20. The plan included savings of £2.1M that were primarily secured through policy changes on pension contributions, fees and charges and street cleaning.

The Council monitors its financial performance closely and forecast break-even consistently through the year after allowing for expected income to offset the impact of Covid-19. Audited accounts show this was achieved for the year to 31 March 2021 after a successful claim for additional COVID-19 funding of £4.2M.

Formal meetings of the Council and its committees did not take place in the first 2 months of 2020/21 due to the pandemic but the financial position was reported to the Council in June 2021 and it was identified at this early stage that formula-based COVID-19 funding would be insufficient with additional costs or reduced income from the pandemic of up to £6.2M, which transpired to be a very accurate forecast.

Prior to the pandemic, quarterly budget monitoring reports were presented to service committees but due to the uncertainty created by COVID-19 and the dynamic position of government funding responsibility was transferred to the Finance and Policy Committee and reports focused on the net impact of COVID-19 to support claims for grant funding. The Finance and Policy Committee has received more detailed financial management reports in 2021/22. The financial position was challenged at these meetings and the reasons for the additional reliance on COVID-19 funding were clearly articulated.

Budget Preparation commences at least five months in advance of the forthcoming year. Heads of Finance complete detailed work for their departments and the results are collectively assessed by the Corporate Management Team (CMT). CMT discuss pressures, growth and savings and the Director of Resources and Development updates for assumptions regarding funding, inflation and the council tax increase. The Medium Term Financial Strategy is regularly updated and reported to members as financial forecasts change.

How the Council plans to bridge funding gaps and identifies achievable savings

The Council has a history of meeting its financial targets. Core government funding reduced by 63% between 2013/14 and 2021/22 and the requisite savings reduced the workforce by 20% over the nine years up to 31 March 2020.

The Council's positive track record in terms of delivering savings and keeping within budget has allowed it to maintain a general reserve of £4.4M at 31 March 2021, which is in line with the minimum level determined by the Director of Resources and Development's risk assessment and about 5 per cent of the budget. In addition, the Council has a Budget Support Fund of £15M set aside to meet a potential funding gap over the period of the Medium Term Financial Strategy.

The Medium Term Financial Strategy covers a rolling three year programme and is designed to maintain the general reserve at the minimum level determined by the Director of Resources and Development's risk assessment, with the Budget Support Fund utilised to allow sufficient time to develop and implement further savings. The Council decided in February 2021 that owing to the impact of the pandemic on household finances, council tax for 2021/22 would be frozen, which inevitably meant a pause to the policy of reducing reliance on reserves. Accordingly, the 2021/22 budget was balanced through utilising £4.2M of the budget support fund, whilst options for savings were explored to bridge a £5.6M funding gap for 2022/23. This was a one-off measure as reserves can only be used once and the underlying deficit remains. The Council have prudently increased council tax by 1.9% plus the 3% adult social care precept for 2022/23.

3. VFM arrangements – Financial Sustainability

Overall commentary on the Financial Sustainability reporting criteria - continued

The updated Medium Term Financial Strategy approved by the Council in December 2021 identifies savings of £2.6M for 2022/23 with the budget balanced through a further use of the budget support fund of £2.5M. It identifies further savings for 2023/24 of £1M leaving a funding gap of £3.5M. The budget support fund is forecast to be almost fully utilised by 31 March 2025 unless further savings are identified to bridge this gap.

We examined the savings planned for 2022/23, noting that they were developed through 2020/21 and the first half of 2021/22 and members rejected additional savings that had originally been proposed of £1.3M. We regard the approved savings as challenging but realistic, given the Council's track record at delivering greater savings. Each savings plan is supported by a proposal sheet explaining how it is to be delivered, allocating work-streams and lead officers, evaluating risks and benchmarking where appropriate. 45% of the agreed savings relate to 5 savings plans:

- £395K by reviewing specific terms and conditions, bringing the Council in line with many others;
- £300K by mainstreaming the surplus on the vulnerable persons resettlement grant;
- £175k by increasing the in-year council tax collection level;
- £167K reviewing management and departmental administrative support costs; and
- £145K by ceasing two contracts with low take-up and deleting one support post.

How the Council plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities

Resources follow priorities through the Medium Term Financial Strategy. The MTFS allows for investment in Children's Services and budget savings in other areas in line with strategic and statutory priorities. The Strategy is sustainable over the three year period whilst maintaining a prudent general minimum reserve which is risk assessed annually and reported to the Council. The Council is reasonably placed to support the sustainable delivery of services and although many of its key performance indicators were adversely affected by the pandemic, 40% of them were improved in 2020/21.

We have critically assessed the underlying assumptions used in the Medium Term Financial Strategy and consider them to be appropriate.

Although during 2020/21 the Government announced a public sector pay pause the Council continued to assume pay inflation of 2 per cent per annum (increased to 3 per cent in the latest MTFS) and recently agreed pay awards vindicate this decision. The Strategy assumed that mainstream government funding would be frozen for 2022/23 and 2023/24. Although the provisional finance settlement for 2022/23 allows for a small increase in funding this is largely to address unexpected pressures such as fuel and energy inflation and the planned increase in national insurance contributions.

How the Council ensures that its financial plan is consistent with other plans

The MTFS is underpinned by workforce planning and capital programmes and takes into account risks arising during the year and the financial implications of decisions such as continuing a 12 % Local Council Tax Support Scheme. There is an established job evaluation system for new posts and restructuring. We have not identified any inconsistency between the various plans in prior years or from our review of the new Council Plan.

How the Council identifies and manages risks to financial resilience

The Council undertakes substantial work to understand possible future impacts on the budget. The medium term budget projections consider various budget pressures, such as pay and price increases, the revenue implications of the capital programme and other pressures including the implications of Covid-19. The risk register contains a critical risk and remedial action regarding the financial position and is monitored quarterly.

The general reserve covers inherent risks such as demographic changes impacting on demand for social care. Earmarked reserves including the Budget Support Fund cover specific local risks such as the loss of business rates from the potential closure of the power station and to provide temporary support of the budget pending achievement of recurring savings. In 2020/21 councils received Government funding for the expected impact of the pandemic on local tax collection and the Council was allocated £10.6m which is held in a new reserve to meet the impact in 2021/22.

It is clear from a review of the Medium Term Financial Strategy that the Council is closely monitoring the progress against plan to date, is fully aware of where the risks lie and continues to identify mitigating actions to address these risks, including creating new reserves where required.

Conclusion

Given the above, our work did not identify any evidence to indicate a significant weakness in the Council's arrangements in relation to the financial sustainability reporting criteria.

3. VFM arrangements – Governance

Overall commentary on the Governance reporting criteria

How the Council monitors and assesses risk and how the Council gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud

The Council has a comprehensive risk management system in place which is embedded into the governance structure of the organisation. The processes are supported by the Council's Risk Management Framework agreed in 2019/20 and the Council leadership plays a key role in implementing and monitoring the risk management process.

The Finance and Policy Committee have overarching responsibility for risk management and considers the content of the Strategic Risk Register when monitoring implementation of the Council Plan. The Strategic Risk Register is reviewed quarterly at Corporate Management Team (CMT) and takes account of any changes in the entity's internal and external environments. We are satisfied that the CMT have appropriate industry and regulatory knowledge.

The Strategic Risk Register articulates each individual risk, quantifies its likelihood and potential impact and names the senior officer who owns the risk. Risks and control measures relating to the Council Plan are analysed within performance reports to help ensure that risk and performance reporting are linked.

An effective internal audit function is resourced and maintained in accordance with Public Sector Internal Audit Standards (PSIAS). In 2020/21 an independent review by another council's Internal Audit service confirmed compliance with PSIAS. Work plans are agreed with management in advance of the start of the financial year and reviewed by the Audit and Governance Committee prior to final approval.

We have reviewed the Internal Audit Plans for 2020/21 and 2021/22 and confirmed that planned work addresses the expected areas with annual coverage of key financial controls and proactive work to prevent and detect fraud and corruption. Progress reports are presented regularly to Audit and Governance Committee meetings including follow up reporting of recommendations not fully implemented by agreed due dates. This allows the Committee to effectively hold management to account on behalf of the Council.

Our attendance at Audit and Governance Committees throughout the period confirms the significance placed on internal audit findings. Members of the Committee actively request management attendance at committees to discuss findings from internal audit reports.

Internal audit gave a satisfactory assurance opinion on the Council in their 2020/21 Annual Report with no significant governance weaknesses identified for reporting in the Annual Governance Statement. The Annual Governance Statement provides an overall assessment and review of the Council's corporate governance arrangements and an appraisal of the key controls in place to manage the Council's principal governance risks.

How the Council approaches and carries out its annual budget setting process

The Council's Medium Term Financial Strategy includes the identification and evaluation of risks to the Council's finances and is developed in parallel to the budget for the following year and setting of council tax. We have reviewed the budget setting arrangements set out in the Constitution through observation and discussions with officers. No matters have been identified indicating a significant weakness in arrangements.

Overall the Council is aware of the financial pressure it faces and takes a prudent approach in setting its budget and reserves strategy. The £4.4M general reserves reflect the Director of Resources and Development's financial risk assessment and represent 5% of budget, which is about the CIPFA family group average.

How the Council ensures effective processes and systems are in place to ensure budgetary control; to communicate relevant, accurate and timely management information (including non-financial information where appropriate); supports its statutory financial reporting requirements; and ensures corrective action is taken where needed

Monthly budgetary control reports are sent to budget managers before departmental management teams consider financial reports presented by each Head of Finance. Budget reports show the actual expenditure and income compared to what was budgeted and highlight any variances. Finance support the budget holders in updating their year-end forecasts and identifying any remedial action required. Corrective action was promptly taken during 2020/21 when slippage in the capital programme was noted and a £2M appropriation between capital and revenue reserves approved to plug a short-term gap in COVID funding.

These contain a RAG (Red / Amber / Green) assessment so remedial action can be initiated swiftly and emerging risks fed back to the Director of Resources and Development. High level monthly budget monitoring reports are discussed at the CMT and the results are summarised in regular updates on the Financial Position to the Finance and Policy Committee (August, October, November and March in 2020/21).

Overall commentary on the Governance reporting criteria - continued

In summer 2020 following a wide-ranging engagement exercise a COVID-19 Recovery Plan was developed and agreed by Finance and Policy Committee, which took the place of the Council Plan in 2020/21 and the Council's performance management arrangements focused on this with consideration of progress regularly at CMT and reports to the Finance and Policy Committee. As the challenges that the Council faces have changed and evolved from those identified at the start of 2020 the Council Plan was reviewed and updated to reflect the impact of the pandemic on Hartlepool and a new Council Plan 2021/22 – 2023/24 was agreed by the Council in February 2021. The 2020/21 Financial Report describes performance against this plan.

How the Council ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency

The Council has an established governance structure in place which is set out within its Annual Governance Statement. This is supported by the Council's Constitution and scheme of delegation. Executive Directors have clear responsibilities linked to their roles and the structure in place at the Council allows for effective oversight of the Council's operations and activity.

There is a standard report format, including sections to cover the legal and financial implications and reports are signed off by the Managing Director, Director of Resources and Development and Monitoring Officer. The constitution defines key decisions (i.e. decision which will result in income, expenditure or savings with a gross full year effect of £100k or greater, or any decision which may have a significant impact on communities living or working in an area comprising two or more wards) in addition to limits for virement between budgets.

We reviewed these documents as part of our audit and confirmed they were consistent with our understanding of the Council's arrangements in place and were fully operational. Audit and Governance Committee members are appropriately trained to undertake their role and provide appropriate challenge to Management and Internal and External Audit. Two co-opted members are independent appointments and are recruited and trained to provide a range of skills and collectively provide effective scrutiny.

How the Council monitors and ensures appropriate standards are maintained

The Council expects the highest standards of conduct from both its members and officers. The Governance Framework is reviewed and updated regularly by management with an annual review of the Constitution. Management are committed to integrity and ethical behaviour and this is evident from our attendance of Committee's and meetings with management. The Constitution includes officer and member codes of conduct and disciplinary action was taken in 2020/21 where required.

There are quarterly reports on spending with any organisation where a member has declared an interest as well as an annual exercise to identify interests, gifts and hospitality.

Conclusion

Given the above, our work did not identify any evidence to indicate a significant weakness in the Council's arrangements in relation to the governance reporting criteria.

3. VFM arrangements – Improving Economy, Efficiency and Effectiveness

Overall commentary on the Improving Economy, Efficiency and Effectiveness reporting criteria

How financial and performance information has been used to assess performance to identify areas for improvement

The COVID-19 pandemic has been like no other emergency that the Council has faced and its effects are and will continue to be far reaching and long lasting. The Council amended its approach to performance management to respond swiftly to the pandemic and exhibited agility in adapting to the evolving emergency. The new Council Plan clearly sets out the Council's objectives as it transitions out of crises management and progress is being monitored by the Finance and Policy Committee.

The Council covers a deprived area with the latest indices of multiple deprivation showing it is in the most deprived 10% of local authorities in England. The Council Plan makes creating 'an inclusive and growing economy' a key objective. The Council secured a £25M investment to regenerate the shopping centre and waterfront as part of the Towns Deal and acted quickly during the first lockdown to support local businesses.

Benchmarking on 20 April 2020 showed that it had passed on 80% of business support grants compared to a national average of 50%, which was in the top 5% of authorities nationally. In 2020/21 the overall employment rate in Hartlepool increased, whereas nationally there was a sharp fall in employment in the first half of the year with only a partial recovery in the second half.

The Council subscribes to LG Future Financial Intelligence Toolkits, which provides comparative benchmarking information. An average proportion of the budget is spent on both children's and adult social care. Benchmarking was also used to identify potential savings in the latest Medium Term Financial Strategy and to confirm that usable reserves at 29% of budget are now below the family group average of 33%, vindicating the decision to increase council tax and seek savings to protect these reserves.

We have reviewed the performance information provided to the Council as part of our review of agenda papers and minutes. Through this we have confirmed that the Council effectively hold managers to account where performance improvements are required.

How the Council evaluates the services it provides to assess performance and identify areas for improvement

Recent external inspectorate reports have been generally positive:

- In 2020 an OFSTED report ranked Children's Social Services *'Good'* and this was better than 7 of the other 11 North East councils and equal to 3 of them;
- 94% of 2020/21 OFSTED inspections of the Council's schools were graded '*outstanding'* or '*good',* an increase on 87% in 2019/20; and
- Whilst the proportion of commissioned adult social care providers graded *'outstanding*' or '*good'* by the Care Quality Commission declined slightly in 2020/21, it was still very high at 96%.

In the first lockdown the Council acted promptly to maintain business critical services. Within one week one third of staff were fully enabled to work from home, many staff were redeployed and a Support Hub created. The Council leafletted every household to explain the support available, which was unique in the Region. These measures and clear prioritisation helped the Council improve 40% of the key performance indicators in its new Service Plan.

The Service Plan is a brief, easy-read document published on the website but it is supported by action plans that incorporate remedial action against recommendations made by inspectors, auditors and scrutiny reviews. For example, when a scrutiny review found weaknesses in the response to anti-social behaviour a University Study was commissioned to review data and prepare a case for Cleveland Police to take action. The crime rate fell in 2020/21 despite the increasing deprivation.

The Audit and Governance Committee meets almost monthly and has a detailed scrutiny role. In 2020/21 scrutiny reviews focused on the response to the pandemic but in 2021/22 reviews of child poverty and accessibility to services will be undertaken linked to corporate priorities and statistics showing over one third of children in Hartlepool live in poverty, one of the highest rates in the country.

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3. VFM arrangements – Improving Economy, Efficiency and Effectiveness

Overall commentary on the Improving Economy, Efficiency and Effectiveness reporting criteria - continued

The Council's arrangements for effective partnership working

The Council has an ongoing programme of monitoring and reviewing arrangements in place in respect of the operation of its key partnerships. A framework of reporting by exception to CMT operates and Internal Audit provides audit coverage of partnership arrangements. Working with partners is a recurring theme across all priorities in the Council Plan. The Council works closely with Tess Valley Combined Authority, which has ambitious plans to transform the Marina / Jackson's Landing area, expand the Museum and regenerate the shopping centre.

The Council has a broad range of partnerships, including:

- Hartlepool Community Safety Partnership – a formal arrangement between the Council's Community Safety team, Cleveland Police, Cleveland Fire and Thirteen Housing to address anti-social behaviour and crime;
- A Youth Justice Board chaired by the neighbourhood policing Chief Inspector – a statutory partnership between the Council, Police, Probation, Courts and NHS;
- Partnership working with the local Clinical Commissioning Group, including the Better Care Fund;
- A new Energy Recovery Facility project – a joint project across five Tees Valley councils, Durham and Newcastle to procure a new facility to process household waste; and
- The ICT Contact – a partnership with Northgate that is being re-negotiated.

Partnerships appear to be working well as evidenced by the performance monitoring reports and scrutiny reviews. In 2020/21 there was a significant reduction in re-offending in Hartlepool from above the national average to below it and the overall crime rate fell slightly. The Council introduced new summer holiday activities to occupy youths and in 2021/22 an independent study is evaluating the success of such initiatives.

The Authority's arrangements for commissioning services

The Council has an in-house procurement team with suitable qualifications and experience that are responsible for implementing the Procurement Procedures in the Constitution. The team is managed by the Chief Solicitor in order to ensure legal requirements are met. The website includes a Sustainable Procurement Strategy and a Standards and Partners document, highlighting the Council's transition to e-procurement and the standards required of contractors.

The procurement team use established national and regional procurement frameworks such as the North East Purchasing Organisation to maximise purchasing power.

Within the CMT the Director of Children's and Joint Commissioning Services is responsible for commissioning and procurement across Children's Social Care, Adult Social Care and Public Health. The good inspection ratings for commissioned social care referred to earlier in this report illustrate how effective the commissioning arrangements in Hartlepool are.

There is no evidence that procurement is likely to expose the Council to significant financial loss or failure to deliver efficiency and performance improvements.

Conclusion

Given the above, our work did not identify any evidence to indicate a significant weakness in the Council's arrangements in relation to the improving economy, efficiency and effectiveness reporting criteria.

04

Section 04:

Other reporting responsibilities and our fees

4. Other reporting responsibilities and our fees

Matters we report by exception

The Local Audit and Accountability Act 2014 provides auditors with specific powers where matters come to our attention that, in their judgement, require specific reporting action to be taken. Auditors have the power to:

- issue a report in the public interest;
- make statutory recommendations that must be considered and responded to publicly;
- apply to the court for a declaration that an item of account is contrary to the law; and
- issue an advisory notice.

We have not exercised any of these statutory reporting powers.

The 2014 Act also gives rights to local electors and other parties, such as the right to ask questions of the auditor and the right to make an objection to an item of account. We did not receive any such objections or questions.

Reporting to the NAO in respect of Whole of Government Accounts consolidation data

The NAO, as group auditor, requires us to complete the WGA Assurance Statement in respect of its consolidation data.

At the time of preparing this report we have not yet received instructions from the NAO on what procedures are required. As such this work is outstanding. Until this work is concluded we cannot issue our audit certificate.

4. Other reporting responsibilities and our fees

Fees for work as the Council's auditor

We reported our proposed fees for the delivery of our work under the Code of Audit Practice in our Audit Strategy Memorandum presented to the Audit and Governance Committee in March 2021. Having completed our work for the 2020/21 financial year, we can confirm that our fees are as follows:

Area of work	2019/20 fees	2020/21 fees
Planned fee in respect of our work under the Code of Audit Practice	£83,882	£83,882
Recurring increases in the base audit fee arising from regulatory pressures	£12,624	£12.624
One-off fee increase for 2019/20 specific issues	£4,469	0
Additional fees in respect of the new VFM approach (see note 1)	0	£10,000
Additional fees in respect of the revised ISA540 (see note 1)	0	£4,400
Total fees	**£100,975**	**£110,906**
Note 1: PSAA indicated the range of additional fees expected to apply from 2020/21 to reflect the additional work required at local authorities. We have set our 2020/21 additional fees at the minimum of this range.	https://www.psaa.co.uk/additional-information-for-2020-21-audit-fees/page/3/?_sm_byp=iVVrRH4tQsPrR1PF	

All fees are subject to VAT. All additional fees are subject to Public Sector Auditor Appointments (PSAA) approval.

4. Other reporting responsibilities and our fees

Fees for other work

In 2020/21 the Council has engaged Mazars for the following audit-related assurance services:

- Housing Benefit Assurance - £13,100 plus VAT (£13,000 in 2019/20)
- Teachers Pension Assurance - £4,200 plus VAT (£3,900 in 2019/20)

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AUDIT AND GOVERNANCE COMMITTEE

10th February 2022

HARTLEPOOL BOROUGH COUNCIL

Report of: Director of Resources and Development

Subject: TREASURY MANAGEMENT STRATEGY

1. PURPOSE OF REPORT

1.1 The purposes of the report are to:

i. Provide a review of Treasury Management activity for 2020/21 including the 2020/21 outturn Prudential Indicators;
ii. Provide a mid-year update of the 2021/22 Treasury Management activity; and
iii. Enable the Audit and Governance Committee to scrutinise the recommended 2022/23 Treasury Management Strategy before it is referred to the full Council for approval.

2. BACKGROUND

2.1 The Treasury Management Strategy covers:

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

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

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

2.4 The Act requires the Council to set out a Treasury Management Strategy for borrowing and to prepare an Annual Investment Strategy, which sets out the policies for managing investments and for giving priority to the security and liquidity of those investments. The Secretary of State has issued Guidance on Local Government Investments which came into force on 1st April, 2004, and has subsequently been updated, most recently in 2017.

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 2020/21
- Treasury Management Strategy 2021/22 mid-year review
- Treasury Management Strategy 2022/23
- Minimum Revenue Provision and Interest Cost and Other Regulatory Information 2022/23

3. ECONOMIC ENVIRONMENT AND OUTLOOK FOR INTEREST RATES

3.1 **UK –** The UK economy has faced an extended and ongoing period of economic uncertainty due to the Covid-19 pandemic. At the 16th December 2021 meeting the Bank of England's Monetary Policy Committee (MPC) voted 8-1 to raise Bank Rate by 0.15% from 0,10% to 0.25%. It also made no changes to its programme of Quantitative Easing due to finish by the end of the year.

3.2 The fallout after the furlough scheme ended on 30th September 2021 was smaller and shorter than the Bank of England had expected. Data suggested that unemployment was falling by end of October.

3.3 Covid has continued to impact over the winter although the vaccine rollout has resulted in the Government's recent announcement to phased out existing restrictions. The greatest challenge now facing the economy and the Bank of England is the current high level of inflation, how long this will be sustained and the impact on interest rates.

3.4 The Office for Budget Responsibility's revised growth forecast up to 2024 are set out in the following table:

Year	March 2021 Growth Forecast	November 2021 Growth Forecast
2021	4.0%	6.5%
2022	7.3%	6.0%
2023	1.7%	2.1%
2024	1.6%	1.3%

3.5 **European Union (EU) –** The economy has faced similar challenges to the UK from the pandemic, the slow role out of vaccines initially delayed economic recovery in early 2021 but the vaccination rate then picked up sharply. The EU recovery is nearly complete although countries dependent on tourism are lagging.

3.6 **USA –** During the first part of 2021, the US Government implemented a $1.9trn fiscal boost for the US economy as a recovery package from the covid pandemic which unsettled markets. Financial markets were alarmed that this stimulus was happening at a time when a fast vaccination programme had enabled a rapid opening of the economy and continued to grow strongly. These factors could cause an excess of demand in the economy which could cause strong inflationary pressures.

3.7 **Other Economies –** In China after a concerted effort to get on top of the virus outbreak in 2020, economic recovery was strong, however, the pace of economic growth has now fallen back after this initial surge of recovery from the pandemic and China is now struggling to contain the spread of the DELTA variant through sharp local lockdowns- which will also depress economic growth. Japan is struggling to stimulate consistent GDP growth and to get inflation up to its target of 2%, inflation was actually negative in July. The new prime minister has promised a large fiscal stimulus package.

3.8 **Interest Rate Forecasts**

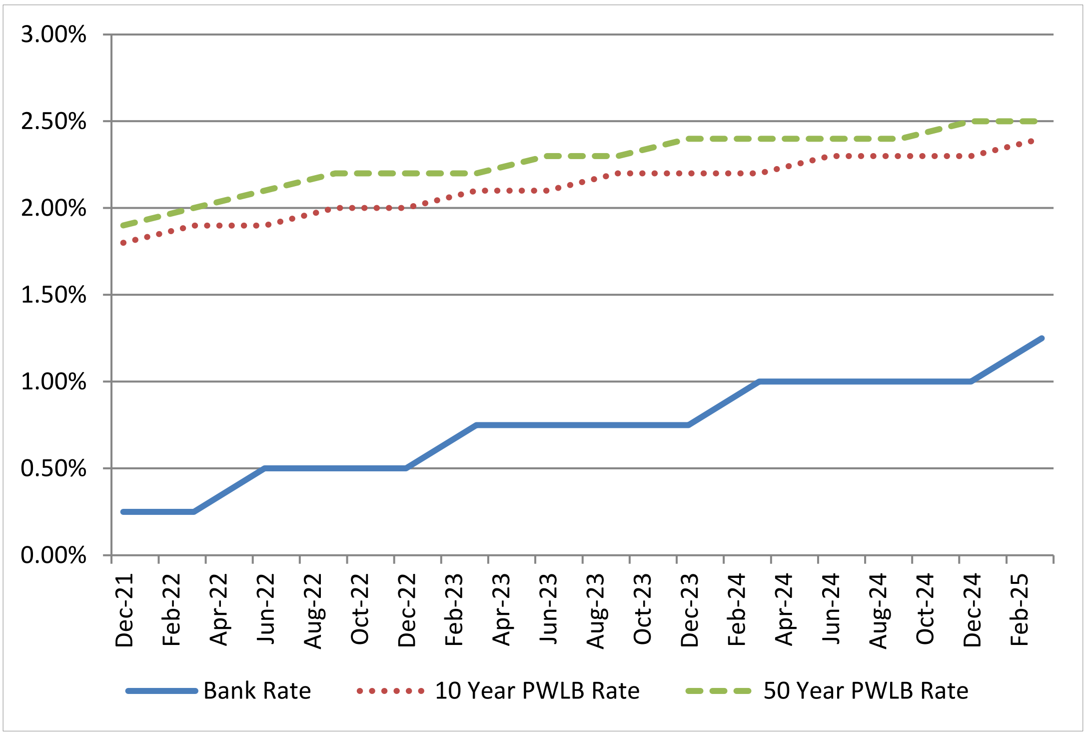
3.9 Link Asset Services (the Council's Treasury Management advisors) continue to update their interest rate forecasts to reflect statements made by the Governor of the Bank of England and changes in the economy.

3.10 They are not expecting Bank Rate to go up fast after the initial rate rise; the view is that the supply potential of the economy has not taken a major hit during the pandemic; it should therefore, be able to cope well with meeting demand after supply shortages subside over the next year, without causing inflation to remain elevated in the medium term, or to inhibit inflation from falling back towards the MPC's 2% target after the spike current CPI spike in excess of 5%.

3.11 Rate rises should be viewed in the context of the Bank Rate being cut to 0.10% as an emergency measure to deal with the Covid crisis hitting the UK in March 2020. In December 2021 the MPC began to take away the emergency cut as a step forward in the return to normalisation. In addition, any Bank Rate under 1% is both highly unusual and highly supportive of economic growth.

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

3.13 Interest Rate Forecast up to March 2025



3.14 Since the late 1990s Base Rate averaged 5% until 2009 when the Bank of England reduced it to historically low levels. Over the same period PWLB rates have been significantly higher than they are at present.

4. TREASURY MANAGMENT OUTTURN POSITION 2020/21

4.1 Capital Expenditure and Financing 2020/21

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 £11.166m, of which £2.504m 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 yet to be expensed or paid for through revenue or capital resources. Each year the Council is required to apply revenue resources to reduce this outstanding balance (termed Minimum Revenue Provision).

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 £108.023m as shown at Appendix A comprising:

- £75.377m relating to the core CFR,
- £22.752m relating to business cases and
- £9.894m relating to the Housing Revenue Account (HRA).

The actual CFR is lower than the approved estimate of £135.129m owing to rephasing of capital expenditure into 2021/22

4.8 The Council's total long term external borrowing as at 31st March, 2020 was £78.5m and reduced to £75.6m at 31st March 2021. 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 continued to be an element of netting down investments and borrowing.

4.10 **Prudential Indicators and Compliance Issues 2020/21**

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

2020/21 the Council has maintained gross borrowing within its Authorised Limit.

4.13 **Gross Borrowing and the CFR** - In order to ensure that borrowing levels are prudent, over the medium term the Council's external borrowing, must only be for a capital purpose. Gross borrowing should not exceed the CFR for 2020/21 plus the expected changes to the CFR over 2021/22 and 2022/23. The Council has complied with this Prudential Indicator.

4.14 **The treasury position 31st March 2021**

4.15 The table below shows the treasury position for the Council as at the 31st March 2021 compared with the previous year:

Treasury position	31st March 2020		31st March 2021	
	Principal	Average Rate	Principal	Average Rate
Fixed Interest Rate Debt				
- PWLB	£33.5m	3.21%	£30.6m	3.32%
- Market Loans (Maturities)	£25.0m	3.92%	£25.0m	3.92%
- Market Loans (LOBOs)	£20.0m	4.12%	£20.0m	4.12%
Total Long Term Debt	**£78.5m**	**3.67%**	**£75.6m**	**3.73%**
Total Investments	**£12.8m**	**0.39%**	**£20.5m**	**0.05%**
Net borrowing Position	**£65.7m**		**£55.1m**	

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 3.73% for debt held as at 31st March 2021. 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 the Department for Levelling Up, Housing and Communities (DLUHC) (formally the Ministry of Housing, Communities and Local Government) 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 2020/21 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 2020/21**

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 DLUCH 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 8th 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 2021/22 MID YEAR REVIEW

5.1 The Treasury Management Strategy for 2021/22 was approved by Council on 25th February 2021. The Council's borrowing and investment position as at 30th September 2021 is summarised as follows:

	£m	Average Rate
PWLB Loans	29.2	3.39%
Market Loan (Annuity)	17.0	2.31%
Market Loans (Maturities)	25.0	3.92%
Market Loans (LOBOs)	20.0	4.12%
Gross Debt	**91.2**	**3.49%**
Investments	50.6	0.06%
Net Debt as at 30-09-21	**40.6**	

5.2 Net Debt has decreased since 31st March 2021. This is predominantly the result of upfront funding provided by government in response to the on-going Covid pandemic. It is anticipated that the net debt will increase towards the end of the year as this funding is expended and the capital programme progresses.

5.3 As part of the Treasury Strategy for 2021/22 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.

5.4 In accordance with the decision made by Council in February 2020, borrowing of £17m in relation to the Capital Investment Programme has been secured at a fixed rate below prevailing PWLB interest rates at the time of the agreement. This action has removed future interest rate risk in relation to the Capital Investment Programme and this funding was drawn down September 2021.

6. TREASURY MANAGEMENT STRATEGY 2022/23

6.1 Prudential Indicators and other regulatory information in relation to the 2021/22 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 2022/23

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

7.5 Total borrowing remains below the CFR and the strategy continues an element of netting down investments and borrowing. This is at a level that is forecast to be sustainable. However 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 Resources and Development if it is in the best interests of the Council to do so. It is recommended that the Director of Resources and Development is authorised to implement Treasury Management arrangements which minimise the short and long term cost to the Council.

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

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

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

7.9 **Borrowing in Advance of Need**

7.10 The Council has some flexibility to borrow funds for use in future years, including in relation to the CIP pot. The Director of Resources and Development 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 2022/23

8.1 The DLUCH issued investment guidance in 2010, updated in 2017, and this forms the structure of the Council's policy. The key intention of the Guidance is to maintain the current requirement for authorities to invest prudently and that priority is given to security and liquidity before interest return. This Council has adopted the CIPFA publication Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes and applies its principles to all investment activity. In accordance with the Code, the Director of 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 Resources and Development will continue to adopt a vigilant approach resulting in what is effectively a 'named' list. This consists of a select number of counterparties that are considered to be the lowest risk.

8.7 There are no proposed changes to existing counter parties and the table below shows the proposed limits in 2021/22 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

8.8 **Specified and Non-Specified Investments**

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

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

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

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

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

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

9. MINIMUM REVENUE PROVISION AND INTEREST COSTS AND OTHER REGULATORY INFORMATION 2020/21

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 DLUCH 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 1st April 2008 the Council's MRP policy is to calculate MRP based on a 50 year annuity repayment.

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

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

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

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

9.4 **CIPFA Treasury Management Code of Practice**

9.5 The Council has adopted the current CIPFA Treasury Management Code of Practice, effective from 2017. CIPFA had consulted on both codes and issued the revised in late December 2021.

9.6 CIPFA have announced that they are soft launching the new codes, which in practice means that full adoption is not required until 1st April 2023, however they are encouraging Local Authorities to early adopt elements of the new code if at all possible, depending on local circumstances. We are currently assessing the requirements of the new codes to determine if any changes are needed to our local strategy. As the majority of changes relate to commercial investments, which the council has not adopted owing to the high risk, it is not expected than any significant changes will need to be made to our existing arrangements.

9.7 **Treasury Management Advisors**

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

9.9 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.

9.10 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.

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

9.12 On 3rd 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

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

9.14 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.

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

10. FINANCIAL CONSIDERATIONS

10.1 As detailed in preceding paragraphs.

11. RISK IMPLICATIONS

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

11.2 There are also risk implication in relation to the investment of surplus cash and these are addressed in the strategy recommended in section 8.

12. LEGAL CONSIDERATIONS

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

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 existing counterparty criteria as set out in paragraphs 8.7.

19. RECOMMENDATIONS

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

19.2 **<u>Treasury Management Outturn Position 2020/21</u>**

i) Note the 2020/21 Treasury Management Outturn detailed in section 4 and Appendix A.

19.3 **<u>Treasury Management Strategy 2021/22 Mid-Year Review</u>**

ii) Note the 2021/22 Treasury Management Mid-year Position detailed in section 5.

19.4 **<u>Treasury Management Strategy 2022/23 (Prudential Indicators)</u>**

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

19.5 **Borrowing Strategy 2022/23**

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 Resources and Development may take out additional borrowing if this secures the lowest long term interest cost.

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

19.6 **Investment Strategy 2022/23**

vii) Approve the Counterparty limits as set out in paragraph 8.7.

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

viii) 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

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Appendix A

Prudential Indicators 2020/21 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.

2020/21 Estimate		2020/21 Outturn
3.93%	Ratio of Financing costs to net revenue stream	3.61%

2. Capital Expenditure

This indicator shows the total capital expenditure for the year.

2020/21 Estimate £'000		2020/21 Outturn £'000
35,092	Capital Expenditure	11,166

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.

2020/21 Estimate £'000		2020/21 Outturn £'000
13,672	Core Capital Expenditure Financed by Borrowing	1,394
3,009	Business Case Capital Expenditure Financed by Borrowing	1,030
1,052	HRA Capital Expenditure Financed by Borrowing	80
17,733	**Total Capital Expenditure Financed by Borrowing**	**2,504**

The actual is lower than estimated owing to the delay in the Corporate Investment Pot Borrowing.

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.

2020/21 Estimate £'000		2020/21 Outturn £'000
87,374	Core Capital Financing Requirement	75,377
36,889	Business Case Capital Financing Requirement	22,752
10,866	HRA Capital Financing Requirement	9,894
135,129	**Total Capital Financing Requirement**	**108,023**

The capital financing requirement is lower than estimated owing to 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.

2020/21 Limit £'000		2020/21 Peak £'000
155,000	Authorised limit for external debt	78,510

The above Authorised Limit was not exceeded during the year. The level of debt as at 31st March 2021, excluding accrued interest was £75.637m. The peak level during the year was £78.510m.

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.

2020/21 Limit £'000		2020/21 Peak £'000
145,000	Operational boundary for external debt	78,510

The operational limit was not exceeded in the year. The peak level of debt was £78.510m.

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.

2020/21 Limit %	Upper limits on fixed and variable interest rate exposure	2020/21 Peak %
100% 75%	Fixed Rates Variable Rates	75% 25%

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	131,000	0	2,945	22,945
Between one and five years	141,000	0	2,989	2,989
Between five and ten years	141,000	0	4,115	4,115
Between ten and fifteen years	141,000	0	3,815	3,815
Between fifteen and twenty years	141,000	0	2,250	2,250
Between twenty and twenty-five years	141,000	0	2,313	2,313
Between twenty-five and thirty years	141,000	0	2,742	2,742
Between thirty and thirty-five years	141,000	0	6,166	6,166
Between thirty-five and forty years	141,000	0	2,723	2,723
Between forty and forty-five years	141,000	0	467	467
More than forty-five years	141,000	0	45,112	25,112

9. <u>Investments over Maturing over One Year</u>

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	20,000	0	0
Actual	0	0	0

TREASURY MANAGEMENT STRATEGY 2022/23 REGULATORY INFORMATION AND PRUDENTIAL INDICATORS

1. INTRODUCTION

1.1 The regulatory information and prudential indicators for the 2022/23 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	**2021/22 Revised £'000**	**2022/23 Estimate £'000**	**2023/24 Estimate £'000**	**2024/25 Estimate £'000**
CFR at 1st April	**108,023**	**124,165**	**143,263**	**147,475**
Capital Expenditure Financed by New Borrowing	21,363	6,942	1,550	1,044
Approved Borrowing Rephased from 2020/21 and Borrowing Profiled for Future Years	16,776	0	0	0
Less Borrowing to be Rephased to Future Years	(19,494)	14,494	5,000	0
Less Repayment of CFR	(2,503)	(2,338)	(2,338)	(2,120)
CFR at 31st March	**124,165**	**143,263**	**147,475**	**146,399**
Less assets held under Finance Lease	(368)	(353)	(338)	(323)
Borrowing Requirement	**123,797**	**142,910**	**147,137**	**146,076**

Corporate Borrowing Requirement	85,777	98,409	102,232	101,164
Business Case Borrowing Requirement	26,469	28,375	27,687	27,109
Housing Revenue Account Borrowing Requirement	11,552	16,126	17,218	17,804
Borrowing Requirement	**123,797**	**142,910**	**147,137**	**146,076**

3.6 As part of the Medium Term Financial Strategy the Council is required to approve the 2022/23 capital programme summarised as follows:

Capital Expenditure	**2021/22 Revised £'000**	**2022/23 Estimate £'000**	**2023/24 Estimate £'000**	**2024/25 Estimate £'000**
New Approved Capital Expenditure	26,337	10,849	5,460	4,954
Rephased Capital Expenditure from 2020/21 and Expenditure Profiled for Future Years	28,789	0	0	0
2021/22 Capital Expenditure to be Rephased	(44,241)	39,241	5,000	0
Capital Expenditure for the Year	**10,885**	**50,090**	**10,460**	**4,954**
Financed by:				
Capital grants and contributions	4,974	3,907	3,910	3,910
Other Capital Funding	0	0	0	0
Capital Expenditure to be funded from New Prudential Borrowing	21,363	6,942	1,550	1,044
Capital Resources Rephased from 2020/21 and Capital Resources Profiled for Future Years	28,789	0	0	0
Rephased Expenditure between years.	(44,241)	39,241	5,000	0
Total Funding	**10,885**	**50,090**	**10,460**	**4,954**

Non-HRA Capital Expenditure	9,227	45,516	9,368	4,368
HRA Capital Expenditure	1,658	4,574	1,092	586
Total Capital Expenditure	**10,885**	**50,090**	**10,460**	**4,954**

4. AFFORDABILITY PRUDENTIAL INDICATORS

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

4.2 Incremental Impact of Capital Expenditure on Housing Rent Levels

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

	2021/22 £'000	2022/23 £'000	2023/24 £'000	2024/25 £'000
Weekly Housing Rent Levels	£0.00	£0.00	£0.00	£0.00

4.4 Ratio of Financing Costs to Net Revenue Stream

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

	2021/22 Estimate	2022/23 Estimate	2023/24 Estimate	2024/25 Estimate
Non-HRA financing cost to General Fund Net Revenue Stream	5.41%	4.62%	4.51%	4.40%

4.6 Ratio of Finance Costs to HRA Net Revenue Stream

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

	2021/22 Estimate	2022/23 Estimate	2023/24 Estimate	2024/25 Estimate
HRA financing cost to HRA Net Revenue Stream	27.75%	32.63%	28.88%	24.37%

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

5. BORROWING PRUDENTIAL INDICATORS

5.1 Debt Projections 2021/22 – 2024/25

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

Debt and Investment Projections	2021/22 Revised £'000	2022/23 Estimated £'000	2023/24 Estimated £'000	2024/25 Estimated £'000
Long Term Borrowing 1 April	75,637	92,637	102,637	107,637
Expected change in Long Term Debt	17,000	10,000	5,000	5,000
Debt at 31 March	**92,637**	**102,637**	**107,637**	**112,637**
Borrowing Requirement	**123,797**	**142,910**	**147,137**	**146,076**
Under Borrowing	**(31,160)**	**(40,273)**	**(39,500)**	**(33,439)**

Non-HRA Debt	81,085	86,511	90,419	94,833
HRA Debt	11,552	16,126	17,218	17,804
Total Debt	**92,637**	**102,637**	**107,637**	**112,637**

5.3 Although the Council has reduced the level of 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 2021/2022 and the following two financial years. This allows some flexibility for limited early borrowing for future years, but ensures that borrowing is not undertaken for revenue purposes. The following table demonstrates that borrowing will not exceed the CFR.

External Debt	2021/22 Revised £'000	2022/23 Estimated £'000	2023/24 Estimated £'000	2024/25 Estimated £'000
Gross Borrowing	92,637	102,637	107,637	112,637
Other Long Term Liabilities	368	353	338	323
Total Gross Borrowing	**93,005**	**102,990**	**107,975**	**112,960**
Borrowing Requirement	**123,797**	**142,910**	**147,137**	**146,076**

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

Borrowing Limits	2021/22 £'000	2022/23 Estimated £'000	2023/24 Estimated £'000	2024/25 Estimated £'000
Operational Limit	134,000	153,000	158,000	156,000
Authorised limit	144,000	163,000	168,000	166,000

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

6. INVESTMENT PRUDENTIAL INDICATORS AND OTHER LIMITS ON TREASURY ACTIVITY

6.1 Investment Projections 2021/22 – 2024/25

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

2020/21 Outturn £'000	Year End Resources	2021/22 Revised £'000	2022/23 Estimate £'000	2023/24 Estimate £'000	2024/25 Estimate £'000
59,841	Balances and Reserves	48,000	40,000	31,000	28,000
(9,012)	Collection Fund Adjustment Account*	0	0	0	0
3,416	Provisions	3,416	3,416	3,416	3,416
54,245	**Total Core Funds**	**51,416**	**43,416**	**34,416**	**31,416**
569	Working Capital**	6,200	6,200	6,200	6,200
54,814	**Resources Available for Investment**	**57,616**	**49,616**	**40,616**	**37,616**
(32,386)	(Under)/over borrowing	(31,160)	(40,273)	(39,500)	(33,439)
22,428	**Expected Investments**	**26,456**	**9,343**	**1,116**	**4,177**

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	**2021/22 Estimated 1% £'000**	**2021/22 Estimated -1% £'000**
Interest on Borrowing	403	(403)
Investment income	(93)	93
Net General Fund Borrowing Cost	**309**	**(309)**

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	**2021/22 Upper £'000**	**2022/23 Upper £'000**	**2023/24 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	**2021/22**	**2022/23**	**2023/24**

	Upper £'000	Upper £'000	Upper £'000
Borrowing	100%	100%	100%
Investments	100%	100%	100%

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

Maturity Structure of fixed interest rate borrowing 2022/23				
	2021/22 £000 Lower Limit	**2021/22 £000 Upper Limit**	**2022/23 £000 Lower Limit**	**2022/23 £000 Upper Limit**
Under 12 months	0	90%	0	90%
12 months to 2 years	0	100%	0	100%
2 years to 5 years	0	100%	0	100%
5 years to 10 years	0	100%	0	100%
10 years to 20 years	0	100%	0	100%
20 years to 30 years	0	100%	0	100%
30 years to 40 years	0	100%	0	100%
40 years to 50 years	0	100%	0	100%
50 years to 60 years	0	100%	0	100%
60 years to 70 years	0	100%	0	100%

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

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

6.7 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:

- Debt – Average rate movement year on year

AUDIT AND GOVERNANCE COMMITTEE

10 February 2022

HARTLEPOOL BOROUGH COUNCIL

Report of: Assistant Director, Finance

Subject: MAZARS REPORT- AUDIT PROGRESS REPORT

1. PURPOSE OF REPORT

1.1 To inform Members of the Audit and Governance Committee that arrangements have been made for representatives from Mazars to be in attendance at this meeting, to present the content of the report Audit Progress Report.

2. BACKGROUND

2.1 This report updates the Audit and Governance Committee on Mazars progress in meeting their responsibilities as the Councils external auditor. It also highlights key emerging issues and national reports which may be of interest to the Audit and Governance Committee.

3. FINDINGS OF MAZARS

3.1 Details of key messages are included in the main body of the report attached as **Appendix 1**.

4. RISK IMPLICATIONS

4.1 There is a risk that if Members of the Audit and Governance Committee do not receive the information needed to enable a full and comprehensive review of governance arrangements at the Council, this could lead to the Committee being unable to fulfil its remit.

5. FINANCIAL CONSIDERATIONS

5.1 There are no financial considerations.

6. LEGAL CONSIDERATIONS

6.1 There are no legal considerations.

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 That the Audit and Governance Committee:

i. Note the report of Mazars.

12. REASON FOR RECOMMENDATIONS

12.1 To ensure the Audit and Governance Committee is kept up to date with the work of our External Auditor.

13. BACKGROUND PAPERS

13.1 Mazars Update Report.

14. CONTACT OFFICER

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4.3 Appendix 1

Audit Progress Report

Hartlepool Borough Council

January 2022

mazars

1. Audit progress
2. National publications

01

Section 01:

Audit progress

Audit progress

Purpose of this report

This report provides the Audit and Governance Committee with an update on progress in delivering our responsibilities as your external auditors and also includes, at Section 2, for your information, a summary of recent national reports and publications.

2020/21 audit

As members of the Audit and Governance Committee will recall, we presented our Audit Completion Report for 2020/21, dated 19 October 2021, to the meeting on 11 November 2021. There was a delay obtaining the required assurance from the pension fund auditor but we signed our audit opinion on 14 December 2021 and updated members through a follow up letter.

Our report explained that our value for money work was not completed and the latest guidance from National Audit Office (NAO) allowed auditors to report the results of their value for money work in a new Auditor's Annual Report, within three months of giving the opinion on the financial statements. We have now completed this work and our Auditor's Annual Report is a separate item on this agenda. No significant weaknesses in arrangements were identified and there are no recommendations arising from our work.

As explained in our Auditor's Annual Report we have not yet issued the Audit Certificate for 2020/21, which formally closes the audit. We expect the National Audit Office to confirm their requirements for Whole Government Accounts shortly and we will close the audit once we have received their instructions and completed the required procedures.

2021/22 audit

We have now commenced our planning work for the 2021/22 audit. We have no issues to bring to the Council's attention at this early stage of the audit process.

We intend to share our formal 2021/22 Audit Strategy Memorandum at a future meeting of the Audit and Governance Committee.

02

Section 02:

National publications

National Publications

	Publication/update	Key points
Chartered Institute of Public Finance and Accountability (CIPFA)		
1.	**CIPFA launches value for money toolkit with the University of Oxford's GO Lab**	Based on the UK National Audit Office's standard definition of value for money, the toolkit offers a consistent approach to programme evaluation.
2.	**New Prudential and Treasury Management Codes**	These two statutory and professional codes are important regulatory elements of the capital finance framework within which local authorities operate.
Department for Levelling Up, Housing and Communities		
3.	**Measures to improve local audit delays and accounts and audit timetable confirmed**	DLUHC have announced a new package of measures to support the improved timeliness of local audit. These include additional funds and an extension of the deadline for publishing accounts.
National Audit Office (NAO)		
4.	**Climate change risk: A good practice guide for Audit and Assurance Committees**	This guide helps Committees recognise how climate change risks could manifest themselves and support them in challenging senior management on their approach to managing climate change risks.
5.	**Cyber and Information Security: Good practice guide**	Audit committees should be scrutinising cyber security arrangements. This guidance complements government advice by setting out high-level questions and issues for audit committees to consider.
6.	**The Government's preparedness for the COVID-19 pandemic: lessons learned for government on risk management**	The report sets out central government's risk analysis, planning, and mitigation strategies prior to the arrival of the COVID-19 pandemic, with the aim of drawing out wider learning for the Government's overall approach.
7.	**The Local Government finance system in England: Overview and Challenges**	This overview looks at what local government in England spends, how this spending is funded and the effect of changes in recent years. It draws on relevant findings from past NAO work.
8.	**Financial Sustainability of Schools in England**	This report assesses the financial health of schools, updating a previous NAO report from 2016.

National Publications

	Publication/update	Key points
National Audit Office (NAO) - continued		
9.	**Departmental Overview 2020-21: Department for Levelling Up, Housing and Communities**	This provides a summary of the Department’s spending in 2020-21, its major areas of activity and performance, and the challenges it is likely to face in the coming year.
Department of Health and Social Care (DHSC)		
10.	**DHSC Integrated Care Partnership (ICP) Engagement Document**	This aims to support Local Authorities, Integrated Care Boards, and other key stakeholders in considering what arrangements might work best in their area when laying the foundations for establishing ICPs.
Financial Reporting Council (FRC)		
11.	**Inspection findings into the quality of major local body audits**	This report sets out the findings of FRC’s most recent quality inspection of major local audits, which indicate a significant improvement by Mazars LLP.

NATIONAL PUBLICATIONS
CIPFA

1. CIPFA launches value for money toolkit with the University of Oxford’s GO Lab, August 2021

CIPFA has partnered with the Government Outcomes Lab (GO Lab) from the University of Oxford's Blavatnik School of Government to develop the innovative GO Lab-CIPFA Value for Money (VfM) Toolkit.

Based on the UK National Audit Office's standard definition of value for money, the toolkit offers a consistent approach to programme evaluation and has been developed in response to recent trends towards the use of outcomes-based contracts (OBCs) and impact bonds.

The toolkit provides public managers with a framework to help assess the economic validity of public programmes, while also serving as a self-assessment instrument. The toolkit promotes thinking about the longer-term effects of interventions, such as outcomes and impacts, during the design and planning stage of public sector programmes.

The GO Lab-CIPFA VfM toolkit is available for free download on the CIPFA website.

https://www.cipfa.org/services/go-lab-cipfa-value-for-money-toolkit

2. CIPFA publishes new Prudential and Treasury Management Codes, December 2021

CIPFA has published the new Prudential Code for Capital Finance in Local Authorities (Prudential Code) and Treasury Management in the Public Services Code of Practice and Cross-Sectoral Guidance Notes (the Treasury Management Code) following a consultation period. These two statutory and professional codes are important regulatory elements of the capital finance framework within which local authorities operate. Local authorities are required by regulation to 'have regard to' their provisions. Guidance notes will follow shortly.

The revised Prudential Code emphasises that any borrowing made solely for the purpose of financial return constitutes imprudent activity, while also taking into account the realities that accompany regeneration activities. Proportionality has been included as an objective in the Prudential Code. New provisions have been added so that an authority incorporates an assessment of risk to levels of resources used for capital purposes.

The new Treasury Management Code states that the purpose and objective of each category of investments should be described within the Treasury Management Strategy.

https://www.cipfa.org/about-cipfa/press-office/latest-press-releases/cipfa-issues-new-prudential-and-treasury-management-codes

DLUHC

3. Measures to improve local audit delays

This publication sets out a range of measures agreed with key partners to support the timely completion of local government audits and the ongoing stability of the local audit market.

Challenges remain around the timeliness of local audit, one of the key issues highlighted by Sir Tony Redmond in his review. In 2017/18 the deadline for issuing audit opinions was brought forward from 30 September to 31 July. Since this point there has been a reduction in the number of local government audit opinions delivered on time, with significant reductions from 2018/19 onwards. This downward trend accelerated during the COVID-19 pandemic, with only 45% of 2019/20 audits completed by the extended deadline of 30 November 2020 and, most recently, only 9% of 2020/21 audits completed by the extended deadline of 30 September 2021. In addition, increasing workload and regulatory pressure on auditors have contributed to further delays.

The Government is continuing to prioritise measures to improve timeliness and support capacity as part of our response to the Redmond Review. An additional £15 million in funding has been made available to local bodies for 2021/22 to support with the implementation of recommendations following the Redmond Review and additional costs resulting from new audit requirements, including the new value for money reporting arrangements.

The report concludes that in the light of the extent of ongoing delays and capacity issues, a decision to revert to the previous deadline of 31 July would be both unrealistic and counterproductive, especially as the backlog of delayed 2020/21 audits will likely have knock-on effects for future years. Therefore, subject to consultation, secondary legislation will be introduced to set the following deadlines:

- The 2021/22 accounts to be audited and published by 30 November 2022;
- The 2022/23 accounts to be audited and published by 30 November 2023;
- The 2023/24 to 2027/28 accounts to be published by 30 September each year; and
- Draft accounts to be published by 31 May each year.

The full publication can be seen at this link: Measures to improve local audit delays - GOV.UK (www.gov.uk)

NATIONAL PUBLICATIONS
National Audit Office

4. Climate change risk: A good practice guide for Audit and Assurance Committees, August 2021

This guide is designed to help audit committees recognise how climate change risks could manifest themselves and support them in challenging senior management on their approach to managing these risks, the financial health of the sector before the pandemic and the financial impact of the pandemic in 2020/21;

The full report can be seen at this link: https://www.nao.org.uk/report/climate-change-risk-a-good-practice-guide-for-audit-and-risk-assurance-committees/

5. Cyber and Information Security: Good practice guide, October 2021

The guidance is based on NAO previous work and detailed systems audits, which have identified a high incidence of access-control weaknesses . NAO recommend that audit committees scrutinise cyber security arrangements in response to this increasing threat. To aid them, this guidance complements government advice by setting out high-level questions and issues for audit committees to consider.

The guide provides a checklist of questions and issues covering:

- The overall approach to cyber security and risk management;
- Capability needed to manage cyber security; and
- Specific aspects, such as information risk management, engagement and training, asset management, architecture and configuration, vulnerability management, identity and access management, data security, logging and monitoring and incident management.

The full report can be seen at this link: https://www.nao.org.uk/report/cyber-security-and-information-risk-guidance/

6. The Government's preparedness for the COVID-19 pandemic: lessons learned for government on risk management, November 2021

The report concludes that this pandemic has exposed a vulnerability to whole-system emergencies – that is, emergencies that are so broad that they engage the entire system. Although the Government had plans for an influenza pandemic, it did not have detailed plans for many non-health consequences and some health consequences of a pandemic like COVID-19. There were lessons from previous simulation exercises that were not fully implemented and would have helped prepare for a pandemic like COVID-19. There was limited oversight and assurance of plans in place, and many pre-pandemic plans were not adequate. In addition, there is variation in capacity, capability and maturity of risk management across government departments.

NATIONAL PUBLICATIONS

National Audit Office

The pandemic also highlighted the need to strengthen the Government’s end-to-end risk management process to ensure that it addresses all significant risks, including interdependent and systemic risks. This will require collaboration on risk identification and management not only across government departments and local authorities, but also with the private sector and internationally. For whole-system risks NAO states that the Government needs to define its risk appetite to make informed decisions and prepare appropriately so that value for money can be protected. NAO state that the pandemic has also highlighted the need to strengthen national resilience to prepare for any future events of this scale, and the challenges the Government faces in balancing the need to prepare for future events while dealing with day-to-day issues and current events.

The full report can be seen at this link: https://www.nao.org.uk/report/the-governments-preparedness-for-the-covid-19-pandemic

7. The Local Government finance system in England: Overview and Challenges, November 2021

This overview looks at what local government in England spends, how this spending is funded and the effect of changes in recent years. It draws on relevant findings from past NAO work.

The overview aims to enhance financial transparency about local government in England. It covers:

- An introduction to local government funding;
- Government policy and actions since 2010; and
- Some results or consequences of these changes.

The report headlines include the following in respect of the impact of the changes implemented by government on councils:

- Rising social care spending has squeezed funds available for non-social care services, yet rising spend has not prevented concerns about social care, and projections suggest continued cost and demand pressures;
- Local authorities have made substantial spending reductions in some services and sought to maximise revenue funding from other sources. Some local authorities have sought to maximise revenue available for services in ways that may reduce financial resilience. Commercial property investment strategies have increased some local authorities’ exposure to risk. Local authorities now rely more on sources of income that are dependent on local economic conditions;

NATIONAL PUBLICATIONS
National Audit Office

- A lack of short-term funding certainty hampers local authorities' ability to plan. Local authorities are also planning and delivering services amid medium-term financial uncertainty. Financial uncertainty does not support value-for-money decision-making; and
- The governance mechanisms that support decision-making about financial sustainability are under strain. The financial resilience of the local government sector was being tested, even before the COVID-19 pandemic.

The full report can be seen at this link: https://www.nao.org.uk/report/the-local-government-finance-system-in-england-overview-and-challenges/

8. Financial Sustainability of Schools in England

The report concludes that the financial health of the mainstream school system has held up well despite the funding and cost pressures that schools have faced in recent years, although the data does not yet fully reflect the significant impact that the COVID-19 pandemic has had. Most maintained schools and academy trusts are in surplus, but there are significant pressures on some maintained secondary schools.

The concern in relation to the academy sector is that a sizeable minority of academy trusts are building up substantial reserves, meaning they are spending less than their annual income on their pupils.

Ofsted inspection ratings suggest that mainstream schools have generally maintained educational quality, although there are indications that the steps schools are taking in response to financial pressures may adversely affect aspects of their provision.

Since the last report in 2016, the Department for Education has implemented a range of programmes to support schools to improve their resource management and achieve savings, which have generally been well received by the sector and helped schools to achieve savings. However, the Department's data have not been sufficiently complete or reliable to assess whether the programmes are having the impact it intended or achieving value for money.

https://www.nao.org.uk/report/financial-sustainability-of-schools-in-england/?slide=1

NATIONAL PUBLICATIONS
National Audit Office

9. Departmental Overview 2020-21: Department for Levelling Up, Housing and Communities, November 2021

The Ministry of Housing, Communities and Local Government (MHCLG) was renamed the Department of Levelling Up, Housing and Communities in September 2021 in to reflect a new ministerial appointment in the cabinet reshuffle and raise the profile of the Government's '*levelling-up*' agenda. This NAO report provides a summary of the new department's major areas of activity and performance, and the challenges it is likely to face in the coming year, based on the insights from NAO's financial audit and value for money work.

The full report an be seen at this link: https://www.nao.org.uk/report/departmental-overview-2020-21-department-for-levelling-up-housing-and-communities :

NATIONAL PUBLICATIONS
DHSC

10. Integrated Care Partnerships (ICPs) Engagement Document, September 2021

The Health and Social Care Bill introduces statutory arrangements for integrated care systems with two components:

- Establishes the Integrated Care Partnership (ICP): a broad alliance of organisations and representatives concerned with improving the care, health and wellbeing of the population, jointly convened by local authorities and the NHS; and
- Creates a statutory body, the Integrated Care Board (ICB), responsible for the commissioning of healthcare services in that ICS area, bringing the NHS together locally to improve population health and care.

This document aims to:

- offer further detail on what DHSC see as the role of, and opportunities for ICPs as one of two core elements of ICSs;
- provide further explanation around the statutory framework for ICPs, as legislated for by the Health and Care Bill;
- set out the guiding expectations DHSC has for ICPs in their operation and delivery; and
- give stakeholders more clarity on timings for establishment of ICPs and how this fits with the establishment of other elements of the system.

The ICP is a core element of the statutory arrangements for ICSs which will not be fully functional without an ICP. DHSC therefore expect that all systems will have at least an interim ICP up and running when statutory ICBs commence as planned in April 2022, subject to the passage of the Health and Care Bill through Parliament.

https://www.gov.uk/government/publications/integrated-care-partnership-icp-engagement-document

FRC

11. Inspection findings into the quality of major local body audits, October 2021

The Financial Reporting Council (FRC) published in October 2021 its inspection findings into the quality of major local body audits in England (which includes large health and local government bodies) for the financial year ended 31 March 2020.

The FRC reviewed 20 major local audits performed by six of the largest audit firms and found 6 (30%) required improvements. This is an improvement on the prior year inspection results where 60% of audits inspected required either improvements or significant improvements. FRC found that all Value for Money arrangement conclusions inspected by the FRC required no more than limited improvements.

The FRC found that the firms have taken action in response to previous findings, however, the timeliness of auditor reporting was disappointing.

The key areas requiring action by some of the audit firms included:

- strengthening the audit testing of expenditure;
- improving the evaluation and challenge of assumptions used in concluding over investment property valuations;
- improving the evaluation of assumptions used in property, plant and equipment valuations; and
- providing improved rationale supporting a modified audit opinion.

In respect of Mazars, the FRC concluded that "*the audit quality results for our inspection of the four audits showed significant improvement compared to the prior years, with all audits assessed as requiring no more than limited improvements*"*.* The table below shows how Mazars compared to the other firms reviewed:

Proportion of files reviewed graded '*good*' or '*limited improvements required*'						
Mazars	EY	GT	KPMG	Deloitte	BDO	PWC
100%	75%	67%	33% average over the 3 other suppliers			Not assessed

Contact

Mazars

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Mazars is an internationally integrated partnership, specialising in audit, accountancy, advisory, tax and legal services*. Operating in over 90 countries and territories around the world, we draw on the expertise of 40,400 professionals – 24,400 in Mazars' integrated partnership and 16,000 via the Mazars North America Alliance – to assist clients of all sizes at every stage in their development.

*where permitted under applicable country laws.

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AUDIT AND GOVERNANCE COMMITTEE

10 FEBRUARY 2022

Report of: Chief Solicitor

Subject: REGULATION OF INVESTIGATORY POWERS ACT 2000 (RIPA) - QUARTERLY UPDATE

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1. PURPOSE OF REPORT

1.1 To provide members with a quarterly update on activities relating to surveillance by the Council and policies under the Regulation of Investigatory Powers Act 2011.

2. BACKGROUND

2.1 Hartlepool Borough Council has powers under the Regulation of Investigatory Powers Act 2000 (RIPA) to conduct authorised covert surveillance.

2.2 This report is submitted to members as a result of the requirement to report to members under paragraph 4.47 of the Covert Surveillance and Property Interference Revised Code of Practice (August 2018) which states that:

Elected members of a local authority should review the authority's use of the 1997 Act and the 2000 Act and set the policy at least once a year. They should also consider internal reports on use of the 1997 Act and the 2000 Act on a regular basis to ensure that it is being used consistently with the local authority's policy and that the policy remains fit for purpose.

2.3 As from 1 November 2012 Local Authorities may only use their powers under the Regulation of Investigatory Powers Act 2000 to prevent or detect criminal offences punishable by a minimum term of 6 months in prison (or if related to underage sale of alcohol and tobacco – not relevant to this Council). The amendment to the 2000 Act came into force on 1 November 2012.

2.4 Examples of where authorisations could be sought are serious criminal damage, dangerous waste dumping and serious or serial benefit fraud. The surveillance must also be necessary and proportionate. The 2012 changes mean that authorisations cannot be granted for directed surveillance for e.g. littering, dog control, fly posting.

2.5 As from 1 November 2012 any RIPA surveillance which the Council wishes to authorise must be approved by an authorising officer at the council and also be approved by a Magistrate; where a Local Authority wishes to seek to carry out a directed surveillance or make use of a human intelligence source the Council must apply to a single Justice of the Peace.

3. RIPA AUTHORISATIONS

3.1 In the quarter to the date of this meeting:

Communications Data	Nil
CHIS	Nil
Directed Surveillance	Nil

4. RECOMMENDATION

4.1 That the quarterly report be noted.

5. REASONS FOR RECOMMENDATIONS

5.1 To enable the Council to monitor the RIPA system effectively and as required by law and guidance.

6. CONTACT OFFICERS

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AUDIT AND GOVERNANCE COMMITTEE

10th February 2022

Report of: Statutory Scrutiny Manager

Subject: Hartfield's Medical Practice (part of the McKenzie Group) – Closure Engagement

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1. PURPOSE OF REPORT

1.1 To agree the Audit and Governance Committee's response to the extended engagement process in relation to the McKenzie Group's proposed application for closure of Hartfield's Medical Practice.

2. BACKGROUND INFORMATION

2.1 The Hartfield's Medical Practice is based at Hartfield's Extra Care Village with registered patient list of 2182. The practice, as part of the McKenzie Group, is one of 11 GP practices across Hartlepool and details of patient list sizes, GP numbers for each and distance / travel times from Hartfield's are attached at **Appendix A**.

2.2 The McKenzie Group currently hold 2 APMS (Alternative Provider Medical Services) contracts for primary care medical services to a registered list of 25,545 patients across five sites (Wynyard Road Medical Centre, Hartfields Medical Centre, McKenzie House, Throston Medical Centre and Victoria Medical Centre). A cross-site working arrangement is in place with the CCG that allows patients to register under both contracts to access any of the McKenzie Group sites.

2.3 APMS contracts are a tool for the delivery of primary care services which enable primary care trusts (PCTs) to contract with a wide range of organisations to provide services in relation to[1]:

- Essential services that may involve replacement of a vacant GP practice or practices;
- Providing additional or enhanced services, which may well include locally enhanced services;
- Out-of-hours services (for which there is a separate model contract); and
- Any combination of the above.

2.4 The McKenzie Group's APMS contract was signed in 2017, for a 10 year duration, with 6 years currently remaining.

[1] LMC Guidance (A8351 Combined.pdf (lmc.org.uk))

3. MCKENZIE GROUP PROPOSAL – PROCESS UPDATE

3.1 By way of an update for new members of the Committee, a summary is provided below of the process undertaken to date in relation to the McKenzie Group's proposed application for the permanent closure of the Hartfield's Practice.

Mid-March 2020 - The Hartfields Practice, based at Hartfields Extra Care Village, temporarily closed due to the Covid-19 pandemic. This temporary closure was to enable the practice to use staff more effectively and to ensure compliance with social distancing requirements.

19th July 2021 - Notice received of the McKenzie Group's intention to submit an application to the Tees Valley Clinical Commissioning Group (CCG) to seek approval for the permanent closure of the Hartfield's Practice. The stated reasons for the application being:

'To bring services together at its other sites in order to enhance clinical quality and practice resilience, to run more efficiently and to continue to deliver high quality of care to patients'.

'That the premises at the Hartfields site are limited comprising up to three clinical rooms, one without daylight, and there is no scope to further develop the Hartfields premises to facilitate the delivery of additional services as envisaged in the NHS Long Term Plan[2]'.

19th July 2021 - 29th August 2021 - To inform the application process, and the development of a business case for consideration by the CCG, the practice undertook a six-week period of patient and stakeholder engagement (Monday) to:-

i) Ensure they understand what is planned and have an opportunity for any queries to be clarified and to share what is important to them in relation to these proposals; and
ii) Gather views and experiences during the temporary closure of the branch.

27th August 2021 - The Audit and Governance Committee formulated its response to the engagement process, a copy of which is attached at **Appendix B** for Members information.

23rd September 2021 - The results of the engagement process were presented to the Committee, along with an update on the McKenzie Group's intentions for the progression of the application. Following an assessment of the impact/degree/level of change the Committee also confirmed its view that the proposed site closure constitutes a substantial variation of service (with the resulting requirement for full consultation and potential for the referral of decisions to the Secretary of State, should it be required).

Following consideration of the engagement results, and the Audit and Governance Committee's confirmed its position that the proposed closure

[2] NHS Long Term Plan v1.2 August 2019

represents a significant variation of services for the population of Hartlepool. The McKenzie Group agreed that further engagement is required to include options in addition to 'fully open' or 'close'.

30th September 2021 – Full Council was updated on the outcome of the Audit and Governance Committee's discussions with the McKenzie Group**.** Council delegate authority to the Audit and Governance Committee to make a referral to the Secretary of State should it be deemed necessary following consideration of the closure application by the NHS Tees Valley CCG's Primary Care Commissioning Committee (PCCG).

19th October 2021 - Proposed submission of the McKenzie Group's application to the PCCG deferred.

21st December 2021 - Mckenzie Group made a request to the PCCG to extend the temporary closure of the Hartfields Medical Practice. The PCCG rejected the application on the basis that sufficient infection prevention and control procedures are in place along, alongside the prioritisation of the booster programme. The McKenzie Group was required to reopen the Hartfields Practice.

3.2 A verbal update of the next stage of the process will be provided at the meeting.

4. PROCESS FOR SERVICE CHANGE (ENGAGEMENT AND CONSULTATION)

4.1 As the body responsible for the conduct of the Council's statutory health scrutiny responsibilities, the Audit and Governance Committee has a responsibility to review and scrutinise any matter relating to the planning, provision and operation of the health service. This includes consideration of proposals for a substantial development of the health service in the area, or for a substantial variation in the provision of services.

4.2 Relevant NHS bodies and health service providers, which include GP practice providers, are required to 'consult' health scrutiny bodies on substantial reconfiguration proposals. The designation of a service change is to be agreed between scrutiny bodies and service providers, however, definitions of what constitutes a "substantial development" or "substantial variation" are not included in the legislation. Whist some local authority scrutiny bodies and their NHS counterparts have developed joint protocols or memoranda of understanding about how the parties will reach a view no such protocol exists for Hartlepool. On this basis, discussions with the McKenzie Group are required to reach agreement on this.

4.3 Regulations[3] are, however, clear that where there are concerns regarding a proposal for a substantial developments or variation in health services local authorities and the local NHS should work together to attempt to resolve these locally if at all possible before any further action can be taken.

[3] Local Authority (Public Health, Health and Wellbeing Board and Health Scrutiny) Regulations 2013

4.4 Focusing solely on consultation is insufficient to meet the NHS's public involvement and consultation duties. It is therefore essential that service providers also ensure that there is meaningful and on-going engagement with service users in developing the case for change and in planning and developing proposals.

4.5 The differentiation between engagement and consultation, is detailed below:-

i) What is engagement? - Engagement describes the continuing and on-going process of developing relationships and partnerships so that the voice of local people and partners is heard and that our plans are shared at the earliest possible stages. Examples of this type of engagement would include our patient participation groups and membership schemes where we ask members to get involved in various pieces of work.

It also describes activity that happens early on in an involvement process, including holding extensive discussions with a wide range of people to develop a robust case for change.

ii) What is a 'formal consultation'? - 'Formal consultation' describes the statutory requirement imposed on NHS bodies to consult with overview and scrutiny committees (OSCs), patients, the public and stakeholders when considering a proposal for a substantial development of the health service, or for a substantial variation in the provision of a service.

Formal consultation is carried out if a change is 'significant'. This is determined where the proposal or plan is likely to have a substantial impact on one or more of the following:

- Access (e.g. reduction or increase in service due to change of location or opening times)
- Wider community (e.g. economic impact, transport, regeneration)
- Patients or users (either current or future)
- Service delivery (e.g. methods of delivery or relocation of services)

The outcome of a formal consultation must be reported to the Trust Board in public, together with the feedback received, and must show how this has been taken into account in any recommendations and decision making.

4.6 Engagement with the local community from an early stage in the development of options is essential and this is the process the Mackenzie Group is again undertaking.

5. RECOMMENDATION

5.1 The Audit and Governance Committee note the report.

BACKGROUND PAPERS

(a) Local Authority (Public Health, Health and Wellbeing Board and Health Scrutiny) Regulations 2013.
(b) Audit and Governance Committee - Agenda and Minutes - 27 August 2021 and 23 September 2021
(c) Full Council - 30 September 2021

Contact Officer:- Joan Stevens – Statutory Scrutiny Manager
Legal Services
Hartlepool Borough Council
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Practice Name	Patient List Size*	No. of GP's	Electoral Ward	Distance From Hartfields	Bus Travel	Provider	Location
McKenzie Group	25,545 - patients across all 5 McKenzie practices						
Hartfield's Medical Practice **(branch of Wynyard Rd Medical Centre)**	2,182	9* *All 9 over McKenzie, Victoria and Throston. 8 of these GP's also cover Hartfields and Wynyard.	Hart	N/A	N/A	McKenzie Group Practice	Hartfields Extra Care Village
Wynyard Road Medical Practice	23,363		Rossmere	Car – 4.3miles – 11mins	1 bus - Approx. duration of trip (45mins)		Wynyard Rd
McKenzie House Surgery			Foggy Furze	Car – 4.7miles – 13mins	2 buses - Approx. duration of trip (60mins)		Kendal Rd
Victoria Medical Centre			Victoria	Car – 2.6miles – 9mins	1 bus - Approx. duration of trip (25mins)		The Health Centre (Victoria Rd)
Throston Medical Centre			Throston	Car – 1.0miles – 4mins	1 bus - Approx. duration of trip (25mins)		Wiltshire Way
Bankhouse Surgery	9,999	9	Burn Valley	Car – 3.2miles – 11mins	1 bus - Approx. duration of trip (35mins)	Bankhouse	One Life Hartlepool (Park Rd)
Chadwick Practice	11,911	5	Burn Valley	Car – 3.2miles – 11mins	1 bus - Approx. duration of trip (35mins)	Hartlepool and Stockton Health Ltd	One Life Hartlepool (Park Rd)
Headland Medical Centre	5,501	2	Headland and Harbour	Car – 3.6miles – 11mins	2 buses - Approx. duration of trip (50mins)	The Headland Medical Centre	Groves St
Koh & Partners	5,760	2	Victoria	Car – 2.6miles – 8mins	1 bus - Approx. duration of trip (25mins)	The Koh Practice	The Health Centre, Victoria Rd
Gladstone Surgery	5,552	3	Victoria	Car – 2.6miles – 8mins	1 bus - Approx. duration of trip (25mins)	Gladstone House Surgery	Victoria Rd
West View Millennium Surgery	6,771	4	De Bruce	Car – 2.1miles – 6mins	2 buses - Approx. duration of trip (45mins)	West View Millennium Surgery	West View Rd
Hart Medical Surgery	9,262	6	De Bruce	Car – 1.8miles – 6mins	2 buses - Approx. duration of trip (40mins)	Hart Medical Practice	Surgery Lane
Seaton Surgery	3,376	3	Seaton	Car – 5.2miles – 14mins	2 buses - Approx. duration of trip (50mins)	Seaton Surgery	Station Lane
Havelock Grange Practice							
Brierton Medical Centre		8 (across both sites)	Manor House	Car – 4.2miles – 12mins	1 bus - Approx. duration of trip (45mins)	Havelock Group Practice	Earlsferry Rd
Havelock Grange Practice	12,805		Burn Valley	Car – 3.6miles – 11mins	1 bus - Approx. duration of trip (35mins)		One Life Hartlepool (Park Rd)

*Tees Valley PCN's – TVCCG Website

Councillor Rob Cook
Chair Audit and Governance Committee
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HARTLEPOOL BOROUGH COUNCIL

27 August 2021

Ann Heppenstall
Business Manager
McKenzie Group Practice
McKenzie House
17 Kendal Road
HARTLEPOOL
TS25 1QU

Dear Ann

MCKENZIE GROUP – PROPOSED CLOSURE OF HARTFIELDS MEDICAL PRACTICE

I refer to the Stakeholder Briefing dated 19 July 2021 which outlined the McKenzie Group's proposal to permanently close Hartfield's Medical Practice, which is based at Hartfield's Extra Care Village in Hartlepool.

As a key stakeholder the Audit and Governance Committee met on the 27th August 2021 to progress the formulation of its engagement response. The Committee received evidence from both the NHS Tees Valley Clinical Commissioning Group and McKenzie Group and welcomed views and comments from Healthwatch, residents and the Town's MP.

With due regard to the information available the time of the meeting, the following outlines the Committee's formal response to the engagement process, the deadline for which is 29 August 2021.

i) Equitable access to GP services is a fundamental right and the closure of the Hartfield's Practice would not be in the best interests of those patients registered at the practice or those registered with the wider McKenzie Group. Particularly in relation to:

   - Difficulties in making and accessing appointments and other services (including prescription services) that will be exasperated by the loss of the surgery:

     - Whilst the McKenzie Group indicated that they had increased the number of appointments provided over the last 12 months from 134,000 to 173,000, it is clear that the data is not reflective of lived experiences with numerous examples of failed attempts to contact the surgery by phone. It is felt that the loss of the Hartfield's surgery will compound this problem.

- Difficulties in physically accessing GP services (including prescription services). It is felt that the needs of patients must be paramount and that consideration has not been given to the implications for vulnerable residents living in Hartfield's and in the wider community. Of particular concern is access to transport (difficulties in accessing bus services, expensive taxis and availability of only one wheelchair accessible taxi in Hartlepool) and digital exclusion (increased reliance on computer services for prescriptions, etc.).

- It is felt that the new housing planned for the surrounding area (5oo+) supports the need for the retention of the practice. Whilst evidence provided indicated that there had been 'spare' appointment capacity at the surgery pre-covid, it was felt that this spare capacity would accommodate the potential increase in patient list size resulting from new housing provision.

ii) Options have not been explored for the provision of alternative accommodation on the Hartfield's site to meet the requirements of the McKenzie Group and allow the surgery to stay in its current location. Whilst this had not been explored for the Hartfield's site, the Committee noted with concern that options for modifications at other sites had been explored in order to increase capacity elsewhere to accommodate the transfer of patients from the Hartfield's Practice.

iii) It is noted that the APMS contract relates to both the Hartfield's (as a branch) and Wynyard Practice and that a variation to the contract is being sought. The CCG clarified that whilst interest had been expressed by other GP Practices to continue the provision, the nature of the contract is such that the two cannot be separated without a full recommissioning of the whole contract. Whist the Committee note the position, the question remains as to why other practices consider accommodation adequate for the provision of services and the McKenzie Group does not.

iv) The engagement process is flawed. Digital exclusion is again relevant with indications that not all residents have received letters or have access to, or knowledge of, appropriate technology (smart phones, computers). In addition to this, it is felt that:

- There has been a lack of support for those residents who need assistance in completing the survey; and
- No options are included in the engagement survey and there is no opportunity for elaboration in terms of views.

v) Completion of a full engagement and consultation process is required, with agreement designation of the proposal as a substantial variation of service. As part of this, the full results of the engagement are to be presented to the Audit and Governance Committee.

I hope the above is of assistance and should you require any clarification, or further assistance, please don't hesitate to contact me.

Yours sincerely

R. W. Cook,

COUNCILLOR ROB COOK
CHAIR OF AUDIT AND GOVERNANCE COMMITTEE

SAFER HARTLEPOOL PARTNERSHIP

MINUTES AND DECISION RECORD

20 SEPTEMBER 2021

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

Present:

Responsible Authority Members:

Councillor Moore, Elected Member, Hartlepool Borough Council (Chair)
Councillor Stokell, Elected Member, Hartlepool Borough Council
Denise McGuckin, Managing Director, Hartlepool Borough Council
Tony Hanson, Director, Neighbourhood and Regulatory Services, Hartlepool Borough Council
Sylvia Pinkney, Assistant Director, Regulatory Services, Hartlepool Borough Council
Chief Inspector Simon Smart, Serious Violence Prevention Lead, Cleveland Police / Office of the Police and Crime Commissioner
Karen Hawkins, NHS Tees Valley Clinical Commissioning Group
Nick Jones, Cleveland Fire Authority

Other Members:

Craig Blundred, Director of Public Health, Hartlepool Borough Council
Joanne Hodgkinson, Voluntary and Community Sector Representative, Chief Executive, Safe in Tees Valley
Angela Corner, Director of Customer Support, Thirteen Group
Sally Robinson, Director of Children's and Joint Commissioning Services, Hartlepool Borough Council
Jill Harrison, Director of Adult and Community Based Services, Hartlepool Borough Council

Also Present:
Cath Wohlers, Liaise Manager, England Illegal Money Lending Team
Councillor Rob Cook, Chair of the Audit and Governance Committee

Officers:
Danielle Swainston, Assistant Director, Joint Commissioning Services
Ronnie Checksfield, Youth Offending Service Team Manager
Joan Stevens, Statutory Scrutiny Manager
Rachel Parker, Community Safety Team Leader
David Cosgrove, Democratic Services Team

13. Apologies for Absence

Superintendent Sharon Cooney, Neighbourhood Partnership and Policing Command, Cleveland Police

14. Declarations of Interest

None.

15. Minutes of the meeting held on 19 July 2021

Confirmed.

16. Stop Loan Sharks (*Representative of the Illegal Money Lending Team)*

Issue(s) for consideration

The Liaise Manager from the England Illegal Money Lending Team gave a presentation to the Partnership on their work in tackling illegal money lending including some case studies showing the effects that illegal money lending could have on individuals and the local community. The Liaise Manager highlighted that illegal money lending was no longer just the local door to door cash lending with extortionate interest rates. Loan sharks were now using the internet and social media to market their loans and using it also to pressurise people if they struggled to make payments.. The type of money lender was also changing with a case study showing a NHS surgeon that had been prosecuted for illegal money lending.

The Chair thanked the representative from the England Illegal Money Lending Team for a very informative presentation and considered that it would be beneficial for the same presentation to be given to all elected members to highlight the scale of this problem and how it could destroy people's lives so very quickly. The Police representative also commented that he would be recommending this presentation to all Cleveland Police's 35 Neighbourhood Policing Teams. In debate concern was expressed around the potential for illegal money lending to fill the gaps when the Universal Credit Covid-19 uplift was removed and also its impact on child poverty, which the Chair of the Audit and Governance Committee indicated was his committee's major scrutiny investigation area this municipal year.

Decision

That the England Illegal Money Lending Team be thanked for their very informative presentation and that the presentation be shared with Members of the partnership.

17. Domestic Abuse Needs Analysis (*Director, Children's and Commissioning Services)*

Purpose of report

To provide an update report to the partnership.

Issue(s) for consideration

The Assistant Director, Joint Commissioning Services gave a presentation to the Partnership in which she reported that the initial requirement for a revised local area domestic abuse strategy had been for it to be published by end of October 2021. However, recent information indicated that the statutory guidance (yet to be published) would require a draft strategy to be published by beginning of November to be followed by a 10 week consultation with a finalised strategy to be published in January 2022.

Together with the change to the timeline for the publication of the Strategy, the Assistant Director also indicated that the legislation placed the duty on the local authority to produce the strategy, so the finalised document would be submitted to Finance and Policy Committee for approval prior to being referred to full Council for adoption.

The draft Needs Assessment had already been published on the Council website and the Assistant Director requested that partners review the Needs Assessment, forwarding any comments to the department as soon as possible.

The Assistant Director went on to outline the impact of domestic abuse in the Hartlepool community indicating that a cost estimate placed a £50m impact on agencies budgets for Hartlepool alone. There were very high levels of repeat referrals and also a significant number of dropping out before becoming service clients. There was also a huge impact on children with 45.9% of all completed children and families assessments in 2020/21 having domestic violence as a factor.

The Chair requested that Partner Agencies review the Needs Assessment and return comments to the department as soon as possible to allow the circulation of the draft strategy document as soon after the receipt of government guidance as possible.

Decision

That the presentation and update be noted.

18. Serious Violence Statutory Duty (*Office of the Police and Crime Commissioner for Cleveland)*

Purpose of report

To provide an update to the Partnership.

Issue(s) for consideration

The Serious Violence Prevention Lead reported that a formal presentation on serious violent crime would be made to a future meeting of the Partnership as Parliament was to approve a new duty for partners to develop a strategy for the reduction of serious violent crime. The current timeframe was for the new duty to be approved ahead of Christmas.

Decision

That the report be noted.

19. Youth Justice Plan 2021-2023 (*Director, Children's and Joint Commissioning Services)*

Purpose of report

The purpose of the report was to consult with members of Safer Hartlepool Partnership on the Youth Justice Strategic Plan for 2021-2023.

Issue(s) for consideration

The Director of Children's and Joint Commissioning Services reported that the meeting of Hartlepool Borough Council on 4 November would be requested to adopt the Youth Justice Strategic Plan for 2021-2023, a copy of which was appended to the report. The recommendations made by Safer Hartlepool Partnership, Finance and Policy Committee, Children's Services Committee and Audit and Governance would be considered in the final plan presented to Council. The final version of the Strategic Plan would also be sent to National Youth Justice Board.

Decision

That the report be noted.

20. Cleveland Divert – Adult Deferred Prosecution Scheme (*Office of the Police and Crime Commissioner for Cleveland, Probation Service, Cleveland Police)*

Purpose of report

To provide an update to the Partnership.

Issue(s) for consideration

The Serious Violence Prevention Lead reported that the scheme had been delivered successfully in Hartlepool and had recently received further funding. The Youth Offending Service Team Manager and the service Board were highlighted as providing an excellent service which was well integrated with partners. It had to be acknowledged that many offenders were also actually victims and the service provided to them in Hartlepool was a flagship for the Cleveland force area.

The Chair welcomed the comments and supported the important impact the service was making in the community. Sometime it didn't always need to be about punishment but supporting people through crises.

Decision

That the report be noted.

21. Anti-Social Behaviour Investigation – Monitoring of Scrutiny Recommendations / Action Plan Update

(*Audit and Governance Committee)*

Purpose of report

To provide the Safer Hartlepool Partnership with an update in relation to the implementation of the recommendations formulated by the Audit and Governance Committee following completion of its investigation in to Anti-Social behaviour in Hartlepool.

Issue(s) for consideration

The Chair of the Audit and Governance Committee provided an update on the implementation of the committee's recommendations and an updated action plan was submitted with the report. The Chair of Audit and Governance Committee particularly thanked the Thirteen Group for their input.

The Chair of Audit and Governance Committee commented that young people had highlighted issues around sexual harassment during the investigation which was of great concern. The investigation had also highlighted the impact of diversionary activities and training such as the Anti—Social Behaviour Awareness training provided in schools and activities like the Crucial Crew. It was necessary to provide as much support for these activities as possible together with the excellent diversionary schemes undertaken by Cleveland Fire and the Neighbourhood Policing Teams.

The Chair of Audit and Governance Committee also thanked those working with the volunteers on the Big Town Tidy.

Decision

That the report be noted.

22. Hartlepool Community Safety Team – Neighbourhood Policing (*Temporary Chief Inspector Mark Haworth)*

Purpose of report

To provide an update on Hartlepool Neighbourhood Policing to the Safer Hartlepool Partnership for information.

Issue(s) for consideration

The Temporary Chief Inspector provided an update on the work of the Community Safety Team over recent months and highlighted the new officers and PCSO's that had joined. The work around the recent issue sin the Belle Vue area were also outlined to the Partnership.

The Chair highlighted recent issues with off-road motorcycles in the Headland area and how these had been addressed by the Team. The Temporary Chief Inspector indicated that the use of CCTV had been very beneficial as had the support fo the local community in tackling the problem. Any further incidents should continue to be reported either directly to the Community Safety Team, online or via 101.

Decision

That the report be noted.

23. Safer Hartlepool Partnership Terms of Reference – Membership Refresh (*Director of Neighbourhood and Regulatory Services)*

Purpose of report

To consider a refresh of the Safer Hartlepool Partnership Terms of Reference to reflect changes in membership.

Issue(s) for consideration

The Director of Neighbourhood and Regulatory Services reported that since the last review in 2018, some Members of the Partnership and the posts designated to represent organisations had changed and in order to reflect these changes, the Terms of Reference, submitted as an appendix to the report, had been amended.

The Director indicated that, as outlined in the Terms of Reference the Leader of the Council is the Chair of the Safer Hartlepool Partnership with the Vice Chair of the Partnership being agreed on an annual basis who must be from one of the responsible authorities other than the Council. The current Vice Chair of the Partnership was Cleveland Police Chief Superintendent of Neighbourhoods and Partnerships, however it was proposed that this position be taken over by the Cleveland Police Superintendent of Community Safety for the year 2021/22.

Decision

1. That the report and the revised Terms of Reference be noted.

2. That the Cleveland Police Superintendent of Community Safety be appointed Vice-Chair.

24. Safer Hartlepool Partnership Performance (*Director of Neighbourhood and Regulatory Service)*

Purpose of report

To provide an overview of Safer Hartlepool Partnership performance for Quarter 1 – April to June 2021 (inclusive).

Issue(s) for consideration

The Assistant Director, Regulatory Services provided the Partnership with an overview of Safer Hartlepool Partnership performance for Quarter 1 – April to June 2021 (inclusive) against key indicators linked to the priorities outlined in the draft Community Safety Plan 2021/24. The Assistant Director highlighted that given the impact that COVID had during Q1 of 2020/21, figures for some of the indicators had been included from Q1 of 2019/20 to provide a more representative comparison. The Assistant Director also highlighted the work of the sub groups on Fly-Tipping, Deliberately set Fires and Off-Road vehicles.

Decision

That the report be noted.

25. Any Other Items which the Chairman Considers are Urgent

None.

26. Date and Time of Next Meeting

The Chair reported that the next scheduled meeting would be held on Monday 18 October at 10.00 am in the Civic Centre.

The meeting concluded at 11.40 am

CHAIR