Hartlepool Development Corporation

Hartlepool Development Corporation Board

Date: 30 March 2026 at 1:00pm
Venue: Hartlepool Civic Centre

Membership:

Pamela Hargreaves (Independent Chair)
Councillor Brenda Harrison (Independent member)
Alison Gwynn (Independent member)
Lisa Molloy (Independent member)
Shane Moore (Independent member)
Martin Raby (Independent member)
Matt Storey (Independent member)

Associate Members:

Denise McGuckin (Managing Director, Hartlepool Borough Council)
Tom Bryant (Chief Executive, TVCA)

Hartlepool
Development
Corporation

	AGENDA
1.	Apologies for Absence To receive any apologies for absence.
2.	Declarations of Interest To receive any declarations of interest.
3.	Minutes of the previous meeting To approve as a correct record the minutes of the meeting held on 2 December 2025.
4.	Governance and Appointments To receive a report from the Interim Monitoring Officer providing an update on the appointment of the Chair and Vice Chair of Hartlepool Development Corporation.
5.	Quarter 3 Budget Report and MTFP Update To receive and consider a report from the Interim Group Director of Finance and Resources presenting an update on the financial position of Hartlepool Development Corporation.
6.	Approval of Budget 2026/27 and Medium-Term Financial Plan To receive and consider a report from the Interim Group Director of Finance and Resources to approve the Budget for 2026/27 and the Medium-Term Financial Plan. *The appendix to this report is not for publication under the terms of paragraph 3 (information relating to the financial or business affairs of any particular person (including the authority holding that information); of schedule 12a Local Government Act 1972*

7.	Treasury Management Strategy 2026/27 To receive a report from the Interim Group Director of Finance and Resources, with an update of the mid-year performance against the treasury management and prudential indicators set in the Treasury Management Strategy.
8.	Chairs update To receive a verbal update from the Chair on matters pertaining to Hartlepool Development Corporation.
6.	Date and Time of Next Meeting Tuesday 28 April 2026, 2:30pm at Hartlepool Civic Centre.

Members of the Public - Rights to Attend Meeting

With the exception of any item identified above as containing exempt or confidential information under the Local Government Act 1972 Section 100A(4), members of the public are entitled to attend this meeting and/or have access to the agenda papers.

Persons wishing to obtain any further information on this meeting or for details of access to the meeting for disabled people, please contact:
tvcagovernance@teesvalley-ca.gov.uk

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Hartlepool Development Corporation Declaration of Interests Procedure

1. The purpose of this note is to provide advice and guidance to all members of the Development Corporation Board and Audit and Risk Committee on the procedure for declaring interests. The procedure is set out in full in the Development Corporation's Constitution under the "Code of Conduct for Members" (Appendix 2).

Personal Interests

2. The Code of Conduct sets out in full, the principles on the general conduct of members in their capacity at the Development Corporation. As a general principle, members should act impartially and should not use their position at the Development Corporation to further their personal or private interests.

3. There are two types of personal interests covered by the Constitution:

   a. **"disclosable pecuniary interests".** In general, a disclosable pecuniary interest will involve any financial interests, such as paid employment or membership of a body, interests in contracts, or ownership of land or shares. Members have a pecuniary interest in a matter where there is a reasonable likelihood or expectation that the business to be considered will affect your well-being or financial position, or the well-being or financial position of the following persons:
      i. a member of your family;
      ii. any person with whom you have a close association;
      iii. in relation to a) and b) above, their employer, any firm in which they are a partner, or a company of which they are a director;
      iv. any person or body in whom persons described in a) and b) above have a beneficial interest in a class of securities exceeding the nominal value of £25,000; or
      v. any body as described in paragraph 3 b) i) and ii) below.

   b. **Any other personal interests.** You have a personal interest in any business of the Development Corporation where it relates to or is likely to affect:
      i. any body of which you are a member (or in a position of general control or management) and to which you are appointed or nominated by the Development Corporation;
      ii. any body which:
         - exercises functions of a public nature;
         - is directed to charitable purposes;
         - one of whose principle purposes includes influencing public opinion or policy (including any political party or trade union) of

which you are a member (or in a position of general control or management).

Declarations of interest relating to the Councils' commercial role

4. Financial relationships between the Development Corporation and individual councils do not in themselves create a conflict of interest for Council Leaders who are also Development Corporation Board members. Nor is it a conflict of interest if the Development Corporation supports activities within a council boundary. Nevertheless, there are specific circumstances where the Board may consider entering into direct contractual arrangements with a council, for example in relation to a particular commercial investment project, or in which that council is a co-funder. In these circumstances a non-pecuniary declaration of interest should be made by the Council Leader or their substitute.

Procedures for Declaring Interests

5. In line with the Code of Conduct, members are required to adhere to the following procedures for declaring interests:

Register of Interests

6. Each member is required to complete a register of interests form with their personal interests, within 28 days of their appointment to the Development Corporation. If no declaration is received from elected members within 28 days the matter may be referred to the Head of Paid Service of your local authority and Leader of the political group you represent on your council for action. If a Declaration is not submitted within an appropriate timescale you may be prevented from attending committee meetings. Details of any personal interests registered will be published on the Development Corporation's website, with the full register available at the Development Corporation's offices for public inspection. The form will be updated on an annual basis but it is the responsibility of each member to notify the Monitoring Officer of any changes to the register throughout the year. Notification of a change must be made to the Monitoring Officer within 28 days of becoming aware of that change.

Declaration of Interests at Meetings

7. The Development Corporation will include a standing item at the start of each statutory meeting for declaration of interests. Where members are aware that any of their personal interests are relevant to an item of business being considered at a meeting they are attending, they must declare that interest either during the standing item on the agenda, at the start of the consideration of the item of business, or when the interest becomes apparent, if later.

8. Where members consider that their interest could be considered by the public as so significant that it is likely to prejudice the members' judgement then they may not participate in any discussion and voting on the matter at the meeting, but may attend the meeting to make representations, answer questions or give evidence relating to the business, before it is discussed and voted upon.

9. If the interest is a disclosable pecuniary interest (as summarised in paragraph 3a) then the member must leave the meeting room during discussion and voting on the item of business, but may make representations, give evidence and answer questions before leaving the meeting room. Failure to comply with the requirements in relation to disclosable pecuniary interests is a criminal offence.

Sensitive Information

10. Members can seek the advice of the monitoring officer if they consider that the disclosure of their personal interests contains sensitive information.

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Hartlepool Development Corporation

HARTLEPOOL DEVELOPMENT CORPORATION BOARD

Tuesday 2 December 2025 at 3pm

Meeting held at Sir William Gray Suite, National Museum of the Royal Navy, Hartlepool

(These minutes are in draft form until approved at the next Board meeting and are therefore subject to amendments.)

ATTENDEES	
Members	
Mark Robinson	Independent Chair
Cllr Pamela Hargreaves	Leader of Hartlepool Borough Council
Sarah Bedford	Independent Member
Lisa Molloy	Independent Member
Martin Raby	Independent Member
Associate Member	
Denise McGuckin	Chief Executive, Hartlepool Borough Council
Tom Bryant	Chief Executive Officer, TVCA
Officers and other representatives	
Beverley Bearne	Chief Operating Officer, HDC
Jo Moore	Interim Group Director of Finance and Resources, TVCA
Shaun Nattrass	Group Legal Manager, TVCA
Sarah Paxton	Financial Modelling Manager, TVCA
Laura Metcalfe	Development Corporation Manager, TVCA
Justine Matchett	Lichfields
Neil Westwick	Lichfields
Kate Smith	Governance Officer, TVCA
Apologies	
Shane Moore	Independent Member
Alison Gwynn	Independent Member
Brenda McLeish	Independent Member
Brenda Harrison	Independent Member
Matt Storey	Police and Crime Commissioner, Cleveland Police
Jodie Townsend	Interim Group Chief Legal Officer & Monitoring Officer, TVCA
Julie Hurley	Interim Director of Infrastructure & Head of Planning, TVCA

HDC 13/25 Agenda item 1	APOLOGIES FOR ABSENCE The Chair welcomed everyone to the meeting. Apologies were noted in the Attendees list.
HDC 14/25 Agenda item 2	DECLARATIONS OF INTEREST Martin Raby declared a non-pecuniary interest as Director of the Northern Studios & Northern School of Art.
HDC 15/25 Agenda item 3	MINUTES OF THE PREVIOUS MEETING AND MATTERS ARISING Members were invited to raise any concerns or amendments regarding the minutes of the AGM and Board meeting held on 2 September 2025. • Chief Operating Officer Beverly Bearne noted the comment from a Member at the last meeting regarding the Risk Register. It was outlined that a full review of Risk has now been completed, and it is recommended that the Risk Register will be brought to the next Board meeting. Members were advised that the highest rated risk is the financial position. RESOLVED – The Hartlepool Development Corporation Board APPROVED the minutes of the meetings held on 2 September 2025 as a correct record. ACTION - that the Risk Register will be brought to the next Board meeting
HDC 16/25 Agenda item 4	GOVERNANCE AND APPOINTMENTS Members received a report detailing the changes to the HDC Board's Executive Membership and seeking appointment of the Vice Chair. TVCA Group Legal Manager Shaun Nattrass noted that Cllr Hargreaves has been appointed Leader of Hartlepool Borough Council and advised that she will now sit on the Board in that capacity. It was outlined that the Vice Chair can be appointed from any members of the Board who are elected members of Hartlepool Borough Council, and any elected member were invited to put themselves forward for the position of Vice Chair, for members of the Board to discuss and vote on any proposals made. The Chair congratulated Cllr Hargreaves on her recent appointment and it was also stated that, given Cllr Harrison's vast experience and knowledge it is hoped that she will remain a member of the Board.

	Members had a conversation regarding the membership of the Board, and clarity was sought regarding Independent and elected Members. Shaun Nattrass advised that the constitution does not differentiate between Councillors and Independent Members, and membership will be picked up as part of a comprehensive review of the Board being carried out by the TVCA Monitoring Officer, with recommendations in place by March. Cllr Hargreaves was approved unanimously as Vice-Chair. RESOLVED – The Hartlepool Development Corporation Board i. NOTED the changes to the HDC Board's Executive Member ii. CONFIRMED the appointment of Cllr Hargreaves as the new Vice Chair to the HDC Board.
HDC 17/25 Agenda item 5	CHAIR AND CHIEF OPERATING OFFICER'S UPDATE The Board received a presentation and verbal update from the Chair and the Chief Operating Officer of Hartlepool Development Corporation. The following updates were noted: • The Chair outlined he had spent a lot of time with colleagues at Hartlepool Borough Council and the Combined Authority, as well as getting to know the HDC team better. • The Action Day around the Middleton Grange Shopping Centre (MGSC) contributed to take things forward in more businesslike mindset. Also discussed an 18-month cash flow, which was fed back into the Budget Forecasts and the TVCA. Now have a regular way of reporting. The whole team has been reprocured and confident that we are only working with best in class for the shopping centre. • There will be monthly meetings to provide officers timely information to make decisions. Informal meetings have been constructive, offering worthwhile discussions around important priority projects. This additional effort is making a difference to create a Development Corporation identity moving forward. • Approached by MP for Hartlepool to make space in MGSC for a national initiative for a new facility for veterans - 'Valour' project. Working with Government and Members agreed this is an exciting and worthwhile proposal. • The Chair highlighted that Health and Safety has been highly scrutinised at MGSC and the advisory team are satisfied with the level in place by management agents JLL. • Chief Operating Officer Bev Bearne outlined that progress is being made with the TVCA and Northern Studios around the £3m of investment allocated. Planning permission was secured in September 2025 for the

	Production Village and film studios, and design work is underway. Progress expected by early January 2026. • Through Lichfields and with support from the Local Authority, an Article 4 direction has been drafted (around change of use of HMO applications) which is now out for consultation for adoption by the Local Authority. • Negotiations over Planning fees have been undertaken with Lichfields and this will form part of the Q2 Budget update. Also explored the introduction of pre-application charges. • Undertaken procurement for new contracts of asset management, property management, letting agents and marketing. Now going through the process of evaluation. Also strengthening approaches to contract management and financial reporting so will be more robust going forward. Risk registers are now in place for assets. • The Board was provided with an update on progress of the Binns building including timeframes and key activities. This is supported by the Town Deal Board and the Local Authority. On cusp of signing funding agreement with the Local Authority to transfer the Town Deal improvement deal to the Development Corporation to deliver the project. • The first part of the regeneration involves bringing the Binns building back to its shell, and the partial demolition of the northeast corner of the shopping centre. This provides visible progress. • Will continue to maintain close oversight of the financial position of the Development Corporation ready for budget setting, continue to progress detailed design work for Binns, and undertake a review of the constitution, scheme of delegation as part of the broader work which is happening with the Combined Authority. As part of this reset will also review the Strategic priorities to ensure delivery. Comments and questions were invited from the Board, and these are summarized below: • Will the transfer of the £13.8m be in one go? Bev Bearne outlined there is an agreed indicative spend programme, and it will be drawn down on a phased basis. The Chief Executive Officer for HBC highlighted that as the accountable body it is important to offer assurances that payments are made, not in advance, but as work is undertaken. • In response to a question whether an end user for the Binns building has been identified yet, the Chair outlined that it is currently only a shell but there is reasonable confidence that an occupier will emerge, and there are a number of options. HBC's Chief Executive confirmed that the authority will also work hard to ensure a suitable end user. • The Chair highlighted that there is confidence that the building will look great, which will be a boost for the town. There will also be the creation of a large piece of public land and there should be public events. The process for determining these will be accelerated.

	RESOLVED – The Hartlepool Development Corporation Board <u>NOTED</u> the update.
HDC 18/25 Agenda item 6	MIDDLETON GRANGE SHOPPING CENTRE The Board received a report from the Chief Operating Officer providing an update on the operations of Middleton Grange Shopping Centre (MGSC). The appendices to this report is not for publication under the terms of paragraph 3 (information relating to the financial or business affairs of any particular person (including the authority holding that information)); of schedule 12a Local Government Act 1972. *Members were informed that the confidential appendix held commercial information which could not be public, and if members wished to discuss, then the session would have to be closed.* Members indicated that their comments would pertain to confidential information, and the Chair advised that the Board should continue to work through the scheduled agenda and return to this item once the session had been closed. RESOLVED – The Hartlepool Development Corporation Board <u>NOTED</u> the update provided in the report and in confidential appendices 1 and 2.
HDC 19/25 Agenda item 7	PLANNING UPDATE The Board received a Planning Update from the Head of Planning on planning applications within the Hartlepool Mayoral Development Corporation boundary for Hartlepool Development Corporation. Key Details: • The Planning Advisor, Justine Matchett, requested feedback on the new Idox system. A member confirmed that they had looked at this, however applications appeared to still be over 2 platforms. The Board were advised that, in the cross-over there was the need to have some applications on the old platform, for the first month, however everything should be on the new platform, with the old one now gone. The members suggested that there may still be links to the older one on planning applications, and Justine Matchett confirmed she would investigate and resolve this. • A member had questions regarding a particular application and stated that a local councillor had made an objection. They asked whether the decision had been made by delegated powers. Justine Matchett advised that if a member calls in the application it will come to Planning Board, however it may have been the case that the Cllr just made an objection. Justine Matchett confirmed they will clarify the specific planning application with the member separately.

	RESOLVED – The Hartlepool Development Corporation Board NOTED the update.
HDC 20/25 Agenda item 8	Q2 FORECAST REVENUE OUTTURN 2025/26 & 2025-2029 CAPITAL BUDGET AND PROGRAMME UPDATE The Board received a report from the Interim Group Director of Finance and Resources presenting an update on the financial position of the Hartlepool Development Corporation. **The appendix to this report is not for publication under the terms of paragraph 3 (information relating to the financial or business affairs of any particular person (including the authority holding that information)); of schedule 12a Local Government Act 1972.** *Members were informed that the confidential appendix held commercial information which could not be public, and if members wished to discuss, then the session would have to be closed.* The following points were noted: • The Interim Director for Finance and Resources, Jo Moore, advised Members there is a significant deterioration in the forecast from Q1. It was outlined that there is further work to be done, in collaboration with JLL to understand this. It was suggested that part of the reason for this is a deterioration in performance of MGSC, which could be attributed to vacant lots at MGSC, and re-lets at a lower rent. • Capital Programme - It was stated that the £500k for asset transfer has not yet been fully committed, and the Board initially allocated the £10m grant from TVCA to Revenue and Capital. Because of arbitrary split, it may be possible to repurpose this to Capital if required. This will depend on whether this money is still needed. • Jo Moore raised concerns over how the Development Corporation will manage to balance the budget to the end of the year, given that it has no reserves. • The CEx HBC stated that prior to the Best Value Notice (BVN) at TVCA, a letter had been received from the Secretary of State advising that assets cannot transfer until the recommendations of the Tees Valley Review (TVR) had been addressed. It was asked whether this has been superseded by the BVN? It was proposed that assets are not transferred until the business case is in place. The Chair responded and suggested that officers will liaise on a case-by-case basis. Comments and questions were invited from the Board, and Members indicated that their comments would pertain to confidential information. The Chair advised that

	the Board should continue to work through the scheduled agenda and return to this item once the session had been closed. RESOLVED – The Hartlepool Development Corporation Board: I. NOTED the Q2 forecast revenue outturn of £1.25m overspend for 2025/26. II. NOTED the costs savings from January 2026 in relation to the planning function of HDC. III. NOTED that officers are actively exploring options to mitigate the forecast overspend. IV. NOTED that if the revenue overspend cannot be mitigated through current options being pursued, additional financial support may need to be requested from the TVCA Cabinet.
HDC 21/25 Agenda item 9	TREASURY MANAGEMENT MID-YEAR REVIEW 2025/26 The Board received a report from the Interim Group Director of Finance and Resources presenting an update on the mid-year performance against the Treasury Management Strategy. Jo Moore advised there is a Treasury Management Strategy however there has been no Treasury Management activity as the Development Corporation has not had any cash to invest or loans. RESOLVED – The Hartlepool Development Corporation Board NOTED mid-year performance against the treasury management and prudential indicators set in the Treasury Management Strategy approved by Corporation in March 2025.
HDC 22/25 Agenda item 10	URGENT AND DELEGATED DECISIONS The Board received an update for the Hartlepool Development Corporation Board of Delegation and Urgent Decisions taken since the last Development Corporation Board meeting. **The appendices to this report are not for publication under the terms of paragraph 3 (information relating to the financial or business affairs of any particular person (including the authority holding that information)); of schedule 12a Local Government Act 1972.** *Members were informed that the confidential appendices held commercial information which could not be public, and if members wished to discuss, then the session would have to be closed.* Comments and questions were invited from the Board, and these are summarized below:

	• The CEx TVCA, Tom Bryant advised members that the wider constitutional review at TVCA will need to work with the Board, and to ensure balance, that the Board is setting the strategic direction. RESOLVED – The Hartlepool Development Corporation Board: i. NOTED the Delegated Decision detailed in paragraph 3 and confidential Appendix 1. ii. NOTED the Delegated Decision detailed in paragraph 4 and confidential Appendix 2. iii. NOTED the Delegated Decision detailed in paragraph 5 and confidential Appendix 3.
HDC 23/25	DATE AND TIME OF NEXT MEETING • Tuesday 17 March 2026 The Chair formally closed the public meeting at 15:41.

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Agenda Item 4

Report to the Hartlepool Development Corporation Board

30 March 2026

Report of Interim Monitoring Officer

GOVERNANCE AND APPOINTMENTS

SUMMARY

This report details the appointment of the new Chair and seeks the Board's appointment of a new Vice Chair for the Hartlepool Development Corporation (HDC) Board.

RECOMMENDATIONS

It is recommended that the HDC Board:

i. NOTES the appointment by the Tees Valley Mayor of an Independent Chair of HDC Board, as noted by TVCA Cabinet on 30 January 2026; and

ii. CONSIDER and CONFIRMS the appointment of a new Vice Chair to the HDC Board as detailed at paragraph 9 of this report.

DETAIL

Appointment of New Chair – Hartlepool Development Corporation

1. Under the statutory framework governing Mayoral Development Corporations (MDCs), the Mayor holds the exclusive authority for appointing and concluding appointments of Chairs and Board Members of MDCs situated within the Combined Authority's area. This authority is derived from Section 107D(2) of the Local Democracy, Economic Development and Construction Act 2009, in conjunction with the Localism Act 2011 and the Tees Valley Combined Authority (Functions) Order 2017.

2. Approval of previous HDC appointments (including Mark Robinson in June 2025) was undertaken in line with this statutory framework. Councillor Pamela Hargreaves was shortlisted and interviewed as part of the Chair recruitment process in 2025 and was

considered appointable by the interview panel. This demonstrates her suitability and preparedness for the role.

3. The Mayor has exercised his power under the 2009 Act (as referenced above) to conclude Mark Robinson's term as Chair of HDC. The Mayor wishes to place on record his thanks for his contribution to the development and delivery of regeneration priorities in Hartlepool.

4. The Mayor believes that the direction of the organisation and the nature of the projects now coming forward require a different focus. In particular, it is increasingly important that the Chair is someone who is based locally and present in Hartlepool on a day-to-day basis, to drive progress at pace, provide close oversight of major upcoming schemes, and navigate the current financial position facing the Corporation alongside the local Council who are a key partner to help regenerate the town.

5. Councillor Pamela Hargreaves, Leader of Hartlepool Borough Council, has been appointed Chair of the Hartlepool Development Corporation, effective immediately. This decision has been made in light of the Hartlepool Development Corporation moving to its next phase to implement the strategic priorities locally. This appointment fully complies with the statutory criteria: she is an elected member representing Hartlepool and brings relevant leadership experience.

6. On 30 January 2026, TVCA Cabinet noted that, in accordance with the statutory powers conferred under the Local Democracy, Economic Development and Construction Act 2009, the Localism Act 2011, and support Orders, the Mayor had concluded Mr Mark Robinson's term as Chair of Hartlepool Development Corporation and appointed Cllr Pamela Hargreaves in his stead.

7. The HDC Board is requested to note the Mayor's action under his legal powers as set out above.

8. Hartlepool Development Corporation's Constitution will be updated at the next scheduled review to reflect the updated Chair and Vice-Chair requirements.

<u>Appointment of Vice Chair – Hartlepool Development Corporation</u>

9. In line with HDC's Constitution, HDC Board is required to appoint a Vice Chair who shall be an elected member of Hartlepool Borough Council. The Board are asked to consider this appointment and confirm which member will undertake this role.

FINANCIAL IMPLICATIONS

10. Support for the governance of the Tees Valley Combined Authority and Hartlepool Development Corporation is provided from within the Authority's core budget, as agreed by Cabinet through the annual budget process, and funded through resources devolved from central government.

LEGAL IMPLICATIONS

11. Section 107D(2) of the Local Democracy, Economic Development and Construction Act 2009, in conjunction with the Localism Act 2011 and the Tees Valley Combined Authority (Functions) Order 2017, the statutory framework, ensures that Chairs of MDCs within the Tees Valley are appointed and their terms concluded by the Mayor, who is accountable for the economic and regeneration outcomes of these corporations.

12. Paragraph 9 of the HDC Constitution provides that an elected member of Hartlepool Brough Council shall be the Vice Chair of the Corporation Board.

RISK ASSESSMENT

13. This report is categorised as low to medium risk. Existing management systems and daily routine activities are sufficient to control and reduce risk.

EQUALITY & DIVERSITY

14. The subject of this report is not expected to have any impacts on groups of people with protected characteristics.

Name of Contact Officer:	Jeanette McGarry
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Hartlepool Development Corporation

Agenda Item 5

Report to the Hartlepool Development Corporation Board

30 March 2026

Report of the Interim Group Director of Finance and Resources

Quarter 3 Forecast Revenue Outturn 2025/26 & 2025-2029 Capital Budget and Programme update

PURPOSE OF THE REPORT

To provide details of the 2025/26 revenue and capital forecast outturn position for Hartlepool Development Corporation (HDC), highlighting any significant variances against the approved budget for the year, based on the position as at the end of December 2025 (Quarter 3).

The report will also set out any proposed budget virements (both revenue and capital) where permission is being sought to repurpose initial budget allocations.

This report also provides an update on the Corporation's overall financial position including reserves forecasts.

SUMMARY

During the financial year, the Board is presented with quarterly reports with details of how the Corporation is performing against the financial framework and specific budgets. This report presents the forecast position for both revenue and capital as at the end of Quarter 3.

At the end of Quarter 3, the Corporation is forecasting a revenue deficit of £1.285m, representing a £0.055m improvement from the Quarter 2 forecast deficit of £1.340m. This improvement follows a detailed review of expenditure and proactive cost management activity undertaken by officers.

The key drivers for this favourable movement are a reduction to supplies and services of £0.187m driven by revised planning consultancy costs following agreement of a fixed fee ceiling with Lichfields. There has been an increase to planning fee income of £0.024m due to a large application received. These improvements have been partly offset by a movement in the net deficit of Middleton Grange Shopping Centre of £0.144m. This is following updated income and cost forecasts from managing agents based on revised tenancy assumptions and property-related pressures.

The £10m TVCA grant allocation for HDC is forecast to be fully utilised by the year end. To address the remaining deficit, the report proposes:

- Reallocation of £0.500m "asset transfer" capital budget to revenue, and
- Repurpose of £0.833m of TVCA grant funding, approved for capital purposes to revenue, arising from successfully securing additional grant funding from Investment Zone grant allocations through TVCA.

If approved, HDC would move into a forecast net surplus of £0.048m, which would be carried forward to support activity in 2026/27.

Capital expenditure remains within the approved £2.415m budget for 2025/26, with no forecast overspends. Expenditure is low due to major capital schemes not yet progressing to delivery stages.

Members should note that within the capital budget for 25/26 there is an allocation of £0.5m for asset transfer which is not currently contractually committed and so approval is sought to repurpose for revenue purposes. However, the remainder of the capital budget is contractually committed.

Members should note that within the capital budget for 25/26 underspend of £0.098m on the approved capital budget for the Film Studios. The Board is asked to approve the reallocation of this underspend against the Middleton Grange capital budget. If this is approved the capital budget to be reprofiled to 2026/27 for Middleton Grange Shopping Centre is £1.505m.

Members should note that TVCA Cabinet approved £10m of grant funding but did not specify the split between capital and revenue and so is a matter reserved for the HDC Board.

As the Corporation only utilises, and draws down, grant funding to match expenditure, there are no usable earmarked reserves within the Corporation. The Corporation should be maintaining a General Fund balance to act as a contingency against unforeseen costs. This will be an important consideration going forward in setting the budget for 2026/27.

RECOMMENDATIONS

It is recommended that the Hartlepool Development Corporation Board:

I) <u>Notes</u> the Q3 forecast revenue outturn of £1.285m overspend for 2025/26;

II) Notes if Board approves the re-purpose of capital funding to revenue the Q3 forecast revenue outturn will become a net surplus of £0.48m;
III) Approves, the re-purpose of £0.833m of TVCA grant funding, approved for capital purposes to revenue, arising from successfully securing additional grant funding from Investment Zone grant allocations through TVCA.
IV) Approves the re-purpose of the approved capital funding for asset transfer to revenue;
V) Approves the reallocation of the £0.098m underspend on the Film Studios capital budget to the Middleton Grange Shopping Centre capital budget; and
VI) Approves the reprofiling of £1.505m (including the £0.098m ask above), from 2025/26 to 2026/27 for the Middleton Grange Shopping Centre capital budget.

DETAIL

Background

1. This report sets out HDC's forecast revenue and capital outturn for 2025/26 (as at 31 December 2025 – Q3). The financial position presented below represents all forecast funding and expenditure for the plan period.

2025/26 Revenue Forecast Outturn

2. Tables 1 and 2 below summarise the current projected revenue outturn position for HDC for 2025/26, showing a forecast overspend of £1.285m, and set out the movement between the Q2 and Q3 forecasts. If Board approve the reallocations of funding as set out in this report, the Q3 forecasted revenue outturn position will be a net surplus of £0.48m. Analysis of the figures indicates that HDC's revenue expenditure is forecast to exceed the allocated budget, while income is projected to fall short, primarily due to the performance of the Middleton Grange Shopping Centre (MGSC) and increased planning-related costs.

3. Table 1 provides a subjective (category of expenditure) breakdown of the current budget, expenditure to 31 December 2025, and the forecast outturn for 2025/26.

Table 1 – HDC forecast revenue outturn summarised by type of expenditure & Income – Q3 2025/26

	Revised Annual Budget £'000	YTD Actual £'000	Forecast Outturn £'000	Variance £'000
MGSC Income	(2,197)	(1,624)	(1,864)	(333)
MGSC Expenditure	2,513	2,290	3,208	(695)
Net (surplus)/deficit MGSC	**316**	**666**	**1,344**	**(1,028)**
Employees	275	153	215	60
Supplies and Services	157	316	383	(226)

Third Party Payments	23	-	23	-
Expenditure	**455**	**469**	**621**	**(166)**
Planning Fee Income	(90)	(68)	(82)	(8)
Investment Zone Income	(175)	-	(175)	-
Other Income	(33)	-	-	(33)
TVCA Revenue Funding	(423)	(423)	(423)	-
Income	**(721)**	**(491)**	**(680)**	**(41)**
Net (surplus)/deficit	**50**	**644**	**1.285**	**(1,235)**
Reprofiling of Asset Transfer	-	-	(500)	500
Reprofiling of Capital Grant	-	-	(833)	833
Total Funding	**-**	**-**	**(1,333)**	**1,333**
Net (surplus)/deficit	**50**	**644**	**(48)**	**98**

4. Table 2 provides a breakdown of the forecasted outturns for Q2 and Q3 by expenditure category.

Table 2: Analysis of movement between Q2 and Q3 forecasted outturns for 2025/26

	Revised Annual Budget £'000	**Q3 Forecast £'000**	**Q2 Forecast £'000**	**Variance £'000**
MGSC Income	(2,197)	(1,864)	(1,839)	(25)
MGSC Expenditure	2,513	3,208	3,038	(170)
Net (surplus)/deficit MGSC	**316**	**1,344**	**1,199**	**(145)**
Employees	275	215	204	(11)
Supplies and Services	157	383	570	187
Third Party Payments	23	23	23	-
Expenditure	**455**	**621**	**797**	**176**
Planning Fee Income	(90)	(82)	(58)	24
Investment Zone Income	(175)	(175)	(175)	-
Other Income	(33)	-	-	-
TVCA Revenue Funding	(423)	(423)	(423)	-
Income	**(721)**	**(680)**	**(656)**	**24**
Net (surplus)/deficit	**50**	**1,285**	**1,340**	**55**

5. Table 2 above shows the movement in forecasted outturns for Q2 and Q3 across subjective expenditure and income categories. The Q3 forecasted outturn indicates a net expenditure of £1.285m, representing a reduction in the forecast overspend of £0.055m compared with the Q2 position.

6. Following a detailed review of HDC forecast expenditure, officers have been actively exploring options to mitigate these overspends and maximise any savings, as reflected in the change in forecast between Q2 and Q3. £0.055m of savings against the forecast overspend were identified.

7. Employee costs have risen by £0.011m in Q3 due to additional employee costs due to staff changes. The forecast outturn shows an underspend on staff costs due to vacant posts of £0.060m. The vacant posts will be managed to achieve the current underspend run rate.

8. Supplies and Services costs at Q3 are forecast to be £0.383m, a reduction of £0.187m from the forecast at Q2, primarily due to Lichfields' costs associated with delivering the planning function on behalf of HDC. These planning costs are a key contributing factor to the overall overspend on revenue expenditure.

9. Successful discussions have been held with Lichfields to agree a fixed ceiling figure for planning fees, which will provide greater certainty and control over future expenditure. This results in a net change to the monthly costs from circa £0.035m per month to £0.008m per month from January 2026.

10. Planning Fee income is forecast as £0.082m in Q3, this is an increase of £0.024m from the Quarter 2 Forecast of £0.052m. This uplift is due to the receipt of a large planning application fee.

11. Net deficit on MGSC has increased by £0.145m from the Q2 forecast position. The forecast for Q3 is a net deficit of £1.344m following a review of the shopping centre costs/income undertaken by JLL, the managing agent. The review updated tenancy assumptions and associated property costs, resulting in higher forecast spend. Officers are working closely with JLL to manage these pressures through tighter control of maintenance and operational budgets, as well as proactive asset management aimed at improving income to offset rising costs.

12. Following a review of options to mitigate the forecast overspend of £1.285m, it is proposed that the approved asset transfer funding of £0.500m from TVCA is transferred to revenue funding to reduce the forecast overspend for 2025/26.

13. Capital grant to HDC of £0.833m from Investment Zone (TVCA is the Accountable Body) funding monies will be received in year to fund project expenditure already undertaken. It is requested that the Capital Grant of £0.833m is transferred to revenue.

2025/26 Capital Forecast Outturn

14. HDC currently has a 2025/26 Capital Budget of £2.415m after approval of the £0.116m reallocation in Q1. Table 5 below provides a subjective (category of expenditure) breakdown of the current Capital Budget, expenditure to 31 December 2025 and the forecast outturn for 2025/26.

Table 5 - HDC Capital Outturn forecast summarised by type of expenditure – Q3 2025/26

	Revised Annual Budget £0	YTD Actual £0	Forecast Outturn £0	Variance £0
Professional Fees	30	30	30	-
Construction Costs	1,561	-	154	(1,407)
Legal Services	500	-	-	(500)
Payment of Capital Grant	324	226	226	(98)
	2,415	244	410	(2,005)

15. Table 6 below analyses the current capital activity by areas of Investment.

Table 6 – Forecast HDC Capital Outturn summarised by areas of investment – Q3 2025/26

	Revised Annual Budget £'000	YTD Actual £'000	Forecast Outturn £'000	Variance £'000
HDC Film Studios Capital	324	226	226	(98)
HDC Town Hall Capital	30	30	30	-
Asset Transfer	500	-	-	(500)
Middleton Grange	1,561	-	154	(1,407)
	2,415	244	410	(2,005)

16. Tables 5 and 6 above indicate that the current spend is within the approved capital budget and there are no forecasted overspends for 2025/26.

17. The funding for the Film Studios project is now being funded via the Investment Zone. This has resulted in an underspend of £0.098m on the approved capital budget. The Board is asked to approve the reallocation of this underspend against the Middleton Grange capital budget. If this is approved the capital budget to be reprofiled to 2026/27 for Middleton Grange Shopping Centre is £1.505m.

18. The capital budget for asset transfer of £0.5m remains unspent. To accommodate the overspend on the revenue budget, it is proposed that the capital budget for 2025/26

is reallocated to the revenue budget for 2025/26. If approved this will allow HDC to balance its budget for 2025/26.

Future Capital Investments

19. TVCA Cabinet has approved a borrowing facility available to fund future HDC capital Investment up to a maximum of £75m. To access the borrowing facility robust business cases will need to be approved by the Development Corporation Board and TVCA along with evidence that HDC can fully service the cost of borrowing (MRP and Interest payments).

20. Borrowed funds can only be spent on Capital Investments. The Board should be cognisant that developing capital projects may lead to abortive costs that are treated as revenue in nature if any scheme does not progress into capital investment. Such abortive fees would require funding from HDC-generated revenue income. Revenue funding is forecast to be fully utilised in 2025/26 and therefore careful consideration must be given to future borrowing approvals and the source and certainty of revenue funding to service the borrowing.

21. Capital investment activity funded by borrowing could have a material impact on the recurrent revenue costs of HDC. The value and length of the revenue impact will be governed by the value of the loans drawn down and the Minimum Revenue Provision (MRP) policy adopted.

22. An indicative Capital Financing cost that would require revenue funding is c£0.058m per annum per £1m of Capital investment based upon an assumed 4% interest rate and the relevant investment period of 30 years.

Reserves

23. Due to the funding nature of the Development Corporation, there are no usable reserves in Hartlepool Development Corporation. If the financial asks of the Board mentioned in this report are approved, at the end of March 2026, HDC is forecast to have funds remaining of the £10m TVCA grant allocation for both the revenue and capital element.

24. The Forecast outturn at Q3 indicates that there will be a small surplus of £0.049m, should all financing be approved. This surplus will be carried forward to fund expenditure in 2026/27.

CONCLUSION

25. The financial performance of the Hartlepool Development Corporation shows a significant deterioration in year from the approved budget. Following a comprehensive

review of all activities and maximising any savings, there was a slight improvement in forecast at Quarter 3 of £0.055m compared to Quarter 2. However, there is still a forecast net deficit of £1.285m at Quarter 3.

26. Revenue grant funding provided by TVCA to HDC has been fully utilised in 2025/26.

27. Alternative funding options have been considered, and members are asked to approve the reallocation of asset transfer funds of £0.500m to revenue and £0.833m of capital funding to be transferred to revenue to balance the budget for 2025/26.

28. Should the above transfers be approved, a net surplus of £0.048m has been forecast.

FINANCIAL IMPLICATIONS

29. This report gives an update on performance against the budget for the Hartlepool Development Corporation, updates the forecasted outturn and provides an analysis of the movement in expenditure and income from Q2 to Q3.

LEGAL IMPLICATIONS

30. There are no legal implications associated with the recommendations in this report.

RISK ASSESSMENT

31. This report has been categorised as medium risk to reflect the updated work on the implementation of the TVCA group risk management strategy. The group corporate risk register has been updated to reflect funding uncertainty. The existing management systems and daily routine activities are sufficient to control and reduce risk.

32. The risk of increased costs through economic factors is closely monitored and is being managed through the revised borrowing strategy put in place. A robust business case development process reduces the risk of cost pressures of investments by ensuring sufficient contingencies are built in resulting in no additional asks of Corporations funds.

33. Borrowing Commitments: A £75m borrowing facility is available but will require robust business cases and demonstrable ability to service debt. Any drawdown would create ongoing revenue commitments for interest and MRP increasing pressure on limited revenue resources.

34. Revenue Impact of Abortive Costs: If capital schemes do not progress, abortive costs become revenue in nature, adding to pressure on already limited and time-bound revenue funding.

CONSULTATION & COMMUNICATION

35. The subject of this report is a matter for HDC Board approval, therefore no additional consultation and communication has been undertaken.

EQUALITY & DIVERSITY

36. There are no equality and diversity implications associated with the recommendations in this report. Specific proposals associated with business cases and Investment Plan funding draw down will consider these implications where applicable.

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Hartlepool Development Corporation

The appendix to this report is not for publication under the terms of paragraph 3 (information relating to the financial or business affairs of any particular person (including the authority holding that information)); of schedule 12a Local Government Act 1972.

Agenda Item 6

Report to the Hartlepool Development Corporation Board

30 March 2026

Report of the Interim Group Director of Finance and Resources

HARTLEPOOL DEVELOPMENT CORPORATION REVENUE AND CAPITAL BUDGETS 2026/27

SUMMARY

The Hartlepool Development Corporation Constitution requires that the Corporation annually sets out a financial budget, which must be formally approved by the Board each year. The budget provides the financial framework within which the Corporation will operate in the forthcoming financial year (2026/27).

As a public sector body, the Corporation must set a balanced revenue budget for the following financial year. The accounting for this must comply with local authority accounting principles and relevant codes. The revenue and capital budgets for the Hartlepool Development Corporation for 2026/27 are presented for approval.

This report sets out the latest assumptions and estimates underpinning the budget proposals for consideration and the Board should consider whether those assumptions are reasonable in approving the final budget.

The Tees Valley Mayor has taken the decision to review the Middlesbrough Development Corporation (MDC). It is anticipated that this process will be concluded by 30 June 2026. Pending the outcome of the review, it is estimated that £0.525m of the original £10m grant allocation will be remaining at the end of 2026/27. It is therefore proposed to transfer £0.525m of residual funding from MDC to HDC. This may be more or less than the forecasted residual funding.

The budget sets out a revenue budget deficit of £1.380m, which will be financed by a revenue contribution of up to £1m from TVCA, the use of the 2025/26 surplus of £0.048m and the transfer of funds from MDC, if approved.

The proposed revenue budget for 2026/27 is a balanced budget. It is assumed the remaining capital budget will be fully utilised in 2026/27.

The Capital Programme for 2026/27 to 2028/29 includes £10m of City Region Sustainable Transport Settlement (CRSTS) funded Capital projects. There are no further Capital projects that require funding from TVCA in the Capital programme presented.

Members should note that within the Q3 outturn paper the Board is asked to approve the underspend of £0.98m on the Film Studios capital project be repurposed to Middleton Grange Shopping Centre. If approved this will result in capital funds of £1.505m to be rolled forward to be spent in 2026/27.

RECOMMENDATIONS

It is recommended that the Hartlepool Development Corporation Board:

I. Approves the proposed balanced revenue budget for 2026/27;
II. Notes that the revenue contribution of up to £1m from TVCA was approved by TVCA Cabinet on 20 March 2026;
III. Notes that the transfer of the residual funding from MDC of £0.525m is subject to approval by the MDC Board at its meeting on 26 March 2026;
IV. Approves the proposed capital budget for 2026/27 of £1.505m; and
V. Approves the service charge budget for Middleton Grange Shopping Centre for 2026/27 at Appendix 1;

Revenue Budget 2026/27

1. Table 1 below provides a subjective (category of expenditure) breakdown of the financial position for 2026/27.

Table 1 – HDC Revenue Budget 2026/27

Budget 2025/26 £'000		**Budget 2026/27 £'000**
(2,197)	MGSC Income	(1,992)
2,513	MGSC Expenditure	3,202
316	**Net (surplus)/deficit MGSC**	**1,210**
275	Employees	135
180	Supplies and Services	283
455	**Total Expenditure**	**418**
(90)	Planning Fee Income	(98)
(175)	Investment Zone Income	(150)

(33)	Other Income	-
(423)	TVCA Revenue Funding	-
(721)	**Total Income**	**(248)**
50	**Net (Surplus)/Deficit**	**1,380**
-	2025/26 Surplus	(48)
-	TVCA Revenue Contribution	(807)
-	Funds Transfer from MDC	(525)
-	**Total Funding**	**(1,380)**
50	**Net (surplus)/deficit**	**-**

2. During the budget setting process a thorough review of all costs and income streams has been undertaken, including taking steps to deliver efficiencies in operational costs and removing vacant posts within the establishment to deliver savings.

3. However, it has not been possible to deliver the savings required to balance the HDC budget in the short term.

4. As shown in Table 1 above HDC would have a net deficit of £1.380m for 2026/27 compared with a net deficit of £0.050m in 2025/26, without further intervention.

5. The surplus identified at Q3 of £0.048m for 2025/26 will be utilised in 2026/27 to partly offset the budget deficit.

6. A further amount of £0.525m has been identified through a transfer of residual funding from the Middlesbrough Development Corporation (MDC) budget. This funding is being released back to TVCA as part of the £20m approved by Cabinet on 22 July 2022 to support Middlesbrough and Hartlepool Mayoral Development Corporations. Transferring the residual funding to Hartlepool Development Corporation requires a change request to the business case in accordance with the TVCA Assurance Framework.

7. On 20 March 2026, TVCA Cabinet approved a contribution of up to £1m for the Hartlepool Development Corporation to fund its ongoing operation in 2026/27, under current proposal £0.807m will be needed to balance the budget, subject to a business case. Consideration of the business case and appraisal is delegated in accordance with the TVCA Assurance Framework to the TVCA Chief Executive for decision in consultation with Tees Valley Management Group, the Section 73 Officer and the Monitoring Officer. The business case and appraisal outcome are to be shared with Cabinet. It is proposed that the HDC Board has an opportunity to review this business case before it is appraised.

8. As reflected in Table 1 above the revenue contribution from TVCA of up to £1m, enables HDC to both balance the budget, to ensure that any potential unknown in-year pressures can be provided for without any further requests for funds in-year.

9. There is a requirement for HDC, working collaboratively with Hartlepool Borough Council and TVCA, to develop a credible regeneration plan for the town centre that seeks to ensure a sustainable financial position for HDC beyond 2026/27. This will need to be progressed by the Board as a matter of urgency.

10. It is also important to note that HDC has an existing capital budget for works to improve the Middleton Grange Shopping Centre (MGSC) in the short-term and potentially reduce operating costs through the rationalisation of units, whilst the regeneration plan for the town centre is developed.

2026/27 Revenue Budget

11. Changes from the 2025/26 budget to the 2026/27 budget are shown in Table 2 below.

Table 2 – HDC Budget changes from 2025/26 to 2026/27

Budget 2025/26 £'000		Budget 2026/27 £'000	Budget Change £'000
(2,197)	MGSC Income	(1,992)	(205)
2,513	MGSC Expenditure	3,202	(689)
316	**Net (surplus)/deficit MGSC**	**1,210**	**(894)**
275	Employees	135	140
180	Supplies and Services	283	(103)
455	**Total Expenditure**	**418**	**37**
(90)	Planning Fee Income	(98)	8
(175)	Investment Zone Income	(150)	(25)
(33)	Other Income	-	(33)
(423)	TVCA Revenue Funding	-	(423)
-	2025/26 Surplus	(48)	48
-	TVCA Revenue Contribution	(807)	807
-	Funds Transfer from MDC	(525)	525
(721)	**Total Income**	**(1,628)**	**907**
50	**Net (surplus)/deficit**	**-**	**50**

Middleton Grange Shopping Centre (MGSC)

12. For 2026/27 HDC instructed Grant Thornton to review the forecast for Middleton Grange Shopping Centre previously provided by the managing agents. Several assumptions were applied to the cash flow to assess the overall financial position of the shopping centre. The figures included in the budget for MGSC are taken from this cashflow review.

13. The key driver in the changes between budgets for 2025/26 and 2026/27 relates to MGSC, showing both a reduced income and an increased expenditure budget. Income for 2026/27 is budgeted as £1.992m compared to the 2025/26 budget of £2.197m, a change in income of £0.205m. Whilst £0.497m has been applied to the 2026/27 income budget for contracted inflationary increases and any known tenancy renewals, this has been offset by a reduction to the income budget of £0.703m to provide for 'high risk tenants'.

14. Expenditure budgets for MGSC have also increased from £2.513m to £3.202m, an increase of £0.689m. The primary increase in expenditure relates to increased service charge costs of £0.572m. This increase is due a series of voids, caps, lease defects and rent-inclusive leases across the scheme which have increased the landlord liability by £0.478m from the previous budget. The service charge budget is included for approval by the Board at Appendix 1.

15. As part of the service charge budget, £0.100m is allocated to marketing with 50% of the cost being covered by HDC as landlords.

16. Utilities budgets have also increased by £0.120m from the 2025/26 budget of £0.130m, which is in line with the Q3 forecast for 2025/26. Further expenses include a contingency amount of £0.100m to mitigate against potential unforeseen increases or further utility increases as a result of the global climate.

17. The net deficit budgeted for MGSC is £1.210m for 2026/27. This reflects market conditions and the challenges faced by shopping centres across the UK. However, HDC has undertaken works to review contracts with the management agents, ensuring accurate and prudent budgets for tenancy assumptions and property costs.

18. Officers will continue to work with the Managing Agents to manage these pressures and ensure tight control of operational budgets, along with proactive asset management aimed at improving income to offset rising costs. It is imperative that every effort is made to try and reduce the net deficit budgeted for MGSC throughout 2026/27.

19. There is also further pressure on the operational spend for HDC of £0.170m. This is comprised of expenditure on employees and supplies & services of £0.418m and offset by income for Planning and Investment Zones of £0.248m.

20. Employee costs for 2026/27 are £0.135m, which is a reduction of £0.140m. This reduction is due to a review of the current structure and the removal of vacant posts, which has been necessitated by the need to deliver efficiencies.

21. The Supplies and Services budget for 2026/27 is £0.283m, a decrease of £0.123m from the forecasted outturn of 2025/26. This saving is due to a reduction in the Lichfields costs after agreeing a fixed price of £0.100m per annum.

22. The 2026/27 income budget has reduced by £0.050m from 2025/26 due to a reduction in other income of £0.033m, reduced Investment Zone income of £0.025m and increased Planning income of £0.08m.

2026/27 Capital budget

23. HDC has a £5m capital budget for 2026/27 as approved on the 6 March 2025. These are ringfenced funds for transport projects from the City Region Sustainable Transport Settlement (CRSTS).

24. Table 3 below shows the capital programme for HDC 2025/26 to 2028/29.

Table 3 HDC Capital Programme 2025/26 to 2028/29

	Budget 2025/26 £'000	**Budget 2026/27 £'000**	**Budget 2027/28 £'000**	**Budget 2028/29 £'000**
Ringfenced future CRSTS schemes	-	5,000	5,000	-
HDC Film Studios Capital	324	-	-	-
Project Development	-	-	-	-
HDC Town Hall Capital	30	-	-	-
Asset Transfer	500	-	-	-
Middleton Grange	1,561	-	-	-
	2,415	5,000	5,000	-

25. Expenditure budgeted for 2025/26 for Middleton Grange Shopping centre of the £1.561m, £1.407m is not forecast to be spent in year, and any underspend will be

requested to be rolled forward to 2026/27 as part of the outturn report once final costs are confirmed.

26. Quarter 3 also updates on an underspend of £0.098m on the Film Studios capital project, and it is requested that these funds are repurposed to be used on MGSC in order to reduce operating costs through the rationalisation of units. If approved this will result in capital funds of £1.505m to be carried forward to be spent in 2026/27.

27. Table 4 below presents the funding streams for the Capital programme.

Table 4 HDC Capital Programme 2025/26 to 2028/29

Funding	Budget 2025/26 £0	Budget 2026/27 £0	Budget 2027/28 £0	Budget 2028/29 £0
Capital Grant (TVCA Investment Plan)	2,415	-	-	-
Capital Grant (CRSTS)	-	5,000	5,000	-
Revenue Contribution	-	-	-	-
Borrowing (TVCA)		-	-	-
	2,415	5,000	5,000	-

28. As shown in Table 4 above there is no further planned capital funding from TVCA for HDC Capital projects after 2025/26.

Reserves

29. Due to the funding nature of the Development Corporation, there are no usable reserves in Hartlepool Development Corporation. If the financial asks of the Board mentioned in this report are approved, at the end of March 2026, HDC is forecast to have funds remaining of the £10m TVCA grant allocation for both the revenue and capital element.

30. The Forecast outturn at Q3 indicates that there will be a small surplus of £0.048m, should all the recommendations be approved. This surplus will be carried forward to fund expenditure in 2026/27.

Key Risks

31. Financial Sustainability Risk (High)
There remains a challenge around HDC's on-going operating position, driven largely by MGSC performance. While funding streams address the 2026/27 shortfall, there is no

confirmed recurrent funding beyond this period. There is a need for the Board to prioritise the development of a regeneration plan for the town centre that seeks to ensure a sustainable financial position beyond 2026/27.

32. MGSC Income and Cost Volatility (High)
MGSC faces significant market pressures, including tenant risk, falling retail demand, and rising service charge and utility costs. Further tenant losses or cost increases could widen the net deficit. The retail market remains uncertain nationally, and HDC is exposed to movements beyond its immediate control.

33. Dependence on External Funding Approvals (Medium/High)
Whilst TVCA Cabinet approved funding of up to a £1m for financial support to HDC for 2026/27, this approval is subject to the appraisal of a business case. Delays, conditions, or non-approval would create an immediate unfunded pressure.

34. Organisational Capacity
Following the removal of vacant posts to achieve savings, HDC's reduced staffing capacity may affect its ability to deliver key projects, manage MGSC pressures, or progress the required town centre regeneration strategy at pace.

35. Economic and Market Conditions (Medium)
Inflationary pressures, energy market volatility, and broader economic uncertainty continue to impact operational and capital budgets. Any further national economic downturn would likely increase cost pressures and reduce rental income at MGSC.

36. Governance and Stakeholder Alignment (Low/Medium)
HDC's success is dependent on strong partnership working with Hartlepool Borough Council, TVCA, and external partners. Misalignment of priorities could affect project delivery, investment timelines, and financial sustainability.

CONSULTATION & COMMUNICATION

37. The subject of this report is a matter for MDC Board approval therefore no additional consultation and communication has been undertaken.

EQUALITY & DIVERSITY

38. There are no equality and diversity implications associated with the recommendations in this report. Specific projects will consider these implications where applicable.

Hartlepool Development Corporation

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Hartlepool Development Corporation

Agenda Item 7

Report to the Hartlepool Development Corporation Board

30 March 2026

Report of Interim Director of Finances & Resources

TREASURY MANAGEMENT STRATEGY 2026/27

PURPOSE OF THE REPORT

The purpose of this report is to present to the Board the proposed Treasury Management Strategy (TMSS) for 2026/27 for approval to comply with the requirements of the Local Government Act 2003 and the Chartered Institute of Public Finance Accountant (CIPFA) Treasury Management Code of Practice. To comply with these regulations, the TMSS includes prudential and treasury indicators to ensure that the Authority's capital expenditure plans are affordable and sustainable.

SUMMARY

The Local Government Act 2003 and supporting regulations requires local authorities to 'have regard to' the Chartered Institute of Public Finance & Accountancy (CIPFA) Prudential Code and Treasury Management Code of Practice, and to set out indicators to ensure that an authority's capital investment plans are affordable, prudent and sustainable. The Prudential Code focuses on capital finance, while the Treasury Management Code provides guidance on treasury management in the public services.

The Treasury Management Strategy sets out an authority's strategic approach to the management of its cashflows, investment of surplus cash and borrowing to fund its capital investment plans. The overall aim is to optimise investment returns performance and minimise costs of borrowing whilst effectively managing associated risks and safeguarding an authority's cash and liquid assets. Whilst the Development Corporation is not a local authority, it is implied that a corporation follows local authority accounting rules and codes unless specifically exempted.

The Treasury Management Strategy also sets out the Corporation's approach to its external borrowing and debt portfolio together with proposed increases or decreases to those levels in line with the Corporation's capital investment plans. This activity is managed and monitored through a suite of prudential indicators and this report outlines the Corporation's proposed prudential indicators for 2026/27 and sets out the expected Treasury operations for this period. This report and associated tables fulfil the statutory requirement of the Local Government Act 2003.

HDC are currently in transitional position with their banking arrangements while full operational bank accounts are established. Currently all transactions are facilitated through TVCA. As such there are no cash balances held by the authority and all expenditure undertaken is fully grant funded or funded through revenue receipts.

Members should note that the S73 officer is discussing with CIPFA the ongoing requirement for HDC to prepare formal treasury management reports given its financial position.

RECOMMENDATIONS

It is recommended that the Hartlepool Development Corporation Board:

i. Approve the Treasury Management Strategy for 2026/27.
ii. Notes that the S73 officer is discussing with CIPFA the ongoing requirement for HDC to prepare formal treasury management reports given its financial position.

DETAIL

1. Local Authorities are required to produce a Treasury Management Strategy on an annual basis, as required by Local Government Act 2003, ensuring capital investment plans are affordable, sustainable and compliant with professional codes.
   This report fulfils the requirements of the Local Government Act 2003 by:

   I. Reporting the prudential indicators as required by the Chartered Institute of Public Finance and Accountancy (CIPFA) Prudential Code for Capital Finance in Local Authorities;
   II. Setting the Treasury Management Strategy in accordance with the CIPFA Code of Practice on Treasury Management;
   III. Adopting the Corporation's Treasury Management Policy Statement as recommended within the CIPFA Code of Practice 2021;

2. Under the requirements of the CIPFA Code of Practice and associated Guidance Notes 2021, the following clauses have been adopted:

3. This Corporation will create and maintain, as the cornerstones for effective treasury a treasury management policy statement stating the policies, objectives and approach to risk management of its treasury management activities.

4. This Corporation will receive reports on its treasury management policies, practices and activities, including, as a minimum, an annual strategy and plan in advance of the year, a mid-year review and an annual report after its close in the form prescribed in its TMPs.

5. This Corporation delegates responsibility for the implementation and regular monitoring of its treasury management policies and practices to the HDC Board, and for the execution and administration of treasury management decisions to the S73 Officer who will act in accordance with the organisation's policy statement and Treasury Management Practices.

6. This organisation nominates the Audit and Governance Committee to be responsible for ensuring effective scrutiny of the treasury management strategy and policies.

FINANCIAL IMPLICATIONS

7. All financial resource implications are detailed in the body of this report, which links to the Council's Medium Term Financial Strategy and Capital Strategy.

LEGAL IMPLICATIONS

8. Approval of the Prudential Indicators and Treasury Management Strategy is a legal requirement of the Local Government Act 2003. Board members are required under the CIPFA Code of Practice to have ownership and understanding when making decisions on Treasury Management matters.

RISK ASSESSMENT

9. The Treasury Management Strategy is categorised as low to medium risk. Existing management systems and daily routine activities are sufficient to control and reduce risk.

CONSULTATION & COMMUNICATION

10. The subject of this report is a matter for HDC Board approval, therefore no additional consultation and communication has been undertaken.

EQUALITY & DIVERSITY

11. There are no equality and diversity implications associated with the recommendations in this report.

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HARTLEPOOL DEVELOPMENT CORPORATION

TREASURY MANAGEMENT STRATEGY STATEMENT 2026/27

1. Introduction

1.1 The Local Government Act 2003 and supporting regulations require the Council to 'have regard to' the Chartered Institute of Public Finance & Accountancy (CIPFA) Prudential Code and Treasury Management Code of Practice, and to set out indicators to ensure that the Council's capital investment plans are affordable, prudent and sustainable.

1.2 The Prudential Code focuses on capital finance, while the Treasury Management Code provides guidance on treasury management in the public services. The objectives of the Prudential Code are to provide a framework for local authority capital finance that will ensure for individual local authorities that:

- capital expenditure and investment plans are affordable and proportionate
- all external borrowing and other long-term liabilities are within prudent and sustainable levels
- the risks associated with investments for service and commercial purposes are proportionate to their financial capacity
- treasury management and other investment decisions are taken in accordance with professional good practice.

1.3 Treasury Management Activities are defined as 'The management of the organisation's borrowing, investments and cash flows, including its banking, money market and capital market transactions, the effective control of the risks associated with those activities, and the pursuit of optimum performance consistent with those risks'.

1.4 The CIPFA Prudential Code and CIPFA Treasury Management Code of Practice are both referred to by regulations, set out good practice and are complementary to one another. The 2021 CIPFA Treasury Management Code of Practice sets out the requirements for all local authorities to set an annual Treasury Management Strategy.

1.5 Under the prudential system, individual local authorities are responsible for deciding the level of their affordable borrowing, having regard to the code. Prudential limits apply to all borrowing, qualifying credit arrangements and other long-term liabilities. The system is designed to encourage authorities that need and can afford to undertake capital investment to do so within a robust framework.

1.6 Alongside the 2021 Prudential Code, local authorities are required to comply with the 2021 Treasury Management Code. Both codes are closely linked; with the Prudential Code providing a framework for capital investment plans and the

Treasury Management Code ensures treasury management practices (TMPs) are adapted and can support the capital investment plans.

1.7 The 2017 Prudential Code introduced the requirement for local authorities to produce a Capital Strategy. The purpose of the capital strategy is to firmly place decisions around borrowing in the context of the overall longer-term financial position of the Corporation and to provide improved links between the revenue and capital budgets.

1.8 Both strategies are closely linked with the capital programme and expenditure being a key driver for treasury management activity. They also support the Medium-Term Financial Plan.

1.9 The Corporation is required to operate a balanced budget, which broadly means that cash raised during the year will meet cash expenditure. Part of the Treasury Management operation is to ensure that this cash flow is adequately planned, with cash being available when it is needed.

1.10 The second main function of Treasury Management is the funding of the Corporation's capital plans. These capital plans provide a guide to the borrowing need of the Corporation, essentially the longer-term cash flow planning, to ensure that the Corporation can meet its capital spending obligations. This management of longer-term cash may involve arranging long or short-term loans or using longer term cash flow surpluses. On occasion, when it is prudent and economic, any debt previously drawn may be restructured to meet Corporation risk or cost objectives.

2 Regulatory Background

CIPFA defines treasury management as:

"The management of the local authority's borrowing, investments and cash flows, including its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks."

2.1 Whilst any commercial initiatives or loans to third parties will impact on the treasury function, these activities are generally classed as non-treasury activities, (arising usually from capital expenditure), and are separate from the day-to-day treasury management activities.

2.2 The main objective of the 2021 Codes was to respond to the major expansion of local authority investment activity over the past few years into the purchase of non-financial investments, particularly property. The Codes require an authority to ensure that: -

- it defines its risk appetite and its governance processes for managing risk.
- it sets out, at a high level, its investment policy in relation to environmental, social and governance aspects.

- it adopts a liability benchmark treasury indicator to support the financing risk management of the capital financing requirement; this is to be shown in chart form for a minimum of ten years, with material differences between the liability benchmark and actual loans to be explained.
- it does not borrow to finance capital expenditure to invest primarily for commercial return.
- increases in the CFR and borrowing are undertaken solely for purposes directly and primarily related to the functions of the Corporation. Where any financial returns are related to the financial viability of the project in question, they should be incidental to its primary purpose.
- an annual review is conducted to evaluate whether commercial investments should be sold to release funds to finance new capital expenditure or refinance maturing debt.
- its capital plans and investment plans are affordable and proportionate.
- all borrowing/other long-term liabilities are within prudent and sustainable levels.
- risks associated with commercial investments are proportionate to overall financial capacity to sustain losses.
- treasury management decisions are in accordance with good professional practice.
- reporting to members is done quarterly, including updates of prudential indicators.
- it should assess the risks and rewards of significant investments over the long term, as opposed to the usual three to five years that most local authority financial planning has been conducted over, to ensure the long-term financial sustainability of the Corporation.

3 Training

3.1 The CIPFA Treasury Management Code requires the responsible officer to ensure that Members with responsibility for treasury management receive adequate training in treasury management. This especially applies to Members of the Board and Members of the Audit & Governance Committee.

3.2 Furthermore, the Code states it is expected that all organisations have a formal and comprehensive knowledge and skills or training policy for the effective acquisition and retention of treasury management knowledge and skills for those responsible for management, delivery, governance and decision making.

4 Policy on use of external service providers

4.1 HDC via Tees Valley Combined Authority (TVCA) are currently supported by professional advisors, in order to ensure that up to date market advice and information on the most appropriate investment / borrowing options are obtained for the TVCA group.

5 Economic Background

5.1 The most significant impacts on the Corporation’s Treasury Management Strategy for 2026/27 are expected to include: the influence of the Government’s 2025 Autumn Budget, lower short-term interest rates alongside higher medium and longer-term rates, slower economic growth, together with ongoing uncertainties around the global economy, stock market sentiment, and geopolitical issues.

5.2 The Bank of England’s Monetary Policy Committee (MPC) cut Bank Rate to 3.75% in December 2025, as expected. The vote to cut was 5-4, with the minority instead favouring holding rates at 4.0%. Those members wanting a cut judged that disinflation was established while those preferring to hold Bank Rate argued that inflation risks remained sufficiently material to leave rates untouched at this stage.

5.3 Figures from the Office for National Statistics showed that the UK economy expanded by 0.1% in the third quarter of the calendar year, this was unrevised from the initial estimate. The most recent Monetary Policy Report (November) projected modest economic growth, with GDP expected to rise by 0.2% in the final calendar quarter of 2025. Annual growth is forecast to ease from 1.4% before improving again later, reflecting the delayed effects of lower interest rates, looser monetary conditions, stronger global activity, and higher consumer spending. The view of modest economic growth going forward was echoed by the Office for Budget Responsibility in its Economic and fiscal outlook published in line with the Autumn Statement which revised down its estimate of annual real GDP to around 1.5% on average between 2025 and 2030.

5.4 CPI inflation was 3.2% in November 2025, down from 3.6% in the previous month and below the 3.5% expected. Core CPI eased to 3.2% from 3.4%, contrary to forecasts of remaining at 3.6%. Looking forward, the MPC continues to expect inflation to fall to around 3% in calendar Q1 2026, before steadily returning to the 2% target by late 2026 or early 2027.

5.5 The labour market continues to deteriorate with rising unemployment, falling vacancies and flat inactivity. In the three months to October 2025, the unemployment rate increased to 5.1%, higher than the level previously expected by the BoE, while the employment rate slipped to 74.9%. Pay growth for the same period eased modestly, with total earnings (including bonuses) growth at 4.7% and while regular pay was 4.6%.

5.6 The US Federal Reserve also continued to cut rates, including reducing the target range for the Federal Funds Rate by 0.25% at its December 2025 meeting, to 3.50%-3.75%, in line with expectations. The minutes of the meeting noted that most Federal policymakers judged that further rate cuts would be likely in 2026 if inflation continues to ease. However, they were still divided in their assessment of the risks between inflation and unemployment.

5.7 The European Central Bank (ECB) kept its key interest rates unchanged in December for a fourth consecutive meeting, maintaining the deposit rate at 2.0% and the main refinancing rate at 2.15%. The ECB maintained that future policy decisions will remain data-dependent, that inflation is close to its 2% target and that the euro area economy continues to expand despite a challenging global environment, including heightened geopolitical risks and trade tensions.

6 Credit outlook

6.1 Credit Default Swap (CDS) prices, which spiked in April 2025 following President Trump's 'Liberation Day' tariff announcements, have since trended lower, returning to levels broadly consistent with their 2024 averages. Although CDS prices rose modestly during October and November, the overall credit outlook remains stable, and credit conditions are expected to remain close to the range seen over the past two years.

6.2 Interest rate forecast (22 December 2025): Arlingclose, the Authority's treasury management adviser, currently forecasts that the Bank of England's Monetary Policy Committee will continue to reduce Bank Rate in 2026, reaching around 3.25%. This forecast reflects amendments made following the Autumn Budget and an assessment of the fiscal measures and their market implications, and following the BoE MPC meeting held on 18 December.

6.3 Long-term gilt yields, and therefore interest rates payable on long-term borrowing, are expected to remain broadly stable on average, though with continued volatility, and to end the forecast period marginally lower than current levels. Yields are likely to stay higher than in the pre-quantitative tightening era, reflecting ongoing balance sheet reduction and elevated bond issuance. Short-term fluctuations are expected to persist in response to economic data releases and geopolitical developments.

7 The Corporation's Capital Expenditure Plans and Borrowing Need (the Capital Financing Requirement)

7.1 Capital Expenditure Plans

7.2 The Corporation undertakes capital expenditure on the Middle Grange Shopping Centre for economic regeneration of the region. These activities may either be financed in-year through the application of capital or revenue resources:

- Capital receipts
- Capital grants
- Contributions from revenue and capital reserves
- Revenue budget contributions

7.3 Any residual amount will be funded by borrowing although this can be internal or external. Internal borrowing is the use of the internal resources of the Corporation to fund the cashflow requirement for its capital expenditure. External borrowing is the use of loans from TVCA to fund the cashflow requirements for the Corporation's capital expenditure.

7.4 Currently, HDC obtain their capital grant from TVCA. The capital expenditure plans are a key driver of treasury management activity. The output of the capital expenditure plans is reflected in the prudential indicators, which are designed to assist Boards' assessment of the affordability and sustainability of the proposed Capital Programme.

7.5 The table 1 below sets out the capital programme for the next five years by key area.

Table 1 – Budgeted Capital Expenditure and Funding

	Budget 2025/26 £'000	Budget 2026/27 £'000	Budget 2027/28 £'000	Budget 2028/29 £'000
Ringfenced future CRSTS schemes	-	5,000	5,000	-
HDC Film Studios Capital	324	-	-	-
Project Development	-	-	-	-
HDC Town Hall Capital	30	-	-	-
Asset Transfer	500	-	-	-
Middleton Grange	1,561	-	-	-
	2,415	5,000	5,000	-

	Budget 2025/26 £'000	Budget 2026/27 £'000	Budget 2027/28 £'000	Budget 2028/29 £'000
Grant Funding	2,415	5,000	5,000	-
Borrowing	-	-	-	-
	2,415	5,000	5,000	-

8 Capital Financing Requirement

8.1 The Corporation's Capital Financing Requirement (CFR). The CFR is simply the total historic outstanding capital expenditure which has not yet been paid for from either revenue or capital resources. It is essentially a measure of the Corporation's indebtedness and so its underlying borrowing need. Any capital expenditure above, which has not immediately been paid for through a revenue or capital resource, will increase the CFR.

8.2 The CFR does not ordinarily increase indefinitely, as the Minimum Revenue Provision (MRP), a statutory annual revenue charge which broadly reduces indebtedness in line with each asset's life, reduces the CFR as it charges the economic consumption of capital assets as they are used.

8.3 HDC being a Development Corporation there is no requirement to provide MRP.As stated in updated MRP Guidance issued on 1 April 2024 and applicable from the start of the 2025/26 financial year.

8.4 The CFR includes any other long-term liabilities (e.g. PFI schemes, finance leases). Whilst these increase the CFR, and therefore the Corporation's borrowing requirement, these types of schemes include a borrowing facility by the PFI, PPP lease provider and so the Corporation is not required to separately borrow for these schemes. The Corporation currently has no such schemes within the CFR. The Corporation does not currently have any such schemes in place.

8.5 CIPFA's Prudential Code for Capital Finance in Local Authorities recommends that the HDC's total debt should be lower than its highest forecast CFR over the next three years. Table 2 shows that the HDC expects to comply with this recommendation during 2026/27.

Table 2- Capital Financing Requirement Less External Borrowing

	2024/25 Actual - Unaudited £'000	2025/26 Estimate £'000	2026/27 Estimate £'000	2027/28 Estimate £'000
Capital financing requirement	-	50,000	75,000	75,000
Less: External borrowing	-	-	-	-
	-	**50,000**	**75,000**	**75,000**

9 Prudential Indicators

9.1 The Corporation measures and manages its exposure to treasury management risks using the following indicators.

Liquidity: The Corporation has adopted a voluntary measure of its exposure to liquidity risk by monitoring the amount of cash available to meet unexpected payments within a rolling three-month period, without borrowing.

Table 3: Liquidity risk indicator

Liquidity risk indicator	Target
Total cash available within 3 months	£0.1m

9.2 Liability benchmark

9.2.1 The Corporation is required to estimate and measure the Liability Benchmark (LB) for the forthcoming financial year and the following two financial years, as a minimum. There are four components to the Liability Benchmark: -

1. Existing loan debt outstanding: the Corporation does not have any existing loans that are still outstanding.

2. **Loans CFR**: this is calculated in accordance with the loans Capital Financing Requirement definition in the Prudential Code, reflecting the Corporation's underlying need to borrow and projected into the future based on approved prudential borrowing and planned MRP.
3. **Net loans requirement**: this will show the Corporation's existing gross loan debt less treasury management investments at the last financial year-end, projected into the future and based on its approved prudential borrowing, planned MRP and any other major cash flows forecast.
4. **Liability benchmark (or gross loans requirement)**: this is a forecast of the level of gross loan debt the Corporation will require in line with its budget plans. It is based on the net loans requirement, plus a liquidity allowance for treasury management investments, which is an estimate of the level of short-term investments needed to provide an adequate level of liquidity for daily cash flow management. We have estimated our liquidity allowance at £0.1m.

Table 4- Prudential Indicator: Liability benchmark

	2024/25 Actual - Unaudited £'000	**2025/26 Estimate £'000**	**2026/27 Estimate £'000**	**2027/28 Estimate £'000**
Loans CFR	-	50,000	75,000	75,000
Less: Balance sheet resources	-	(100)	(100)	(100)
Plus: Liquidity allowance	-	100	100	100
Liability benchmark	**-**	**50,000**	**75,000**	**75,000**

9.3 Operational Boundary

9.3.1 This is the limit beyond which external debt is not normally expected to exceed. In most cases, this would be a similar figure to the CFR, but may be lower or higher depending on the levels of actual debt and the ability to fund under- borrowing by other cash resources. The operational boundary is based on the Corporation's estimate of most likely (i.e. prudent but not worst case) scenario for external debt. It links directly to the Corporation's estimates of capital expenditure, the capital financing requirement and cash flow requirements, and is a key management tool for in-year monitoring.

9.3.2 Other long-term liabilities may comprise finance leases, Private Finance Initiative and other liabilities that are not borrowing but form part of the Corporation's debt.

Table 5- Operational Boundary

	2024/25 Actual - Unaudited £'000	2025/26 Estimate £'000	2026/27 Estimate £'000	2027/28 Estimate £'000
Borrowing	-	50,000	75,000	75,000
Other long-term liabilities - lease	-	-	-	-
Total	**-**	**50,000**	**75,000**	**75,000**

9.4 Authorised limit

9.4.1 This is a key prudential indicator and represents a control on the maximum level of borrowing approved by the Corporation's Board. This represents a legal limit beyond which external debt is prohibited, and this limit needs to be set or revised by Board. It reflects the level of external debt which, while not desired, could be afforded in the short term, but is not sustainable in the longer term.

9.4.2 This is the statutory limit determined under section 3(1) of the Local Government Act 2003. The Government retains an option to control either the total of all authorities" plans, or those of a specific authority, although this power has not yet been exercised.

9.4.3 The authorised limit is the sum of the estimate of capital expenditure to be financed from borrowing and a contingency amount designed to accommodate unexpected capital payments.

9.4.4 The Corporation is asked to approve the following Authorised Limit:

Table 6- Authorised Borrowing Limit

Authorised limit	**2024/25 Estimate £'000**	**2025/26 Estimate £'000**	**2026/27 Estimate £'000**	**2027/28 Estimate £,000**
Borrowing	-	50,000	75,000	75,000
Temporary Borrowing	-	-	750	750
Total	**-**	**50,000**	**75,750**	**75,750**

9.5 The table below sets out the overall proposed limits for approval compared to the Corporation's forecast actual borrowing

Table 7 – Authorised Limit, Operational Boundary and estimated Actual Borrowing

	2024/25 Actual - Unaudited £'000	2025/26 Estimate £'000	2026/27 Estimate £'000	2027/28 Estimate £'000

Authorised Limit	-	75,000	75,000	75,000
Operational Boundary	-	75,000	75,000	75,000
Actual Borrowing	-	-	-	-

10 Borrowing Strategy

10.1 In January 2024, TVCA Cabinet approved a borrowing facility that allows the Corporation to access up to £75 million in borrowing from Public Works Loan Board ("PWLB") via TVCA. Proposals to access this funding will be brought to Corporation Board meetings to consider the business plans, risks/opportunities associated with the investment and the type and level of finance required to deliver the proposals as part of the Corporation's Final Investment Decision(s) including any debt finance requested from TVCA.

10.2 As the details of the proposals are still to be developed an assumption has been made within the Treasury Management and Capital Strategies that all investments will be borrowing via PWLB and will take three years until they are operational and that all interest will be capitalised during this period. Alongside each Investment proposal the treasury management indicators will be updated and presented to Board.

10.3 The Corporation's chief objective when borrowing money will be to strike an appropriately low risk balance between securing low interest costs and achieving certainty of those costs over the period for which funds are required. The flexibility to renegotiate loans should the Corporation's long-term plans change is a secondary objective.

10.4 The Corporation's borrowing strategy will address the key issue of affordability without compromising the longer-term stability of the debt portfolio. By following the borrowing strategy, the Corporation will be able to reduce net borrowing costs and reduce overall treasury risk.

10.5 The Corporation intend to raise the majority of its long-term borrowing from TVCA who will access the PWLB. PWLB loans are no longer available to buy investment assets primarily for yield; the Corporation intends to avoid this activity in order to retain its access to PWLB loans via TVCA.

10.6 The Corporation does not intend to obtain, apply for, or enter into any borrowing arrangements within the forecast period.

10.7 Reviewing the Corporation's funding requirements, and strategic objectives, it has been determined that existing financial resources and grant received from TVCA are sufficient to meet all obligations as they fall due. As a result:

- No loan applications are being prepared or considered.

- The Corporation intends to operate solely within its available resources

11. Maturity structure of borrowing

11.1 This indicator is set to control the Corporation's exposure to refinancing risk. These gross limits are set to reduce the organisation's exposure to large, fixed rate sum falling due for refinancing. This is not relevant to the Corporation as the Corporation has no existing loan or plan to obtain any loans within the forecast period.

12 Other Options Considered

12.1 The CIPFA Code does not prescribe any particular treasury management strategy for local authorities to adopt. The Interim Group Director of Finance believes that the above strategy represents an appropriate balance between risk management and cost effectiveness. Some alternative strategies, with their financial and risk management implications, are listed below.

Alternative	Impact on income and expenditure	Impact on risk management
Invest in a narrower range of counterparties and/or for shorter times	Interest income will be lower	Lower chance of losses from credit related defaults, but any such losses may be greater
Invest in a wider range of counterparties and/or for longer times	Interest income will be higher	Increased risk of losses from credit related defaults, but any such losses may be smaller
Borrow additional sums at long-term fixed interest rates	Debt interest costs will rise; this is unlikely to be offset by higher investment income	Higher investment balance leading to a higher impact in the event of a default; however long-term interest costs may be more certain
Borrow short-term or variable loans instead of long-term fixed rates	Debt interest costs will initially be lower	Increases in debt interest costs will be broadly offset by rising investment income in the medium term, but long-term costs may be less certain
Reduce level of borrowing	Saving on debt interest is likely to exceed lost investment income	Reduced investment balance leading to a lower impact in the event of a default; however long-term interest costs may be less certain