NOTICE OF MEETING

Meeting:	**Overview and Scrutiny Committee**
Date and Time:	**Tuesday 17 January 2023 7.00 pm**
Place:	**Council Chamber**
Enquiries to:	**Committee Services** **Committeeservices@hart.gov.uk**
Members:	**Dorn (Chairman), Smith (Vice-Chairman), Axam, Butcher, Butler, Coburn, Davies, Engström, Farmer, Wildsmith and Woods**

Chief Executive

CIVIC OFFICES, HARLINGTON WAY
FLEET, HAMPSHIRE GU51 4AE

AGENDA

This Agenda and associated appendices are provided in electronic form only and are published on the Hart District Council website.

Please download all papers through the Modern.Gov app before the meeting.

- **At the start of the meeting, the Lead Officer will confirm the Fire Evacuation Procedure.**

- **The Chairman will announce that this meeting will be recorded and that anyone remaining at the meeting had provided their consent to any such recording.**

1 MINUTES OF PREVIOUS MEETING 4 - 6

The minutes of the meeting of 6th December 2022 are attached to be confirmed and signed as a correct record.

2 APOLOGIES FOR ABSENCE

To receive any apologies for absence from Members*.

***Note:** Members are asked to email Committee Services in advance of the meeting as soon as they become aware they will be absent.

3 DECLARATIONS OF INTEREST

To declare disclosable, pecuniary and any other interests*.

***Note:** Members are asked to email Committee Services in advance of the meeting as soon as they become aware they may have an interest to declare.

4 CHAIRMAN'S ANNOUNCEMENTS

5 PUBLIC PARTICIPATION (ITEMS PERTAINING TO THE AGENDA)

Anyone wishing to make a statement to the Committee should contact Committee Services at least two clear working days prior to the meeting. Further information can be found online.

6 QUARTERLY COMPLAINTS ANALYSIS 7 - 13

To update Members on the number and outcome of customer complaints for Q3, October–December 2022.

7 CORPORATE PLAN 14 - 15

To review the draft Corporate Plan 2022-2027 and give feedback for Cabinet to consider prior to making a recommendation for debate at February's Full Council.

23 01 17 Appendix A Draft Corporate Plan 2022 16 - 26

Date of Publication: **Monday, 9 January 2023**

OVERVIEW AND SCRUTINY COMMITTEE

Date and Time: **Tuesday 6 December 2022 at 7.00 pm**

Place: **Council Chamber**

Present:

Dorn (Chairman), Smith (Vice-Chairman), Axam, Butcher, Butler, Coburn, Davies, Farmer, Wildsmith and Woods

In attendance:
Cockarill, Bailey (virtual), Forster and Lamb (virtual)

Officers:

Mark Jaggard	Executive Director Place
Graeme Clark	Executive Director Corporate and S151 Officer
Kirsty Jenkins	Executive Director Community
Daniel Hawes	Planning Policy & Economic Development Manager
Christine Tetlow	Principal Planner & Programme Manager
Matt Harris	Policy Planner
Max Longley	Sustrans
Claire Lord	Committee Services Officer

56 MINUTES OF PREVIOUS MEETING

The minutes of 8th November 2022 were confirmed and signed as a correct record.

57 APOLOGIES FOR ABSENCE

Apologies had been received from Councillor Engström, (substituted by Councillor Lamb).

58 DECLARATIONS OF INTEREST

No declarations were made.

59 CHAIRMAN'S ANNOUNCEMENTS

The Chairman informed Councillors of the proposed change to the date of the January meeting. There had been a request to move the next meeting to 17 January 2023 to allow officers to produce a complete budget, given the likely late government announcement of the finance settlement. Councillors agreed to the proposal.

60 PUBLIC PARTICIPATION (ITEMS PERTAINING TO THE AGENDA)

Mr Kevin Druce was attending the meeting to participate in agenda item 5, the Sustrans presentation on the Local Cycling and Walking Infrastructure Plan

61 LCWIP PRESENTATION FROM SUSTRANS

Hart District Council has jointly commissioned, with Hampshire County Council, Sustrans to produce a Local Cycling and Walking Infrastructure Plan (LCWIP) for Hart district. Max Longley from Sustrans gave a presentation to the meeting, setting out what a LCWIP is, the process for developing the Plan for Hart, and how it would help to inform the Green Grid Strategy.

Discussion took place around how the network would look and whether it would be concentrated on new developments or more populated areas. It was explained that the purpose of the Plan was to create a network that would enable people to get from their place of residence to local amenities such as schools, shops and leisure facilities.

A question was raised about funding. It was explained that once the LCWIP had been created then there could be Government funding available. It was also explained that there may other grants available in the future, and potentially funding from new future developments.

Councillors were assured that in making the plan, Sustrans would be working with local stakeholders, Parish and Town Councils, neighbouring authorities and the two MPs.

62 TREASURY MANAGEMENT - MID YEAR REVIEW

Councillors received an overview of the Treasury Management activities for the 1st half of the year.

Discussion took place around future investments, reviewing the Responsible Investment Policy and whether environmental credentials could be included in the report. It was confirmed that the Investment criteria could be reviewed in January as members had requested consideration of ethical/environmental factors. Mr Clark could not give a response at the meeting however he agreed to look into the matter and discuss with our Treasury consultants.

A query was raised about the increase in Prudential Capital Expenditure. It was explained that this increase was due to the brought forward slippage from 2021/22.

63 AUTHORITY MONITORING REPORT

Councillors received the draft Authority Monitoring Report and were advised that it reported on the implementation of the policies in the adopted Hart Local Plan 2032, the progress on the development of Neighbourhood Plans, and the duty to cooperate with other Councils. Councillors were pleased at the comprehensive nature of the report.

Discussion took place around the mix of 1, 2 and 3 bed houses and it was queried how the gap between what was available and what was required could be closed. It was confirmed that this gap was always considered when developers submitted planning applications.

The meeting asked for clarification around the affordable homes policy and definition. It was agreed that Officers would meet the Councillor separately to discuss these matters.

64 COMMUNITY SERVICE PANEL SCRUTINY PANEL FEEDBACK

The Service Panel had been well attended and productive.

Discussion took place around the increase in Anti-Social Behaviour (ASB) incidents in Fleet. It was acknowledged that the incidents of ASB have increased, however it was recognised that Fleet still have some of the lowest recorded incidents and that, nationally, incidents always increase between Q1 and Q2, but then fall again.

65 CABINET WORK PROGRAMME

There were no comments.

66 OVERVIEW AND SCRUTINY WORK PROGRAMME

There were no comments on the Work Programme, however, the meeting was informed that Hampshire County Council had requested Hart District Council O&S to meet with South-East Water to review the work done laying the new pipeline.

It was felt that it could be a productive meeting if South-East Water attended and the focus was on lessons learnt.

The meeting closed at 8.55 pm

OVERVIEW AND SCRUTINY COMMITTEE

DATE OF MEETING: 17 JANUARY 2023

TITLE OF REPORT: COMPLAINTS ANALYSIS Q3, OCTOBER-DECEMBER 2022

Report of: Corporate Services

Cabinet Portfolio: Leader and Strategic Direction and Partnerships

Key Decision: No

Confidentiality: Non-Exempt

PURPOSE OF REPORT

1. This report updates Members on the number and outcome of customer complaints for Q3, October–December 2022.

2. The report looks at performance on a range of metrics and examines any learning that can be gained from the information presented.

RECOMMENDATION

3. The complaints report for October-December 2022 is noted.

BACKGROUND

4. This is the third complaint report for this financial year. It provides details of formal complaints received during Q3, October-December 2022. The report references performance in Q1 and Q2 to provide a set of comparative data.

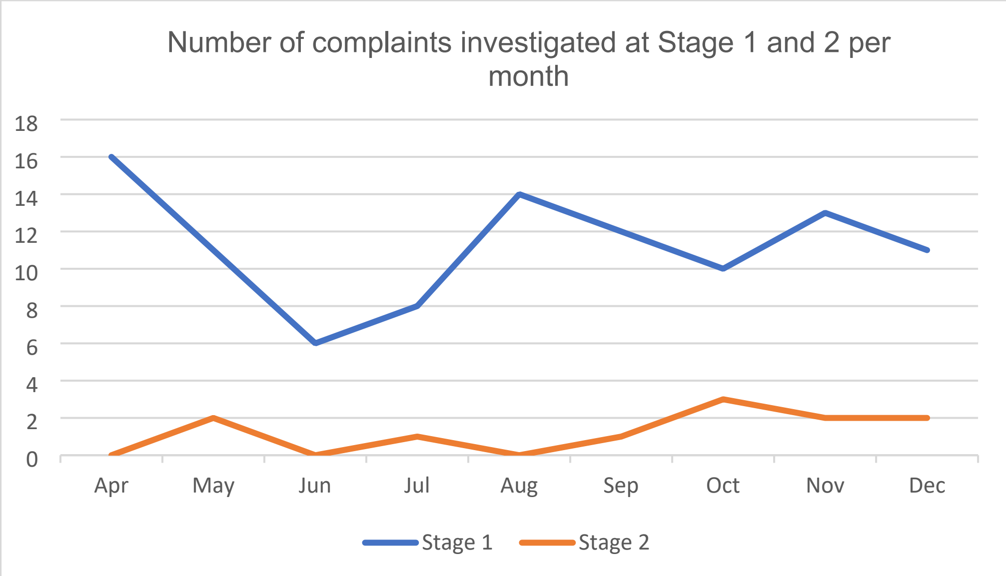
COMPLAINTS OVERVIEW FOR QUARTER 3, OCTOBER–DECEMBER 2022

Number of complaints

5. The Council recorded a total of 41 complaints during Q3. We received 35 complaints in Q1, 36 complaints in Q2.

6. Of those complaints received in Q3, 34 were recorded at stage 1, seven recorded at stage 2.

7. Two stage 1 complaints recorded in December remain live at the creation of this report. They have been included in the number received during the quarter, but the responses and any learning has not been included.

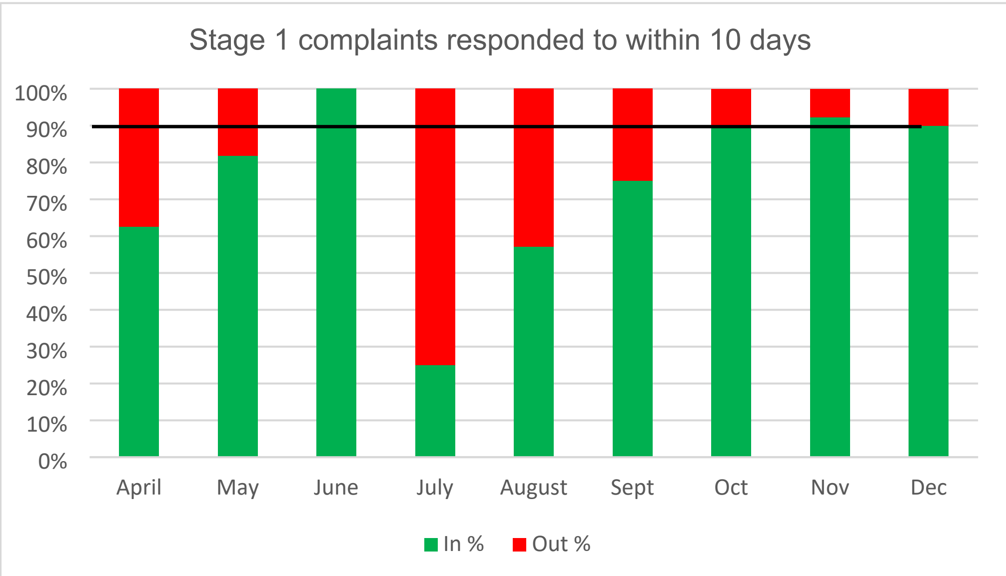


Responding to complaints in time

8. Complaints dealt with at stage one should be responded to within 10 working days. Complaints at stage two should be responded to within 20 working days. We have not committed to a target within the policy.

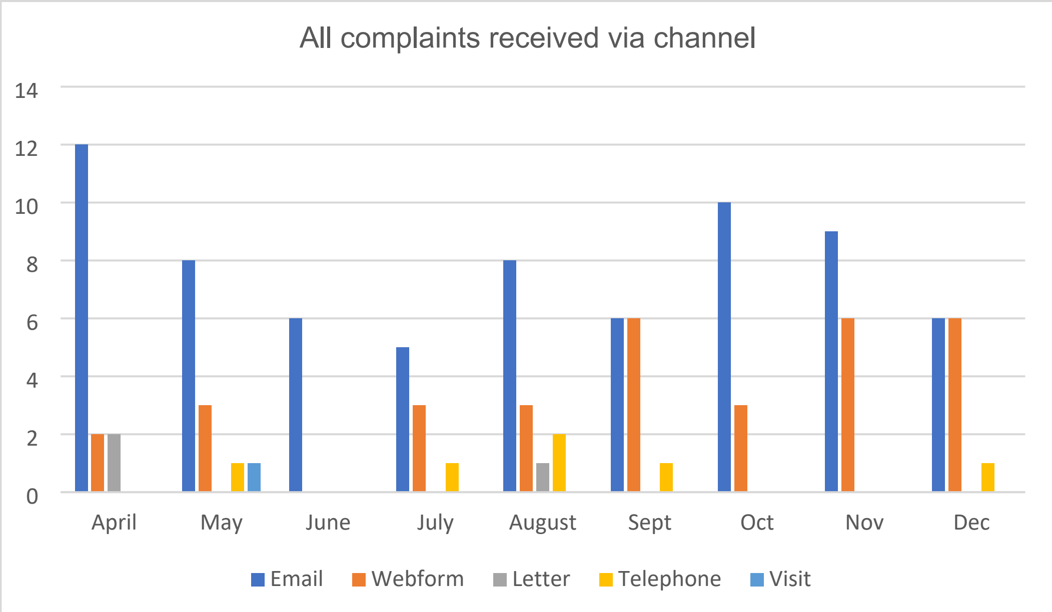
9. If the response time target is set at 90% of Stage 1 complaints dealt within 10 days, service areas have improved their performance in Q3. Each month in the reporting period have registered 90% or over with an average response time of six days.

10. We have received seven stage 2 complaints, of which, one was out of the 20-day SLA.



How complaints are received

11. Email is the most popular route to submit a complaint, followed by webform. These channels account for 97% of all complaints in Q3.

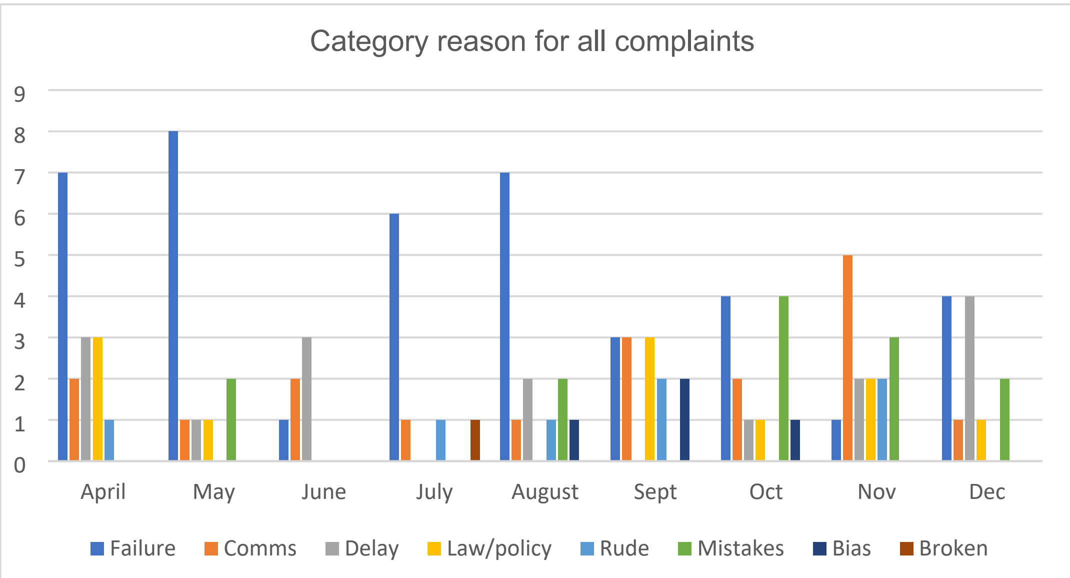


Reasons for complaints

12. We record the reasons why a complaint has been made, in line with a list of categories set out in the policy.

13. Compared to Q2 when "failure to provide a service" accounted for 45% of complaints, Q3 shows a far more even distribution across the reasons. The three highest reasons are shown below:

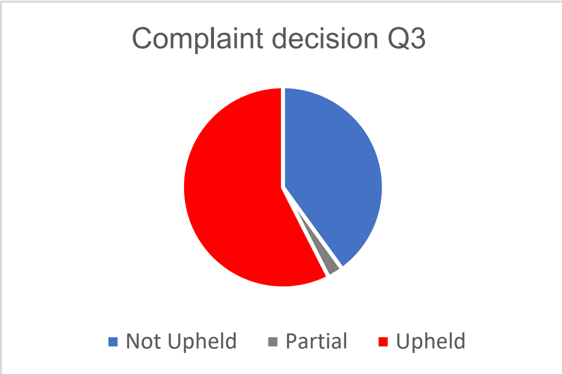
- Failure to provide a service 10 (24%)
- Mistakes in the way a decision has been taken 9 (22%)
- Poor communication from staff 8 (20%)

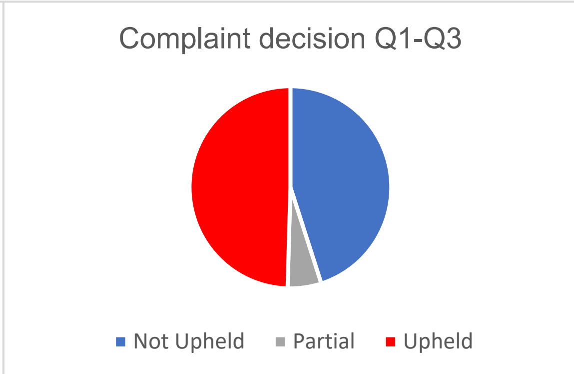


Complaint decisions

14. We have upheld/ agreed with 23 (57%) complaints in Q3 compared to 14 (40%) in Q1, 18 (50%) in Q2. We have partially upheld one complaint. We have not upheld/ disagreed with 16 (40%) complaints.

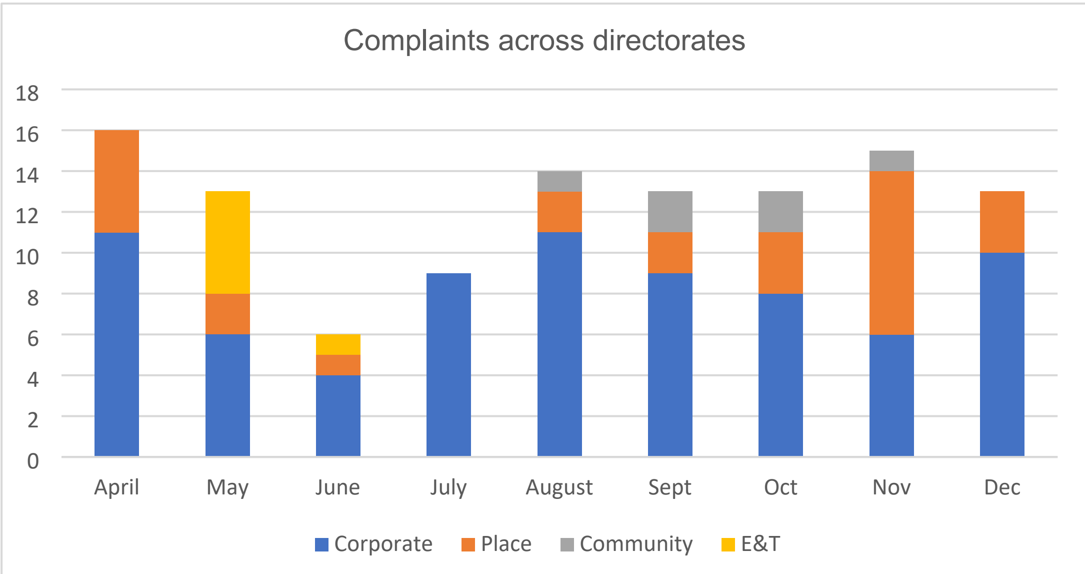
15. When viewing across Q1-Q3, there remains a fairly even split between upheld/ not upheld. We have upheld 55 (50%) complaints and not upheld 50 (45%).





Complaints by directorate/ team

16. Corporate account for 59% (24) of all complaints received across Q3. This figure rises to 66% (74) when looking from the start of the financial year. Place account for 34% (14) of complaints in Q3



17. In Q3, Waste account for 50% (12) of corporate complaints, followed by Council Tax 42% (10)

18. Further analysis from the start of the financial year shows that Waste account for 55% of all complaints, Council Tax account for 35%.

Corporate	Waste	C.Tax	Elections	FOI	HB	other
April	5	4	1	0	0	1
May	4	2	0	0	0	0
June	0	3	0	1	0	0
July	8	0	0	0	1	0
August	6	4	0	0	1	0
Sept	6	3	0	0	0	0
Oct	3	4	0	0	0	1
Nov	3	3	0	0	0	0
Dec	6	3	0	0	1	0

Learning from complaints

19. The services receiving the highest number of complaints for Q3 were Waste, Planning and Council Tax. These service areas are the same as Q2.

20. For Waste, December saw the largest number of complaints received across the quarter. Of the completed waste complaints, failure to provide a service/ collect waste corresponds with the icy weather and lorries struggling to get out to complete rounds.

21. For Council Tax, complaints remain single issues. The service normally resolves complaints quickly and efficiently and there is ongoing dialogue between Officers to monitor individual complaints.

22. For Planning, the nature of the complaints shows the team potentially struggling with the workload, resulting in a number of poor communication or delay related complaints.

Ombudsman decisions

23. No complaints were escalated to the Local Government Ombudsman during this quarter.

24. Analysis on neighbouring authorities is possible for this stage. The Ombudsman publishes data on all local authority performance during specified date range.

25. For illustrative purposes, four neighbouring authorities have been considered with their performance set out below.

	Q1 Apr-June	Q2 Jul-Sept	Q3 Oct-Dec	Total
Hart DC	1	1	0	**2**
Rushmoor BC	0	3	1	**4**
Basingstoke BC	8	5	3	**16**
East Hampshire	2	2	0	**4**
Surrey Heath	4	1	0	**5**

ALTERNATIVE OPTIONS CONSIDERED AND REJECTED

26. As this report is for information and no decisions required, no options have been considered.

CORPORATE GOVERNANCE CONSIDERATIONS

Relevance to the Corporate Plan and/or The Hart Vision 2040

27. Performance reporting is an essential element of understanding how the services are performing in the context of the actions being undertaken in Service Plans. Complaints analysis provides officers with invaluable feedback on the provision of services at an operational level.

Service Plan

- Is the proposal identified in the Service Plan? Yes
- Is the proposal being funded from current budgets? Yes
- Have staffing resources already been identified and set aside for this proposal? No

Legal and Constitutional Issues

28. There is no statutory duty to report regularly to Cabinet on the Council's performance. However, under Section 3 of the Local Government Act 1999 (as amended) an authority has a statutory duty to secure continuous improvement in the way in which its functions are exercised having regard to a combination of economy, efficiency and effectiveness. Regular reports on the Council's performance in responding to complaints assist in demonstrating best value and compliance with the statutory duty.

Financial and Resource Implications

29. None identified

Risk Management

30. Complaints about services can indicate where identified operational risks have materialised. This should be monitored through individual departmental risk registers. Learning from complaints can help mitigate the same risks occurring in the future.

EQUALITIES

31. The analysis conducted through this paper potentially have relevance to the Equality Act. One complaint reported during quarter 3 referenced bias or unfair discrimination.
    - Complaint 1. Complaint not upheld by Communities following an allegation of unfair discrimination on race grounds

CLIMATE CHANGE IMPLICATIONS

32. There are no direct carbon/environmental impacts arising from the report

ACTION

33. This report enables Overview and Scrutiny to understand the Council's current performance around complaints handling and performance. Those that are escalated to the Ombudsman could result in a significant detrimental impact on the Council it if is found to be at fault through maladministration or negligence and so it is important that Cabinet and the public can be satisfied that the Council is running a well-managed and effective complaints system.

34. To ensure transparency, the report is available on the Council's website through the committee reports pages.

Contact Details: Steve Bennett, steven.bennett@hart.gov.uk

Overview and Scrutiny Committee

DATE OF MEETING: 17 JANUARY 2023

TITLE OF REPORT: DRAFT CORORATE PLAN 2022-2027 CONSULTATION

Cabinet Portfolio: Leader/Portfolio Holder for Corporate Services

Key Decision: No

PURPOSE OF REPORT

1. The purpose of this report is to give Overview & Scrutiny Committee the opportunity to make comments on the draft Corporate Plan 2022-2027. Cabinet will then consider all comments received and will make a recommendation for debate at February's Full Council.

RECOMMENDATION

2. Overview & Scrutiny Committee is invited to address the four draft Corporate Plan 2022-2027 consultation questions as set out in paragraph 13 of this report and to submit its views to Cabinet.

BACKGROUND

3. In November the Council launched a consultation on a draft Corporate Plan for 2023-2027, inviting residents and stakeholders to comment on the Council's priorities for the next four years.

4. The Council's current Corporate Plan was adopted in 2017. Following an unprecedented last three years and increasing demand for Council services, the Council is now looking at priorities for the next four years.

5. This corporate plan will shape the projects and work the Council undertakes and therefore comments have been sought from residents and stakeholders to ensure the focus reflects the priorities of everyone in Hart.

6. To gather these, a public consultation was launched from Tuesday 1 November running until Sunday 18 December 2022. However, due to the challenges posed by the recent postal strikes the closing date for the receipt for written responses was extended to January 2023. Social media activity was also enhanced. In practice however, all comments received up until the beginning of January have been accepted.

COMENTARY

7. Three key focus areas have been identified in the Plan for the next four years. These are:

   Planet - a new zero carbon and climate resilient Council by 2035, and a climate resilient district by 2040.

   People - fair treatment for all, help for those in need, and a sustainable economy that makes Hart a great place to live, work and enjoy.

   Place - delivering warmer, better homes in sustainable locations that people can afford to live in.

Each of these focus areas have key objectives and goals identified within them and are underpinned by providing a resilient and financially sound Hart District Council. These objectives are supported by targets. For more information, follow the link to view the draft Corporate Plan 2023-27.

ALTERNATIVE OPTIONS CONSIDERED

8. There are no reasonable alternative options.

FINANCIAL IMPLICATIONS

9. The adoption of a new Corporate Plan will in future guide the Council in settings it annual budget.

RISK MANAGEMENT

10. There are no risk management implications associated with this report.

EQUALITIES

11. There are no equalities implications associated with this report.

CLIMATE CHANGE IMPLICATIONS

12. There are no immediate climate change implications associated with this report although implementation of the Corporate Plan will support the delivery of Climate Change mitigation objectives.

ACTION

13. Committee is invited to address the following four draft Corporate Plan 2022-2027 consultation questions and to submit its views to Cabinet:

    Q1 We have identified three key areas of focus for our Corporate Plan, Planet, People and Place. Are we focusing on the correct priorities? Do you want us to focus on something else for the next four years and if so, what?

    Q2 Within each area of focus we have identified a number of objectives. Are these objectives correct? If not, what should be added or removed?

    Q3 Our objectives are supported by four-year goals for each focus area. Do these goals focus on the right areas? If not, what should we be looking to achieve with our four-year targets?

    Q4 Underpinning the three focus areas is our goal for a resilient and financially sound Hart District Council. Are the goals we have identified to ensure this correct? If not, what should we be focused on?

Contact Details: Daryl Phillips, Chief Executive

Appendices

Appendix A: draft Corporate Plan 2023-27

Draft Corporate Plan 2023/2027

October 2022

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Agenda Annex

Welcome to our four-year plan.

Our four year plan is to provide you with a strong sense of our priorities and focus.

Our district is a diverse, attractive and a good place to live and work. We have deep-seated Hampshire traditions, but we also share boundaries with both Surrey and Berkshire which means that we have local economic and housing links with the Blackwater Valley as well as a strong association with the north Hampshire M3/A303 corridor.

We are identified by the Government as being one of the least deprived districts within the country, but we are a district of extremes of wealth and ‘hidden’ inequality. We also have an aging community which in the last 10 years has seen a 30% increase in people aged 65 and over.

We are suffering the impacts of climate change. In response we have declared a climate emergency and pledged to make Hart district carbon neutral by 2040, whilst bringing forward an ambitious target to make all areas directly under the control of the Council carbon neutral by 2035.

Communities, residents, businesses, and partners must achieve this too. If not, the impact of climate break down will be felt most by the vulnerable in our district.

Residents often talk to us about the poor state of our transport networks, the importance of truly affordable sustainable housing and the fragility of our infrastructure.

We have seen ten years of budget cuts. Given that the national financial situation for local government is unlikely to change, our top priority is working with you, and our partners, to deliver services right first time. By using our council resources wisely, we will support employment opportunities. We will also ensure the delivery of sustainable homes that people can afford to live in, and which provide a foundation both for good health as well as addressing the climate emergency.

Building our resilience as a community over the next 4 years is vital if we want to weather the storm of potentially deepening inequality, climate breakdown and the cost-of-living crisis.

Doing what we can locally with what we have is essential. As your council leaders, we set out here what you can expect of us and how you can help us deliver the best quality services.

Our focus for the next four years in partnership with you is:

Planet – a new zero carbon and climate resilient Council by 2035, and a climate resilient district by 2040

People – fair treatment for all, help for those in need, and a sustainable economy that makes Hart a great place to live, work and enjoy

Place - delivering warmer, better homes in sustainable locations that people can afford to live in.

This will be underpinned by providing a **resilient and financially sound Council**.

Our high-level plan sets out our goals and ambitions for the coming four years. It will be developed into detailed work programmes, which will help us be transparent in achieving these goals.

Planet - Sustainability and Climate Emergency: A net zero carbon and climate resilient council by 2035

We will lead our community to net zero carbon. Tackling climate change is central to all our activities. We will produce and implement a targeted and costed Sustainability and Climate Action Plan with the ambition of becoming a net zero carbon and climate-resilient council by 2035 and District by 2040

We will:

- Use our influence to lead our district to net carbon zero by 2040.
- Ensure the Council plays its part by reducing our greenhouse gas emissions to net zero by 2035.
- Increasing the energy efficiency of Council managed assets.
- Supporting climate mitigation schemes such as flood alleviation, and the delivery of low or zero carbon electricity generation.
- Putting sustainability at the heart of our local planning processes and requiring the delivery of energy efficient, climate resilient and adaptable housing.
- Improving the energy efficiency of homes including supporting low-carbon heating and insulation technologies for those residents who are on low incomes.
- Encourage more cycling and walking in the district by extending the Green Grid network and working with Hampshire County Council and others to improve infrastructure and reduce barriers to walking and cycling.
- Increasing the electric vehicle charging infrastructure.
- Increase biodiversity, wildflower and pollinator opportunities through cutting pesticide use on council managed land and ambitious programme of carbon capture, through planting and rewilding.
- Improving our public open spaces.

Four year goals:

- On a clear path to being a net zero carbon through adopting a costed Net Zero Carbon Pathway Plan
- Electric charging points within our car parks
- Extending the Green Grid through adopting and implemented, in partnership with Hampshire County Council, a Local Cycling and Walking Infrastructure Plan
- Working in consultation with our lead partners to prepare, update and refresh management plans for the nature reserves, heathlands and commons that we manage
- Prepare and implement a long term vision for the Council's countryside sites and SANGs

People – fair treatment for all, help for those in need, and a sustainable economy that makes Hart a great place to live and work

We need to continue our people-centred approach which directs wealth back into local economy and places control and benefits in the hands of people. We will work with our key local partners such as Hampshire County Council, the voluntary sector, local businesses, partnerships such as the Community Safety Partnership, police, NHS, and education providers to provide more local sustainability.

We will:

- Make our tax fairer by supporting those on the lowest incomes.
- Pursue the four key priorities identified in the Homelessness and Rough Sleeping Strategy (Prevention – having measures in place to prevent homelessness from happening. Intervention – having targeted support in place for those is crisis. Recovery – having support in place to help to rebuild lives. Partnerships – working together to find effective solutions)
- Increase local employment opportunities by directly promoting and committing ourselves and partners to pay the real living wage.
- Use our power as a public sector body to buy and procure locally, where possible, ensuring best value
- Supporting those in most need to get through the current cost of living crisis.
- Gain a better understanding and tackle social and health inequalities.
- Nurture safe, supportive, and inclusive communities.- taking a joined up approach to keep communities safe
- Support local skills and employment.
- Continue our work to prevent homelessness.

Four year goals:

- Keeping council tax support for those on lowest incomes
- Ensure the full and on-going implementation of the Council's Homelessness Strategy Action Plan
- Support a vibrant local voluntary sector, which includes continued support funding for Hart Voluntary Action and Citizens Advice, as well as empowering local community support groups through the Hart Lottery platform
- Ensure the delivery of the Supporting Communities Plan and the Here for Hart Initiative
- Support the Hart Food Bank and the Hart Community Pantry initiatives
- Maintaining the Hart Employment and Skills hub
- Support Farnborough College of Technology to provide a further and higher education facility within Hart
- Pursuing the Civic Quarter Regeneration initiative and support the delivery of a refurbished or replacement Harlington

Place - delivering warmer, better homes in sustainable locations that people can afford to live in.

The home in which we live has a huge influence on the quality of all our lives and health. Access to safe, secure, and affordable housing really is fundamental to supporting wellbeing and creating sustainable communities where people can live and work.

We will:

- Use our Local Plan to support the provision of a diverse range of energy and resource efficient, climate resilient homes.
- Deliver more affordable homes within the district, including in our villages, and provide homes which support independent living.
- Deliver the number of new homes required in the district through innovation, modular housing, and developing sustainable infill and other sites within the settlement boundaries as defined in the Local Plan.
- Reduce any reliance on temporary and emergency accommodation.
- Support communities in creating and maintaining up to date Neighbourhood Plans.
- Support Neighbourhood Plan led regeneration initiates for our town and village centres.

Four year goals:

- Provide more social rented homes, and more affordable market rented homes for local people and our key workers
- Support the delivery of community led rural exception sites
- Keep our Local Plan under review to ensure that it is up to date
- Undertake a Settlement Capacity and Intensification Study to enable the prioritisation of future opportunities for development within our town and villages rather than on green fields
- Support the adaptation or provision of accessible homes for those with physical and additional support needs

Building a Resilient Council - Your services: getting it right first time and delivering what matters to you

We know how important our services are to you and getting them right matters.

We will:

- Providing the best customer service by focusing on resolving questions and problems first time.
- Solving your issues and questions by being knowledgeable and available through an enhanced and accessible website, by phone, in person, and online.
- Continuing to reduce waste, working with our partners and contractors to maintain efficient recycling and refuse services
- Getting our communication and engagement right through regular information sharing and consultation.
- Improving links and partnerships with town and parish councils, neighbouring local authorities, and Hampshire County Council.
- Ensuring an effective and transparent planning service, holding developers and our delivery partners accountable for providing infrastructure and affordable housing.
- Working with partners, including the Community Safety Partnership, Hampshire Constabulary, the voluntary sector, and local businesses, to keep Hart a safe place to live, work and enjoy

Four year goals:

- Improved quality of customer contact, outcomes, and satisfaction
- A supported community where we listen and respond
- Reduction in waste, increased reuse, and recycling
- Working with neighbouring councils to share services and reduce costs
- Ensuring effective use of our assets and to make the council more financially self-sustainable

OVERVIEW AND SCRUTINY

DATE OF MEETING: 17 JANUARY 2023

TITLE OF REPORT: Review of Financial Regulations and Contract Standing Orders

Report of: Executive Director of Corporate Services and Section 151 Officer

Cabinet Portfolio: Finance

Key Decision: No

Confidentiality: Non Exempt

PURPOSE OF REPORT

1. To advise Overview and Scrutiny of proposed updates to the Financial Regulations and Contract Standing Orders as set out in the Council's Constitution.

RECOMMENDATION

2. Overview & Scrutiny Committee consider the proposed updates to the Council's Financial Regulations, as set out in Appendix 1, and the Council's Contract Standing Orders, as set out in Appendix 2 and pass any comments to the Cabinet ahead of Council adoption in February.

BACKGROUND

3. Hart District Council has agreed a Constitution that sets out how the Council operates, how decisions are made and the procedures which are followed to ensure that decisions are effective, transparent and accountable.
4. The Financial Regulations (Part 4-7) and Contract Standing Orders (Part 4-8) provide the framework of 'rules' for managing the Council's financial affairs and for securing value for money through its purchasing activity. These documents contribute to good corporate governance, internal control, and the management of risks, including compliance with legal requirements. As part of good governance, it is important that these rules are reviewed and updated on a regular basis. The documents were last reviewed in early 2020 and prior to that, in 2013.
5. The updates proposed in Appendix 1 and 2 of this report have been drafted in consultation with Strategic Leadership Team, Management Team and key officers.

MAIN ISSUES

6. The S151 Officer has reviewed the Financial Regulations and considers that, overall, they provide a sound framework to guide the council. The proposed changes to the Financial Regulations are, therefore, limited. The changes take into account recommendations from internal audit reviews, to strengthen the rules and procedures, and they seek to bring the delegated budget transfer (virement) threshold up to today's price base, taking account of cumulative

inflation. These have been presented as track changes in Appendix 1, to show the current and proposed wording side by side.

7. The changes to the Contract Standing Orders are far broader, including the proposed change of title to Contract Procurement Rules. This is due to several factors including:

   - The changes in legislation, Policy Statements and best practice guidance that have taken place since the last update
   - The principles set out in the upcoming Procurement Bill, currently with Parliament
   - Recommendations from recent Audits and the learning from projects undertaken, that have suggested improvements to the rules
   - The feedback from Officers on the need to improve readability and clarity of the rules

8. It is therefore not practical to include track changes in the proposed changes to the Contract Standing Orders as they have been fully re-written to accommodate the above factors and the updated version is presented at Appendix 2. The existing document is listed as a background paper with a link for Members' reference if required.

9. A list of Frequently Asked Questions about the changes has been produced to assist Officers and is available on the Council's intranet alongside updated Procurement Guidance which covers procedural details to help those undertaking procurement activity.

10. Existing Annex A – Scheme of Delegation and Annex B – Land Disposals of the Contract Standing Orders are proposed to remain as currently written in the Constitution, except for an update of job titles.

ALTERNATIVE OPTIONS CONSIDERED AND REJECTED

11. The alternative 'do nothing' option would mean the Council's procedures and rules would not take into account important developments, and would risk becoming no longer fit for purpose.

CORPORATE GOVERNANCE CONSIDERATIONS

Relevance to the Corporate Plan and/or The Hart Vision 2040

12. The regular review and updating of the rules set out in the Council's Constitution supports the delivery of an Efficient and Effective Council.

Service Plan

- Is the proposal identified in the Service Plan? NO
- Is the proposal being funded from current budgets? Yes
- Have staffing resources already been identified and set aside for this proposal? Yes

Legal and Constitutional Issues

13. This paper proposes changes to the Constitution, which will require Cabinet to propose a motion to adopt such changes.

14. As set out in Part 4 of the Constitution, specifically Part A paragraph 25; Any motion to change the Constitution [at Cabinet] will, when proposed and seconded, be referred without discussion to the next ordinary meeting of the Council.

15. A Procurement Bill has been put to Parliament and, at the time of publishing this report, is with the House of Commons. The contents of the Bill are therefore still subject to change, but where it is feasible to do so, the proposed changes to the Contract Standing Orders have been drafted with the principles of the Bill in mind. Should the Bill reach Royal Assent, the rules will be reviewed again to ensure they are fully aligned with the subsequent Act.

Financial and Resource Implications

16. There are no direct Financial or Resource implications with adopting the proposed updates.

17. It should be noted that changes to the Contract Standing Orders will impact on the cost of the Council procuring services. Some of this is driven by requirements that tighten governance, others by Council ambitions (for example the lowering of the threshold at which to consider carbon reduction factors from £75,000 to £50,000). Having clearer guidance and simplified procedures will offset some of these costs. It is not possible to accurately quantify the indirect implications, but the consultation with relevant officers suggests the any increase in overall burdens is likely to be manageable.

Risk Management

18. The proposed updates will address recommendations put forward by Audit and ensure the risks highlighted by Audit have been addressed.

EQUALITIES

19. The proposed changes set out in this paper are not considered to impact on equalities directly, rather the accompanying Procurement Guidance to be used by Officers, sets out the requirement to carry out an Equality Impact Assessment, where it is required for procurement activity that is to be undertaken.

CLIMATE CHANGE IMPLICATIONS

20. The proposed updates include the lowering of the financial threshold at which to consider carbon reduction factors in procurement from £75,000 to £50,000 and together with the Procurement Guidance places greater emphasis on promoting carbon reduction strategies as part of the procurement process on a wider range of council activities.

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Appendices

- Appendix 1 – Proposed Financial Regulations (with track changes)
- Appendix 2 – Proposed Contract Procurement Rules

Background Papers:

- Existing Contract Standing Orders within the Constitution (Part 4-8, Page 212)
- Procurement Guidance for Officers and FAQs about the CPRs– Published on the Council's intranet

FINANCIAL REGULATIONS

SECTION 1 INTRODUCTION AND SCOPE

1. DEFINITIONS

1.1. “approved” means either signed in writing or approved electronically by secured means.

1.2. “authorised officer” means an Officer who has had authorisation delegated to them by the S151 Officer, Chief Executive or ~~Head of Service~~Director

1.3. “the budget” includes the allocation of financial resources to services and projects

1.4. “budget holder” means the relevant ~~Head of Service~~Director, Chief Executive or other Officer authorised by such ~~Head of Service~~Director to manage a budget

1.5. The ‘Capital Budget’ is the money available for the Council to spend on improving its assets or other projects that meet the definition of capital

1.6. “Committee” means an ordinary committee of the Council

1.7. “Council” means Hart District Council

1.8. The ‘General Fund’ includes all income and expenditure incurred in the day to day running of the Council.

1.9. The ‘~~Leadership Team~~Senior Leadership Team’ includes Chief Executives, ~~Heads of Service~~Directors and Service Managers.

1.10. “~~Head of Service~~Director” means those officers so described in the Council’s Constitution

1.11. “Portfolio Holder” means an individual member of the Cabinet with delegated responsibility for a portfolio of services.

1.12. ‘relevant ~~Head of Service~~Director’ means the ~~Head of Service~~Director to whom authority to act has been given by the Council, the Cabinet, a Committee or Sub-Committee whether by express resolution or under the Scheme of Delegation to Officers.

1.13. ‘S151 Officer’ (alternatively known as the Chief Financial Officer or ~~Head of Corporate Services~~Director of Corporate Services) means a suitably qualified officer appointed under section 151 of the Local Government Act 1972 to administer the Council’s financial affairs.

Hereafter referred to as ~~Head of Corporate Services~~Director of Corporate Services.

1.14. 'The Statement of Accounts' summarises the Council's financial performance during each year end and shows its overall financial performance at the end of that period.

2. OVERVIEW

2.1. The general principle behind these regulations is to ensure that all financial dealings are of the highest standard conducive with being custodians of public resources and assets.

2.2. The Financial Regulations provide the framework for managing the Council's financial affairs and contribute to good corporate governance, internal control, and the management of risks. In addition, they assist sound administration, reduce the risk of irregularities, and support the delivery of effective, efficient, and economic services.

2.3. These Financial Regulations are made pursuant to Section 151 of Local Government Act 1972, the Accounts and Audit Regulations 2015 (plus amendments) and all other enabling powers.

2.4. The ~~Head of Corporate Services~~Director of Corporate Services has responsibility for the preparation, review, and amendment of these Financial Regulations. They should be read in conjunction with the other governance rules and procedures contained within the Council's Constitution.

2.5. These Financial R~~r~~egulations apply to members, officers, employees, and anyone acting on the Council's behalf. Where work is carried out in partnership then the regulations of the 'principal~~le~~' authority should be followed. Failure to comply may constitute misconduct and lead to formal disciplinary action

3. SCOPE

3.1. The ~~f~~Financial ~~r~~Regulations set out the Council's requirements in respect of:

3.1.1. Financial management roles and responsibilities
3.1.2. Financial planning and budgeting
3.1.3. Budget monitoring and control
3.1.4. Internal control and audit
3.1.5. Financial systems and procedures
3.1.6. Treasury management
3.1.7. External arrangements

3.2. These financial regulations are guided by the CIPFA Financial Management Code which applies a principles-based approach. There are six under-lying principles:

3.2.1. Organisational leadership – demonstrating a clear strategic direction based on a vision in which financial management is embedded into organisational culture.

3.2.2. Accountability – financial management is based on medium-term financial planning, which drives the annual budget process supported by effective risk management, quality supporting data and whole life costs.

3.2.3. Financial management is undertaken with transparency at its core using consistent, meaningful, and understandable data, reported with appropriate frequency and with evidence of periodic officer action and elected member decision making.

3.2.4. Adherence to professional standards is promoted by the ~~leadership team~~Senior Leadership Team and is evidenced.

3.2.5. Sources of assurance are recognised as an effective tool mainstreamed into financial management and include political scrutiny and the results of external audit, internal audit, and inspection.

3.2.6. The long-term sustainability of local services is at the heart of all financial management processes and is evidenced by prudent use of public resources.

3.3. It is not possible for Financial Regulations to anticipate all eventualities. Consequently, in any situation where there is no clear guideline reference should be made to these Principles.

SECTION 2 FINANCIAL REGULATIONS

4. FINANCIAL MANAGEMENT ROLES AND RESPONSIBILITIES

4.1. The ~~Head of Corporate Services~~Director of Corporate Services has a statutory responsibility for proper administration of the Council's financial affairs. However, this cannot be done in isolation and a culture for good governance and financial management also rests with the ~~Leadership Team~~Senior Leadership Team.

4.2. All members and officers have a common duty to abide by the highest standards of integrity and propriety when making decisions about the use of public money. They need to be able to demonstrate that the services provide by the Council provide value for money.

4.3. The Council shall have in place a formal scheme of delegation, which sets out which individuals or committees are entitled to make which decisions. Specifically, it details which decisions are reserved for the Council acting as a corporate body, which can be taken by its committees, specified individual members of the ~~leadership team~~Senior Leadership Team, the chief executive, and specific officers.

4.4. The Council's scheme of delegation is defined in the Council's Constitution.

4.5. ~~Heads of service~~Directors may delegate budget responsibility to functional managers ensuring that the same officer is not responsible for receiving or paying monies and rendering accounts or issuing receipts for the same. The Contract Standing Order document contains details of delegated responsibilities of Managers.

4.6. The names and sample signatures of officers or members authorised to certify, or sign documents should be kept and maintained by the ~~Head of Corporate Services~~Director of Corporate Services.

5. FINANCIAL PLANNING & BUDGETING

5.1. Effective governance and financial management are focused on ensuring that the authority can operate sustainably in the long term. The medium-term financial plan translates the financial strategy into the near future and the budget into the current.

5.2. The Council operates within an annual cash limit set by the approval of a balanced budget – a budget in which revenues are equal to expenditures including any balances brought forward from previous years.

5.3. The budget is the responsibility of the ~~Head of Corporate Services~~Director of Corporate Services but should be owned and articulated by the ~~Leadership Team~~Senior Leadership Team.

5.4. The budget is set annually, in advance, to control expenditure and establish priorities. The ~~Head of Corporate Services~~Director of Corporate Services shall assess its robustness alongside the appropriate level of reserves.

5.5. The budget shall be developed alongside the Medium-Term Financial Strategy (MTFS) which considers all known factors affecting the Councils financial position and financial sustainability over a longer term (3 years)

Budget Planning

5.6. Each year the ~~Heads of Service~~Directors, and/or other authorised officers, shall in accordance with a timetable and strategy prescribed by the ~~Head of Corporate Services~~Director of Corporate Services and supported by the finance team commence the budget process by:

5.6.1. Reviewing existing income and expenditure commitments
5.6.2. Identifying any areas for growth or reduction
5.6.3. Identifying any capital or revenue projects
5.6.4. Reviewing sources and projections for income and expenditure and proposing them to the ~~Head of Corporate Services~~Director of Corporate Services for inclusion in the draft budget.

5.7. When considering items for inclusion in the draft budget the ~~Heads of Service~~Directors shall consider, as a minimum, the following:

5.7.1. Any financial or other strategies adopted by the Council
5.7.2. Prescriptions, restrictions, or guidelines issued by Central Government

5.7.3. Guidelines issued by the Council, Cabinet or ~~Head of Corporate Services~~Director of Corporate Services
5.7.4. Any pending pay awards, both actual and forecast
5.7.5. Any change in members allowances, both actual and forecast
5.7.6. Opportunities for reducing expenditure
5.7.7. Opportunities for increasing income
5.7.8. Any changes in fee or grant income already sanctioned or prescribed by statute or Central Government
5.7.9. Any changes to charges already sanctioned or prescribed by statute or Central Government
5.7.10. The outcome of any internal or external consultation

Draft Budget

5.8. The ~~Head of Corporate Services~~Director of Corporate Services shall prepare the initial Draft Budget and present to the Overview and Scrutiny Committee. The report should provide a summary of the revenue and capital budget proposals and should reflect and highlight the considerations made in 5.7 above. Feedback from this committee will be incorporated into the Proposed Draft Budget and Council Tax levels before presentation to Cabinet.

5.9. The Draft Budget shall be presented in a timely manner before the start of the new financial year with consideration of its need for subsequent approval by Cabinet (refer to 5.8)

Budget Approval

5.10. The ~~Head of Corporate Services~~Director of Corporate Services shall present the Proposed Draft Budget and Council Tax levels to Cabinet for approval. The presentation shall include the statutory statement on the robustness of the estimates and adequacy of reserves.

5.11. The Proposed Budget shall be presented for consideration in advance (LGFA 1992 states– before 11th March) of the start of the new financial year. Failure to set a budget may lead to intervention from the Secretary of State.

5.12. The Proposed Budget can only be adopted, and proposed expenditure executed if approved by ~~Cabinet~~Council.

Variation of the Council's Approved Budget

5.13. Variations to the Approved Budget can be made during the financial year by Cabinet in the form of a supplementary estimate.
These variations to budgets are temporary and in year. The following exceptions do not require prior approval:

5.13.1. Any change in renumeration or other conditions or benefits of employment required by Central Government or a recognised negotiating body

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5.13.2. Any other unexpected statutory change by Central Government

5.13.3. The scheme of Virements (changing the purpose of a budget):

i) These rules apply to virements within the General Fund and the Capital Budget. It is not possible to vi~~e~~re between these budgets

ii) ~~Heads of Service~~Directors may approve the virement of budgeted expenditure not exceeding £15~~0~~,000 between services after consultation with the relevant Portfolio Holder and the ~~Head of Corporate Services~~Director of Corporate Services.

iii) No virement shall be used to fund new services or projects that will create additional budget commitment in future years without the approval of Cabinet.

iv) Virements must be agreed before spending takes place and must not increase the Council's overall budget

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Medium Term Financial Strategy (MTFS)

5.14. The MTFS is the responsibility of the ~~Head of Corporate Services~~Director of Corporate Services and will be produced and reported in conjunction with the annual budget and council tax proposals to the Overview and Scrutiny Committee and Cabinet~~ before 11 March of the preceding financial year~~. Further updates on the MTFS may be reported during the year.

5.15. The MTFS should critically assess the Council's financial resilience and test the sensitivity of its financial sustainability to alternative plausible scenarios for the key drivers of cost, service demands and resources.

Capital Projects

5.16. Capital Projects will be considered by the ~~Head of Service~~Director together with ~~Head of Corporate Services~~Director of Corporate Services before being presented to Cabinet detailing the purpose and the amount of expenditure required. No capital expenditure shall be incurred until specific approval has been given by Cabinet.

5.17. Additional considerations to be applied to Capital projects:

5.17.1. The total estimated cost of the project, including provision for inflation, fees, salaries, and incidentals

5.17.2. Annual cost of maintenance, debt charges and other revenue expenditure, plus anticipated annual income
5.17.3. Details and estimated cost of any consequential or incidental works
5.17.4. Details of the proposed use and a scheme of management of the project after completion, including any manpower changes.
5.17.5. Details and the cost of any works to be superseded
5.17.6. Details and estimates of any expected capital grants

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5.18. No specific further approval shall be required if approval was obtained in the annual budget process.

5.19. There is ~~-~~specific delegated approval required for property transactions pursuant to the Commercialisation Strategy. This a streamlined approval process and has been designed to assist the asset purchase programme by making the Council competitive in the open market whilst still giving the appropriate controls for decision making.

Budget monitoring and control

5.20. Regular budget monitoring is an important process in how the Council ensures that its services or capital expenditure operate within the limits of its budget. It also enables budget managers to take appropriate and timely action when variances are forecast.

5.21. ~~Heads of Service~~It is the responsibility of service Directors to ensure robust budget management in their areas but they may delegate budget monitoring activities to function managers if appropriate. Functional Budget responsibility is defined in individual job descriptions. Delegation is activated via the Financial Accounting system ensuring transparency and appropriate control.

5.22. The ~~Head of Corporate Services~~Director of Corporate Services will publish a budget monitoring timetable so that timely consideration of the numbers can be planned. Service managers are required to adhere to the procedure for managing the Council's establishment and ensuring that staff costs, including agency costs, stay within budget.

5.23. The ~~Head of Corporate Services~~Director of Corporate Services will ensure that each delegated budget manager is adequately trained in the process and purpose of budget monitoring.

5.24. The ~~Head of Corporate Services~~Director of Corporate Services will present a consolidated budget monitoring report to the Senior ~~Leadership Team~~Senior Leadership Team and Cabinet at the end of each quarter, or more frequently if appropriate. The report will outline any areas of material overspends or income shortfall along with explanations from ~~Heads of Service~~Directors as to the actions that are recommended to address the concerns.

5.25. There should be minimal delay between the period to which the performance information relates and the reporting of this information to the ~~leadership team~~Senior Leadership Team. This may require the authority to streamline the way in which it collects, collates, analyses and reports performance information.

Capital Monitoring

5.26. The principles and framework for managing the revenue budget apply equally with regards to the monitoring and management of individual capital projects.

6. INTERNAL CONTROL AND AUDIT

Internal Control

6.1. Internal control refers to the systems of controls devised by management to ensure the Council's objectives are achieved in a manner which promotes effective, efficient, and economical use of resources and the Council's assets and interests are safe-guarded.

6.2. For the ~~Leadership Team~~Senior Leadership Team to demonstrate responsibility for governance and internal control, consideration should be given to the effectiveness of the arrangements in place including:

6.2.1. establishing a clear framework for governance and internal control across the Council, including for those entities with which the Council works in partnership

6.2.2. establishing clear arrangements for accountability and assurance. Any behaviour that falls short of the required standards of governance and internal control shall be dealt with promptly and effectively.

6.2.3. espousing high standards of governance and internal control in its own activities

6.2.4. creating, maintaining, and nurturing a culture in which governance and internal control are embedded into the way in which the Council works.

Internal Audit

6.3. The role of Internal Audit is to provide assurance that the Council's risk management, governance and internal control processes are operating effectively. The Internal Audit function should conform to the Public Sector Internal Audit Standards.

6.4. Internal audit should work to an agreed plan, which is based on a robust analysis of the Council's governance and internal control arrangements, the environment within which the Council operates and the risks and challenges that it faces. Internal audit should be adequately resourced and report to the Audit Committee.

6.5. The Audit Committee is responsible for reporting to Cabinet and Council on matters arising from its review of internal control and governance and the Annual Governance Statement.

7. FINANCIAL SYSTEMS AND PROCEDURES

Accounting System

7.1. An accounting system is an organized set of manual and computerised accounting methods, procedures and controls established to gather, record, classify, analyse, summarise, interpret and present accurate and timely financial data which can be retrieved for decision making.

7.2. The ~~Head of Corporate Services~~Director of Corporate Services must ensure that all accounting and other financial systems, and procedures adopted by the Council adhere to published standards and codes of practice and are acceptable to the Council's external Auditor.

7.3. All accounting and financial systems in use must provide a comprehensive, consistent, and accurate record of the Council's financial transactions. They should be sufficient to show and explain the Council's transactions and enable accurate recording of income, expenditure, statement of balances and documentary evidence of adherence to scheme of delegation.

7.4. Financial systems of control must be designed so that no one individual is solely responsible for an entire process. They must be designed to prevent and detect inaccuracy and fraud.

7.5. Financial reports must be timely, clear, accurate, relevant, reliable, consistent. They should be complete, free from deliberate or systematic bias and material error.

Accounting Policy and Statement of Accounts

7.6. The ~~Head of Corporate Services~~Director of Corporate Services is responsible for the following:

7.6.1. determining the Council's accounting policies and ensuring that they are applied consistently.
7.6.2. issuing guidelines on reporting standards to ensure that the annual Statement of Accounts is produced accurately, in line with published standards, within statutory time limits and that good documentation is available to support the Statement.
7.6.3. Reporting to audit committee on the annual accounts and publishing the Statement of Accounts in line with Statutory requirements
7.6.4. Liaising with external audit on the completion of the Statement of Accounts and the arrangements for their audit.

8. TREASURY MANAGEMENT

8.1. Treasury Management is the management of all money and capital market transactions in connection with cash and funding resources of the Council. It does not include management of Pension Fund money.

8.2. All investment and borrowing activity shall be undertaken in a manner which complies with statutory requirements, the CIPFA Prudential Code for Capital Finance in Local Authorities and the Council's Treasury Management Policy Statement including those parameters agreed annually within the Treasury Strategy Report.

8.3. CIPFA's Prudential Code provides a framework for the self-regulation of the Council's capital financing arrangements. It requires local authorities to determine that capital expenditure and investment decisions are affordable, prudent, and sustainable, and to set limits on the amount they can afford to borrow in the context of wider capital planning.

8.4. The ~~Head of Corporate Services~~Director of Corporate Services shall submit a report quarterly ~~bi-annually~~ to Overview and Scrutiny Committee and bi-annually to Cabinet detailing the investment and borrowing activity on behalf of the Council for that period and demonstrating compliance with the Treasury Management Statement. All investments shall be made in the name ~~Constitution~~ of the Council.

The investment of available funds shall be the responsibility of the ~~Head of Corporate Services~~Director of Corporate Services.

8.5. The ~~Head of Corporate Services~~Director of Corporate Services is responsible for the operation of bank account(s) necessary to carry out the Council's day to day banking transactions. All bank accounts shall be in the name of Hart District Council. An officer can be nominated by The ~~Head of Corporate Services~~Director of Corporate Services to administer the bank accounts including ordering and safe keeping of cheque books. Administration does not grant access to funds but facilitates, for example the issue and withdrawal of bank cards, credit cards and the set-up of extraordinary payments for dual authorisation in line with policy.

8.6. No banking or credit card account shall be opened on behalf of or in the name of the Council at any bank or financial institution unless in accordance with ~~dual~~ the signature requirements of the Treasury Management Policy.

9. EXTERNAL ARRANGEMENTS

9.1. The Council must act to achieve the promotion or improvement of the economic, social, and environmental well-being of its area.

9.2. All partnerships and joint working arrangements with outside bodies must be properly evaluated for risk before they are executed, and be supported by clear governance, accounting, and audit arrangements.

9.3. External funding can prove an important source of income, but funding conditions must be carefully examined before any agreement is entered into to ensure they are compatible with the aims and objectives of Council.

9.4. Legislation enables the Council to trade and provide services to third parties. All such work must be within the legal powers of the council (intra vires) and the respective risks and financial benefits associated with such work must be properly considered and a business case approved before any trading activities take place.

9.5. Cabinet is the focus for forming partnerships with other local public, private, voluntary and community sector organisations to address local needs. Contractual arrangements with any third parties or external bodies shall adhere to the scheme of delegation.

9.6. The ~~Head of Corporate Services~~Director of Corporate Services must ensure that the accounting and auditing arrangements to be adopted relating to partnerships, joint ventures and accountable bodies are satisfactory. They must also consider the overall corporate governance arrangements when arranging contracts with external bodies. They must ensure that the risks have been fully appraised before agreements are entered into with external bodies.

9.7. Budget Holders are responsible for ensuring that appropriate approvals are obtained before any negotiations are concluded in relation to work with external bodies.

10. OTHER FINANCIAL REGULATIONS

Orders and Payments

10.1. The procurement of services, supplies and works shall comply with the Council's Contract Standing Orders.

10.2. Except as provided for in clause 5.13 no member, officer, employee, or anyone acting on the Council's behalf shall incur unbudgeted expenditure or reduce budgeted income without prior approval of the Council.

10.3. Purchase Orders should be raised for all procurement unless an exemption applies. Exceptions include regular payments to utilities, or purchases made by Corporate Credit Card (separate rules apply including the requirement for timely submission of invoices/receipts). Purchase Orders must only be raised if sufficient approved budget exists.

10.4. Invoices received that do not quote a valid purchase order will be rejected.

10.5. Each budget holder shall check and certify that optimum payments terms are agreed, taking account of the need to maintain a good relationship with its suppliers and to secure any discounted payment options.

10.6. Each budget holder shall ensure that, when appropriate, VAT is included on invoices.

10.7. Each budget holder will be required to document expenses which relate to expenses which are invoiced after the 31st March year end but relate to periods prior to this. The ~~Head of Corporate Services~~Director of Corporate Services will ensure that these values are accrued.

Payment of Salaries, Wages and Other Emoluments

10.8. The payment of all salaries and other payments to employees shall be made under arrangements approved by the ~~Head of Corporate Services~~Director of Corporate Services.

10.9. Responsible Officers must follow any corporate processes put in place to control changes made to their employee establishment or salary and allowance payments associated with a post, seeking guidance from finance and Human Resources as needed.

10.10. Responsible Officers must follow any corporate processes in place to manage appointments, resignations, dismissals, absences from duty and other such information required in connection with the calculation and payment of salaries and wages. These must be done promptly to avoid unnecessary salary corrections after payment is made.

10.11. Responsible Officers must ensure proper financial control of their employee budgets in accordance with their revenue expenditure responsibilities.

Employee Expenses and Deductions

10.12. Expense Claims made must contain all necessary information, be made promptly, and be authorised by an appropriate manager before being considered for payment. Corporate processes are in place to ensure these requirements are met.

10.13. VAT receipts as proof of expenditure must be obtained and submitted with the claim form before reimbursement is made. Car park tickets are acceptable for proof of parking expenditure.

10.14. An authorising officer certifying a claim must be satisfied that:

10.14.1. the time or expenditure claimed is reasonable and accurate.
10.14.2. the duties or activities described have been performed
10.14.3. payment is in accordance with the employee's contract of employment

10.15. Deductions from salaries must be in accordance with the Wages Act 1986, which requires specific written employee authorisation before any deduction can be made, unless covered by statute or other legal order. These should then be appropriately accounted for and paid promptly to the receiving bodies.

10.16. Travel Claims: Individuals are responsible for establishing the most economical and feasible method of transport to make work related journeys.

10.17. Any use of personal cars for work related travel be adequately insured for business use.

10.18. When travelling from home, claims should only be made for expenditure above that which would normally be incurred by an employee travelling from home to the normal place of duty.

10.19. Rail Warrant Books: Rail warrants should only be used for authorised work-related journeys. All books of rail warrants must be accounted for and records maintained of their use.

Payments to Members

10.20. Allowances and expenses paid to members shall be in accordance with the Council's approved scheme.

10.21. Payments to members will be paid in accordance with the procedure approved by the Council.

10.22. VAT receipts as proof of expenditure must be obtained and submitted with the claim form before reimbursement is made. Car park tickets are acceptable for proof of parking expenditure

Income Collection and Banking

10.23. Except where the Council has no discretion, all fees and charges should be reviewed at least annually and approved by Cabinet.

10.24. The income collection methods employed should ensure the efficient and prompt collection of income due and comply with the Council's Collection and Recovery Policy.

10.25. There should be more than one person involved in the process for raising accounts, receiving, and banking the income and reconciling or verifying the reconciliation of income collected.

10.26. All arrangements for the collection of income are subject to the approval of the ~~Head of Corporate Services~~Director of Corporate Services. Budget holders are responsible for ensuring that all income due is collected in accordance with Council policy.

10.27. Income should be collected in advance wherever possible and appropriate, or at the point of sale.

10.28. Appropriate arrangements must be made for all income collected to safeguard against loss or theft.

10.29. Where cash is collected, appropriate consideration should be given to the security arrangements for both the cash and the personnel involved.

10.30. All income received should be banked in full as soon as practical and within 5 working days. All income received should be processed promptly into the Council's financial accounting systems.

10.31. Appropriate arrangements should be used to confirm that all monies collected have been accounted for.

10.32. Officers may not substitute personal cheques for cash payment received on behalf of the Council.

~~Excusal of~~ Debts Write Off

10.33. Debts up to the value of £5,000 may be written off on the authority of the ~~Head of Corporate Services~~Director of Corporate Services where the debt is deemed irrecoverable or is unlikely to be recovered at economic cost. This authority is delegated to Capita for housing benefit debts who are required to follow the same assessment process.

10.34. Debts over £5,000 must be referred to the ~~Head of Corporate Services~~Director of Corporate Services who will seek approval from the Cabinet Member with responsibility for Finance. All such write-offs must be reported to ~~the next meeting of~~ Cabinet.

10.35. Sufficient information about the debt and recovery action taken must be provided and documented before authorisation for write-off can be given.

Physical Assets

10.36. The ~~Head of Corporate Services~~Director of Corporate Services will maintain the Asset Register' which contains details of all assets leased or owned by the Council which exceed the Capital de-minimis levels. This must be maintained in accordance with the accounting policies of the Council.

10.37. The ~~Head of Service~~Director, responsible for land shall maintain an up to date terrier of all land owned, leased, or licensed by the Council and of land sold or leased off. The terrier must

- record the purpose for which the land is held and
- record the location, extent, and plan reference of the land

10.38. ~~Heads of Service~~Directors shall supply any information required to maintain these registers.

10.39. ~~Heads of Service~~Directors are responsible for maintaining proper security, care and protection of all building, equipment, vehicles, stocks, stores and cash under their control. This includes minimising the risks of natural hazards, theft, damage and misuse.

10.40. The ~~Head of Corporate Services~~Director of Corporate Services shall be informed, as soon as possible, of any break-in, theft or attempt at such, and any loss otherwise suffered.

Insurance and Assessment of Risk

10.41. The ~~Head of Corporate Services~~Director of Corporate Services shall establish appropriate insurance cover for the Council and review it annually in consultation with relevant managers. Responsibility for managing insurance can be delegated to a nominated Officer.

10.42. Managers should give notification to the nominated insurance officer of any circumstances, risks, purchases, or disposals which may affect the insurance cover required.

10.43. The ~~Head of Corporate Services~~Director of Corporate Services shall be notified immediately in writing by the relevant ~~Head of Service~~Director of any loss, liability or damage suffered by or occasioned to any person, property or thing.

10.44. ~~Heads of Service~~Directors shall bring to the attention of their staff any situation where they think the Council may be at risk from an insurance claim or where immediate action may minimise the risk of such a future claim.

10.45. The ~~Head of Corporate Services~~Director of Corporate Services shall deal with claims against or on behalf of the Council arising from insured risk. Where any claim is made against the Council and is recoverable under a policy of insurance, the ~~Head of Corporate Services~~Director of Corporate Services is authorised to incur any necessary expenditure in meeting the claim subject to prior consultation with the Council's insurers.

10.46. Managers should ensure that suppliers, contractors, consultants or agents engaged must have insurance arrangements that adequately protect the Council's interests.

10.47. The Council is responsible for putting in place arrangements for the management of risk. The Council will annually review the Council's Corporate Risk Assessment policy.

10.48. A corporate risk assessment will be prepared detailing those risks which may adversely impact on the achievement of the Council's objectives and the controls in place and planned to mitigate them. The corporate risk assessment will be annually reviewed by the Council.

10.49. All project plans and business cases that consider major financial investment by the Council must be subject to a sufficiently robust and documented risk assessment that is reviewed as part of their appraisal by the appropriate Committee or Council. No commitment may be entered into until the appraisal is completed and reviewed.

Draft CONTRACT PROCUREMENT RULES (CPRs) – replacing Contract Standing Orders

Why do we need Contract Procurement Rules (CPRs)?

1. Councils are required by Section 135 of the Local Government Act 1972 to set clear rules for the procurement process to be followed for or on behalf of the Council, as well as for the disposal of land.

2. By following these rules, the Council can show it is delivering value for money and maximising public benefit, whilst acting transparently and with integrity.

3. Integrity sits at the heart of the procurement process. It means there must be good management, prevention of misconduct, and control in order to prevent fraud and corruption.

4. Most importantly, the rules are there to help guide and protect those undertaking procurement for Hart. Following these rules, means everyone involved can be confident that the process is being conducted safely, and in line with legislation and the principles set out here.

What do the rules apply to?

5. These CPRs apply to every Member, Officer, Consultant, or other external Agents appointed to act on behalf of the Council in procurement matters, collectively referred to as ‘Person(s)’ for the remainder of the CPRs.
6. The CPRs are set within the context of UK legislation. Any contract let by or on behalf of the Council must also comply with the Financial Regulations and all other requirements of the Constitution.

7. The CPRs apply to the purchase (regardless of value), by or on behalf of the Council of:

    7.1. Works;

    7.2. Materials, supplies or goods;

    7.3. Services;

    7.4. As well as the granting of concessions.

8. These are collectively referred to as ‘Contract(s)’ for the remainder of the CPRs.

9. The CPRs do not apply to:
    9.1. Employment contracts;

9.2. Contracts relating solely to the purchase, hire or sale of interests in land - The disposal of land, property, or other assets (including surplus goods) is covered by Annex B - Land Disposals;

9.3. Service level agreements setting out the conditions that the Council applies to its funding of particular voluntary sector bodies.

10. There will be circumstances in which the CPRs cannot be followed, specifically where:

10.1. The Contract is required as a matter of urgency and a delay would be likely to lead to financial loss, personal injury or damage to property. For example, in response to an emergency decision under special powers;

10.2. There are justifiable technical, specialist, legal, overriding public interest, or supply market reasons that the Contract can only be obtained from one firm, and no reasonably satisfactory alternative is available;

10.3. The Council is acting in partnership or other joint working arrangements, where the money, including external funding, does not pass through the Council's accounts;

10.4. Relevant UK legislation, which takes precedence, or where conditions attached to the funds available mandates a different approach to procuring the Contract (For example Disabled Facilities Grants);

10.5. In applying the CPRs, it would not be possible to satisfy the best interests of the Council or the public in terms of delivering social, economic or well-being benefits.

11. In such cases, approval for an exemption must be requested in advance from the Section 151 Officer, via completion of a form available on the Council's Procurement Guidance pages.

12. The completed form will act as a record of the decision and be held for the duration of the contract.

13. In all cases where an exemption is approved, the CPRs should still be followed as closely as feasibly can be.

Key principles of the rules to be aware of

14. All monetary values referred to in the CPRs exclude VAT unless otherwise stated. They cover expenditure contracts and income generating contracts.

15. The financial values stated throughout these CPRs represent the total value of the Contract over its whole life and are not, for example, the estimated annual value of the Contract. Where the duration of the contract is hard to define, the contract value should be the estimated value of the contract over a period of four years.

16. Where the Contract is for Supplies or Services, the value of the Contract shall include all options under the Contract. For example, if the Contract allows the Council to either purchase additional Supplies or Services, or to extend the Contract beyond its original term, the financial implications of these must be

included in the value of the Contract, even if the likelihood of taking up these options is small.

17. The value of contracts must not be deliberately or artificially underestimated, split or disaggregated to avoid the application of the Thresholds in these CPRs or the Regulations.

18. The appropriate Procurement Route, as set out in Section 3 of these CPRs must be followed.

19. There must be funds available and all the necessary approvals in place prior to commencing a procurement procedure.

20. Contracts will typically be awarded on the 'Most Advantageous Tender' (MAT) basis, assuming all specified criteria are met. This means considering both value for money and other factors such as social value.

What are the responsibilities on those procuring for Hart?

21. Budget Holders are considered the Responsible Officer in regards to the procuring of a Contract by default.

22. The Financial Regulations sets a list of authorisation limits. This list specifies a maximum financial limit for each transaction for each Responsible Officer. These limits must not be exceeded without approval from the Section 151 Officer.

23. Responsible Officers must ensure that procurement activity is undertaken by Persons who can demonstrate knowledge and understanding of these CPRs and have the skills appropriate to the task. These Persons should already have authority under the list of authorisation limits and, if not, must be granted authority by the Responsible Officer or such person who has been delegated with the authority before undertaking any procurement. These limits are provided in the Constitution.

24. Any personal interest which may affect or be seen by others to affect a procurement process must be declared. It is expected that the highest standards of honesty, integrity, impartiality, and objectivity are maintained.

25. Compliance with the CPRs is mandatory. Failure to follow them and/or failure to enter a Contract in accordance with them, could lead to disciplinary actions.

26. The Contracts and Procurement Manager will maintain the Procurement Guidance pages, provide advice to Persons on CPR considerations and suggest best practice approaches to procurements, relative to the specific project being planned.

How to apply the rules

27. A review of the Procurement Guidance pages should be completed before embarking on a procurement process to ensure the most current forms, advice and requirements are applied.

28. All contracts spend above £250 must be published on the Council's website as part of the Councils commitment to the Local Government Transparency Code (2015).

29. In all cases Persons must be able to demonstrate and record that the contract is awarded in line these CPRs and any decision relating to the Procurement Route for a particular contract shall include a written risk assessment using the template provided on the Procurement Guidance pages.

30. If an existing Framework Agreement is to be used, for any value of Contract, subject to its specific terms, written bids must be obtained from capable suppliers, according to the arrangements provided for in the Framework Agreement.

What differs in the rules, depending on the value of spend?

31. The Procurement Route to be used will vary depending on the nature, complexity and cost of the contract. Persons must not disaggregate spend to avoid the requirements at higher Thresholds.

32. After considering the Thresholds set out below, the selection of a Procurement Route should be proportionate to the nature, complexity and cost, as well as any other considerations that would ensure the best interests of the Council or the public in terms of delivering social, economic or well-being benefits.

33. The following Thresholds must be considered before selecting a Procurement Route, where the value is:

    33.1. Up to £5,000

    33.2. Up to £25,000

    33.3. Up to £50,000

    33.4. Up to the UK legislative thresholds, as defined by the Governments published Procurement Policy Notes, inclusive of VAT

    33.5. Above the UK legislative thresholds, as defined by the Governments published Procurement Policy Notes, inclusive of VAT.

Up to £5,000

34. Three quotations should be sought if possible and a minimum of one written quote must be obtained.

Up to £25,000

35. All Contracts above £5,000 in value and/or exceeding 1 year in length, should be recorded on the Councils' Contracts Register. This applies to both expenditure by the Council and income received.

36. A Conflicts Assessment must be undertaken using the form provided on the Procurement Guidance pages before commencing any procurement above £5,000 and held as a record for the duration of the contract. This will include and identified potential conflicts and any adjustments the Council has put in place to mitigate the potential conflict.

37. At least three quotations must be sought, and if three written quotations cannot be obtained, Persons must request and exemption from the CPRs using the form provided on the Procurement Guidance pages.

38. If the procurement will involve expenditure or making savings which amount to either £30,000 or 25% (whichever is the larger) of the budget for the service or function, the requirements of a Key Decision as set out in the Constitution, need to be considered before commencing any procurement activity.

Up to £50,000

39. Contracts above £25,000 in value must be considered ‘Regulated below-threshold contracts’, unless otherwise required by UK legislation.

40. Such Contracts must be advertised for when a Below-threshold Competitive Quotation procedure is undertaken on Contracts Finder (or any subsequent platform required by Government).

41. The award of all Contracts above £25,000 in value (or £30,000 inclusive of VAT if rates change), regardless of Procurement Route must be published on Contracts Finder.

Up to UK legislative thresholds

42. For Contracts above £50,000 in value, or otherwise considered complex in nature, must first include consultation with the Council’s Legal Service before commencing any procurement activity.

43. The CPRs require that consideration is given to carbon reduction factors at the pre-procurement stage of any procurement process.

44. Solicitation of three quotes is no longer allowed for by default. Persons must request and exemption from the CPRs using the form provided on the Procurement Guidance pages should this Procurement Route be sought.

Above the UK legislative thresholds

45. The UK legislative requirements should be followed and all Regulations Procurement Policy Notes relating to these, take precedence over these CPRs.

46. For all Contracts of this value the opportunity must also be published on Find a Tender (or any subsequent platform required by Government).

Procurement Routes

47. The Council should apply the most suitable procedure for the value and complexity of the procurement, that conforms to these CPRs and UK legislation as its Procurement Route.

48. Recommended Procurement Routes are detailed in the Procurement Guidance pages on the Councils’ Intranet.

Is there any further information available?

49. These Contract Procurement Rules provide the overall framework to be followed when procuring on behalf of the Council. Full procedural details, further advice, forms and templates are all available on the Procurement Guidance pages on the Councils' Intranet.

OVERVIEW AND SCRUTINY COMMITTEE

DATE OF MEETING: **17 JANUARY 2023**

TITLE OF REPORT: **DRAFT BUDGET 2023/2024 AND MEDIUM-TERM FINANCIAL STRATEGY**

Report of: **Director of Corporate Services and S151 Officer**

Cabinet Member: **Councillor James Radley, Deputy Leader and Finance**

1 PURPOSE OF REPORT

1.1 The Budget is a major decision for Hart District Council (The Council) and setting a balanced budget is a statutory requirement. Scrutiny of these budget proposals demonstrate transparency and good governance. This report provides a summary of the revenue and capital budget proposals for 2023/2024. The Overview and Scrutiny Committee is requested to review, provide challenge and to forward comments on the proposed draft budget to Cabinet.

2 OFFICER RECOMMENDATION

2.1 That the Overview and Scrutiny Committee reviews this report, provides challenge, and passes any comments to Cabinet on the draft Budget 2023/24 and Medium-Term Financial Strategy.

2.2 For the Overview and Scrutiny Committee's information, the following are the latest draft proposed recommendations from Cabinet to Council:

- agree a 3% increase in Hart's Band D Council Tax Charge for 2023/24,
- agree to continue the Council's existing Council Tax Support Scheme at the current levels,
- agree to make changes to fees and charges for 2023/24 in line with the principles set out in this report, with full details being reported to full Council,
- approve the draft Revenue Budget for 2023/24 as summarised in paragraph 10.1 and Appendix 3, incorporating the baseline net service cost variations included at Appendix 4,
- approve the Capital Bids as detailed in Appendix 1,
- to request the S151 Officer to undertake a comprehensive review of reserves, provisions and SANG funds, as detailed in section 7 of this report, in Spring 2023 when the 2022/23 outturn is known and a more accurate assessment of economic conditions and business rate provisions can be made,
- approve the Medium-Term Financial Strategy as set out in Appendix 3,
- note the emerging pressures and risks set out in the report and the S151 Officer's intention to undertake a mid-year review of detailed budgets, and
- approve the capital receipt flexibility strategy detailed in the report under the Direction issued by the Government early in 2022.

3 LOCAL GOVERNMENT FINANCE SETTLEMENT

3.1 This proposed budget includes funding provided in the provisional finance settlement for 2023/2024 which was published on December 19th, 2022. The final settlement is expected early in 2023 and, whilst a material change to The Council's figures is unlikely, it would be reported to Council if it occurred. This is the third year that the Government has provided a short-term (one-year) funding settlement, however it has set out some planning assumptions for 2024/25 but the majority of the grant funding, New Homes Bonus and the new funding guarantee grant, remain uncertain beyond 2023/24. This limits any accurate financial planning to one year, therefore best estimates of government funding have been made for future years.

Summary of Proposals for 2023/24:

- Referendum principles of up to 3% for core Council Tax, and up to 2% for the Adult Social Care Precept, with additional flexibilities for some authorities. No limit for Town and Parish Councils.
- A new one-off funding guarantee that ensures all local authorities will see a minimum 3% increase in their Core Spending Power before any local decisions on raising Council Tax.
- £100 million (nationally) of additional funding for local authorities to support the most vulnerable households in England. This funding will allow councils to deliver additional support to the 3.8 million households already receiving Council Tax support, whilst also providing councils with the resources and flexibility to determine the local approaches to support other vulnerable households in their area. Further guidance will follow in due course.

Planning assumptions for 2024/25:

- Referendum principles for council tax increases will remain as 2023/24.
- The Fair Funding review will not be implemented in 2023/24 or 2024/25.
- The Government will set out the future of New Homes Bonus ahead of the 2024/25 Finance Settlement.

4 COUNCIL TAX AND COLLECTION FUND

4.1 The Government has provided a cap on Council Tax increases to District Council as in previous years. The cap for 2023/24 is the greater of 3% or £5 on a Band D property. Any higher rise will require holding a local referendum. The Government assumes that Councils will increase at the capped level in order to maintain their spending power. The budget proposals included in this report assume a 3% increase in 2023/2024, which is higher than £5. This equates to an annual Council Tax increase of £5.60pa for an average Band D property and will generate and additional income for The Council of approximately £237,000pa. The February Council meeting will receive the detailed statutory council tax setting report, following the Budget report on the agenda.

5 NEW HOMES BONUS (NHB)

5.1 The provisional Local Government Settlement retains New Homes Bonus for 2023/24 and the value to be received for 2022/23 is £790k, significantly less than the current amount of £1,604k, the main difference being the ending of legacy payments. The Council relies on funding from New Homes Bonus with approximately 14% of the net revenue budget being funded by New Homes Bonus in 2022/2023. It should be noted that in 2023/24 the Government has compensated the termination of legacy payments with the introduction of a one-off funding guarantee grant.

5.2 There is a significant future risk to the Council and whilst the Government consultation confirms that it is considering a replacement to the New Homes Bonus, from 2024/25 there is no certainty as to what this could look like.

6 SUMMARY OF CORE GOVERNMENT GRANT FUNDING

6.1 The 2023/24 Finance Settlement introduced some changes to the structure of core funding for local government. The figures for The Council are summarised below compared to the 2022/23 amounts.

	2022/23 £000	2023/24 £000	Notes
Retained business rates	1,400	1,326	Budgeted at safety net amount
New Homes Bonus	1,603	790	2023/24 is one year only
Revenue Support Grant	0	69	Rolled up amounts of other grants detailed below
Lower Tier Grant	62	0	
Services Grant	95	54	Reduced due to cancelation of National Insurance increase
One-off funding guarantee	0	1,029	New one-off grant to ensure that LAs get 3% increase in Spending Power overall
CTax Support admin	50	0	See above
CTax Family Annexe discount	19	0	See above
Total	3,229	3,268	

7 RESERVES AND PROVISIONS

7.1 The S151 Officer has undertaken and initial review of reserves and provisions that are within the scope of the revenue budget and Medium-Term Financial Strategy (MTFS). These totalled £26m on 1/4/22, not including the general fund working balance. The conclusion reached is that the position is prudent for the purpose of setting the 2023/24 Budget and for providing resilience for supporting the MTFS, however there are some notable issues that the S151 needs to draw Members' attention to. In the light of these issues, it is recommended that a comprehensive review of reserves is undertaken in the Spring 2023 with any proposed changes reported to council in July. At this point, the 2022/23 outturn will be known and a more accurate assessment of economic conditions and business rate provisions can be made.

Main Issues to consider in the review of reserves:

- It is necessary to review the purpose, approved use and amount held for each reserve to ensure that the earmarking of resources is still justified and that the balances are prudent and provide sufficient flexibility to the Council
- Given the continued uncertain inflation forecasts and economic volatility, including post-Covid recovery of some key income streams, it is important that the Council makes sufficient allowance to cushion the impact on services and the annual budget.
- It was reported in the 2022/23 budget report that the General Fund working balance needs reviewing (balance £6.9m). This has not yet been done so, once the outturn 2022/23 is known, a review of the purpose and amount will be undertaken
- Business rates smoothing reserve (£6.6m). This is a discretionary reserve set up when the new 'retained business rates' funding system was introduced by Government in 2013. It had three main initial purposes which are to mitigate the impact of reductions in rateable value across the borough, increases in appeals and reductions in retained business rate core funding. Between 2020 and 2022 local authorities were required to implement numerous Covid business support schemes. Because a number of these schemes spanned several years and had uncertain impact, councils were required to set aside earmarked reserves. The Council combined this with its existing business rates smoothing account. Once the Council's budget outturn and the collection fund have been closed for 2022/23, a review of the residual risk and prudent reserve can be undertaken.
- Officers have commenced an initial review of earmarked SANG reserves (£14.9m). These reserves must provide sufficient resource to maintain and manage the SANG sites in perpetuity (80 years), therefore forecasting income and expenditure and capital investment as accurately as possible is essential. This will be done in collaboration with colleagues in the community service and reported to Members as part of the wider reserves review, along with any recommendations
- There is a need to continue to pump prime with upfront investment, further 'invest to save' projects to generate long-term revenue budget savings, subject to business case and payback. There is also the need to make sufficient resources available to deliver the capital programme and other important community and corporate projects. Alongside the reserves review, officers will bring forward proposals to pool project resources to add flexibility and resilience. Supporting these corporate needs will be one of the objectives of the reserves review.
- There are other smaller reserves totalling £4.5m that the Council has earmarked for specific purposes, some of which will be drawn down in 2022/23, and these will all be reviewed. Provisions fall outside of earmarked reserves and are held to mitigate the financial impact of specific risks. These council include bad debts

and investment property voids etc. It is proposed to include provisions in the scope of the review, particularly given the increased reliance on investment property income in the core budget.

8 COUNCIL TAX SUPPORT SCHEME

8.1 Since 2013, local authorities in England have been responsible for running their own local schemes for help with council tax - Council Tax Support. Pension age claimants are protected by law to an entitlement that is equivalent to the previous council tax benefit scheme. For working age claimants councils can choose to either reduce the discount paid or find income to make up the reduction. In previous years the Council has agreed not to reduce the discount (benefits) paid to such claimants but to fund the cost from the revenue budget, which is split across all preceptors. The Council's current scheme supports 2,700 low-income households in the district and provides much needed help for keeping bills down. There are no proposals to change the arrangement for 2023/24.

9 FEES AND CHARGES

9.1 The Budget has been prepared taking account of the following changes to charges in the main service areas:

- Following a significant decrease in car parking income due to Covid, and a lack of workplace commuting, the overall car parking fee income is still below pre-Covid levels. Green waste subscriptions are holding up, however, Hart's charges are towards the upper end compared to other Councils in the area. In the light of the current squeeze on household finances and the need to continue to support local businesses, there are no proposals to increase car park charges or green waste subscriptions in the 2023/24 draft budget.
- In all other cases, where the Council has flexibility in setting and charges the general approach is to increase them by inflation or up to the nearest £, where applicable, including the leisure centre charges where the operator is entitled under the contract to apply an inflationary increase. The only exceptions are where statutory charges apply or where the service manager has proposed a charge that is more or less than inflation where this can be justified, any such case will be reported to Council with accompanying explanation

10 DRAFT BUDGET 2023/2024

10.1 The table below summarises the draft budget for 2023/2024 compared to the approved 2022/2023 budget

	Note	2022_23 Budget	2023_24 Budget	
Net Service Budget		11,393	12,149	See Appendix 3 and 4 for breakdown
SANG Expenditure	(i)	567	571	Funded from reserves
Net Cost of Service	(ii)	**11,960**	**12,720**	
Treasury Net debt/ investment Interest	(iii)	12	107	
MRP	(iv)	642	564	
Net Expenditure		**12,614**	**13,391**	
Financed by:				
Council Tax		- 7,813	- 7,813	Base council tax 22/23
Council Tax Increase			- 327	3% increase + new dwellings
Business Rates Retained		- 1,400	- 1,395	Local Government Settlement
New Homes Bonus		- 1,604	- 790	Local Government Settlement
Other non-ringfenced grant		- 157	- 1,083	Local Government Settlement
SANG Reserve	(i)	- 567	- 571	
Investment property rental income	(v)	- 1,073	- 1,413	
Total Financing		**- 12,614**	**- 13,391**	
(Surplus)/Deficit		0	0	

Notes:

(i) SANG costs and funding from reserves to be reviewed and reported to Council as part of the wider reserves review. Actions may be needed to ensure the sustainability of the reserve in perpetuity.

(ii) Tier 1 & 2 Savings agreed with the 2022/23 budget are included in the Cost of Service and future years' base budget ie. £12,497k - £335k - £202k = £11,960k. The enhanced savings targets, as set out in the MTFS forecast presented to Council in Feb 2022, are included in the draft 2023/24 Budget. It is assumed that these targets will be achieved, however, close monitoring by officers and members will be undertaken throughout the year. Since the emerging budget pressures report was presented to O&S Committee in November showing an indicative budget shortfall of £202k in 2023/24, several budget adjustments have been identified, these are included in Appendix 4. The draft budget includes a best estimate assumption on the staff pay award for 1 April 2023, however this is unlikely to have been settled by the time the Council approves the budget so Cabinet will be updated as soon as there is certainty and any budget implications will be addressed at that point.

(iii) The treasury net interest includes a higher PWLB debt financing charge due to the additional borrowing in 2021/22, however, this is partly offset by an improved forecast for interest receivable on invested cash due to higher interest rates and applying a longer-term outlook.

(iv) The Minimum Revenue Provision (MRP) charge was due to increase significantly in 2023/24 to reflect additional unfinanced capital spending in 2021/22. However, following a review of The Council's MRP policy by our external treasury advisors, the charge can be contained within existing budget. The policy is subject to review and approval within the Treasury report elsewhere on the agenda.

The climate change budget has remained at the same level of £250k plus staff costs, however, the resourcing needs to be reviewed to ensure that it is sufficient to produce the action plan and deliver the programme. In 2023/24 a greater proportion of the £250k will need to be utilised on delivery and project resource than in 2022/23 and part of this resource will be focussed on securing external funding. It should be noted that The Council has been successful in its application for £1m of funding under the Government's UK Shared Prosperity Fund. The funding will come in the following profile, £60k in 2022/23, £79k in 2023/24 and £881k in 2024/25 and the funding has to be spent according to the approved investment plan. In the coming months the Council will be preparing its resource plan and governance arrangements, and these will be subject to Member approval.

(v) Generating additional property income is one of the themes within the Commercial strategy (revised April 2021). The budget also contains savings arising from other themes of the Strategy such as efficiency and cost reduction. Achievements under the Commercial Strategy will be summarised and reported to Cabinet alongside the budget setting report in February 2023.

11 NEW BIDS FOR CAPITAL SCHEMES

11.1 The new bids for capital schemes in 2023/2024 are summarised in Appendix 1. A condition survey of Hart-owned car parks has been commissioned, when the results are known a report will be made to Cabinet. Other schemes that are already approved are not included in this report but they are reported to members in quarterly monitoring statements. Once the 22/23 outturn position is known, a review of all capital projects will be undertaken which will establish the adequacy of budgets given the very high inflation on labour and materials over the past two years.

12 MEDIUM TERM FINANCIAL STRATEGY (MTFS) 2023-24 – 2026/27

12.1 The Medium-Term Financial Strategy (MTFS) is The Council's key financial planning document which takes account of all the currently known various factors and influences that may impact on The Council for the next few years. The MTFS includes a forward look over the next four years to anticipate the spending pressures faced by The Council. Planning now to meet potential changes in the future provides greater opportunity to mitigate the impact. Good preparation will mean that The Council has sufficient funds to meet unexpected costs and that limited financial resources are targeted to The Council's residents' highest priorities. The draft 2023/24 budget is set in the context of the latest MTFS.

The Medium-Term Financial Strategy:

- Provides a framework for managing resources in the medium term to deliver the corporate plan.
- Demonstrates that sufficient resources will be available to meet The Council's objectives and priorities, particularly in the delivery of value for money.
- Looks ahead to the longer term to protect and help plan sustainable services within an extremely challenging external economic and funding environment.
- Strengthens The Council's financial resilience and manage volatility and risk, including maintaining an adequate level of reserves.
- Anticipates financial pressures and identify potential ways to balance The Council's budget including through efficiency measures.

The Council's MTFS ending 2026/27 has been updated to include the latest assumptions and projections and is included at Appendix 2.

13 FLEXIBLE USE OF CAPITAL RECEIPTS

13.1 In 2022 the Government issued a new directive under the Local Government Act 2003 which allows flexibility regarding the use of capital receipts from sale of non-housing assets to fund revenue costs of service reform. This applies to capital receipts that meet the statutory definition and have been received since April 2016.

With £480k of capital receipts held, it is sensible to make the required council resolution to enable this to be done if required. It is The Council's proposed strategy for 2023/24 to use capital receipts for certain revenue costs where these directly lead to the delivery of an ongoing revenue budget saving or efficiency gain, including business transformation and collaboration activity and projects

14 RISKS

14.1 There are a range of risks associated with the delivery of the MTFS and achievement of the various saving/efficiency programmes in place to address the budget shortfall, these are particularly important to identify given the ongoing uncertainty in the estimates and local economy. A summary of the key risks over the MTFS period is included below:

- Achieving savings targets when service demand is rising, and recruitment and retention is very challenging.
- Limited ability for further investment in commercial property with new borrowing restrictions in place. Government policy change has affected the Council's ability to undertake prudent 'yield' investments.
- Corporate capacity following recent changes which have reduced Senior Leadership Team to four posts, from six.
- Impact of Government's business rate funding review and Fair Funding review is likely to reduced retained business rates and increase risk, negative grant is still on the agenda.
- Investment property – this is an increasingly important revenue stream in the Council's budget so the risk of rent loss due to void periods must be evaluated.

- Environment Act implications on the cost of the waste contract with uncertainty about government funding.
- The ending of the waste contract and Capita contract within the MTFS period presents risks but also opportunities. The Council must plan its lead in times and resource sufficiently.
- Project management and governance to ensure capital schemes and projects are adequately resourced and overseen. Need to attract external funding where possible.
- Reliance on Council Tax increase, Planning and Building Control income which are all set or limited by Government.
- The unknown economic impact on inflation and interest rates
- Cost of living and its economic impact on The Council's community, businesses and residents – this is leading to higher demand for services, the need for closer monitoring of debts and greater demand for hardship funds.
- Recruitment and retention – impact on services and cost of agency cover.
- Heightened cybercrime risk with the cost of insuring and defending against the risk materialising.

15 Local Government Act 2003 – Financial

15.1 The Local Government Act 2003 formally introduced a number of specific matters that the S151 Officer must comment on in the budget setting report. These are:

- Budget calculations and the robustness of estimates,
- Adequacy of reserves, and
- Budget monitoring.

15.2 The sections were introduced to ensure sound financial management across all local authorities. The Council's budget setting process complies with good financial management practice. Prudent allowance is made for risk and uncertainties in budgets. Budgets are monitored by officers and reported to Members on a quarterly basis supplemented by monthly exception reports. The Council's financial management continues to receive favourable comments from its external auditors.

The Robustness of the Estimates

The 2023/24 budget has been prepared following a period of unprecedented uncertainty and risk due to the impact of the pandemic and wider economic conditions on the council and its finances. Whilst these conditions continue, it is becoming possible to budget with more certainty in some key areas as recovery develops. A prudent assessment of income has been undertaken and provision has been made within The Council's budgets to allow for the uncertainty. The Council's Financial Strategy, together with information presented to members during the year demonstrates the financial challenges to The Council in the future including the risks associated with the current economic situation.

The key Financial Strategy issues for the General Fund include:

- Ongoing uncertainty and impact of the pandemic on The Council's services and finances. The most material impact will be in income areas such as car parks, and in the operation of the leisure centres.

- Increased risk from changes in business rate income due to declining rateable value, increased appeal risk and the Government's Fair Funding review due – impact on annual budget mitigated by the business rate smoothing reserve. This reserve has been assessed against the risks and no further contribution has been made in 2023/24. Further adjustments may be possible in future years, but the outcome of the Government's Fair Funding review will need to be assessed first, particularly in relation to The Council's exposure to appeal risk.
- Keeping the dependency on current and new income from investment property in proportion to the overall budget and providing sufficiently for void periods and costs.
- Future of Government funding including New Homes Bonus
- Rising inflation and low interest rates.

In view of the level of awareness amongst Members and the action taken to produce The Council's draft Budget for 2023/24, the Section 151 Officer is satisfied with the robustness of the estimates presented. The Section 151 Officer is confident that overall, the Budget is prudent especially in view of the track record of achievement of budgeted savings over the past years but the risks noted in this report must be acknowledged and continuing with effective monitoring during the year will be essential. The MTFS sets out a multi-pronged strategy to address the financial challenges and these work streams are progressing well with confidence in the delivery of savings and successful achievement of additional commercial property income

Adequacy of Reserves

The General Fund balance would support fluctuations in normal business if required, e.g. unexpected changes in inflation or interest rates, higher than anticipated expenditure or loss of income, and spending on unforeseen events. Other reserves are held for specific purposes. As referred to earlier in this report, the S151 Officer is satisfied that reserves are sufficient to support the 2023/24 draft budget and to underpin the MTFS. The position will be reviewed in Spring 2023 when the outturn is known, however, current forecasts indicate that the reserves are holding up well against plan. It is the view of the Section 151 Officer that the current level on the General Fund Working Balance, which is effectively half the annual net cost of services, satisfies the adequacy requirements of the Local Government Act 2003. This will be reviewed in Spring 2023 and a 'prudent minimum' will be proposed.

The main risks to reserves in 2023/24 are the ongoing impact of the economic conditions on revenue budgets, beyond the level already mitigated, above budget inflation levels and commercial property voids. If these or other unforeseen costs exceed the available funding, the Council will need to divert/reprioritise some of the funding from other reserves. In the light of the identified future pressures, the levels of combined balances as detailed in this report are considered adequate.

Budget monitoring

It is the view of The Council's Section 151 Officer that the arrangements for budget monitoring, referred to above, satisfy the requirements of the Local

Government Act 2003. Budget Monitoring against the budget in 2022/23 shows that the Council has mostly delivered the savings assumed, although a few areas have been slower to be fully implemented than hoped. The mid-year budget rebasing exercise has also helped keep the budget on track this year. Major expenditure items including pay and contract spend are on track. The latest quarter 3 monitoring summary statement will be reported to the Overview and Scrutiny committee in March as part of the performance management report. Overall, the arrangements in place are sound however, with the continued uncertainty, close monitoring will be essential to head off any potential adverse budget variations.

16. EQUALITIES

All activity will comply with the authority's statutory duties.

17. CLIMATE CHANGE

17.1 The budget and MTFS will work alongside the council's ambition to become a carbon neutral authority by 2035. There are no direct carbon/environmental impacts arising from the recommendations, however, it should be noted that £250,000 was included in the 2022-23 base budget to further develop the Council's agenda to deliver the ambition of being a carbon neutral authority by 2035. The draft 2023/24 budget allows for the continuation of this budget, plus budget for staff costs at current levels. This annual sum will need to remain flexible and must deliver sufficient staff and consultant resource to oversee the programme and deliver projects. The revenue budget can be used for either capital/project expenditure or ongoing running costs. In July 2022 Cabinet agreed a list of projects from the 2022/23 budget amount totalling £240k.

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APPENDICES:
Appendix 1 – Bids for new capital schemes
Appendix 2 – Medium Term Financial Strategy
Appendix 3 – Budget analysis summary – net cost of services
Appendix 4 – Budget analysis by service

Appendix 1 - NEW BIDS FOR CAPITAL SCHEMES 2023/2024

Service Area and Description	2023/2024 Budget Requested £'000	Source of Funding	Description
Community Services			
Disabled Facilities Grant	867	Funded from Better Care Fund via HCC	
Edenbrook Country Park:*			
Short Boardwalk / Raised Path with bridge	40	Edenbrook SANG	Health & Safety requirement
Supply water to railway field	20	Edenbrook SANG	To aid Biodiversity and welfare requirement.
Bramshot Farm:*			
Woodland path	50	Bramshot Farm SANG	Complete circular path for visitors as agreed in original specification.
Stock fencing	15	Bramshot Farm SANG	To enable grazing and reduce cost associated with grass cutting and disposal
Resurface car park	30	Bramshot Farm SANG	Existing car park surface is worn and requires resurfacing.
Small SANGS:*			
Whitewater Meadow			
Stock fencing and water supply	30	Small SANGS	To enable grazing and reduce cost associated with grass cutting and disposal
Minor works	20	Small SANGS	Existing brick culverts require work to meet H&S requirements; Upgrade 5 kissing gates to comply with accessibility requirements.
Signage strategy	30	Small SANGS	New signs to assist visitors navigate the area
QEII Fields:*			
Minor works	10	Small SANGS	Fencing replacement
Vehicles and Equipment	35	Bramshot Farm SANG (£20k), Edenbrook SANGS (£15k)	Purchase of replacement Wood Chipper to comply with H&S regulations; and Large Road Trailer (replacing existing trailer purchased in 2001) that is safer and easier to use.

Total Community Services	**1,147**		
Corporate Services			
Telephony - Move from current shared service	40	Digital Transformation Reserve	To move away from current shared solution with Basingstoke. Waste Contact Centre and Management is with Basingstoke and REV/Bens with Capita therefore the number of calls being transferred has reduced substantially and this project will provide a solution that directly meets Harts needs
Cyber Assurance Framework	20	Digital Transformation Reserve/Cyber funding from government	The CAF helps Councils assess and manage cyber risk and be introduced by DLUHC during 2023 - Budget to assist the Council to meet the framework. The authority will need to additional staff resources to assist in meeting the framework. These resources are possibly needed in the following areas -technical, assurance and data management.
Exit of IT from 5c contract	30	Digital Transformation Reserve	A request has gone into Capita to withdraw IT from the 5C contract from April 2023 at the same time as Mendip leave. This budget would cover some of the work to facilitate this exit
Upgrade HyperV servers	20	Digital Transformation Reserve	On-premise servers require a server upgrade from Windows 2012 which goes out of support in 2023. The hardware is 8 years old and will also need replacing or moving to the cloud.
Decommissioning of switch cabinet	20	Digital Transformation Reserve	The server room has one switch cabinet that hasn't been decommissioned or hardware replaced. Final piece in the server room refresh that has been taking place over the past couple of years.

Email marketing platform	5	Digital Transformation Reserve	To replace Mailchimp platform and roll out digital newsletter to residents as part of wider website project. With the anticipated volume of emails,(5,000 in year 1 on anticipated newsletter every 4-6 weeks) this means we need to pay for platform rather than use free version.
Website phase 2 enhancements	25	Digital Transformation Reserve	Programme of enhancements to build on the functionality of the new website including: • Integration into Uniform with key processes incl. EH, FOI • Develop current mapping function to provide waste services into GIS layers on East Hampshire managed site and remove current version • Design and functionality for microsite (Countryside) • Development around html publications (move away from the use of pdf's)
Total Corporate Services	**160**		
Total Council Wide	**1,307**		

*All SANG schemes are submitted for approval in principle but confirmation of funds and commencement of projects will be subject to Cabinet approval following the review of SANG funding referred to in this report.

Appendix 2

Medium Term Financial Strategy

Medium-Term Financial Strategy 2023/24 – 2026/27

1 Introduction

1.1 The purpose of the Medium-Term Financial Strategy is to set a robust overall financial framework for the Council's spending plans over the next four years to support delivery of the Corporate Plan priorities within the context of a balanced annual budget.

1.2 The main objectives of the Medium-Term Financial Strategy are:

- To look to the longer term to help plan sustainable services within an uncertain external economic and funding environment.
- To help ensure that the Council's financial resources are directed to support delivery of the Corporate Plan priorities and achievement of value for money.
- To illustrate the financial effects of existing financial commitments over the medium term, both revenue and capital, under several possible scenarios, and to set the parameters for the efficiency and savings strategy necessary to achieve a balanced budget.
- To provide a robust framework to assist the decision-making process.
- To maximise the Council's financial resilience and manage risk and volatility, including maintaining adequate reserves.
- To secure, maintain and develop the Council's capital assets consistent with asset management plans and the Capital Strategy.
- To provide a single document to communicate the financial context, aims and objectives to staff and stakeholders and support working with partners.

1.3 The financial strategy includes a four-year budget forecast that is reviewed annually. The Medium-Term Financial Strategy builds on the previous medium-term strategies to provide the financial foundation for delivery of the Council's policy priorities and to meet the identified performance and resource issues.

1.4 Proposals to balance the Medium-Term Financial Strategy are designed to support the Corporate Plan priorities over the medium term and are a continuation from previous years' strategies which involve a range of approaches to balancing the budget. These include efficiency savings, additional commercial income, council tax increases, use of reserves and use of grants.

1.5 The current economic and financial environment provides a very challenging context for the Medium-Term Financial Forecast. The forecast and strategy need to remain flexible and the Council's reserves resilient to respond to the impact of volatile external events and risk transfers from central government.

1.6 All service budget holders need to develop their service plans and budgets within the context of the medium-term forecast. This includes achieving saving and efficiency budget reductions and containing any new development within the overall level of resources identified in the strategy.

2 Internal Policy and Service Context

2.1 The role of the Council's financial planning process is to support the achievement of the Corporate Plan.

2.2 The adopted Corporate Plan 2017 – 2022 is the medium-term strategic policy document which sets out the general direction, key priorities and activities for the Council and informs the use of its resources.

2.3 The four priorities set out in the Corporate Plan are:

1 A Thriving Local Economy

- Support our town and village centres
- Support the local economy
- Support residents in becoming economically active
- Ensuring an appropriate supply of employment land and premises

2 Clean, Green and Safe Environment

- Enhance access to open space and recreation facilities
- Protect and enhance biodiversity
- Improve energy efficiency
- Reduce the likelihood of crime and the perception of crime
- Promote a clean environment
- Promoting high quality design and a good standard of amenity

3 Healthy Communities and People

- Support residents in shaping their local communities
- Work with partners to keep Hart healthy and active
- Ensure access to housing
- Ensure access to education

4 An Efficient and Effective Council

- Explore options to increase financial self-sustainability

The revised Corporate Plan has recently been subject to public consultation, and this will be considered by Council in February. The main themes and priorities set out are:

- Planet
- People
- Place
- Delivered by a resilient and financially sound Council

2.4 The Medium-Term Financial Strategy also supports all other Council strategies, such as the Capital Strategy, the Commercialisation Strategy, and the Treasury Management Strategy. In particular, it acts as the framework linking the Council's more detailed service plans, asset management plans and capital plans with the longer term to help ensure that the Council's plans are financially achievable.

3 Internal Financial Context

3.1 The Council's net cost of services is approximately £11m pa.

3.2 The key financial issues for the Council are.

- The Council relies heavily on New Homes Bonus and uses all the funds it receives to support the revenue budget each year
- Changes to Business Rates retention have not significantly increased the Council's income to date, as there has been little net growth of larger businesses in the district
- Reserves are currently healthy, but are likely to be increasingly required to fund the revenue budget in future years
- The council tax base has seen strong growth over recent years, but future development may be slower as our Local Plan development has been front loaded.
- Government funding is likely to further reduce after 2023-24
- The Council has few saleable assets and will have to borrow to fund capital assets.

4 External Economic, Financial and Legislative Context

4.1 The Council's Medium Term Financial Strategy is set within the context of the national economy, the public expenditure plans detailed in the government's Spending Review and national legislation.

4.2 Local Government Finance Settlement

The Chancellor's Autumn Statement and the Local Government Finance Statement continue to present a short-term picture, making long term financial planning very difficult. Details are

4.4 Fair Funding Review

The Spending Review will determine the size of the DLUHC's overall local government budget. The Fair Funding Review will determine how that budget is allocated between local authorities.

Grants and spending power are determined according to the relative needs and resources of each council area. The formulae to calculate these needs and resources are being reviewed, reduced in number, and simplified for allocations from 2025/26. This will inevitably lead to "winners" and "losers" as the overall pot will remain the same size at best.

The Council is likely to lose out from this process as it is almost certain that funding will be shifted towards those authorities that have social care responsibilities and higher levels of deprivation. Funding issues around adult social care have been apparent for years, but more recently concerns have arisen about the funding of children's services too, as demand keeps rising.

4.5 Business Rates Income

4.5.1 The position on business rate scheme changes is currently unclear.

4.5.2 The Government announced in 2016 a proposal to introduce a new scheme by the end of the current parliament which would move from 50% to 100% business rates retention by local authorities nationally, accompanied by new responsibilities for local government and a phasing out of certain government grants.

4.5.3 However, the proposals were then revised to 75% retention as insufficient grant streams proved suitable for replacement. The Government proposals expect the new system to retain the current top- up /tariff approach which results in the council currently retaining only £1.4 million (3.9%) of the £36 million it should collect in business rates. Further consideration will be required to determine the proportion of business rates that will be allocated to each tier of local government.

4.5.4 Government consultation recognised the potential increase in risks due to the business rates appeals process, and the difficulties in forecasting and accurately predicting outcomes.

4.5.6 At the same time the government will also carry out the Fair Funding Review which will set a new base level position for business rates retained by the Council based upon a relative needs and resources assessment.

4.6 New Homes Bonus Grant

The New Homes Bonus is a grant paid by central government to local councils for increasing the number of homes and their use. In 2023/24 The Council's grant has reduced from £1.6m to £0.8m. The Government will consult on a new system in 2023 ahead of the December Finance Settlement announcement.

4.7 Impact on the Council and Budget

4.7.1 The key impacts of the national context on the Council's Medium Term Financial Strategy are (main actions in bold).

- The Council should be prepared for an extended period of government funding reductions throughout the medium-term period and beyond and therefore should continue to seek to ***reduce costs and generate additional revenues*** wherever possible in order that core services can be delivered on a sustainable basis.
- The Council may face increased demand on its services and budgets as a result of partner organisations' responses to reductions in government

funding so it must ***maintain good communication and engagement with partners***.

- There has been a significant risk transfer from central government to local government as a result of the legislative changes so the Council should ***anticipate, prepare and resource effectively***.
- The longer-term uncertainty and increased risk and volatility associated with the new Business Rate Retention Scheme and the fair funding review.
- The impact on business rates of the current economic volatility and slow recovery of income to pre-Covid levels including customer activity shifting affecting car parks and leisure centres.

4.7.2 The Council needs to plan over the medium term for an increase in financial risk and year on year volatility. The economic outlook remains unclear, and it remains important that the Council has a level of reserves that allows it to withstand unanticipated financial impacts of future developments at a local and national level. In the longer term there will be financial returns from commercial investments which will offset the pressures from government funding.

4.7.3 To ensure a balanced and sustainable medium-term budget, significant further on-going efficiency savings and agreed strategies for increased investment income (non-fixed interest) will need to be delivered.

5 Financial Strategy Forecast Scenarios and Assumptions

5.1 Given the uncertainty and financial challenges facing the council it is important that for each of the most significant areas the Council look at different potential outcomes. The financial forecasts have been prepared by looking at five scenarios for each of the significant areas and deciding on which is the most likely.

5.2 The main assumptions used in for each of the significant areas are summarised below:

- Pay increase allowance of 10% per annum, along with an allowance for incremental increases.
- Pension cost increases in line with notified changes as guided by the outcome of the next triennial valuation of the pension fund.
- A general annual inflation allowance of 10% in 2023/24 budget but with significant uncertainty going forward
- Contracted services' inflation allowances reflect the inflation clauses of their contracts.
- Base interest rate assumption of 2% on Treasury management investments in the 23/24 Budget.
- Use of all New Homes Bonus receivable to support the revenue budget
- Zero Revenue Support Grant, noting that negative grant has been deferred, not cancelled, and could cost the Council's budget £560k pa.
- Business rate income forecast to be at the baseline level over the forecast period due to low growth forecast and declining rateable value.
- Continuation of the current council tax support scheme.

6 Financial Forecast

The following table shows the main changes from the draft base 2023/24 budget across each year of the MTFS. This forecast will be used to inform financial planning and will be reviewed periodically with any material change reported to Members.

Forecast change from previous year's budget	**2024/25 £000** Change from 23/24 draft budget	**2025/26 £000** Change from 24/25 forecast	**2026/27 £000** Change from 25/26 forecast
Cost/Savings			
Inflation *	560	400	240
External audit fees	100		
Waste contract and statutory service changes		?	?
Capita contract – potential saving	?	?	?
Tier 1 savings **		250	
Additional Tier 2 savings ***	-154		
MRP	11	4	11
Funding			
Council tax growth in base	-70	-50	-30
Retained business rates #		200	200
Other Government funding #		200	200
NHB #	100	100	100
Budget shortfall – before council tax increase	626	1,150	760
Council tax increase ****	240	210	220
Budget shortfall	307	894	601

The MTFS will provide the framework for addressing this budget shortfall

*Inflation assumptions 7% 24/25, 5% 25/26, 3% 26/27
**Tier 1 saving approved in MTFS in February 2022 showed £335k drop out in 2025/26 of which £250k was external funding which ends after 2024/25. The service will be reviewed at this point.
*** Tier 2 savings as per approved in February 2022. Saving in 2022/23 budget = £202k, 2023/24 draft budget = additional £111k and 2024/25 MTFP projection = additional £154k delivering £567k pa overall
****Council tax increase of 1% = £80k. 3% will be allowable in 24/25, uncertain beyond that but assumed revert to £5 per Band D
no certainty provided regarding future years' grant and NHB beyond 2023/24.

Appendix 3 – Budget analysis summary – net cost of services

Net Cost of Services	Community	Corporate	Place	Non Distributable Costs	Total
Budget 2022/23	3,289	6,305	2,366	-	11,960
Staff Inflation	420	230	330		980
Other Staff Changes	(20)	(14)	48		15
Contract Changes	91	(27)	118		182
Service Delivery	(566)	417	(191)		(341)
Service moved to HCC	(58)	-	-		(58)
Tier 2 Saving	(58)	(23)	(30)		(111)
New Initiatives	10	83	-		93
Capital Charges					-
Budget 2023/24	3,110	6,971	2,640	-	12,720

Appendix 3 – Budget analysis summary – net cost of services (previous service split – for reference)

Net Cost of Services	Community	Corporate	Place	Tech & Env	Non Distributable Costs	Total
Budget 2022/23	719	6,844	2,320	3,083	(1,005)	11,960
Staff Inflation	100	214	306	360	-	980
Other Staff Changes	-	(43)	118	(59)	-	15
Contract Changes	-	(22)	118	87	-	182
Service Delivery	(385)	517	(187)	(181)	(106)	(341)
Service moved to HCC	-	-	-	(58)	-	(58)
Tier 2 Saving	-	(23)	(30)	(58)	-	(111)
New Initiatives	-	83	-	10	-	93
Capital Charges	(40)	(1,004)	(171)	(300)	1,515	-
Reserves		404			(404)	-
Budget 2023/24	393	6,970	2,473	2,884	0	12,720

BUDGET ANALYSIS BY SERVICE

Community	Budget 2022/23	Staff Inflation	Other Staff Cost Changes	Contract Changes	Service Delivery	Service moved to HCC	Tier 2 saving	New Initiatives	Budget 2023/24
Biodiversity	69	8	-	0	(1)	-	-	-	77
Bramshot Farm	190	21	(1)	-	(26)	-	(19)	-	166
CCTV	119	0	-	(14)	2	-	-	-	107
Churchyards	19	0	-	-	2	-	-	-	21
Commons excl Odiham	23	2	-	-	(4)	-	-	-	22
Communities Exec Director	-	-	148	-	-	-	-	-	148
Community Safety	161	4	(1)	-	(36)	-	-	-	128
Edenbrook Country Park	213	10	(2)	-	(12)	-	-	-	210
Elvetham Heath Nature Reserve	14	1	-	-	(6)	-	-	-	8
Environment Promotion Strategy	157	48	(120)	(0)	14	-	-	-	98
Fleet Pond	64	7	-	-	1	-	-	-	73
Grounds Mtn Contract	420	1	-	52	(11)	-	-	-	462
Highways Traffic Management	(23)	-	-	-	-	25	(1)	-	1
Homes for Ukraine	-	6	-	-	-	-	-	-	6
Housing Needs Service	607	57	(3)	-	(271)	-	-	-	391
Land Repossessions	5	-	-	-	1	-	-	-	5
Landscape & Conservation	63	9	-	-	(1)	-	-	-	71
MiRS - Direct Costs	-	-	-	-	(250)	-	-	-	(250)
Odiham Common	32	3	-	-	(1)	-	-	-	34
Off Street Parking	(300)	145	(2)	18	(103)	-	-	-	(242)
On Street Parking	83	-	-	-	-	(83)	-	-	-
Private Sector Housing	171	16	(1)	-	(48)	-	-	-	138
Small SANG Sites	164	29	(2)	-	(14)	-	-	-	178
Social Inclusion & Partnership	50	27	(1)	-	219	-	-	-	296
Strategic Housing Services	191	24	(25)	-	(0)	-	-	-	190
Street Cleaning	754	1	-	35	16	-	-	-	807
Street Furniture	7	0	-	-	(2)	-	-	-	5
T&E Contingency	36	-	-	-	(36)	-	-	-	-
T&E Corp Director	-	-	-	-	-	-	(38)	-	(38)
Grand Total	3,289	420	(10)	91	(566)	(58)	(58)	-	3,110

BUDGET ANALYSIS BY SERVICE

Corporate	Budget 2022/23	Staff Inflation	Other Staff Savings	Contract Changes	Service Delivery	Service moved to HCC	Tier 2 saving	New Initiatives	Budget 2023/24
5 Council Contract - Capita	2,154	-	-	(30)	(299)		(250)	-	1,576
Basingstoke Waste Contract	-	-	-	-	(1)		-	-	(1)
Civic Function & Chairman	5	-	-	-	-		-	-	5
Climate Change	311	11	(1)	(1)	(1)		-	-	320
Clinical and Bulky	(30)	-	-	3	5		-	-	(22)
Commercialisation	(81)	7	(0)	-	190		-	-	115
Corporate Communication	106	19	-	(15)	14		-	12	136
Corporate Contingency	10	-	-	-	(10)		-	-	-
Corporate Exec Director	-	-	134	-	309		-	61	505
Corporate Finance	988	14	88	-	(118)		243	-	1,215
Corporate Performance Team	79	11	-	-	(1)		-	-	89
Customer Services Contracts	197	1	-	-	18		-	-	216
Digitalisation	79	10	-	-	(1)		-	-	88
Estates/Asset Management	56	5	-	(4)	(6)		-	-	50
External Audit	101	-	-	(1)	-		-	-	100
Hart Election Costs	172	12	(1)	(3)	7		-	-	187
Hart Lottery	-	-	-	-	(12)		-	-	(12)
Housing/Council Tax Benefits	237	-	-	-	-		-	-	237
HR Contract	112	34	-	(6)	35		-	-	175
Internal Audit	97	-	-	-	-		(12)	-	85
IT Contract	493	22	(6)	(41)	(20)		-	-	448
Leadership Team	673	52	(210)	(1)	49		(4)	10	569
Legal Services	340	-	(14)	37	(34)		-	-	330
Leisure Centres	(1,323)	8	-	-	550		-	-	(765)
MiRS - Direct Costs	-	-	-	-	(131)		-	-	(131)
Rechargeable Elections	-	-	-	(20)	21		-	-	1
Register Of Electors	132	7	(1)	2	5		-	-	145
Revs & Bens Admin & Court fees	(399)	-	-	-	14		-	-	(385)
Support To Elected Bodies	392	17	(4)	(3)	23		-	-	425
Recycling income	(599)	-	-	(38)	(165)		-	-	(803)
Waste Contract	1,983	-	-	92	(6)		-	-	2,070
Waste Education & Comms	20	-	-	-	(15)		-	-	5
Total	**6,305**	**230**	**(14)**	**(27)**	**417**	**-**	**(23)**	**83**	**6,971**

BUDGET ANALYSIS BY SERVICE

Place	Budget 2022/23	Staff Inflation	Other Staff Savings	Contract Changes	Service Delivery	Service moved to HCC	Tier 2 saving	New Initiatives	Budget 2023/24
Admin Bldgs - R & M	316	20	(2)	78	(46)		-		366
Building Control - Fee Earning	(173)	-	(11)	23	48		-		(113)
Building Control - Non-Fee	114	-	(11)	12	(0)		-		115
Business Support Staff	711	71	(3)	9	(13)		-		775
Corporate - Apprentices	75	12	-	-	1		-		87
Dog Warden	46	-	-	-	-		(4)		42
Economic Development	85	-	(37)	-	(23)		-		25
Emergency Planning	32	1	-	-	-		-		33
Env Health Commercial	180	14	(2)	(1)	(13)		-		178
Environmental Protection	254	28	(3)	-	(1)		-		278
Hackney Carriages	(20)	-	(6)	(7)	1		-		(32)
Hart Development	4	4	(0)	-	(5)		-		3
Hart Drainage	84	9	(1)	-	0		-		93
Health & Safety	27	-	-	-	-		(21)		6
Licences	32	-	(6)	-	27		-		54
Local Land Charges	(90)	-	-	-	9		-		(81)
Neighbourhood Planning	-	-	-	-	(7)		-		(7)
Out Of Hours Noise Service	10	-	(6)	-	(0)		-		3
Pest Control	4	1	-	-	(1)		-		5
Place Exec Director	-	-	148	-	-		-		148
Planning Development	137	136	(13)	4	(120)		(6)		139
Planning Policy	315	20	(1)	-	(47)		-		286
Print Room & Photocopying	18	-	-	-	2		-		20
Street Naming & Numbering	0	1	-	-	1		-		3
Tree Preservation Orders	207	14	-	-	(5)		-		216
Grand Total	2,366	330	48	118	(191)		(30)		2,640

OVERVIEW AND SCRUTINY COMMITTEE

DATE OF MEETING:	**17th January 2023**
TITLE OF REPORT:	**TREASURY MANAGEMENT STRATEGY STATEMENT, ANNUAL INVESTMENT STRATEGY AND CAPITAL STRATEGY**
Report of:	**Director of Corporate Services and S151 Officer**
Cabinet member:	**Councillor James Radley, Deputy Leader and Finance**

1 PURPOSE OF REPORT

1.1 To present the draft Treasury Management Strategy Statement for 2023/24 which incorporates the Annual Investment Strategy, revised Minimum Revenue Provision (MRP) Policy and Prudential and Treasury Indicators. Setting a Capital Strategy, which is also presented for consideration, is also a statutory requirement and this sets the overall strategic context for the treasury activity.

2 OFFICER RECOMMENDATION

That the Overview and Scrutiny Committee reviews this report and passes any comments to Cabinet

2.1 For the Overview and Scrutiny Committee's information, the following are the draft recommendations from Cabinet to Council:

- To approve the draft Treasury Management Strategy Statement and the revised Minimum Revenue Provision policy contained within it
- To approve the Annual Investment Strategy noting the changes to the counterparty financial limits
- To approve and draft Capital Strategy.

3 BACKGROUND

3.1 The Local Government Act 2003 ("the Act") and supporting regulations require the council to 'have regard to' the Prudential Code and to set Prudential Indicators for the next three years to ensure that the council's capital investment plans are affordable, prudent and sustainable.

3.2 The Act therefore requires the council to set out its treasury strategy for borrowing and to prepare an Annual Investment Strategy (as required by Investment Guidance issued subsequent to the Act); these set out the council's policies for managing its investments and for giving priority to the security and liquidity of those investments.

3.3 The Treasury Management Strategy Statement is attached as Appendix 1. This incorporates the Annual Investment Strategy 2023/24 at section 4 and the proposed revision of Hart's MRP policy at section 2.5. The template for this strategy statement was provided by Hart's treasury advisors Link who provide treasury services to many councils. Using Link's template ensures that all statutory requirements are met, including the latest revisions to the Code of Practice which were referred to in the report to Council in February 2022. Link also provided specific advice in relation to the MRP policy and this is set out in section 5.5. The S151 Officer has discussed this with Hart's external auditor. The Capital Strategy is included as Appendix 2.

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APPENDICES

Appendix 1 – Treasury Management Strategy Statement, Minimum Revenue Provision Policy Statement and Annual Investment Strategy

Appendix 2 – Capital Strategy

Appendix 3 - Interest rate forecasts and economic background from treasury advisors Link

TREASURY MANAGEMENT STRATEGY STATEMENT 2023/24

1.0 Introduction and Key Considerations

2021 revised CIPFA Treasury Management Code and Prudential Code – changes which will impact on future TMSS/AIS reports and the risk management framework

CIPFA published the revised Codes on 20th December 2021 and has stated that revisions need to be included in the reporting framework from the 2023/24 financial year. This Council, therefore, must have regard to these Codes of Practice when it prepares the Treasury Management Strategy Statement and Annual Investment Strategy, and also related reports during the financial year, which are taken to Full Council for approval.

The revised Treasury Management Code requires all investments and investment income to be attributed to one of the following three purposes:

Treasury management
Arising from the organisation's cash flows or treasury risk management activity, this type of investment represents balances which are only held until the cash is required for use. Treasury investments may also arise from other treasury risk management activity which seeks to prudently manage the risks, costs or income relating to existing or forecast debt or treasury investments.

Service delivery
Investments held primarily and directly for the delivery of public services including housing, regeneration and local infrastructure. Returns on this category of investment which are funded by borrowing are permitted only in cases where the income is "either related to the financial viability of the project in question or otherwise incidental to the primary purpose".

Commercial return
Investments held primarily for financial return with no treasury management or direct service provision purpose. Risks on such investments should be proportionate to a council's financial capacity – i.e., that 'plausible losses' could be absorbed in budgets or reserves without unmanageable detriment to local services. A council must not borrow to invest primarily for financial return.

The revised Treasury Management Code requires a council to implement the following:

- **Adopt a new 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;

- **Long-term treasury investments**, (including pooled funds), are to be classed as commercial investments unless justified by a cash flow business case;

- **Pooled funds** are to be included in the indicator for principal sums maturing in years beyond the initial budget year;

- Amendment to the **knowledge and skills register** for officers and members involved in the treasury management function - to be proportionate to the size and complexity of the treasury management conducted by each council;

- **Reporting to members is to be done quarterly.** Specifically, the Chief Finance Officer (CFO) is required to establish procedures to monitor and report performance against all forward-looking prudential indicators at least quarterly. The CFO is expected to establish a measurement and reporting process that highlights significant actual or forecast deviations from the approved indicators. However, monitoring of prudential indicators, including forecast debt and investments, is not required to be taken to Full Council and should be reported as part of the council's integrated revenue, capital and balance sheet monitoring;

- **Environmental, social and governance (ESG)** issues to be addressed within an council's treasury management policies and practices. This is covered in the Annual Investment Strategy in section 4.1.

The main requirements of the Prudential Code relating to service and commercial investments are:

- The risks associated with service and commercial investments should be proportionate to their financial capacity – i.e. that plausible losses could be absorbed in budgets or reserves without unmanageable detriment to local services;
- A council must not borrow to invest for the primary purpose of commercial return;
- It is not prudent for local authorities to make any investment or spending decision that will increase the CFR, and so may lead to new borrowing, unless directly and primarily related to the functions of the council, and where any commercial returns are either related to the financial viability of the project in question or otherwise incidental to the primary purpose;
- An annual review should be conducted to evaluate whether commercial investments should be sold to release funds to finance new capital expenditure or refinance maturing debt;
- A prudential indicator is required for the net income from commercial and service investments as a proportion of the net revenue stream;
- Create new Investment Management Practices to manage risks associated with non-treasury investments, (similar to the current Treasury Management Practices).

A council's Capital Strategy or Annual Investment Strategy should include:

- The council's approach to investments for service or commercial purposes (together referred to as non-treasury investments), including defining the council's objectives, risk appetite and risk management in respect of these investments, and processes ensuring effective due diligence;

- An assessment of affordability, prudence and proportionality in respect of the council's overall financial capacity (i.e. whether plausible losses could be absorbed in budgets or reserves without unmanageable detriment to local services);

- Details of financial and other risks of undertaking investments for service or commercial purposes and how these are managed;

- Limits on total investments for service purposes and for commercial purposes respectively (consistent with any limits required by other statutory guidance on investments);

- Requirements for independent and expert advice and scrutiny arrangements (while business cases may provide some of this material, the information contained in them will need to be periodically re-evaluated to inform the council's overall strategy);

- State compliance with paragraph 51 of the Prudential Code in relation to investments for commercial purposes, in particular the requirement that an council must not borrow to invest primarily for financial return;

1.1 Background

The council 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. Surplus monies are invested in low-risk counterparties or instruments commensurate with the council's low risk appetite, providing adequate liquidity initially before considering investment return.

The second main function of the treasury management service is the funding of the council's capital plans. These capital plans provide a guide to the borrowing need of the council, essentially the longer-term cash flow planning, to ensure that it 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 risk or cost objectives.

The contribution the treasury management function makes to the council is critical, as the balance of debt and investment operations ensure liquidity or the ability to meet spending commitments as they fall due, either on day-to-day revenue or for larger capital projects. The treasury operations will see a balance of the interest costs of debt and the investment income arising from cash deposits affecting the available budget. Since cash balances generally result from reserves and balances, it is paramount to ensure adequate security of the sums invested, as a loss of principal will in effect result in a loss to the General Fund Balance.
CIPFA defines treasury management as:

"The management of the local council'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."

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.

1.2 Reporting Requirements

1.2.1. Capital Strategy

The CIPFA 2021 Prudential and Treasury Management Codes require all local authorities to prepare a Capital Strategy report which will provide the following: -

- a high-level long-term overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services
- an overview of how the associated risk is managed
- the implications for future financial sustainability

The aim of the strategy is to ensure that all the council's elected members fully understand the overall long-term policy objectives and resulting Capital Strategy requirements, governance procedures and risk appetite. The draft Capital Strategy is included at Appendix 2.

1.2.2 Treasury Management Reporting

The council is currently required to receive and approve, as a minimum, three main treasury reports each year, which incorporate a variety of policies, estimates and actuals.

1. **Prudential and treasury indicators and treasury strategy** (this report) - The first, and most important report is forward looking and covers:
   - the capital plans, (including prudential indicators)
   - a minimum revenue provision (MRP) policy, (how residual capital expenditure is charged to revenue over time)
   - the Treasury Management Strategy, (how the investments and borrowings are to be organised), including treasury indicators; and
   - an Annual Investment Strategy, (the parameters on how investments are to be managed)

2. **A mid-year treasury management report** – This is primarily a progress report and will update members on the capital position, amending prudential indicators as necessary, and whether any policies require revision. In addition, this Council will receive quarterly update reports.

3. **An annual treasury report** – This is a backward-looking review document and provides details of a selection of actual prudential and treasury indicators and actual treasury operations compared to the estimates within the strategy.

Scrutiny

The above reports are required to be adequately scrutinised before being recommended to the Full Council. This role is undertaken by the Overview and Scrutiny Committee.

Quarterly reports

In addition to the three major reports detailed above, from 2023/24 quarterly reporting (end of June/end of December) is also required. However, these additional reports do not have to be reported to Full Council/Board but do require to be adequately scrutinised. This role is undertaken by the Overview and Scrutiny Committee. (The reports, specifically, should comprise updated Treasury/Prudential Indicators.)

1.3 Treasury Management Strategy for 2023/2024

The strategy for 2023/24 covers two main areas:

Capital issues

- the capital expenditure plans and the associated prudential indicators
- the minimum revenue provision (MRP) policy

Treasury management issues

- the current treasury position
- treasury indicators which limit the treasury risk and activities of the council
- prospects for interest rates
- the borrowing strategy
- policy on borrowing in advance of need
- debt rescheduling
- the investment strategy
- creditworthiness policy; and
- the policy on use of external service providers

These elements cover the requirements of the Local Government Act 2003, DLUHC Investment Guidance, DLUHC MRP Guidance, the CIPFA Prudential Code and the CIPFA Treasury Management Code.

1.4 Training

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 responsible for scrutiny.

Furthermore, pages 47 and 48 of the Code state that they expect “all organisations to 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.

The scale and nature of this will depend on the size and complexity of the organisation's treasury management needs. Organisations should consider how to assess whether treasury management staff and board/ council members have the required knowledge and skills to undertake their roles and whether they have been able to maintain those skills and keep them up to date.

As a minimum, authorities should carry out the following to monitor and review knowledge and skills:

- Record attendance at training and ensure action is taken where poor attendance is identified.
- Prepare tailored learning plans for treasury management officers and board/council members.
- Require treasury management officers and board/council members to undertake self-assessment against the required competencies (as set out in the schedule that may be adopted by the organisation).
- Have regular communication with officers and board/council members, encouraging them to highlight training needs on an ongoing basis."

In further support of the revised training requirements, CIPFA's Better Governance Forum and Treasury Management Network have produced a 'self-assessment by members responsible for the scrutiny of treasury management', which is available from the CIPFA website to download.

In the light of the new requirements, training will be arranged for the members that have oversight of Hart's treasury activity, including scrutiny, and further training will be arranged as required.

The training needs of treasury management officers are periodically reviewed.

A formal record of the training received by officers central to the Treasury function will be maintained. Similarly, a formal record of the treasury management/capital finance training received by members will also be maintained.

1.5 Treasury Management Consultants

The council uses Link Group, Link Treasury Services Limited as its external treasury management advisors.

The council recognises that responsibility for treasury management decisions remains with the organisation at all times and will ensure that undue reliance is not placed upon the services of our external service providers. All decisions will be undertaken with regards to all available information, including, but not solely, our treasury advisers.

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

2. The Capital Prudential Indicators 2023/24 – 2025/26

The council's capital expenditure plans are the key driver of treasury management activity. The output of the capital expenditure plans is reflected in the prudential indicators, which are designed to assist members' overview and confirm capital expenditure plans.

2.1 Capital Expenditure and Financing

This prudential indicator is a summary of the council's capital expenditure plans, both those agreed previously, and those forming part of this budget cycle. Members are asked to approve the capital expenditure forecasts:

Capital Expenditure by Service	2021/22 Actual £'000	2022/23 Estimate £'000	2023/24 Estimate £'000	2024/25 Estimate £'000	2025/26 Estimate £'000
Community Services	875	1,817	1,147	868	867
Corporate Services	183	367	140	0	0
Place	1,526	2,370	0	0	0
Total	**2,584**	**4,554**	**1,287**	**868**	**867**
Commercial activities/ non-financial investments *	19,105	0	0	0	0
Total capital expenditure	**21,689**	**4,554**	**1,287**	**868**	**867**

* Commercial activities / non-financial investments relate to areas such as capital expenditure on investment properties, loans to third parties etc.

Other long-term liabilities - the above financing need excludes other long-term liabilities, such as PFI and leasing arrangements that already include borrowing instruments.

The table below summarises the above capital expenditure plans and how these plans are being financed by capital or revenue resources. Any shortfall of resources results in a funding borrowing need.

Financing of capital expenditure	2021/22 Actual £'000	2022/23 Estimate £'000	2023/24 Estimate £'000	2024/25 Estimate £'000	2025/26 Estimate £'000
Total capital expenditure	**21,689**	**4,554**	**1,287**	**868**	**867**
Financed by:					
Capital receipts	1	241	0	0	0
Capital grants	2,583	3,362	867	868	867
Earmarked Reserves	0	0	420	0	0
Revenue	0	951	0	0	0
Total financing need for year	**2,584**	**4,554**	**1,287**	**868**	**867**
Borrowing requirement	**19,105**	**0**	**0**	**0**	**0**

2.2 The council's Borrowing Need (the Capital Financing Requirement)

The second prudential indicator is the council'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 council'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.

The CFR does not increase indefinitely, as the minimum revenue provision (MRP) is a statutory annual revenue charge which broadly reduces the indebtedness in line with each asset's life, and so charges the economic consumption of capital assets as they are used.

The council is asked to approve the CFR projections below:

Capital Financing Requirement (CFR)	2021/22 Actual £'000	2022/23 Est £'000	2023/24 Est £'000	2024/25 Est £'000	2025/26 Est £'000
Brought Forward	22,889	41,463	40,909	40,345	39,770
Borrowing requirement	19,105	0	0	0	0
Less MRP and other financing movements	531	554	564	575	579
Net movement in CFR	**18,574**	**(554)**	**(564)**	**(575)**	**(579)**
CFR Carried Forward	**41,463**	**40,909**	**40,345**	**39,770**	**39,191**

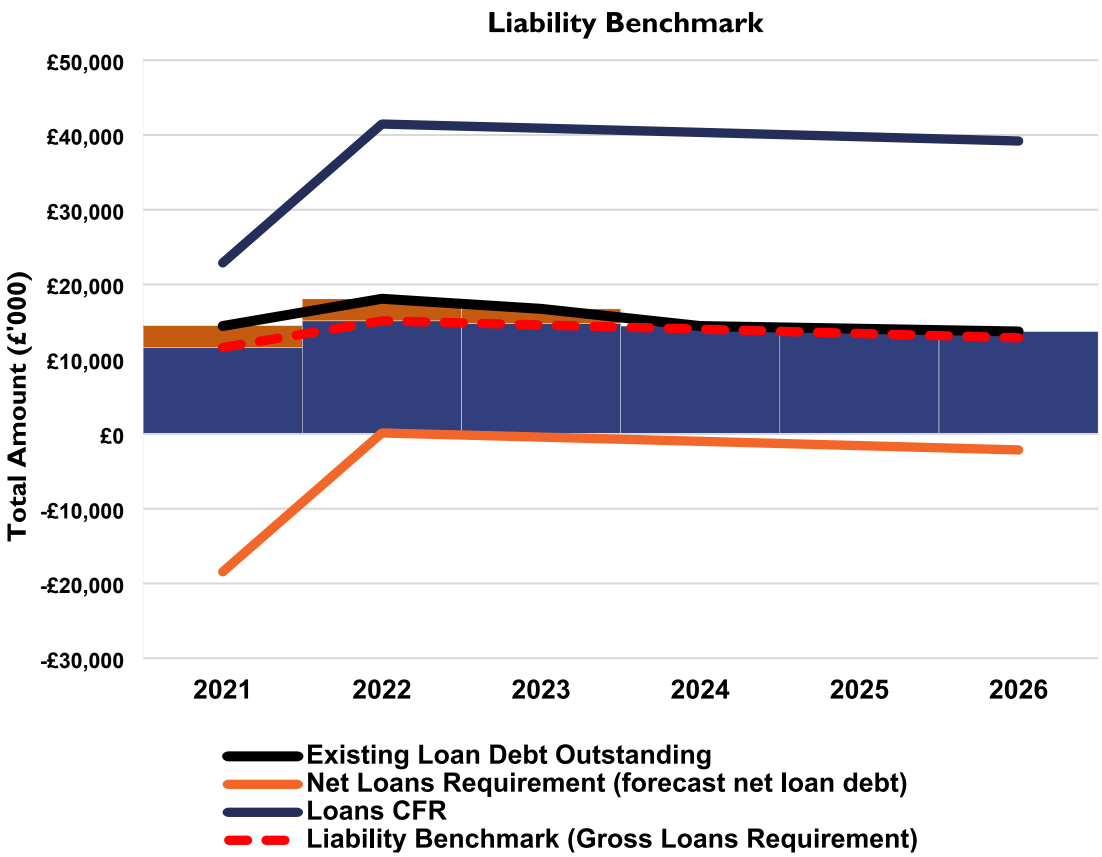
External borrowing	2021/22 Actual £'000	2022/23 Estimate £'000	2023/24 Estimate £'000	2024/25 Estimate £'000	2025/26 Estimate £'000
Housing	6,800	0	0	0	0
TOTAL	**6,800**	**0**	**0**	**0**	**0**

2.3 Liability Benchmark

A third and new prudential indicator for 2023/24 is the Liability Benchmark (LB). The council is required to estimate and measure the LB for the forthcoming financial year and the following two financial years, as a minimum.

There are four components to the LB: -

1. **Existing loan debt outstanding**: the council's existing loans that are still outstanding in future years.
2. **Loans CFR**: this is calculated in accordance with the loans CFR definition in the Prudential Code and projected into the future based on approved prudential borrowing and planned MRP.
3. **Net loans requirement**: this will show the council's 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 equals net loans requirement plus short-term liquidity allowance.



2.4 Core Funds and Expected Investment Balances

The application of resources (capital receipts, reserves etc.) to either finance capital expenditure or other budget decisions to support the revenue budget will have an ongoing impact on investments unless resources are supplemented each year from new sources (asset sales etc.). Detailed below are estimates of the year-end balances for each resource and anticipated day-to-day cash flow balances. This is subject to change as future years' capital plans are finalised and approved.

Year End Resources	2021/22 Actual £'000	2022/23 Estimate £'000	2023/24 Estimate £'000	2024/25 Estimate £'000	2025/26 Estimate £'000
Fund balances/reserves	43,074	43,074	43,074	43,074	43,074
Capital receipts	387	387	387	387	387
Provisions	687	687	687	687	687
Other	0	0	0	0	0
Total core funds	**44,148**	**44,148**	**44,148**	**44,148**	**44,148**
Working capital*	8,906	8,906	8,906	8,906	8,906
Under/(over) borrowing**	23,375	24,167	25,905	25,691	25,480
Expected investments	**29,679**	**28,887**	**27,149**	**27,363**	**27,574**

2.5 Minimum revenue provision (MRP) policy statement

Under Regulation 27 of the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003, where the Authority has financed capital expenditure by borrowing it is required to make a provision each year through a revenue charge (MRP).

Regulation 28 of the Local Authorities (Capital Finance and Accounting) (England) (Amendment) regulations 2008 require the Authority to calculate a prudent provision of MRP whilst having regard to the current MRP Guidance (2018). The broad aim of prudent provision is to ensure that the outstanding debt liability is repaid over a period that is reasonably commensurate with that over which the capital expenditure provides benefits. The Guidance gives four ready-made options for calculating MRP but the Authority can use any other reasonable basis that it can justify as prudent.

The MRP policy statement requires full Council approval in advance of each financial year.

It is recommended that Council approves the following MRP Policy Statement.

- Unsupported borrowing will be subject to MRP using the Asset Life Method, which will be charged over a period which is reasonably commensurate with the estimated useful life of the assets. An annuity method will be applied for the MRP calculation.

- MRP will commence in the financial year following the one in which the expenditure was incurred, or in the year after the asset becomes operational.

- The interest rate applied to the annuity calculations will reflect the market conditions at the time. For the current financial year the interest rate used will be the Authority's weighted average borrowing rate.

- MRP in respect of unsupported borrowing taken to meet expenditure, which is treated as capital expenditure by virtue of either a capitalisation direction or regulations, will be determined in accordance with the asset life method as recommended by the MRP guidance.

- MRP in respect of assets acquired under PFI or Finance Leases will be charged at a rate equal to the principal element of the annual lease rental for the year in question.

- MRP Overpayments - The MRP Guidance allows that any charges made in excess of the statutory MRP, i.e. voluntary revenue provision (VRP) or overpayments, can be reclaimed in later years if deemed necessary or prudent. In order for these sums to be reclaimed for use in the budget, this policy must disclose the cumulative overpayment made each year. The VRP overpayments up to 31st March 2022 are zero.

- On an annual basis the Section 151 officer shall review the level of MRP to be charged, to determine if this is at a level which is considered prudent based on the Authority's circumstances at that time, taking into account medium / long term financial plans, current budgetary pressures, current and future capital expenditure plans. Dependant on this review the Section 151 officer will adjust the annual MRP charge by making VRP or reclaiming previous VRP. The amount of MRP charged shall not be less than zero in any financial year.

3. Borrowing

The capital expenditure plans set out in Section 2 provide details of the service activity of the council. The treasury management function ensures that the council's cash is organised in accordance with the relevant professional codes, so that sufficient cash is available to meet this service activity and the council's Capital Strategy. This will involve both the organisation of the cash flow and, where capital plans require, the organisation of appropriate borrowing facilities. The strategy covers the relevant treasury / prudential indicators, the current and projected debt positions, and the Annual Investment Strategy.

3.1 Current Portfolio Position

The overall treasury management portfolio as at 31.3.22 and for the position as at 20.12.2022. are shown below for both borrowing and investments.

TREASURY PORTFOLIO				
	£'000	%	£'000	%
	31.03.22	**31.03.22**	**20.12.22**	**20.12.22**
Treasury investments				
Banks	15,747	53%	33,837	80%
Money Market Funds	13,900	47%	8,500	20%
Total treasury investments	**29,647**	**100%**	**42,337**	**100%**
Treasury external borrowing				
Local Authorities	2,950	16%	1,950	12%
PWLB	15,137	84%	14,967	88%
Total external borrowing	**18,087**	**100%**	**16,917**	**100%**
Net treasury investments / (borrowing)	**11,560**		**25,420**	

Treasury portfolio per Counterparty	Amount Invested	Amount Invested	Counterparty Limit
	£'000	**£'000**	
	31.03.22	**20.12.22**	**20.12.22**
Barclays - Call account	747	833	
Barclays - Green Account	5,000	5,000	
Barclays total	**5,747**	**5,833**	**10mil**
Bank of New York Mellon - Federated Fund	4,900	3,500	5mil
Aberdeen Liquidity Fund	5,000	5,000	5mil
Insight Liquidity Funds	4,000		5mil
Santander	-	3,004	5mil
Qatar National Bank	5,000		5mil
First Abu Dhabi	-	5,000	5mil
Sumitomo Mitsui Banking Corp.	-	5,000	5mil
Bayerische Landesbank	-	5,000	5mil
Goldman Sachs	-	5,000	5mil
Standard Chartered sustainable	5,000	5,000	5mil
Total	**29,647**	**42,337**	

The council's forward projections for borrowing are summarised below. The table shows the actual external debt, against the underlying capital borrowing need, (the Capital Financing Requirement - CFR), highlighting any over or under borrowing.

Borrowing	**2021/22 Actual £'000**	**2022/23 Estimate £'000**	**2023/24 Estimate £'000**	**2024/25 Estimate £'000**	**2025/26 Estimate £'000**
Borrowing	18,088	16,742	14,440	14,079	13,711
Total debt at 31 March	**18,088**	**16,742**	**14,440**	**14,079**	**13,711**
CFR	41,463	40,909	40,345	39,770	39,191
Under / (over) borrowing	**23,375**	**24,167**	**25,905**	**25,691**	**25,480**

Within the range of prudential indicators there are several key indicators to ensure that the council operates its activities within well-defined limits. One of these is that the council needs to ensure that its gross debt does not, except in the short-term, exceed the total of the CFR in the preceding year plus the estimates of any additional CFR for 2023/24 and the following two financial years. This allows some flexibility for limited early borrowing for future years but ensures that borrowing is not undertaken for revenue or speculative purposes.

The S151 Officer reports that the council complied with this prudential indicator in the current year and does not envisage difficulties for the future. This view takes account of current commitments, existing plans and the proposals in this budget report.

3.2 Treasury Indicators: limits to borrowing activity

The Operational Boundary. 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.

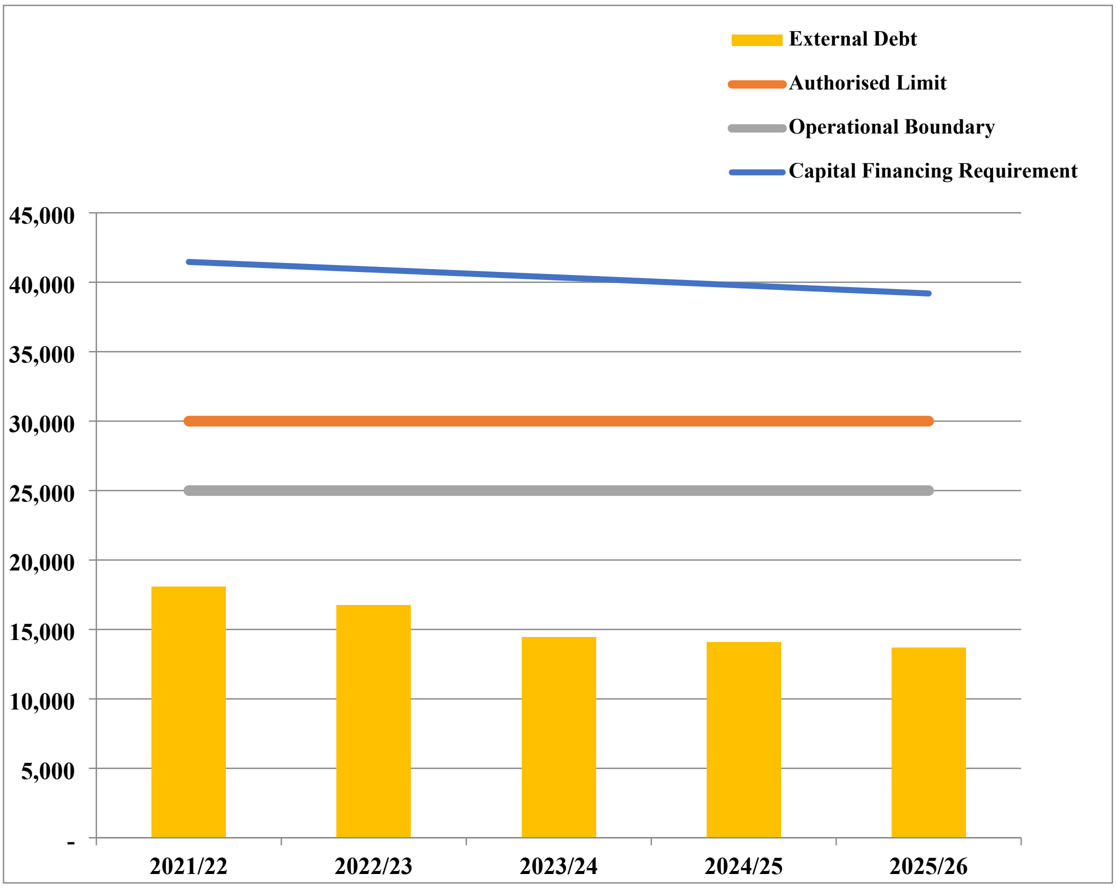
Operational Boundary	**2021/22 Actual £'000**	**2022/23 Estimate £'000**	**2023/24 Estimate £'000**	**2024/25 Estimate £'000**	**2025/26 Estimate £'000**
Debt	25,000	25,000	25,000	25,000	25,000
Total debt	**25,000**	**25,000**	**25,000**	**25,000**	**25,000**

The Authorised Limit for external debt. This is a key prudential indicator and represents a control on the maximum level of borrowing. This represents a legal limit beyond which external debt is prohibited, and this limit needs to be set or revised by the Full Council. 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.

- 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 local council plans, or those of a specific council, although this power has not yet been exercised.
- The council is asked to approve the following Authorised Limit:

Authorised Limit	2021/22 Actual £'000	2022/23 Estimate £'000	2023/24 Estimate £'000	2024/25 Estimate £'000	2025/26 Estimate £'000
Debt	30,000	30,000	30,000	30,000	30,000
Total	**30,000**	**30,000**	**30,000**	**30,000**	**30,000**

Capital Financing Requirement	2021/22 Actual £'000	2022/23 Estimate £'000	2023/24 Estimate £'000	2024/25 Estimate £'000	2025/26 Estimate £'000
Authorised Limit	30,000	30,000	30,000	30,000	30,000
Operational Boundary	25,000	25,000	25,000	25,000	25,000
Capital Financing Requirement	41,463	40,909	40,345	39,770	39,191
External Debt	18,088	16,742	14,440	14,079	13,711
Under / (over) borrowing	23,375	24,167	25,905	25,691	25,480
Change in External Debt	6,554	(1,346)	(2,302)	(361)	(368)



3.3 Prospects for Interest Rates

The council has appointed Link Group as its treasury advisor and part of their service is to assist the council to formulate a view on interest rates. Link provided the following forecasts on 08.11.22. These are forecasts for certainty rates, gilt yields plus 80 bps.

Link Group Interest Rate View	08.11.22												
	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25
BANK RATE	3.50	4.25	4.50	4.50	4.50	4.00	3.75	3.50	3.25	3.00	2.75	2.50	2.50
3 month ave earnings	3.60	4.30	4.50	4.50	4.50	4.00	3.80	3.30	3.00	3.00	2.80	2.50	2.50
6 month ave earnings	4.20	4.50	4.60	4.50	4.20	4.10	3.90	3.40	3.10	3.00	2.90	2.60	2.60
12 month ave earnings	4.70	4.70	4.70	4.50	4.30	4.20	4.00	3.50	3.20	3.10	3.00	2.70	2.70
5 yr PWLB	4.30	4.30	4.20	4.10	4.00	3.90	3.80	3.60	3.50	3.40	3.30	3.20	3.10
10 yr PWLB	4.50	4.50	4.40	4.30	4.20	4.00	3.90	3.70	3.60	3.50	3.40	3.30	3.20
25 yr PWLB	4.70	4.70	4.60	4.50	4.40	4.30	4.10	4.00	3.90	3.70	3.60	3.50	3.50
50 yr PWLB	4.30	4.40	4.30	4.20	4.10	4.00	3.80	3.70	3.60	3.40	3.30	3.20	3.20

Additional notes by Link on this forecast table: -

Our central forecast reflects a view that the MPC will be keen to demonstrate its anti-inflation credentials by delivering a succession of rate increases. This has happened throughout 2022, but the new Government's policy of emphasising fiscal rectitude will probably mean Bank Rate does not now need to increase to further than 4.5%.

Further down the road, we anticipate the Bank of England will be keen to loosen monetary policy when the worst of the inflationary pressures have lessened – but that timing will be one of fine judgment: cut too soon, and inflationary pressures may well build up further; cut too late and any downturn or recession may be prolonged.

The CPI measure of inflation will peak at close to 11% in Q4 2022. Despite the cost-of-living squeeze that is still taking shape, the Bank will want to see evidence that wages are not spiralling upwards in what is evidently a very tight labour market. Wage increases, excluding bonuses, are currently running at 5.7%.

Regarding the plan to sell £10bn of gilts back into the market each quarter (Quantitative Tightening), this has started but will focus on the short to medium end of the curve for the present. This approach will prevent any further disruption to the longer end of the curve following on from the short-lived effects of the Truss/Kwarteng unfunded dash for growth policy.

In the upcoming months, our forecasts will be guided not only by economic data releases and clarifications from the MPC over its monetary policies and the Government over its fiscal policies, but the on-going conflict between Russia and Ukraine. (More recently, the heightened tensions between China/Taiwan/US also have the potential to have a wider and negative economic impact.)

On the positive side, consumers are still estimated to be sitting on over £160bn of excess savings left over from the pandemic so that will cushion some of the impact of the above challenges. However, most of those are held by more affluent people whereas lower income families already spend nearly all their income on essentials such as food, energy and rent/mortgage payments.

PWLB RATES

Yield curve movements have become less volatile under the Sunak/Hunt government. PWLB 5 to 50 years Certainty Rates are, generally, in the range of 3.75% to 4.50%. The medium to longer part of the yield curve is currently inverted (yields are lower at the longer end of the yield curve compared to the short to medium end).

We view the markets as having built in, already, nearly all the effects on gilt yields of the likely increases in Bank Rate and the poor inflation outlook but markets are volatile and further whipsawing of gilt yields across the whole spectrum of the curve is possible.

The balance of risks to the UK economy:

- The overall balance of risks to economic growth in the UK is to the downside. Indeed, the Bank of England projected two years of negative growth in their November Quarterly Monetary Policy Report.

Downside risks to current forecasts for UK gilt yields and PWLB rates include: -

- **Labour and supply shortages** prove more enduring and disruptive and depress economic activity (accepting that in the near-term this is also an upside risk to inflation and, thus, rising gilt yields).

- **The Bank of England** acts too quickly, or too far, over the next two years to raise Bank Rate and causes UK economic growth, and increases in inflation, to be weaker than we currently anticipate.

- **UK / EU trade arrangements** – if there was a major impact on trade flows and financial services due to complications or lack of co-operation in sorting out significant remaining issues.

- **Geopolitical risks,** for example in Ukraine/Russia, China/Taiwan/US, Iran, North Korea and Middle Eastern countries, which could lead to increasing safe-haven flows.

Upside risks to current forecasts for UK gilt yields and PWLB rates:

- The **Bank of England is too slow** in its pace and strength of increases in Bank Rate and, therefore, allows inflationary pressures to build up too strongly and for a longer period within the UK economy, which then necessitates an even more rapid series of increases in Bank Rate faster than we currently expect.

- **The Government** acts too slowly to increase taxes and/or cut expenditure to balance the public finances, in the light of the cost-of-living squeeze.

- **The pound weakens** because of a lack of confidence in the UK Government's fiscal policies, resulting in investors pricing in a risk premium for holding UK sovereign debt.

- Longer term **US treasury yields** rise strongly, if inflation numbers disappoint on the upside, and pull gilt yields up higher than currently forecast.

Borrowing advice: Our long-term (beyond 10 years) forecast for Bank Rate stands at 2.5%. As all PWLB certainty rates are now above this level, borrowing strategies will need to be reviewed in that context. Better value can generally be obtained at the shorter end of the curve and short-dated fixed LA to LA monies should be considered. Temporary borrowing rates are likely, however, to remain near Bank Rate and may also prove attractive whilst the market waits for inflation, and therein gilt yields, to drop back later in 2023.

Our suggested budgeted earnings rates for investments up to about three months' duration in each financial year are as follows:

Average earnings in each year	
2022/23 (remainder)	3.95%
2023/24	4.40%
2024/25	3.30%
2025/26	2.60%
2026/27	2.50%
Years 6 to 10	2.80%
Years 10+	2.80%

As there are so many variables at this time, caution must be exercised in respect of all interest rate forecasts.

Our interest rate forecast for Bank Rate is in steps of 25 bps, whereas PWLB forecasts have been rounded to the nearest 10 bps and are central forecasts within bands of + / - 25 bps. Naturally, we continue to monitor events and will update our forecasts as and when appropriate.

3.4 Borrowing Strategy

The council is currently maintaining an under-borrowed position. This means that the capital borrowing need, (the Capital Financing Requirement), has not been fully funded with loan debt as cash supporting the council's reserves, balances and cash flow has been used as a temporary measure. This strategy is prudent as medium and longer dated borrowing rates are expected to fall from their current levels once prevailing inflation concerns are addressed by tighter near-term monetary policy. That is, Bank Rate increases over the remainder of 2022 and the first half of 2023.

Against this background and the risks within the economic forecast, caution will be adopted with the 2023/24 treasury operations. The S151 Officer will monitor interest rates in financial markets and adopt a pragmatic approach to changing circumstances:

- *if it was felt that there was a significant risk of a sharp FALL in borrowing rates,* then borrowing will be postponed.

- *if it was felt that there was a significant risk of a much sharper RISE in borrowing rates than that currently forecast,* fixed rate funding will be drawn whilst interest rates are lower than they are projected to be in the next few years.

Any decisions will be reported to the appropriate decision-making body at the next available opportunity.

3.5 Policy on borrowing in advance of need

The council will not borrow more than or in advance of its needs purely in order to profit from the investment of the extra sums borrowed. Any decision to borrow in advance will be within forward approved Capital Financing Requirement estimates and will be considered carefully to ensure that value for money can be demonstrated and that the council can ensure the security of such funds.

Risks associated with any borrowing in advance activity will be subject to prior appraisal and subsequent reporting through the mid-year or annual reporting mechanism.

3.6 Debt rescheduling

Rescheduling of current borrowing in our debt portfolio is unlikely to occur as there is still a large difference between premature redemption rates and new borrowing rates.

If rescheduling is to be undertaken, it will be reported to the council, at the earliest meeting following its action.

3.7 New financial institutions as a source of borrowing and / or types of borrowing

Currently the PWLB Certainty Rate is set at gilts + 80 basis points. However, consideration may still need to be given to sourcing funding from the following sources for the following reasons:

- Local authorities (primarily shorter dated maturities out to 3 years or so – generally still cheaper than the Certainty Rate).
- Financial institutions (primarily insurance companies and pension funds but also some banks, out of forward dates where the objective is to avoid a "cost of carry" or to achieve refinancing certainty over the next few years).
- Municipal Bonds Agency

Our advisors will keep us informed as to the relative merits of each of these alternative funding sources.

3.8 Approved Sources of Long and Short term Borrowing

On Balance Sheet	Fixed	Variable
PWLB	●	●
UK Municipal Bond Agency	●	●
Local Authorities	●	●
Banks	●	●
Pension Funds	●	●
Insurance Companies	●	●
UK Infrastructure Bank	●	●
Market (long-term)	●	●
Market (temporary)	●	●
Market (LOBOs)	●	●
Stock Issues	●	●
Local Temporary	●	●
Local Bonds	●	
Local Council Bills	●	●
Overdraft		●
Negotiable Bonds	●	●
Internal (capital receipts & revenue balances)	●	●
Commercial Paper	●	
Medium Term Notes	●	
Finance Leases	●	●

4 Annual Investment Strategy

4.1 Investment policy – management of risk

The Department of Levelling Up, Housing and Communities (DLUHC - this was formerly the Ministry of Housing, Communities and Local Government (MHCLG)) and CIPFA have extended the meaning of 'investments' to include both financial and non-financial investments. This report deals solely with treasury (financial) investments, (as managed by the treasury management team). Non-financial investments, essentially the purchase of income yielding assets and service investments, are covered in the Capital Strategy, (a separate report).

The council's investment policy has regard to the following: -

- DLUHC's Guidance on Local Government Investments ("the Guidance")
- CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes 2021 ("the Code")
- CIPFA Treasury Management Guidance Notes 2021

The council's investment priorities will be security first, portfolio liquidity second and then yield (return). The council will aim to achieve the optimum return (yield) on its investments commensurate with proper levels of security and liquidity and with regard to the Council's risk appetite and the Environmental, Social and Governance (ESG) credentials, see section 4.3.

In the current economic climate, it is considered appropriate to maintain a degree of liquidity to cover cash flow needs but to also consider "laddering" investments for periods up to 12 months with high credit rated financial institutions, whilst investment rates remain elevated, as well as wider range fund options.

The above guidance from the DLUHC and CIPFA places a high priority on the management of risk. This Council has adopted a prudent approach to managing risk and defines its risk appetite by the following means: -

1. Minimum acceptable **credit criteria** are applied in order to generate a list of highly creditworthy counterparties. This also enables diversification and thus avoidance of concentration risk. The key ratings used to monitor counterparties are the short-term and long-term ratings.

2. **Other information:** ratings will not be the sole determinant of the quality of an institution; it is important to continually assess and monitor the financial sector on both a micro and macro basis and in relation to the economic and political environments in which institutions operate. The assessment will also take account of information that reflects the opinion of the markets. To achieve this consideration the council will engage with its advisors to maintain a monitor on market pricing and overlay that information on top of the credit ratings.

3. **Other information sources** used will include the financial press, share price and other such information pertaining to the financial sector in order to establish the most robust scrutiny process on the suitability of potential investment counterparties.

4. This Council has defined the list of **types of investment instruments** that the treasury management team are authorised to use. There are two lists in section 5.2 under the categories of 'specified' and 'non-specified' investments.

Specified investments are those with a high level of credit quality and subject to a maturity limit of one year or have less than a year left to run to maturity, if originally they were classified as being non-specified investments solely due to the maturity period exceeding one year.

Non-specified investments are those with less high credit quality, may be for periods in excess of one year, and/or are more complex instruments which require greater consideration by members and officers before being authorised for use.

5. **Non-specified and loan investment limits.** The council has determined that it will set a limit to the maximum exposure of the total treasury management investment portfolio to non-specified treasury management investments of 50%.

6. **Lending limits**, (amounts and maturity), for each counterparty will be set through applying the matrix table in paragraph 4.2.

7. **Transaction limits** are set for each type of investment in 4.2.

8. This Council will set a limit for its investments which are invested for **longer than 365 days**, (see paragraph 4.4).

9. Investments will only be placed with counterparties from countries with a specified minimum **sovereign rating**, (see paragraph 4.3).

10. This Council has engaged **external consultants**, (see paragraph 1.5), to provide expert advice on how to optimise an appropriate balance of security, liquidity and yield, given the risk appetite of this Council in the context of the expected level of cash balances and need for liquidity throughout the year.

11. All investments will be denominated in **sterling**.

12. As a result of the change in accounting standards for 2022/23 under IFRS 9, the Council will consider the implications of investment instruments which could result in an adverse movement in the value of the amount invested and resultant charges at the end of the year to the General Fund. (In November 2018, the MHCLG, concluded a consultation for a temporary override to allow English local authorities time to adjust their portfolio of all pooled investments by announcing a statutory override to delay implementation of IFRS 9 for five years ending 31.3.23. In December 2022 the Government confirmed that a further extension to the over-ride to 31.3.25 has been agreed.

However, this council will also pursue **value for money** in treasury management and will monitor the yield from investment income against appropriate benchmarks for investment performance, (see paragraph 4.5). Regular monitoring of investment performance will be carried out during the year.

Changes in risk management policy from last year

The above criteria are unchanged from last year, however, there are proposed changes to some financial limits, and these are set out in the following sections of the report, and it is proposed to formally introduce an ESG assessment of counterparties into investment decisions wherever possible.

4.2 Creditworthiness policy

This council applies the creditworthiness service provided by the Link Group. This service employs a sophisticated modelling approach utilising credit ratings from the three main credit rating agencies - Fitch, Moody's and Standard & Poor's. The credit ratings of counterparties are supplemented with the following overlays:

1. "watches" and "outlooks" from credit rating agencies;
2. CDS spreads that may give early warning of changes in credit ratings;
3. sovereign ratings to select counterparties from only the most creditworthy countries.

This modelling approach combines credit ratings, and any assigned Watches and Outlooks, in a weighted scoring system which is then combined with an overlay of CDS spreads. The end-product of this is a series of colour coded bands which indicate the relative creditworthiness of counterparties. These colour codes are used by the council to determine the suggested duration for investments. The council will, therefore, use counterparties within the following durational bands

- Yellow 5 years *
- Dark pink 5 years for Ultra-Short Dated Bond Funds with a credit score of 1.25
- Light pink 5 years for Ultra-Short Dated Bond Funds with a credit score of 1.5
- Purple 2 years
- Blue 1 year (only applies to nationalised or semi nationalised UK Banks)
- Orange 1 year
- Red 6 months
- Green 100 days
- No colour not to be used

The Link creditworthiness service uses a wider array of information other than just primary ratings. Furthermore, by using a risk weighted scoring system, it does not give undue preponderance to just one agency's ratings.

Typically, the minimum credit ratings criteria the council uses will be a short-term rating (Fitch or equivalents) of F1 and a long-term rating of A-. There may be occasions when the counterparty ratings from one rating agency are marginally lower than these ratings but may still be used. In these instances, consideration will be given to the whole range of ratings available, or other topical market information, to support their use.

All credit ratings will be monitored weekly. The council is alerted to changes to ratings of all three agencies through its use of the Link creditworthiness service.

- if a downgrade results in the counterparty / investment scheme no longer meeting the council's minimum criteria, its further use as a new investment will be withdrawn immediately.

- in addition to the use of credit ratings the council will be advised of information in movements in Credit Default Swap spreads against the iTraxx European Senior Financials benchmark and other market data on a daily basis via its Passport website, provided exclusively to it by Link. Extreme market movements may result in downgrade of an institution or removal from the council's lending list.

Sole reliance will not be placed on the use of this external service. In addition, this Council will also use market data and market information, as well as information on any external support for banks to help support its decision-making process.

Y	Pi1	Pi2	P	B	O	R	G	N/C
1	1.25	1.5	2	3	4	5	6	7
Up to 5yrs	Up to 5yrs	Up to 5yrs	Up to 2yrs	Up to 1yr	Up to 1yr	Up to 6mths	Up to 100days	No Colour

	Colour (and long-term rating where applicable)	**Money Limit***	**Time limit**
Banks	Yellow	£7.5m	5 yrs
Banks	Purple	£7.5m	2 yrs
Banks	Orange	£7.5m	1 yr
Banks – part nationalised	Blue	£7.5m	1 yr
Banks	Red	£7.5m	6 mths
Banks	Green	£7.5m	100 days
Limit 3 category – Authority's banker (where "No Colour")	XXX		1 day
Other institutions limit	-	£7.5m	1yr
DMADF	UK sovereign rating	unlimited	6 months
Local authorities	n/a	£7.5m	1yr
Housing associations	Colour bands	£7.5m	As per colour band

	Fund rating	**Money**	**Time**

		Limit*	Limit
Money Market Funds CNAV	AAA	£7.5m	liquid
Money Market Funds LVNAV	AAA	£7.5m	liquid
Money Market Funds VNAV	AAA	£7.5m	liquid
Ultra-Short Dated Bond Funds with a credit score of 1.25	Dark Pink / AAA	£7.5m	liquid
Ultra-Short Dated Bond Funds with a credit score of 1.50	Light Pink / AAA	£7.5m	liquid

This Money Limit relates to principal amounts invested and could be exceeded with interest received but consideration will be given to keep this to a minimum and allowable under this Strategy.
*The current money limits are £5m which have been in place for over 10 years. In order to reflect much higher investment cash balances, a more limited number of counterparties meeting the Council's high assessment levels including ESG criteria, and the need to generate yield to support the budget, it is proposed to increase the money limits to £7.5m or 20% of total investments at the time of the transaction, whichever is the lower. This adds the additional safeguard of proportionality.

CDS prices

Although bank CDS prices, (these are market indicators of credit risk), spiked upwards during the days of the Truss/Kwarteng government, they have returned to more average levels since then. However, sentiment can easily shift, so it will remain important to undertake continual monitoring of all aspects of risk and return in the current circumstances. Link monitor CDS prices as part of their creditworthiness service to local authorities and the council has access to this information via its Link-provided Passport portal.

4.3 Other limits

Due care will be taken to consider the exposure of the council's total investment portfolio to non-specified investments, countries, groups and sectors.

- **Non-specified treasury management investment limit.**
- **Country limit.** The council has determined that it will only use approved counterparties from the UK and from countries with a **minimum sovereign credit rating of AA-** from Fitch. The list of countries that qualify using this credit criteria as at the date of this report are shown in Appendix 5.6. This list will be added to, or deducted from, by officers should ratings change in accordance with this policy.

Other limits. In addition:

- limits in place above will apply to a group of companies/institutions;
- sector limits will be monitored regularly for appropriateness.

- Barclays Bank (Hart's own bank) currently have a counterparty limit of £10m due to the working capital that is held within Barclays for events such as payment runs while still providing the council with an investment return.

The security and liquidity will be assessed at the time of the transaction, as described within this Annual Investment Strategy. The Environmental, Social and Governance (ESG) assessment needs to be reliable, relevant and practical to administer when making investment decisions. Whilst it is a relatively new area, there are resources available that will help inform officers and enable them to apply the Council's ESG criteria. It is proposed, wherever possible, to use this information and include within the investment transaction record. Officers have trialled the use of an online ESG info hub which gives an ESG score for potential counterparties. It is proposed that this becomes a formal stage in the investment procedure. The ESG assessment produces a score on a scale of 1-100 based on four areas; Environment, Employees, Governance, Community. It is proposed that the minimum ESG score threshold is set at 60, below which we wouldn't place an investment. Range 60-79 we would only proceed if the other criteria were met strongly. Range 80-100 would be given equal weight to yield in the overall evaluation.

4.4 Investment Strategy

In-house funds. Investments will be made with reference to the core balance and cash flow requirements and the outlook for short-term interest rates (i.e., rates for investments up to 12 months). Greater returns are usually obtainable by investing for longer periods. The current shape of the yield curve suggests that is the case at present, but there is the prospect of Bank Rate peaking in the first half of 2023 and possibly reducing as early as the latter part of 2023 so an agile investment strategy would be appropriate to optimise returns.

Accordingly, while most cash balances are required in order to manage the ups and downs of cash flow, where cash sums can be identified that could be invested for longer periods, the value to be obtained from longer-term investments will be carefully assessed.

Investment returns expectations

The current forecast shown in paragraph 3.3, includes a forecast for Bank Rate to reach 4.5% in Q2 2023.

The suggested budgeted investment earnings rates for returns on investments placed for periods up to about three months during each financial year are as follows:

Average earnings in each year	
2022/23 (remainder)	3.95%
2023/24	4.40%
2024/25	3.30%

2025/26	2.60%
2026/27	2.50%
Years 6 to 10	2.80%
Years 10+	2.80%

As there are so many variables at this time, caution must be exercised in respect of all interest rate forecasts.

For its cash flow generated balances, the council will seek to utilise its business reserve instant access and notice accounts, Money Market Funds and short-dated deposits, (overnight to 100 days), in order to benefit from the compounding of interest.

Investment treasury indicator and limit - total principal funds invested for greater than 365 days. These limits are set with regard to the council's liquidity requirements and to reduce the need for early sale of an investment and are based on the availability of funds after each year-end.

The council is asked to approve the following treasury indicator and limit: -

Upper limit for principal sums invested for longer than 365 days			
£m	**2023/24**	**2024/25**	**2025/26**
Principal sums invested for longer than 365 days	£10m	£10m	£10m
Current investments as at 20/12/2022 in excess of 1 year maturing in each year	£0m	£0m	£0m

For its cash flow generated balances, the council will seek to utilise its business reserve instant access, money market funds and short-dated deposits (overnight to 100 days), in order to benefit from the compounding of interest. The current limit is £5m which has been in place for over 10 years. To reflect much higher investment cash balances, a more limited number of counterparties meeting the Council's high assessment levels including ESG criteria, and the need to generate yield to support the budget, it is proposed to increase the money limits to £10m. This will enable officers to secure high rated investment opportunities and achieve a higher interest rate fixed over a longer period, say 2 years.

4.5 End of year investment report

At the end of the financial year, the council will report on its investment activity as part of its Annual Treasury Report.

5.1 THE CAPITAL PRUDENTIAL AND TREASURY INDICATORS 2023/24 – 2025/26

The council's capital expenditure plans are the key driver of treasury management activity. The output of the capital expenditure plans is reflected in the prudential indicators, which are designed to assist members' overview and confirm capital expenditure plans.

5.1.1 Capital Expenditure

Please see table in Section 2.1

5.1.2 Affordability prudential indicators

The previous sections cover the overall capital and control of borrowing prudential indicators, but within this framework prudential indicators are required to assess the affordability of the capital investment plans. These provide an indication of the impact of the capital investment plans on the council's overall finances. The council is asked to approve the following indicators:

Ratio of Financing Costs to Net Revenue Stream

This indicator identifies the trend in the cost of capital, (borrowing and other long-term obligation costs net of investment income), against the net revenue stream.

	2021/22 Actual	2022/23 Estimate	2023/24 Estimate	2024/25 Estimate	2024/25 Estimate
Ratio of financing costs to revenue stream (%)	6.15	2.40	1.04	1.11	2.39

The estimates of financing costs include current commitments and the proposals in this budget report.

5.1.3 Maturity structure of borrowing

Maturity structure of borrowing. These gross limits are set to reduce the council's exposure to large, fixed rate sums falling due for refinancing, and are required for upper and lower limits.

The council is asked to approve the following treasury indicators and limits:

Maturity structure of fixed interest rate borrowing 2023/24		
	Lower	**Upper**
Under 12 months	0%	100%
12 months to 2 years	0%	100%

2 years to 5 years	0%	100%
5 years to 10 years	0%	100%
10 years to 20 years	0%	100%
20 years to 30 years	0%	100%
30 years to 40 years	0%	100%
40 years to 50 years	0%	100%

Maturity structure of variable interest rate borrowing 2023/24		
	Lower	Upper
Under 12 months	0%	100%
12 months to 2 years	0%	100%
2 years to 5 years	0%	100%
5 years to 10 years	0%	100%
10 years to 20 years	0%	100%
20 years to 30 years	0%	100%
30 years to 40 years	0%	100%
40 years to 50 years	0%	100%

5.1.4. Control of interest rate exposure

Please see paragraphs 3.3, 3.4 and 4.4.

5.2 TREASURY MANAGEMENT PRACTICE (TMP) – CREDIT AND COUNTERPARTY RISK MANAGEMENT

SPECIFIED INVESTMENTS: All such investments will be sterling denominated, with **maturities up to a maximum of 1 year**, meeting the minimum 'high' quality criteria where applicable. (Non-specified investments which would be specified investments apart from originally being for a period longer than 12 months, will be classified as being specified once the remaining period to maturity falls to under twelve months.)

NON-SPECIFIED INVESTMENTS: These are any investments which do not meet the specified investment criteria. If they do not meet the criteria solely because they have an initial period of more than one year, the Council will consider them.

A variety of investment instruments will be used, subject to the credit quality of the institution, and depending on the type of investment made, it will fall into one of the above categories.

The criteria, time limits and monetary limits applying to institutions or investment vehicles are:

	Minimum credit criteria / colour band	Max % of total investments / £ limit per institution	Max. maturity period
DMADF – UK Government	Yellow	100%	6 months (max. is set by the DMO*)
UK Gilts	Yellow	100%	5 years
UK Treasury Bills	Yellow	100%	364 days (max. is set by the DMO*)
Bonds issued by multilateral development banks	Yellow	£5m	5 years
Money Market Funds CNAV	AAA	100%	Liquid
Money Market Funds LNVAV	AAA	£5m	Liquid
Money Market Funds VNAV	AAA	£5m	Liquid
Ultra-Short Dated Bond Funds with a credit score of 1.25	AAA	100%	Liquid
Ultra-Short Dated Bond Funds with a credit score of 1.5	AAA	100%	Liquid
Local Authorities	Yellow	100%	5 years
Term Deposits with Housing Associations	Blue Orange Red Green No Colour	£7.5m**	12 months 12 months 6 months 100 days Not for use
Term Deposits with Banks and Building Societies	Blue Orange Red Green No Colour	£7.5m**	24 months 12 months 6 months 100 days Not for use
CDs or Corporate Bonds with Banks and Building Societies	Blue Orange Red Green No Colour	£7.5m**	12 months 12 months 6 months 100 days Not for use
Gilt Funds	UK sovereign rating	£5m	

* DMO – is the Debt Management Office of HM Treasury
**Or 20% of total investment balance at the time of the transaction, whichever is the lower

Accounting treatment of investments
The accounting treatment may differ from the underlying cash transactions arising from investment decisions made by this Council. To ensure that the council is protected from any adverse revenue impact, which may arise from these differences, we will review the accounting implications of new transactions before they are undertaken.

5.5 Link list of approved countries for investments (as at 02.12.2022)

This list is based on those countries which have sovereign ratings of AA- or higher, (we show the lowest rating from Fitch, Moody's and S&P) and also, (except - at the time of writing - for Hong Kong and Luxembourg), have banks operating in sterling markets which have credit ratings of green or above in the Link creditworthiness service.

Based on lowest available rating

AAA
- Australia
- Denmark
- Germany
- Netherlands
- Norway
- Singapore
- Sweden
- Switzerland

AA+
- Canada
- Finland
- U.S.A.

AA
- Abu Dhabi (UAE)
- France

AA-
- Belgium
- Qatar
- **U.K.**

5.3 Treasury Management Scheme of Delegation

The bodies responsible for various functions are as follows:

Council

- receiving and reviewing reports on treasury management policies, practices and activities;
- approval of annual strategy.

Cabinet

- approval of/amendments to the organisation's adopted clauses, treasury management policy statement and treasury management practices;
- budget consideration and approval;
- approval of the division of responsibilities;
- receiving and reviewing regular monitoring reports and acting on recommendations;
- approving the selection of external service providers and agreeing terms of appointment.

Overview & Scrutiny Committee

- reviewing the treasury management policy and procedures and making recommendations to the responsible body.

5.4 The Treasury Management Role of the section 151 officer

The S151 (responsible) officer

- recommending clauses, treasury management policy/practices for approval, reviewing the same regularly, and monitoring compliance;
- submitting regular treasury management policy reports;
- submitting budgets and budget variations;
- receiving and reviewing management information reports;
- reviewing the performance of the treasury management function;
- ensuring the adequacy of treasury management resources and skills, and the effective division of responsibilities within the treasury management function;
- ensuring the adequacy of internal audit, and liaising with external audit;
- recommending the appointment of external service providers.
- preparation of a Capital Strategy to include capital expenditure, capital financing, non-financial investments and treasury management, with a long-term timeframe *(say 20+ years – to be determined in accordance with local priorities.)*
- ensuring that the Capital Strategy is prudent, sustainable, affordable and prudent in the long term and provides value for money
- ensuring that due diligence has been carried out on all treasury and non-financial investments and is in accordance with the risk appetite of the council
- ensure that the council has appropriate legal powers to undertake expenditure on non-financial assets and their financing

- ensuring the proportionality of all investments so that the council does not undertake a level of investing which exposes the council to an excessive level of risk compared to its financial resources
- ensuring that an adequate governance process is in place for the approval, monitoring and ongoing risk management of all non-financial investments and long-term liabilities
- provision to members of a schedule of all non-treasury investments including material investments in subsidiaries, joint ventures, loans and financial guarantees
- ensuring that members are adequately informed and understand the risk exposures taken on by the council
- ensuring that the council has adequate expertise, either in house or externally provided, to carry out the above
- creation of Treasury Management Practices which specifically deal with how non treasury investments will be carried out and managed, to include the following : -
    - *Risk management (TMP1 and schedules), including investment and risk management criteria for any material non-treasury investment portfolios;*
    - *Performance measurement and management (TMP2 and schedules), including methodology and criteria for assessing the performance and success of non-treasury investments;*
    - *Decision making, governance and organisation (TMP5 and schedules), including a statement of the governance requirements for decision making in relation to non-treasury investments; and arrangements to ensure that appropriate professional due diligence is carried out to support decision making;*
    - *Reporting and management information (TMP6 and schedules), including where and how often monitoring reports are taken;*
    - *Training and qualifications (TMP10 and schedules), including how the relevant knowledge and skills in relation to non-treasury investments will be arranged.*

5.5 MRP method change to apply from 2022-23

5.5.1 Minimum Revenue Provision (MRP) for Debt Repayment

In accordance with the Local Authorities (Capital Finance and Accounting) (England) regulations 2003, the council is required to pay off an element of accumulated General Fund capital expenditure financed from borrowing through an annual revenue charge known as the Minimum Revenue Provision (MRP).

The Local Authorities (Capital Finance and Accounting) (England) (Amendment) regulations 2008 require the council to determine a level of MRP it considers to be prudent, whilst having regard to the current MRP Guidance issued by MHCLG (now renamed DLUHC) in 2018. The Guidance gives four ready-made options for determining MRP which it considers to be prudent but does not rule out alternative approaches.

The overriding requirement of the Guidance is to set a prudent provision which ensures that debt is repaid over a period that is reasonably commensurate with that over which the capital expenditure provides benefits.

The Guidance requires that before the start of each financial year the council prepares a statement of its policy on making MRP in respect of the forthcoming financial year and submits it to full Council for approval.

The Guidance allows the council to change the MRP policy at any time during the year.

The Government has recently consulted on changes to the MRP regulations with an intention to make explicit that (i) capital receipts may not be used in place of the revenue charge, and (ii) there should be no intentional exclusion of debt from the MRP determination because it relates to an investment asset or capital loan. Following the consultation, the government issued a further survey seeking views on further proposed amendments to the MRP regulations that would provide additional flexibilities with respect to capital loans. The proposed changes along with updated MRP Guidance are anticipated to be implemented in April 2024 but they are not expected to have a major impact for this Authority.

5.5.2 Proposed updated method for calculating MRP

A review of the council's MRP policy was recently undertaken by Link Group (Link). The objective of the review was to identify opportunities to move to a more suitable and cost effective MRP strategy whilst ensuring that the provision remains prudent and compliant with statutory guidance. The review identified various options for unsupported borrowing which could be implemented within statutory guidance. The council has chosen within these options to adopt the policies which is deemed best suited to Hart.

The council's current MRP policy for unsupported borrowing is the asset life method in accordance with the MRP guidance. The guidance allows either a straight line or annuity approach to be used for calculating MRP when using the asset life method. The council currently uses the straight line method.

The council could alternatively use an annuity method over the asset life, having the benefit of a reduction in MRP charges in the near term. Such a change would be a change in the method of calculating MRP rather than a change in policy, since the current policy allows either a straight line or annuity approach, in line with the MRP guidance.

An annuity method is as prudent as the current straight line method since the asset lives currently being used will not be changed. It can be argued that the annuity method provides a fairer charge than the straight-line method since it results in a consistent charge over the asset's life, considering the time value of money.

Link have carried out extensive research on current MRP policies in England and have observed that the annuity method of calculating MRP on unsupported borrowing is used by over 50% of Authorities throughout the country.

Main advantages of the changes in method:

- The annuity method of charging MRP can be seen as a more prudent basis for providing for capital expenditure which provides a steady flow of benefits over their useful life.
- It can provide a fairer charge than a straight line methodology as it provides a consistent charge over an asset's life when considering the time value of money.
- It provides a charge that is better matched to how the benefits of the asset financed by borrowing are consumed over its useful life. That is, a method that reflects the fact that asset deterioration is slower in the early years of an asset and accelerates towards the latter years.
- A weighted average method of calculation is a much simpler calculation than the current method, providing for more concise and user friendly working papers.

Main disadvantages of the changes in method:

- The proposed changes will lead to the Capital Financing Requirement in the short term reducing more slowly than under the council's current MRP policy. The potential associated cost will depend on the council's Balance Sheet position.

Whilst the proposed changes to the MRP calculation methodology do not constitute a change in MRP policy, the council proposes to update the wording in the MRP policy to make the methodology being used explicit. The updated MRP policy is shown at Appendix A.

The MRP guidance allows the council to review its MRP policy every year and set a policy that it considers prudent at that time. The impact of the revised MRP calculation methodology will be kept under regular review in order to ensure that the annual provision is prudent.

1. Hart District Council - Draft Capital Strategy

1. Purpose and Aims

1.1. The Prudential Code for Capital Finance in Local Authorities was updated by the Chartered Institute of Public Finance and Accountancy in December 2021. The framework established by the Prudential Code supports local strategic planning, local asset management planning and proper option appraisal.

1.2. The objectives of the Prudential Code are to ensure that the capital expenditure plans of local authorities are affordable, prudent, and sustainable and that treasury management decisions are taken in accordance with good professional practice and in full understanding of the risks involved.

1.3. The Prudential Code requires authorities to look at capital expenditure and investment plans in the light of overall organisational strategy and resources and ensure that decisions are made with sufficient regard to the long run financing implications and potential risks to the authority.

1.4. The Prudential Code sets out that to demonstrate that the authority takes capital expenditure and investment decisions in line with service objectives and properly takes account of stewardship, value for money, prudence, sustainability and affordability, authorities should have in place a capital strategy. The capital strategy sets out the long-term context in which capital expenditure and investment decisions are made and gives due consideration to both risk and reward and impact on the achievement of priority outcomes. The strategy is designed to fully comply with the Prudential Code of Practice for local authority capital investment by the Chartered Institute of Public Finance and Accountancy (CIPFA) in parallel with guidance to local authorities from the Government.

2. Strategic Context for Capital Strategy

2.1. The Council approved its "Vision 2040" in September 2019, which sets out a clear direction for the district.

2.2. "Vision 2040" is structured around three vision statements:

Become THE place to live – creating a connected space that:

- Gives local people a real sense of community, providing a strong narrative on the strengths of the district including our heritage, environment and culture
- Improves affordability of homes, so families can stay close together and so key workers can afford to live in Hart and help our communities flourish
- Ensures work, education, health and other facilities are easily reachable through effective road and rail transport links

Become THE place to work – helping our local economy to thrive through:

- Developing the skills we need for the future by delivering a higher/further education campus within the district, working with local educational providers, with a technological focus
- Helping our micro/small businesses grow and our residents to work flexibly, with

casual office space providing high speed internet
- Reducing the impact of climate change by building in sustainability and using new technologies to mitigate the impact of climate change

Become THE place to enjoy – enhancing our environment and health through:

- Creation of green corridors between all settlements to encourage sustainable healthy transport and provide cycles for hire to enable movement
- Enhancing our leisure provision e.g. new country parks delivering improved facilities, and through promotion of culture and heritage in the district e.g. through events
- Working with existing public sector sports facilities providers in the district to create an improved/co-ordinated health offer for our residents

2.3 The vision will be delivered by changing the way the Council is run. A new operating model will include:

- Developing a new business model for the Council
- Creating welcoming services that are inclusive and engaging
- Developing our staff, training and empowering them to innovate
- Creating efficient services available 24/7
- Building in financial resilience from commercialization
- Developing partnerships to enable delivery

Corporate Plan 2017-22

2.4 The adopted Corporate Plan 2017 – 2022 is the medium-term strategic policy document which sets out the general direction, key priorities and activities for the Council and informs the use of its resources.

2.5 The four priorities set out in the Corporate Plan are:

A Thriving Local Economy
- Support our town and village centres
- Support the local economy
- Support residents in becoming economically active
- Ensuring an appropriate supply of employment land and premises

Clean, Green and Safe Environment
- Enhance access to open space and recreation facilities
- Protect and enhance biodiversity
- Improve energy efficiency
- Reduce the likelihood of crime and the perception of crime
- Promote a clean environment
- Promoting high quality design and a good standard of amenity

Healthy Communities and People
- Support residents in shaping their local communities
- Work with partners to keep Hart healthy and active
- Ensure access to housing
- Ensure access to education

An Efficient and Effective Council

- Explore options to increase financial self-sustainability

The revised Corporate Plan has recently been subject to public consultation, and this will be considered by Council in February 2023. The main themes and priorities set out are:

- Planet
- People
- Place
- Delivered by a resilient and financially sound Council

2.6 To help the Council deliver "Vision 2040" and the Corporate Plan it is essential that necessary long term fixed assets continue to be made available. The provision of long-term assets is further defined as being capital expenditure.

3 What is Capital Expenditure

3.1 An understanding of what constitutes capital expenditure is fundamental to realising the benefits that an authority can obtain under the Prudential framework. Unless expenditure qualifies as capital it will normally fall outside the scope of the framework and be charged to revenue in the period that the expenditure is incurred. If expenditure meets the definition of capital, there may be opportunities to finance the outlay from capital receipts or by spreading the cost over future years" revenues.

3.2 There are three ways in which expenditure can qualify as capital under the framework:

- The expenditure results in the acquisition, construction or enhancement of fixed assets (tangible and intangible). Enhancement is where the capital expenditure substantially lengthens the useful life, increases the value or increases the extent to which the asset can be used to support the functions of the Council.
- The expenditure meets one of the definitions specified in regulations made under the 2003 Local Government Act.
- The Secretary of State makes a direction that the expenditure can be treated as capital expenditure.

The Council has a number of projects that fall outside of the ongoing operational services but do not meet all of the capital criteria. These are often included in the Capital Programme and are therefore the principles of this capital strategy apply.

4. Capital Investment Objectives

4.1 In November 2020 the Government implemented new restrictions on borrowing to ensure that councils are not buying investment assets (land or buildings) primarily for a yield. The Council should not have any proposals to invest primarily for yield in its Capital Programme over a 3-year period, nor can it finance such investments from other sources as an alternative to PWLB borrowing, otherwise the Council will have to pay back any PWLB borrowing taken out during the year and may be prevented from accessing PWLB in the future.

The key objectives of capital investment are to:

- **Support service delivery** in line with the Council's strategic objectives including enhancing Hart's digital offer to customers.
- **Support regeneration, economic development and affordable housing provision** working in partnership with other organisations where necessary and attracting external funding where possible.
- **Implementation of the Climate Change Strategy.** The Council has a target to achieve its net zero-carbon target. It will achieve this through various measures and an action plan will be developed early in 2023.
- **Supporting local communities.** Working with partners and utilising external funding where possible, including SANG and S106 funding.
- **Supporting healthy and independent lives.** The ongoing use of Disabled Facility Grants as part of the Improved Better Care Fund will be instrumental in this.
- **Facilitate the generation of income.** From existing commercial assets or service-based assets capable of generating income.
- **Enhance value for money** by helping to reduce or avoid costs and future liabilities.

Based on the above objectives it is envisaged that capital investment will fall into four main categories:

- Assets owned by the Council to support the direct delivery of services by the Council itself.
- Assets owned by the Council to support the delivery of services by third parties where there is a strategic need/advantage in continuing to own the assets.
- Assets held for the purposes of regeneration or economic development.
- Assets currently held for a financial return to support the financial resilience of the Council.

In addition, the Council may on occasions make capital investments in assets owned by third parties, where doing so facilitates the delivery of Council objectives, or legislative requirements.

The Council will comply with paragraph 51 of the Prudential Code, in relation to any new investments for commercial purposes, and will not borrow to invest primarily for yield.

5 Approach to Capital Investment

5.1 Hart District Council's approach to capital investment aims to ensure that:

- Capital expenditure contributes to the achievement of the strategic plan.
- An affordable and sustainable capital programme is delivered.
- Value for money is achieved.
- A clear framework for making capital expenditure decisions is provided.
- A corporate approach to generating capital resources is established.
- Sufficient long-term assets to provide services are acquired and retained.
- Invest to save initiatives to make efficiencies within the Council's revenue budget are encouraged.

- An appraisal and prioritisation process for new schemes is robust including appropriate due diligence and external expert advice.
- Effective governance is in place for projects

6 Governance Arrangements

6.1 The Authority's constitution and Financial Regulations govern the capital programme as set out below:

- All schemes are formally approved into the capital programme by following a process as set out in the financial regulations.
- All capital expenditure must be carried out in accordance with the Financial Regulations and the Council's Constitution.
- The expenditure must comply with the statutory definition of capital purposes as defined within this document and wider financial standards.
- Capital Programme approved by Full Council as part of the Council's annual budget report sets the capital funding availability for the Council, the prioritisation of funding and the schemes receiving entry into the Capital Programme.
- Officers are not authorised to commit expenditure without prior formal approval as set out in the financial regulations.
- Each scheme must be under the control of a responsible person/project manager.
- Any agreements (such as section 106) which contractually commit to procure capital schemes will need to follow the same approval process as other capital expenditure before it can be formally incorporated into the capital programme.
- Capital expenditure on Commercial projects may be approved in accordance with the processes laid out in the approved Commercialisation strategy.

7 Capital Funding

7.1 Hart District Council's Capital Programme is funded from a mix of sources including:

Grant Funding - often specifically for capital purposes and also often from central government, but they may come from, or through, other agencies.

Capital Receipts - receipts arising from the disposal of existing assets are constrained to only be useable for the purposes of funding new assets. Such funds when generated are held in a Capital Receipts Reserve until such time as used.

Developer Contributions - S106 agreements including SANG receipts. S106 agreements tend to relate to specific capital investment projects, but where it is more generic, the Council will use this funding to meet its capital investment priorities where these satisfy the conditions of the s106 agreement.

Partner Contributions - some projects may be jointly funded between the Council and other agencies including other councils.

Prudential Borrowing - the Council is able to borrow in order to fund its capital expenditure provided that the revenue financing costs of such borrowing are affordable and sustainable. Prudential borrowing will be considered as a source of capital funding in accordance with the Government's guidelines and with regard to the CIPFA Prudential Code for Capital Finance in Local Authorities.

Revenue Contributions to Capital - the Council is able to use its revenue resources to fund its capital expenditure.

Use of Earmarked Reserves – where resources have ben approved by Council for a specific purpose

Leasing - specialised form of borrowing linked directly to the rental of an asset.

7.2 The choice of funding for the capital programme and projects within it will depend upon the overall availability of resources and any constraints applicable to particular sources. Wherever possible external resources such as partner contributions, or grants will be the first preference for funding projects. Borrowing, internal or external, will be the second choice of funding but will only be used where there is a business case. Using the Council's own resources (capital receipts and revenue contributions) will be used where available and affordable and where other funding sources are not available.

8 Capital Risks

8.1 The Council will have due regard to risk when considering capital investment and will determine its risk appetite on a case-by-case basis according to the specific circumstances of the investment proposal. The following are the key capital risks associated with the Council's capital strategy:

- Cost Inflation – Reducing real terms value of capital budgets
- Availability of materials and labour – affecting delivery times and tender prices
- Capital Maintenance – Deterioration of assets if insufficient maintenance. Condition surveys are important to aid revenue budgeting and capital investment plans
- Availability of external funding – ensuring the Council spots opportunities and responds quickly
- Project management skills and capacity – for the production of bids an ongoing management and delivery
- Capital Slippage – If capital expenditure isn't profiled accurately then there is the risk of significant underspend against the programme which delays benefits and ties up resources
- Interest Rate Increases – Affecting viability of schemes.

INTEREST RATE FORECASTS 2022-2025

Link Group Interest Rate View	08.11.22												
	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25
BANK RATE	3.50	4.25	4.50	4.50	4.50	4.00	3.75	3.50	3.25	3.00	2.75	2.50	2.50
3 month ave earnings	3.60	4.30	4.50	4.50	4.50	4.00	3.80	3.30	3.00	3.00	2.80	2.50	2.50
6 month ave earnings	4.20	4.50	4.60	4.50	4.20	4.10	3.90	3.40	3.10	3.00	2.90	2.60	2.60
12 month ave earnings	4.70	4.70	4.70	4.50	4.30	4.20	4.00	3.50	3.20	3.10	3.00	2.70	2.70
5 yr PWLB	4.30	4.30	4.20	4.10	4.00	3.90	3.80	3.60	3.50	3.40	3.30	3.20	3.10
10 yr PWLB	4.50	4.50	4.40	4.30	4.20	4.00	3.90	3.70	3.60	3.50	3.40	3.30	3.20
25 yr PWLB	4.70	4.70	4.60	4.50	4.40	4.30	4.10	4.00	3.90	3.70	3.60	3.50	3.50
50 yr PWLB	4.30	4.40	4.30	4.20	4.10	4.00	3.80	3.70	3.60	3.40	3.30	3.20	3.20

PWLB forecasts are based on PWLB certainty rates.

ECONOMIC BACKGROUND

The council has appointed Link Group as its treasury advisor and part of their service is to assist the council to formulate a view on economic background. The below narrative has been prepared and written by consultants at Link Group and the narrative provides their summarised view.

Against a backdrop of stubborn inflationary pressures, the easing of Covid restrictions in most developed economies, the Russian invasion of Ukraine, and a range of different UK Government policies, it is no surprise that UK interest rates have been volatile right across the curve, from Bank Rate through to 50-year gilt yields, for all of 2022.

Market commentators' misplaced optimism around inflation has been the root cause of the rout in the bond markets with, for example, UK, EZ and US 10-year yields all rising by over 200bps since the turn of the year. The table below provides a snapshot of the conundrum facing central banks: inflation is elevated but labour markets are extra-ordinarily tight, making it an issue of fine judgment as to how far monetary policy needs to tighten.

	UK	**Eurozone**	**US**
Bank Rate	3.0%	1.5%	3.75%-4.00%
GDP	-0.2%q/q Q3 (2.4%y/y)	+0.2%q/q Q3 (2.1%y/y)	2.6% Q3 Annualised
Inflation	11.1%y/y (Oct)	10.0%y/y (Nov)	7.7%y/y (Oct)
Unemployment Rate	3.6% (Sep)	6.6% (Sep)	3.7% (Aug)

Q2 of 2022 saw UK GDP revised upwards to +0.2% q/q, but this was quickly reversed in the third quarter, albeit some of the fall in GDP can be placed at the foot of the extra Bank Holiday in the wake of the Queen's passing. Nevertheless, CPI inflation has picked up to what should be a peak reading of 11.1% in October, although with further increases in the gas and electricity price caps pencilled in for April 2023, and the cap potentially rising from an average of £2,500 to £3,000 per household, there is still a possibility that inflation will spike higher again before dropping back slowly through 2023.

The UK unemployment rate fell to a 48-year low of 3.6%, and this despite a net migration increase of c500k. The fact is that with many economic participants registered as long-term sick, the UK labour force actually shrunk by c£500k in the year to June. Without an increase in the labour force *participation rate, it is hard to see how the UK economy will be able to grow its way to prosperity, and with average wage increases running at 5.5% - 6% the MPC will be concerned that wage inflation will prove just as sticky as major supply-side shocks to food and energy that have endured since Russia's invasion of Ukraine on 22nd February 2022.*

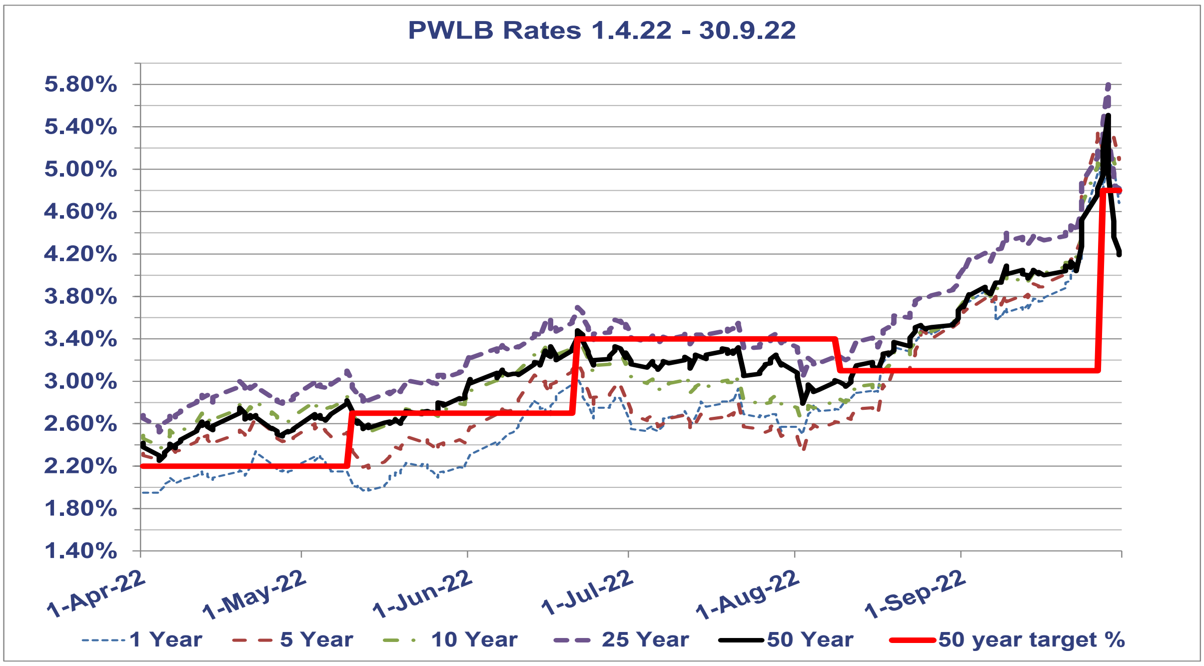
Throughout Q3 Bank Rate increased, finishing the quarter at 2.25% (an increase of 1%). Q4 has seen rates rise to 3% in November and the market expects Bank Rate to hit 4.5% by May 2023.

Following a Conservative Party leadership contest, Liz Truss became Prime Minister for a tumultuous seven weeks that ran through September and December. Put simply, the markets did not like the unfunded tax-cutting and heavy spending policies put forward by her Chancellor, Kwasi Kwarteng, and their reign lasted barely seven weeks before being replaced by Prime Minister Rishi Sunak and Chancellor Jeremy Hunt. Their Autumn Statement of 17th November gave rise to a net £55bn fiscal tightening, although much of the "heavy lifting" has been left for the next Parliament to deliver. However, the markets liked what they heard, and UK gilt yields have completely reversed the increases seen under the previous tenants of No10/11 Downing Street.

Globally, though, all the major economies are expected to struggle in the near term. The fall below 50 in the composite Purchasing Manager Indices for the UK, US, EZ and China all point to at least one if not more quarters of GDP contraction. In November, the MPC projected eight quarters of negative growth for the UK lasting throughout 2023 and 2024, but with Bank Rate set to peak at lower levels than previously priced in by the markets and the fiscal tightening deferred to some extent, it is not clear that things will be as bad as first anticipated by the Bank.

The £ has strengthened of late, recovering from a record low of $1.035, on the Monday following the Truss government's "fiscal event", to $1.20. Notwithstanding the £'s better run of late, 2023 is likely to see a housing correction of some magnitude as fixed-rate mortgages have moved above 5% and affordability has been squeezed despite proposed Stamp Duty cuts remaining in place.

In the table below, the rise in gilt yields, and therein PWLB rates, through the first half of 2022/23 is clear to see.



However, the peak in rates on 28th September as illustrated in the table covering April to September 2022 below, has been followed by the whole curve shifting ever lower. PWLB rates at the front end of the curve are generally over 1% lower now whilst the 50 years is over 1.75% lower.

	1 Year	5 Year	10 Year	25 Year	50 Year
Low	1.95%	2.18%	2.36%	2.52%	2.25%
Date	01/04/2022	13/05/2022	04/04/2022	04/04/2022	04/04/2022
High	5.11%	5.44%	5.35%	5.80%	5.51%
Date	28/09/2022	28/09/2022	28/09/2022	28/09/2022	28/09/2022
Average	2.81%	2.92%	3.13%	3.44%	3.17%
Spread	3.16%	3.26%	2.99%	3.28%	3.26%

After a shaky start to the year, the S&P 500 and FTSE 100 have climbed in recent weeks, albeit the former is still 17% down and the FTSE 2% up. The German DAX is 9% down for the year.

CENTRAL BANK CONCERNS – NOVEMBER 2022

At the start of November, the Fed decided to push up US rates by 0.75% to a range of 3.75% - 4%, whilst the MPC followed a day later by raising Bank Rate from 2.25% to 3%, in line with market expectations. EZ rates have also increased to 1.5% with further tightening in the pipeline.

Having said that, the press conferences in the US and the UK were very different. In the US, Fed Chair, Jerome Powell, stated that rates will be elevated and stay higher for longer than markets had expected. Governor Bailey, here in the UK, said the opposite and explained that the two economies are positioned very differently so you should not, therefore, expect the same policy or messaging.

Regarding UK market expectations, although they now expect Bank Rate to peak within a lower range of 4.5% - 4.75%, caution is advised as the Bank of England Quarterly Monetary Policy Reports have carried a dovish message over the course of the last year, only for the Bank to have to play catch-up as the inflationary data has proven stronger than expected.

In addition, the Bank's central message that GDP will fall for eight quarters starting with Q3 2022 may prove to be a little pessimistic. Will the £160bn excess savings accumulated by households through the Covid lockdowns provide a spending buffer for the economy – at least to a degree? Ultimately, however, it will not only be inflation data but also employment data that will mostly impact the decision-making process, although any softening in the interest rate outlook in the US may also have an effect (just as, conversely, greater tightening may also).

CABINET

KEY DECISIONS / WORK PROGRAMME AND EXECUTIVE DECISIONS MADE

January 2023

Cabinet is required to publish its Key Decisions and forward work programme to inform the public of issues on which it intends to make policy or decisions. The Overview and Scrutiny Committee also notes the Programme, which is subject to regular revision.

Report Title	Outline/Reason for Report/Comments	Due Date	Original Due Date	Key Decision Y? (Note 1)	Cabinet Member (Note 2)	Service (Note 3)	*This item may contain Exempt information
Q2 Review and Capital Outturn to September 2022	Post consideration by Overview and Scrutiny	5 Jan 2023		No	**JR**	F	
Lease of the Harlington Centre	To propose an updated lease for the Harlington Centre.	5 Jan 2023		No	**DN**	CS	Fully exempt
Treasury Management Strategy - Mid Year Review	Post consideration by Overview and Scrutiny	5 Jan 2023		No	**JR**	F	
Q2 Performance Plan Review		5 Jan 2023 3 Mar 2023 1 Jun 2023 7 Sep 2023		No	**RQ**	CS	
Review of Finance Regs and Contract Standing Orders	Post consideration by Overview & Scrutiny	2 Feb 2023		No	**JR**	F	

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Agenda Item 11

Report Title	Outline/Reason for Report/Comments	Due Date	Original Due Date	Key Decision Y? (Note 1)	Cabinet Member (Note 2)	Service (Note 3)	*This item may contain Exempt information
Budget Report for 2023/24	Post consideration by Overview and Scrutiny	2 Feb 2023		No	**JR**	F	
Draft Treasury Management Strategy Statement	Post consideration by Overview and Scrutiny	2 Feb 2023		No	**JR**	F	
Corporate Plan	To recommend the draft to Council of the new Corporate Plan.	2 Feb 2023		No	**DN**	CS	
Q3 Forecast 2022/23 Capital and Revenue Outturn	Post consideration by Overview and Scrutiny	2 Mar 2023		No	**JR**	F	
Climate Change Action Plan	Cabinet to receive the proposed Action Plan to facilitate Hart's Carbon Pathway for endorsement	TBC when resource available		No	**DN**	CS	
Draft Service Plans 2023/24	To consider the draft service plans for 2023/24	6 Apr 2023		No	**ALL**	ALL	
Risk Management Strategy	To ask Cabinet to approve the Council's updated risk management strategy	6 Apr 2023		No	**RQ**	CS	
Corporate Risk Register	To ask Cabinet to review and approve the updates made to the Corporate Risk Register	6 Apr 2023		No	**RQ**	CS	

Report Title	Outline/Reason for Report/Comments	Due Date	Original Due Date	Key Decision Y? (Note 1)	Cabinet Member (Note 2)	Service (Note 3)	*This item may contain Exempt information
Potential for a Shared Chief Executive with Rushmoor Borough Council	Consideration of a business case for a Shared Chief Executive between Hart District Council and Rushmoor Borough Council	1 Jun 2023		No	**DN**	CS	
Feedback from Outside Bodies	To receive feedback reports from Members who are representatives on Outside Bodies	1 Jun 2023		No	**RQ**	CS	
Revenue and Capital Outturn 2023/24		3 Aug 2023		No	**JR**	F	
MTFS and Capital Strategy		7 Sep 2023		No	**JR**	F	
Corporate Risk Register (Half Yearly Review)		7 Sep 2023 4 Apr 2024		No	**RQ**	CS	
Treasury Management Strategy and Asset Management Plan		5 Oct 2023		No	**JR**	F	
Draft Budget 2024/25	Cabinet to approve the 2024/25 budget submission	1 Feb 2024		No	**JR**	F	
Q3 Forecast 2023/24 and Revenue Outturn		1 Feb 2024		No	**JR**	F	
Draft Service Plans 2024/25		7 Mar 2024		No	**ALL**	ALL	

Report Title	Outline/Reason for Report/Comments	Due Date	Original Due Date	Key Decision Y? (Note 1)	Cabinet Member (Note 2)	Service (Note 3)	*This item may contain Exempt information

Note 1
A “key decision” means an executive decision which, is likely to –

a) result in Council incurring expenditure or the making of savings which amount to £30,000 or 25% (whichever is the larger) of the budget for the service or function to which the decision relates; or
b) be significant in terms of its effects on communities living or working in an area comprising two or more wards within the area of the district of Hart.

Note 2

Cabinet Members

DN	Leader	TCI	Digital	RQ	Commercialisation (Cn) and Corporate Services	SB	Community (Cy)
TCo	Regulatory	AO	Environment	JR	Finance	GC	Place

Note 3

Service:

CX	Chief Executive	CS	Corporate Services	PL	Place Services
CSF	Community Safety	PP	Planning Policy		
FI	Finance	COM	Community Services		
SLS	Shared Legal Services	MO	Monitoring Officer		

Note 4

*This item may contain Exempt Information – Regulation 5 of the Local Authority (Executive Arrangements) (Meetings and Access to Information) (England) Regulations 2012

Report Title	Outline/Reason for Report/Comments	Due Date	Original Due Date	Key Decision Y? (Note 1)	Cabinet Member (Note 2)	Service (Note 3)	*This item may contain Exempt information

EXECUTIVE DECISIONS

Cllr Neighbour	Release of S106 Funding for Dogmersfield's Healthy Walks project and village green project	No Call Ins
Cllr Neighbour	Release of £5,512 S106 funding for the provision of underfloor heating at Yateley United Community Sports and Welfare Centre	No Call Ins
Cllr Neighbour	Release of £25,500 S106 funding for improvements to Winchfield Village Hall	Call in period ends 29 December 2022

Agenda Item 12

Jan 2023	OVERVIEW AND SCRUTINY COMMITTEE WORK PROGRAMME					
Issue and Description of Topic	**Current Position Objective**	**Original Due Date**	**Revised Date**	**Resources Required**	**Contact**	***This item may contain Exempt Information**
Review of Financial Regulations and Contract Standing Orders	Prior to consideration by Cabinet and adoption by Council, to review draft updates of Financial Regulations and Contracts Standing Orders.	Sept 22	Dec 22 **Now Jan 23**	Report	Corporate Services	
Draft Budget 2023/24	To make comments on the draft 2023/24 Revenue Budget, Capital programme, and Council Tax Proposal prior to consideration by Cabinet and recommendation to Council	Jan 23		Report ready for December Cabinet	Finance	
Draft Treasury Management Strategy and Annual Investment Strategy	To consider the draft Treasury Management Strategy and Annual Investment Strategy 2023/24 which incorporates the Annual Investment Strategy and Prudential and Treasury Indicators prior to consideration by Cabinet .	Jan 23		Report	Finance	
Corporate Plan	To receive feedback on the Corporate Plan prior to consideration by Cabinet	Jan 23				

Quarterly Complaints Analysis	To analyse and review the number and type of complaints received by the Council for the previous quarter.	Jan 23		Report	Corporate Services	
Quarterly Budget Monitoring	To receive the Quarterly (Q3: October - December) update on the projected budget outturn.	Feb 23			Finance	
Service Panels Review	Feedback from Members of the Service Panels	Feb 23			All Service Panels	
Butterwood Homes	Feedback from the Scrutiny Panel	Feb 23				
Review of Affordable Housing Efficiency Measures	To review the effectiveness of the policy agreed by Cabinet in March 2021.	Mar 23			Community Services	
Off Street Parking	To invite the Portfolio Holder responsible for Car Parks to outline any plans that he may have to review off-street parking across the District.	Mar 23 TBC				
Draft Service Plans 2023/24	To consider the draft service plans for 2023/24	Mar 23				
Climate Change Action Plan	O&S to review proposed action plan to facilitate Harts Carbon Pathway	TBC subject to available resource			Corporate	

Chairman's Annual review of the work of the Overview and & Scrutiny committee	Prior to consideration by Annual Council, the Chairman to report on the work over the past year of overview & Scrutiny Committee	Apr 23				
Return of Highways Agency to Hampshire County Council	To review the implications of the return of the Highways Agency to Hampshire County Council	Apr 23 TBC			Place Services	
Medium Term Financial Strategy	To consider the emerging budget for 2023/2024 and the draft MTFS	Feb 23		Presentation	Corporate Services	
Multi Agency Flood Forum (MAFF)	Update from the bi-annual meeting of multi-agencies.	Apr 23		Minutes only	Place	