



**NOTICE OF MEETING**

**Meeting:** Overview and Scrutiny Committee  
**Date and Time:** Tuesday 18 August 2020 7.00 pm  
**Place:** Council Chamber  
**Enquiries to:** Helen Vincent  
committeeservices@hart.gov.uk  
**Members:** Axaam, Davies, Dorn, Drage, Farmer, Lamb,  
Makepeace-Browne, Smith, Wildsmith, Worlock  
(Chairman) and Wright

Joint Chief Executive

CIVIC OFFICES, HARLINGTON WAY  
FLEET, HAMPSHIRE GU51 4AE

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**AGENDA**

**This meeting is being administered under the provisioning of the Local Authorities and Police and Crime Panels (Coronavirus) (Flexibility of Local Authority and Police and Crime Panel Meeting) (England and Wales) Regulations 2020. The Provision made in this regulation applies notwithstanding any prohibition or other restriction contained in the standing orders or any other rules of the Council governing the meeting and such prohibition or restriction had no effect.**

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

**1 MINUTES OF PREVIOUS MEETING (Pages 4 - 6)**

The minutes of the meeting of 14 July 2020 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 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 at

[https://www.hart.gov.uk/sites/default/files/4\\_The\\_Council/Council\\_meetings/Public%20Participation%20leaflet%202020%20A4.pdf](https://www.hart.gov.uk/sites/default/files/4_The_Council/Council_meetings/Public%20Participation%20leaflet%202020%20A4.pdf)

## **5 CHAIRMAN'S ANNOUNCEMENTS**

## **6 OMBUDSMAN ANNUAL REVIEW LETTER (Pages 7 - 8)**

To note the Local Government and Social Care Annual Review 2019/2020 letter. The Ombudsman had received 5 complaints against the Council during 2019/20. Of the 5 complaints received, 2 had resulted in further investigation by the Ombudsman but no complaint was upheld.

## **7 INTRODUCTION TO HEAD OF CORPORATE SERVICES**

The Head of Corporate Services to attend.

## **8 2019/20 REVENUE AND CAPITAL OUTTURN (Pages 9 - 12)**

To consider the Council's revenue and capital outturn for the financial year 2019/20 prior to consideration at Cabinet.

## **9 TREASURY MANAGEMENT OUTTURN 2019/20 (Pages 13 - 26)**

To consider the Council's Treasury Management activities during the 2019/20 financial year, prior to consideration at Cabinet.

**10 QUARTER 1 PERFORMANCE INFORMATION - 2020/2021 (Pages 27 - 35)**

To present Members with the Council's revised performance indicators for the first quarter of 2019/20 (1 April 2020 – 30 June 2020).

**11 THE ESTABLISHMENT OF A CORPORATE VEHICLE FOR PROPERTY HOLDING PURPOSES (Pages 36 - 46)**

To consider the terms of establishing a corporate vehicle into which the Council will transfer, at least initially, 41 residential properties that are to be built by Berkeley Homes.

*NB Appendix 1 of this report is exempt from publication.*

**12 OVERVIEW AND SCRUTINY WORK PROGRAMME (Pages 47 - 50)**

The Overview and Scrutiny Work Programme is attached for consideration and amendment.

**Date of Despatch: 10 August 2020**

## OVERVIEW AND SCRUTINY COMMITTEE

**Date and Time:** Tuesday, 14 July 2020 at 7pm

**Place:** Council Chamber, Civic Offices, Fleet

**Present:**

## COUNCILLORS

Axam, Davies, Dorn, Farmer, Makepeace-Browne, Smith, Wright, Wildsmith, Worlock (Chairman)

**In Attendance:** Oliver, Cockarill, Quarterman, Crookes

## Officers:

Mark Jaggard	Head of Place Services
Daniel Hawes	Planning Policy Manager
Glyn Lloyd	Commercialisation Manager
Emma Whittaker	Planning Services Manager
Martina Duffin	Committee Services
Helen Vincent	Committee Services

## 10 MINUTES OF PREVIOUS MEETING

The minutes of the meeting of 16 June 2020 were confirmed as a correct record.

## 11 APOLOGIES FOR ABSENCE

Apologies for absence had been received from Councillor Lamb.

## 12 DECLARATIONS OF INTEREST

None received.

## 13 PUBLIC PARTICIPATION (ITEMS PERTAINING TO THE AGENDA)

None.

## 14 REGULATION OF INVESTIGATORY POWERS ACT (RIPA) – ANNUAL REVIEW OF USEAGE

The Monitoring Officer to confirm that there was no use of RIPA powers during 2019/2020.

## DECISION

Overview and Scrutiny noted the report.

## **15 COMMUNITY INFRASTRUCTURE LEVY (CIL)**

To consider the case for introducing a Community Infrastructure Levy (CIL).

Mark Jaggard, Head of Place Services, and Daniel Hawes, Planning Policy & Economic Development Manager attended to present the report which set out the case for Council to undertake the process to set and implement CIL. The Committee would see the draft charging schedule and work schedule going forward.

Members discussed the report and sought clarification on a number of points. The questions were in relation to:

- The process and project plan for setting and implementing CIL;
- How CIL would work for small, medium and strategic sites, and how the balance between CIL and S106 legal agreements could work;
- How CIL is calculated, and what is included in the floorspace; and
- How the income from CIL would be collected, prioritised and spent on infrastructure.

### **DECISION**

The Committee welcomed the report agreed to recommend to Cabinet that officers undertake the processes to implement the Community Infrastructure Levy.

The Committee asked to see and consider the draft Community Infrastructure Levy Charging Schedule before it is consulted upon. .

Members thanked Daniel Hawes and Mark Jaggard for their informative and well-presented report.

## **16 COMMERCIALISATION STRATEGY– REVIEW OF ASSETS-BASED PROCUREMENT PROCESS**

To review the processes for the procurement of assets-based investment.

Glyn Lloyd, Commercialisation Manager, attended to present a review of the purchase process adopted as part of the Commercialisation strategy. The stages were explained with key milestones for decision making highlighted. The Committee discussed and requested clarity on the financial analysis process which was explained. The Commercialisation Manager further confirmed this analysis approach was approved by the S151 officer.

### **DECISION**

Members expressed this report was a good example of a Commercialisation Strategy and the database framework was complimented.

## **17 PLANNING DEVELOPMENT MANAGEMENT PEER REVIEW AND ACTION PLAN**

To receive a Peer Review report on the Council's Planning Development Management service.

Emma Whittaker, Planning Services Manager and Mark Jaggard, Head of Place, attended to discuss the Development Management Peer Review and the Council's draft Action Plan. Officers recommended the establishment of Member Working Group to assist in the consideration of the next steps in relation to the Peer Review outcomes and the draft Action Plan.

Emma Whittaker presented the report and the draft Action Plan. The draft Action Plan was written prior to the Covid-19 lockdown and will now be reviewed, which will also allow the opportunity to pick up on any issues flowing from the Planning White Paper due soon. Members discussed a number of the matters raised in the Peer Review and the 48 recommendations. These will be picked up in detail with the Member Working Party.

### **DECISION**

A Member Working Group was welcomed and the Committee selected four members Councillor Farmer, Councillor Makepeace-Browne, Councillor Smith and Councillor Wildsmith.

Members asked to receive an updated Action Plan at the November meeting of the Overview & Scrutiny Committee.

## **18 OVERVIEW & SCRUTINY WORK PROGRAMME**

The Overview and Scrutiny Work Programme was considered and amended as follows:

1. To review the Commercialisation Strategy again before the end of this year.
2. To add Car Parking Charges pre COVID-19 to the programme for January 2021
3. To add the Waste Management Contract to the plan for January 2021.
4. To welcome Heads of Service to attend meetings relative to related topics.

Next Meeting due: 18 August 2020.

The meeting closed at 8.49pm.

- [Hart District Council \(19 014 812\)](#)
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Statement Closed after initial enquiries Planning applications 05-Feb-2020

Summary: The Ombudsman will not investigate this complaint that the Council failed to impose appropriate noise conditions on planning permissions for a residential development. The alleged fault by the Council has not directly caused the injustice claimed by the complainant.

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- [Hart District Council \(18 019 566\)](#)
- 

Statement Not upheld Homelessness 25-Nov-2019

Summary: there was no fault in the way the Council dealt with Miss X's Housing Register application and prioritised her bids for properties. Its decision not to proceed with an offer to move Miss X to a hostel in its area was not taken with fault.

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- [Hart District Council \(19 003 031\)](#)
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Statement Closed after initial enquiries Planning applications 26-Sep-2019

Summary: Mr X complains that the Council has not taken planning enforcement action against a neighbouring developer. The Ombudsman will not investigate this complaint because there is no evidence of fault by the Council and the planning permissions are out of time or made by a Planning Inspector.

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- [Hart District Council \(18 009 615\)](#)
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Statement Not upheld Planning applications 14-May-2019

Summary: There is no evidence of fault by Hart District Council in relation to Ms F's complaints about its handling of matters related to her applications for planning and listed buildings consent. Ms F can appeal to the Planning Inspector about the decisions on her applications and so I will not pursue a complaint about these decisions.

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- [Hart District Council \(18 018 342\)](#)

## OMBUDSMAN ANNUAL REVIEW LETTER –

Statement Closed after initial enquiries Planning advice 12-Apr-2019

Summary: The Ombudsman will not investigate this complaint about the content of pre-application advice the Council gave to a developer. This is because the complainant has not suffered a significant injustice as a result of the alleged fault by the Council.



## **OVERVIEW AND SCRUTINY COMMITTEE**

**DATE OF MEETING:** 18 AUGUST 2020

**TITLE OF REPORT:** 2019/20 OUTTURN POSITION

**Report of:** Head of Corporate Services & Section 151 Officer

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

### **1 PURPOSE OF REPORT**

- 1.1 This report contains details of the final position on the Council's net expenditure for 2019/20. The Committee is asked to consider the report and to make any recommendations to Cabinet.

### **2 OFFICER RECOMMENDATIONS**

- 2.1 The 2019/20 outturn position of an underspend of £847K after transfers and accounting adjustments for the General Fund Revenue Account be noted
- 2.2 It be recommended to Cabinet that the £847K be used to increase the General Fund Reserve.
- 2.3 The 2019/20 outturn position for Capital expenditure be noted.
- 2.4 It be recommended to Cabinet that the carry forward of the unspent revenue budgets as detailed in paragraph 6.1 be supported.

### **3 TIMETABLE**

- 3.1 The draft Statement of Accounts has been produced by the accountancy team at Mendip District Council. The deadline for publication of the draft statements is the 31<sup>st</sup> August 2020. Hart District Council are planning on publishing their statements week commencing 17<sup>th</sup> August 2020.
- 3.2 The Audit Committee is due to receive the audited Statement of Accounts together with the Annual Governance Report for signing and approval at its meeting in November 2020.

### **4 PROVISIONAL REVENUE POSITION**

- 4.1 When the Council set its budget for 2019/20, it anticipated that the result would be a balanced budget; In the event the total underspend on services after adjustments and transfers is £847k.
- 4.2 The following table shows the revenue position for all service areas at the end of March 2020 after carry-forwards and before accounting adjustments required to prepare the Statement of Accounts.

Service Area	Original Budget £'000	Period11 Forecasted Expenditure	Year End Actuals	Performance against Budget	Performance against Forecast
<b>Corporate Services</b>	4,747	4,621	4,625	(122)	4
<b>Community Services</b>	2,148	2,170	1,776	(372)	394
<b>Place Services</b>	1,655	1,940	1,955	300	15
<b>Environment and Technical Services</b>	3,709	3,704	2,452	(1,257)	(1,252)
<b>Other operating expenditure and Financing and Investment Income, Adjustments and Transfers</b>	3,246	3,246	3,850	604	626
<b>Totals</b>	15,505	15,681	14,658	(847)	176

### 4.3 Corporate Services

Whilst Corporate Services does not have a significant variance against original budget or forecast the total number does include some variances of note. Within total actual expenditure are four key elements of note, amongst other smaller variances:

- Significant underspend of £847K against budget on garden communities due to delay in project.
- Additional costs of £484K compare with budget incurred in the novation of the Accountancy, HR, and Payroll contracts.
- Additional costs of £93K relating to the purchase of the Pavilion, this project was not planned when the budget was set.
- Additional costs of £62K relating to Covid-19 which is made up software, IT equipment and mobile telephones.

### 4.4 Community Services

The underspend against budget is due to two additional grants received, one of £287K for Social Inclusion and £123K of additional S106. contributions for affordable housing

### 4.5 Place Services

The reduction in service expenditure of £300K is made up of a reduction of planning income of £265K and many very small underspends and overspends.

### 4.6 Environmental and Technical Services

Much of the underspend in this area was due to additional income received from the waste contract of £665K and a further £142K saved on the waste contract by round changes.

### 4.7 Other Operating Expenditure and Financing and Investment Income

This balance is made up of depreciation charges, pension provision requirements and other accounting adjustments required as year-end adjustments.

## 5 CAPITAL POSITION

5.1 Total capital spending in 2019/20 was £9,283k, an overspend of £5,532K against the approved budget of £6,995k. The following table summarises the position by service area. The table overleaf provides the expenditure by service area:

	<b>Approved Budget</b>	<b>Actual Expenditure</b>	<b>Variation</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
Corporate Services	497	7,406	6,909
Community	530	1,256	726
Place	0	40	40
Environment and Technical	2,724	581	(2,143)
<b>Total capital programme</b>	<b>3,751</b>	<b>9,283</b>	<b>5,532</b>

5.2 The key variances in the table above are provided below by service area:

### 5.2.1 Corporate Services

The significant variation is due to the deposit paid on the commercial development at Edenbrook and the purchase of the Pavilion offices in Southampton.

### 5.2.2 Community Services

The variation in expenditure is due to overperformance on the delivery of Disabled Facilities grant. This was expected and was funded by previous year's carry forward creating an earmarked reserve.

### 5.2.3 Place Services

During the year, an opportunity was provided to purchase the MFDs (multi-functional devices for scanning, photocopying, and printing) rather than leasing. A value for money decision demonstrated it was better value to purchase.

### 5.2.4 Environment and Technical Services

There is a significant underspend of £2.1m in this service area. Most of this underspend is made up of four key projects:

- Bramshott Country Park underspent by £1,044K due to delays in delivery caused by adverse weather.
- A budget of £220K was provided for waste vehicles which was not spent in year.
- There were delays in delivering the Edenbrook Skate and Bike Part which had a £220K budget allocated to it.
- Budgets were set aside to deliver £268K of works which will now be delivered as part of the Green corridor project so were not delivered in year.

## 6 REVENUE BUDGET CARRY FORWARDS

- 6.1 Officers have requested that several unspent budgets in 2019/20 are carried forward to the current year to allow them to complete planned expenditure programmes. The amounts requested to be carried forward are detailed below and have been included in the draft statement of accounts provided to the external auditors. The Head of Corporate Services is happy that these are justified slippages.

Type of Expenditure	Amount £'000	Reason
Rural Payments Agency grant funding	28	Funding arrived very late in year and adverse weather prevented expenditure.
Underspend across budgets	7	To contribute to an electric vehicle for the Dog Warden
S106 and SANG criteria	2,048	S106 Developer Contributions
Central Government Funding	547	Earmarked Grant Funding arriving late in year.
Roundabout Sponsorship	47	Additional income
Council Chamber – upgrade of AV equipment to allow streaming	50	Unspent funds
Unspent requirement to deliver overflow at Fleet pond	369	Unspent funds approved by Cabinet July 18

## 7 GENERAL FUND RESERVE

- 7.1 The General Fund Reserve at 31 March 2019 was £5,537K. This is a modest balance and necessary because there is still much uncertainty around future financial settlements from the Government. The General Fund Reserve is further supported by earmarked reserves of approximately £16m at year end. These reserves have been put in place to enable further financial protection and stability and to fund key projects such as our SANGs, provide protections against reductions in business rates income and provide the IT infrastructure and digital transformation for the Council.
- 7.2 A summary of the estimated movement on the Hart General Fund Balance is:

	£000
Balance at 1 April 2019	5,537
Underspend on service budgets transferred to general reserve after accounting adjustments	847
Balance at 31 March 2020	6,380

The above table reflects the opening balance at 1 April 2019, the underspend in year which has been transferred to General Fund in 2019-20; and the closing General Fund balance for 2019-20.

**Contact Details:** Emma Foy, x 4207, emma.foy@hart.gov.uk

## OVERVIEW & SCRUTINY COMMITTEE

**DATE OF MEETING:** 18 August 2020

**TITLE OF REPORT:** TREASURY MANAGEMENT OUTTURN 2019/20

**Report of:** Head of Corporate Services & Section 151 Officer

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

### 1. Purpose of Report

1.1 To report the Council's Treasury Management activities during the 2019/20 financial year. Prior to consideration at Cabinet.

### 2. Officer Recommendation

2.1 To forward comments to Cabinet for consideration at its meeting on 3 September 2020.

### 3. Background

3.1 This Council is required by regulations issued under the Local Government Act 2003 to produce an annual treasury management review of activities and the actual prudential and treasury indicators for 2019/20. This report meets the requirements of both the CIPFA Code of Practice on Treasury Management, (the Code), and the CIPFA Prudential Code for Capital Finance in Local Authorities, (the Prudential Code).

3.2 During 2019/20 the minimum reporting requirements were that the Council should receive the following reports:

- an annual treasury strategy in advance of the year
- a mid-year (minimum) treasury update report
- an annual review following the end of the year describing the activity compared to the strategy (this report)

3.3 The regulatory environment places responsibility on members for the review and scrutiny of treasury management policy and activities. This report is, therefore, important in that respect, as it provides details of the outturn position for treasury activities and highlights compliance with the Council's policies previously approved by members.

3.4 This Council confirms that it has complied with the requirement under the Code to give prior scrutiny to all of the above treasury management reports by the Scrutiny Committee before they were reported to the full Council.

#### 4. The Council's Capital Expenditure and Financing

4.1 The Council undertakes capital expenditure on long-term assets. These activities may either be:

- Financed immediately through the application of capital or revenue resources (capital receipts, capital grants, revenue contributions etc.), which has no resultant impact on the Council's borrowing need; or
- If insufficient financing is available, or a decision is taken not to apply resources, the capital expenditure will give rise to a borrowing need.

The actual capital expenditure forms one of the required prudential indicators.

The table below shows the actual capital expenditure and how this was financed.

	2018/19 Actual £'000	2019/20 Budget £'000	2019/20 Actual £'000
Capital Expenditure	2,383	3,480	9,283
Financed in year	(7,286)	(1,048)	(2,141)
Unfinanced capital expenditure	(4,903)	2,432	7,142

#### 5. The Council's Overall Borrowing Need

5.1 The Council's underlying need to borrow to finance capital expenditure is termed the Capital Financing Requirement (CFR).

5.2 **Gross borrowing and the CFR** - in order to ensure that borrowing levels are prudent over the medium term and only for a capital purpose, the Council should ensure that its gross external borrowing does not, except in the short term, exceed the total of the capital financing requirement in the preceding year (2019/20) plus the estimates of any additional capital financing requirement for the current (2020/21) and next two financial years. This essentially means that the Council is not borrowing to support revenue expenditure. This indicator allowed the Council some flexibility to borrow in advance of its immediate capital needs in 2019/20. The table below highlights the Council's gross borrowing position against the CFR. The Council has complied with this prudential indicator.

	2018/19 Actual £'000	2019/20 Budget £'000	2019/20 Actual £'000
Total CFR	16,263	23,783	23,405
Gross borrowing position	13,598	12,337	12,385
(Under) / over funding of CFR	(2,665)	(11,446)	(11,020)

- 5.3 **The authorised limit** - the authorised limit is the “affordable borrowing limit” required by s3 of the Local Government Act 2003. Once this has been set, the Council does not have the power to borrow above this level. The table below demonstrates that during 2019/20 the Council has maintained gross borrowing within its authorised limit.
- 5.4 **The operational boundary** – the operational boundary is the expected borrowing position of the Council during the year. Periods where the actual position is either below or over the boundary are acceptable subject to the authorised limit not being breached.
- 5.5 **Actual financing costs as a proportion of 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.

	2019/20 £'000
Authorised limit	30,000
Maximum gross borrowing position during the year	13,648
Operational boundary	25,000
Average gross borrowing position	13,410
Financing costs as a proportion of net revenue stream	2.61%

## 6. Treasury Position as at 31 March 2020

- 6.1 At the beginning and the end of 2019/20 the Council's treasury, (excluding borrowing by PFI and finance leases), position was as follows:

	2018/19 £'000	2019/20 £'000
Short-term Borrowing	(1,372)	(1,377)
Long-term Borrowing	(12,277)	(11,008)
Short-term Investments	12,000	11,000
Cash & Cash Equivalents	19,261	18,760

6.2 The maturity structure of the debt portfolio was as follows:

	2018/19 Actual £'000	2019/20 Actual £'000
Under 12 months	1,371	1,377
12 months and within 24 months	1,269	1,289
24 months and within 5 years	3,460	2,530
5 years and within 10 years	1,872	1,913
10 years and within 20 years	4,415	4,511
20 years and within 30 years	1,262	765

6.3 Investment portfolio:

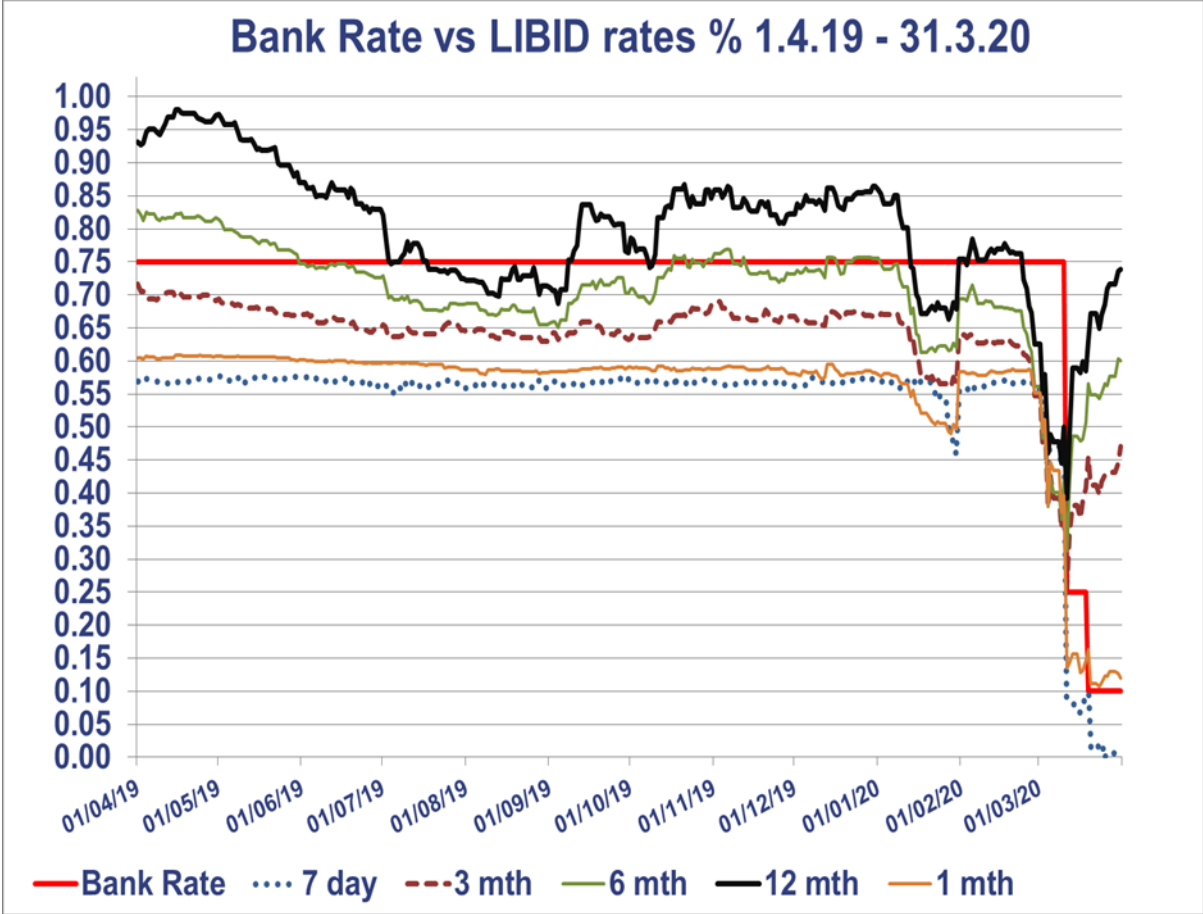
Bank	Balance	Interest Rate (%)	Maturity (days)
Standard Chartered	2,000,000	0.72	92
Cheshire East Council	4,000,000	0.76	102
Fareham Borough Council	5,000,000	0.90	366
Mid Suffolk District Council	5,000,000	0.80	85
Bank of Scotland Call	1,000,000	0.25	116
Lloyds Bank	5,000,000	0.25	116
Bank of Scotland Call A/c	2,000,000	0.40	Instant
Santander	3,320,167	0.40	Instant
Barclays	2,320,541	0.05	Instant
	<u>29,640,707</u>		



7. The strategy for 2019/20

7.1 Investment strategy and control of interest rate risk

The below section has been provided by Link Asset Services; the Council's Treasury Management Advisors.



7.1.2 Investment returns remained low during 2019/20. The expectation for interest rates within the treasury management strategy for 2019/20 was that Bank Rate would stay at 0.75% during 2019/20 as it was not expected that the MPC would be able to deliver on an increase in Bank Rate until the Brexit issue was finally settled. However, there was an expectation that Bank Rate would rise after that issue was settled, but would only rise to 1.0% during 2020.

7.1.3 Rising concerns over the possibility that the UK could leave the EU at the end of October 2019 caused longer term investment rates to be on a falling trend for most of April to September. They then rose after the end of October deadline was rejected by the Commons but fell back again in January before recovering again after the 31 January departure of the UK from the EU. When the coronavirus outbreak hit the UK in February/March, rates initially plunged but then rose sharply back up again due to a shortage of liquidity in financial markets. As longer term rates were significantly higher than shorter term rates

during the year, value was therefore sought by placing longer term investments where cash balances were sufficient to allow this.

- 7.1.4 While the Council has taken a cautious approach to investing, it is also fully appreciative of changes to regulatory requirements for financial institutions in terms of additional capital and liquidity that came about in the aftermath of the financial crisis. These requirements have provided a far stronger basis for financial institutions, with annual stress tests by regulators evidencing how institutions are now far more able to cope with extreme stressed market and economic conditions.
- 7.1.5 Investment balances have been kept to a minimum through the agreed strategy of using reserves and balances to support internal borrowing, rather than borrowing externally from the financial markets. External borrowing would have incurred an additional cost, due to the differential between borrowing and investment rates as illustrated in the charts shown above and below. Such an approach has also provided benefits in terms of reducing the counterparty risk exposure, by having fewer investments placed in the financial markets.

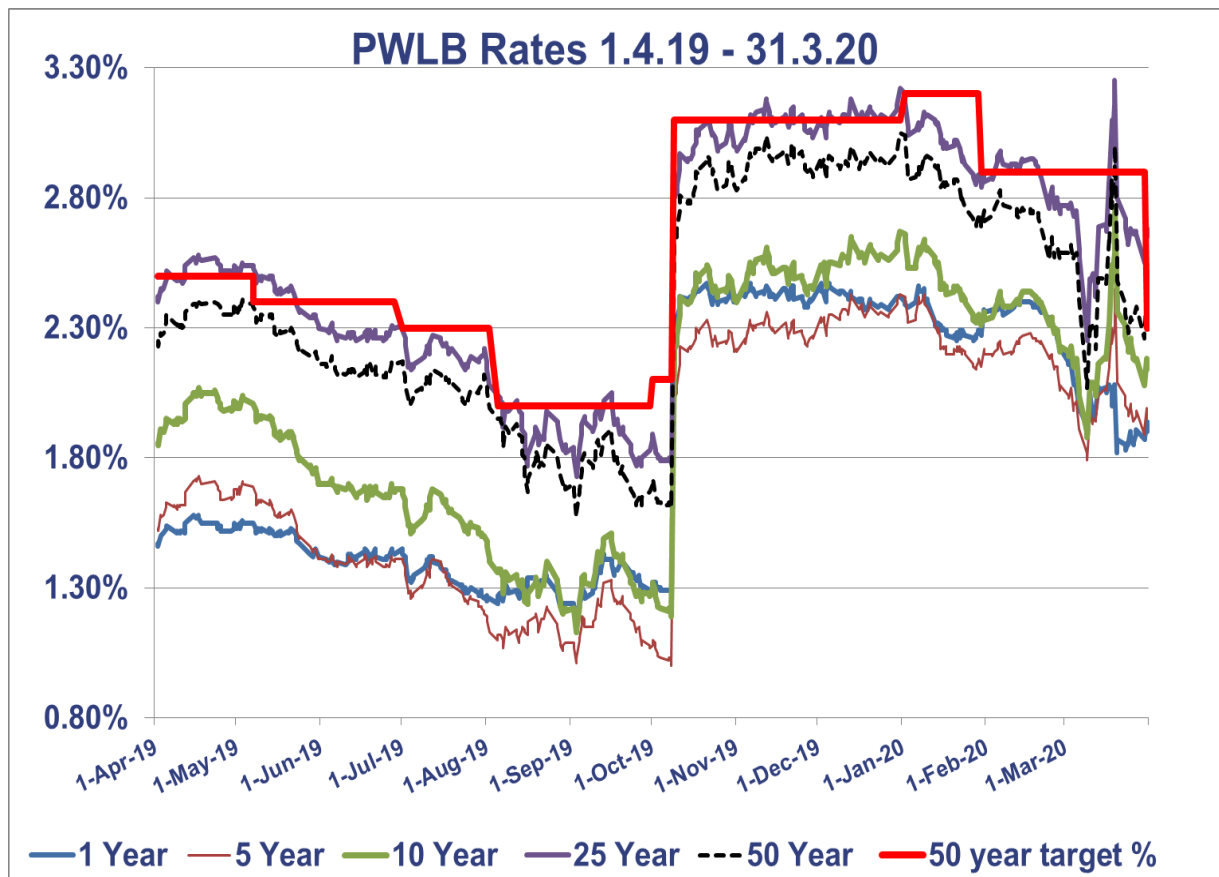
## **7.2 Borrowing strategy and control of Interest rate risk**

- 7.2.1 During 2019-20, the Council maintained an under-borrowed position. This meant that the capital borrowing need, (the Capital Financing Requirement), was not fully funded with loan debt, as cash supporting the Council's reserves, balances and cash flow was used as an interim measure. This strategy was prudent as investment returns were low and minimising counterparty risk on placing investments also needed to be considered.
- 7.2.2 A cost of carry remained during the year on any new long-term borrowing that was not immediately used to finance capital expenditure, as it would have caused a temporary increase in cash balances; this would have incurred a revenue cost – the difference between (higher) borrowing costs and (lower) investment returns.
- 7.2.3 The policy of avoiding new borrowing by running down spare cash balances, has served well over the last few years. However, this was kept under review to avoid incurring higher borrowing costs in the future when this authority may not be able to avoid new borrowing to finance capital expenditure and/or the refinancing of maturing debt.
- 7.2.4 Against this background and the risks within the economic forecast, caution was adopted with the treasury operations. The Director of Finance therefore monitored interest rates in financial markets and adopted a pragmatic strategy based upon the following principles to manage interest rate risks:
- if it had been felt that there was a significant risk of a sharp FALL in long and short term rates, (e.g. due to a marked increase of risks around relapse into recession or of risks of deflation), then long term borrowings would have been postponed, and potential rescheduling from fixed rate funding into short term borrowing would have been considered.

- if it had been felt that there was a significant risk of a much sharper RISE in long and short term rates than initially expected, perhaps arising from an acceleration in the start date and in the rate of increase in central rates in the USA and UK, an increase in world economic activity or a sudden increase in inflation risks, then the portfolio position would have been re-appraised. Most likely, fixed rate funding would have been drawn whilst interest rates were lower than they were projected to be in the next few years.

7.2.5 Interest rate forecasts expected only gradual rises in medium and longer term fixed borrowing rates during 2019/20 and the two subsequent financial years. Variable, or short-term rates, were expected to be the cheaper form of borrowing over the period.

Link Asset Services Interest Rate View 31.1.20													
	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-21	Sep-21	Dec-21	Mar-22
Bank Rate View	0.75	0.75	0.75	0.75	0.75	1.00	1.00	1.00	1.00	1.25	1.25	1.25	1.25
3 Month LIBID	0.70	0.70	0.80	0.80	0.90	1.00	1.00	1.10	1.20	1.30	1.30	1.30	1.30
6 Month LIBID	0.80	0.80	0.90	1.00	1.00	1.10	1.20	1.30	1.40	1.50	1.50	1.50	1.50
12 Month LIBID	0.90	0.90	1.00	1.10	1.20	1.30	1.40	1.50	1.60	1.70	1.70	1.70	1.70
5yr PWLB Rate	2.30	2.30	2.40	2.40	2.50	2.60	2.70	2.80	2.50	2.60	2.70	2.80	3.10
10yr PWLB Rate	2.50	2.50	2.60	2.60	2.70	2.80	2.90	3.00	2.70	2.80	2.90	3.00	3.30
25yr PWLB Rate	3.00	3.00	3.10	3.20	3.30	3.40	3.50	3.60	3.30	3.40	3.50	3.60	3.90
50yr PWLB Rate	2.90	2.90	3.00	3.10	3.20	3.30	3.40	3.50	3.20	3.30	3.40	3.50	3.80



7.2.6 PWLB rates are based on, and are determined by, gilt (UK Government bonds) yields through H.M. Treasury determining a specified margin to add to gilt yields. There was much speculation during the second half of 2019 that bond markets were in a bubble which was driving bond prices up and yields

down to historically very low levels. The context for that was heightened expectations that the US could have been heading for a recession in 2020, and a general background of a downturn in world economic growth, especially due to fears around the impact of the trade war between the US and China, together with inflation generally at low levels in most countries and expected to remain subdued; these conditions were conducive to very low bond yields. While inflation targeting by the major central banks has been successful over the last 30 years in lowering inflation expectations, the real equilibrium rate for central rates has fallen considerably due to the high level of borrowing by consumers: this means that central banks do not need to raise rates as much now to have a major impact on consumer spending, inflation, etc. This has pulled down the overall level of interest rates and bond yields in financial markets over the last 30 years. We have therefore seen, over the last year, many bond yields up to 10 years in the Eurozone turn negative. In addition, there has, at times, been an inversion of bond yields in the US whereby 10 year yields have fallen below shorter term yields. In the past, this has been a precursor of a recession. The other side of this coin is that bond prices are elevated as investors would be expected to be moving out of riskier assets i.e. shares, in anticipation of a downturn in corporate earnings and so selling out of equities.

7.2.7 Gilt yields were on a generally falling trend during the last year up until the coronavirus crisis hit western economies. Since then, gilt yields have fallen sharply to unprecedented lows as investors have panicked in selling shares in anticipation of impending recessions in western economies, and moved cash into safe haven assets i.e. government bonds. However, major western central banks also started quantitative easing purchases of government bonds which will act to maintain downward pressure on government bond yields at a time when there is going to be a huge and quick expansion of government expenditure financed by issuing government bonds; (this would normally cause bond yields to rise). At the close of the day on 31 March, all gilt yields from 1 to 5 years were between 0.12 – 0.20% while even 25-year yields were at only 0.83%.

7.2.8 However, HM Treasury has imposed **two changes in the margins over gilt yields for PWLB rates** in 2019-20 without any prior warning; the first on 9 October 2019, added an additional 1% margin over gilts to all PWLB rates. That increase was then partially reversed for some forms of borrowing on 11 March 2020, at the same time as the Government announced in the Budget a programme of increased spending on infrastructure expenditure. It also announced that there would be a consultation with local authorities on possibly further amending these margins; this ends on 4 June. It is clear that the Treasury intends to put a stop to local authorities borrowing money from the PWLB to purchase commercial property if the aim is solely to generate an income stream.

7.2.9 Following the changes on 11 March 2020 in margins over gilt yields, the current situation is as follows: -

PWLB Standard Rate is gilt plus 200 basis points (G+200bps)  
PWLB Certainty Rate is gilt plus 180 basis points (G+180bps)

PWLB HRA Standard Rate is gilt plus 100 basis points (G+100bps)  
 PWLB HRA Certainty Rate is gilt plus 80bps (G+80bps)  
 Local Infrastructure Rate is gilt plus 60bps (G+60bps)

7.2.10 There is likely to be little upward movement in PWLB rates over the next two years as it will take national economies a prolonged period to recover all the momentum they will lose in the sharp recession that will be caused during the coronavirus shut down period. Inflation is also likely to be very low during this period and could even turn negative in some major western economies during 2020-21.

## 8. Borrowing Outturn

8.1 **Treasury Borrowing** – breakdown of borrowing at 31<sup>st</sup> March 2020:

Lender	Balance (£'000)	Type	Interest Rate	Maturity
PWLB	8,954	Fixed Rate	2.19%	23 years
Hampshire County Council	3,431	Fixed Rate	0.00%	7 years

8.2 **Borrowing** – Due to sufficient cash balances no new borrowing was undertaken during the year.

8.3 **Borrowing in advance of need** – The Council has not borrowed more than, or in advance of its needs, purely in order to profit from the investment of the extra sums borrowed.

## 9. Investment Outturn

9.1 **Investment Policy** – the Council's investment policy is governed by MHCLG investment guidance, which has been implemented in the annual investment strategy approved by the Council on 28/02/2019. This policy sets out the approach for choosing investment counterparties, and is based on credit ratings provided by the three main credit rating agencies, supplemented by additional market data, (such as rating outlooks, credit default swaps, bank share prices etc.).

9.2 The investment activity during the year conformed to the approved strategy, and the Council had no liquidity difficulties

9.3 **Resources** – the Council's cash balances comprise revenue and capital resources and cash flow monies. The Council's core cash resources comprised as follows:

Balance Sheet Resources	2018/19	2019/20
Balances:	£'000	£'000
Earmark Reserves	(13,682)	(15,730)

Provisions	(334)	(302)
Usable Capital Receipts	(746)	(595)
<b>Total</b>	<b>(14,762)</b>	<b>(16,627)</b>

9.3 **Investments held by the Council** – at the end of the financial year the Council held the funds detailed in 6.3 which were managed internally.

The total investment income for 2019/20 was £334k compared to a budget of £200k.

## 10. Other Issues

10.1 **Non-treasury management investments.** In March 2020 Hart District Council bought an investment property for £6.28m. This will provide a revenue return in 20/21 and in future years to support the budget shortfalls due to ceased central government funding.

10.2 **Counter Party Limits.** The council temporarily extended the counterparty limit to £10m by activating emergency treasury management measures due to receiving significant grants from central government relating to covid-19.

## 11. CONCLUSION

11.1 This report provides Members with information on the level of investment and interest earned during the last financial year and demonstrates the council's compliance with the Treasury Management Strategy.

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## BACKGROUND PAPERS:

APPENDIX 1 - Treasury Management Strategy Statement (Feb 2019)

## Prudential and Treasury Indicators

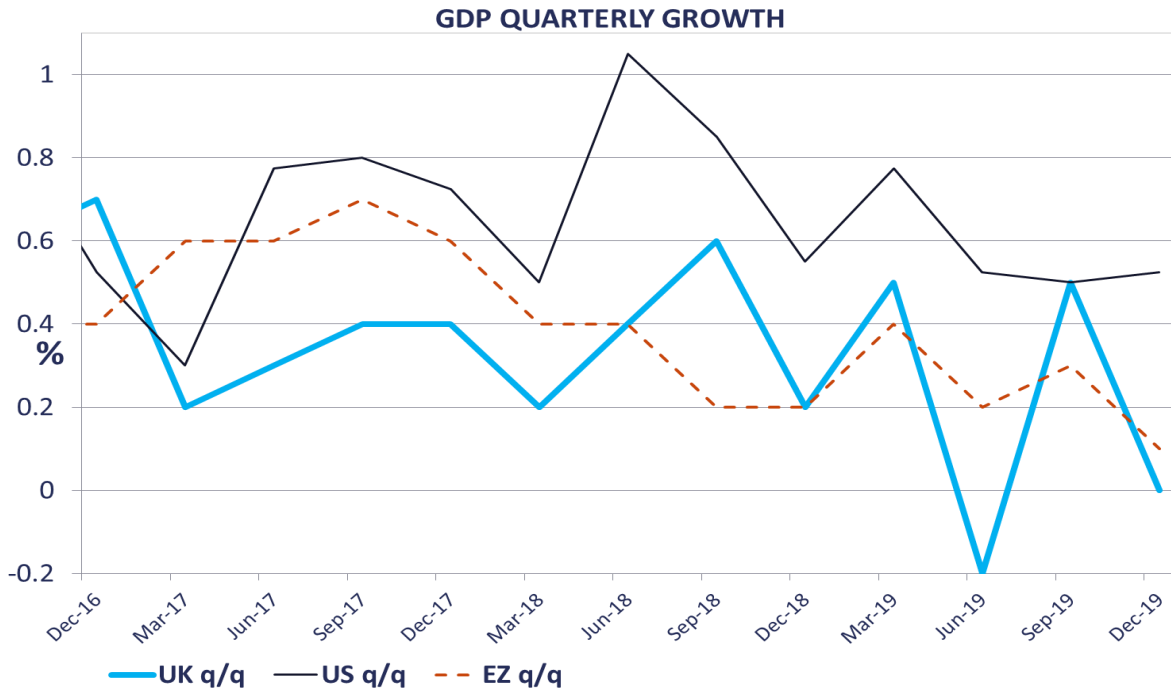
During 2019/20, the Council complied with its legislative and regulatory requirements. The key actual prudential and treasury indicators detailing the impact of capital expenditure activities during the year, with comparators, are as follows:

PRUDENTIAL INDICATORS	2018/19	2019/20	2019/20
	Actual	Original	Actual
	£'000	£'000	£'000
Capital Expenditure	2,383	3,480	9,283
Gross Debt	13,598	12,337	12,385
<b>Capital Financing Requirement (CFR)</b>			
Brought Forward 1 April	21,165	16,263	16,263
Carried Forward 31 March	16,263	23,783	23,405
Change in CFR	(4,902)	7,520	7,142
<b>Incremental impact of capital investment decisions</b>	£ p	£ p	£ p
Increase in council tax (band D) per annum	(3.61)	(5.08)	(3.68)

TREASURY MANAGEMENT INDICATORS	2018/19	2019/20	2019/20
	Actual	Original	Actual
	£'000	£'000	£'000
<b>Authorised Limit for External Debt</b>			
Borrowing	30,000	30,000	30,000
<b>Operational Boundary for External Debt</b>			
Borrowing	25,000	25,000	25,000
<b>Actual External Debt</b>	13,598	12,337	12,385

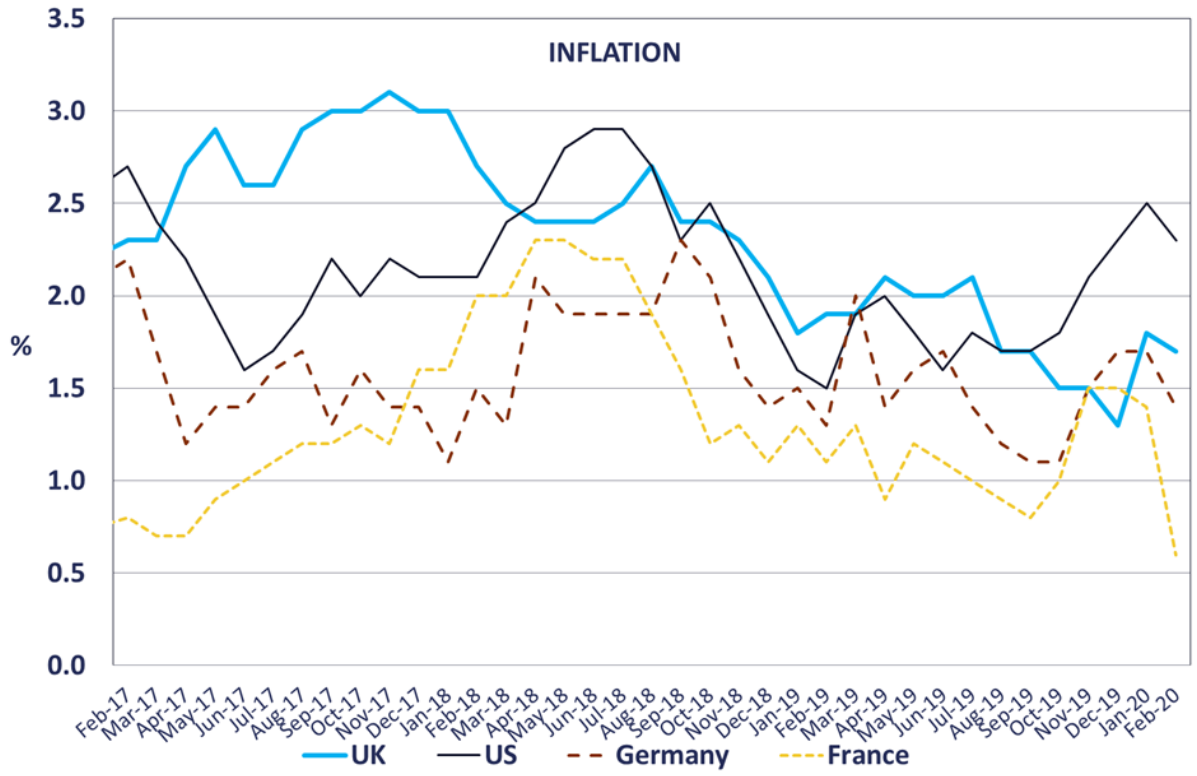
Maturity structure of borrowing during 2019/20	Lower %	Upper %
Under 12 months	0	50
12 months to 2 years	0	50
2 years to 5 years	0	50
5 years to 10 years	0	50
10 years to 20 years	0	50
20 years to 30 years	0	50
30 years to 40 years	0	50
40 years to 50 years	0	50

UK, US and EZ GDP growth



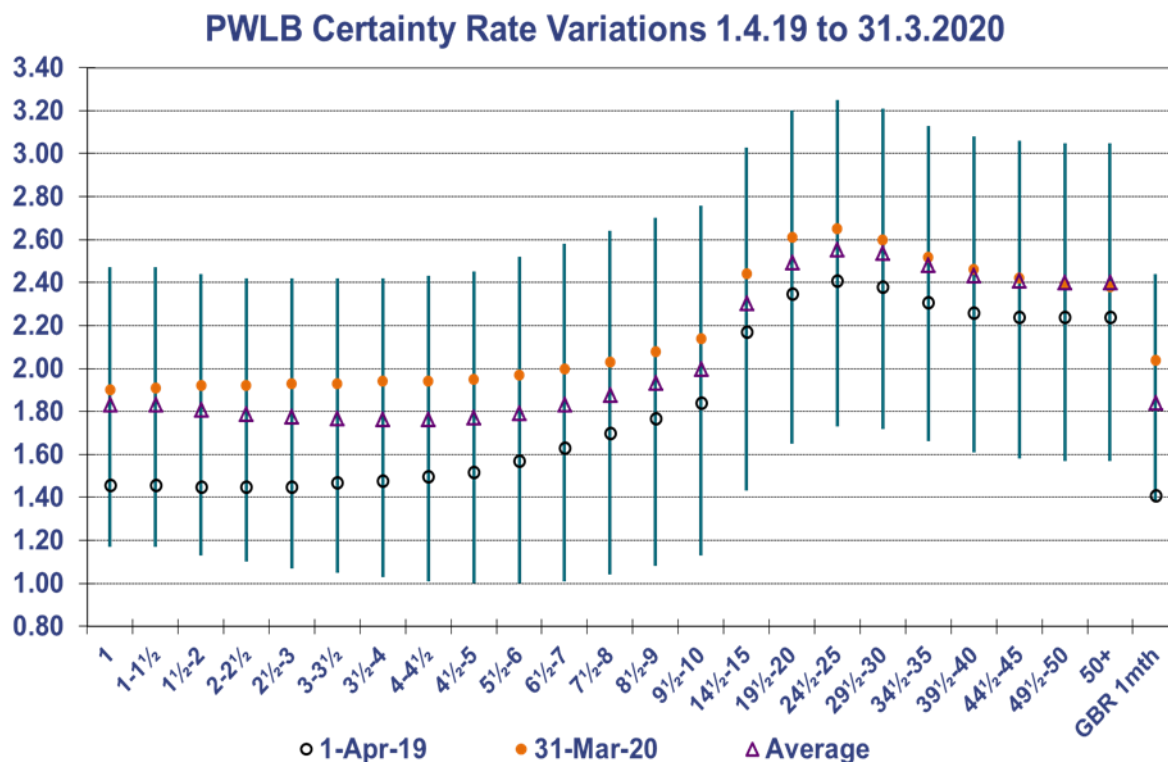
Inflation UK, US, Germany and France





Borrowing and investment rates

a) PWLB borrowing rates



	1 Year	5 Year	10 Year	25 Year	50 Year
01/04/2019	1.46%	1.52%	1.84%	2.41%	2.24%
31/03/2020	1.90%	1.95%	2.14%	2.65%	2.39%
Low	1.17%	1.00%	1.13%	1.73%	1.57%
Date	03/09/2019	08/10/2019	03/09/2019	03/09/2019	03/09/2019
High	2.47%	2.45%	2.76%	3.25%	3.05%
Date	21/10/2019	19/03/2020	19/03/2020	19/03/2020	31/12/2019
Average	1.83%	1.77%	2.00%	2.56%	2.40%

Money Market and investment rates 2019/20.

	1 Year	5 Year	10 Year	25 Year	50 Year
01/04/2019	0.66%	0.72%	1.04%	1.61%	1.44%
31/03/2020	0.10%	0.15%	0.34%	0.85%	0.59%
Low	0.02%	-0.01%	0.08%	0.45%	0.27%
Date	20/03/2020	09/03/2020	09/03/2020	09/03/2020	09/03/2020
High	0.78%	0.93%	1.27%	1.78%	1.61%
Date	15/04/2019	17/04/2019	17/04/2019	17/04/2019	17/04/2019
Average	0.55%	0.49%	0.72%	1.28%	1.12%

## OVERVIEW AND SCRUTINY COMMITTEE

**DATE OF MEETING:** 18 AUGUST 2020

**TITLE OF REPORT:** QUARTER 1 PERFORMANCE REPORT - 2020/21

**Report of:** Joint Chief Executive

**Cabinet member:** Councillor David Neighbour, Leader

### **1 PURPOSE OF REPORT**

- 1.1 To update Committee on the Council's performance indicator results for the first quarter of 2020/2021 (1 April 2020 – 30 June 2020).

### **2 OFFICER RECOMMENDATION**

- 2.1 For any areas of concern,<sup>1</sup> Members recommend action considered necessary; either to the Head of Service responsible for that indicator, or to Cabinet.
- 2.2 For Members to consider revising the focus of performance reporting in light of the revised budget and service plans due in coming months.

### **3 BACKGROUND**

- 3.1 Performance information reports play a key role in ensuring that the Council manages performance effectively across the services it delivers.

### **4 CONSIDERATIONS**

- 4.1 The commencing of the global pandemic prior to the start of this quarter prompted a fundamental reorganisation of the Council's resources. The response focused on maintaining essential Council services, providing support to local businesses, supporting the most vulnerable in our communities and delivering national funding packages.
- 4.2 The Council has had to fundamentally change the way in which it provides its services. The organisation was in essence split between 'Response' and 'Business Continuity'. Up to a third of the staff were reallocated to new roles, at any one time, as new obligations were placed on the Council. All of this occurred during a time when almost all staff were required to work at home, with only a very small number of staff required in the office on a rota basis to support front line response.
- 4.3 As a result, performance reporting as based on pre-pandemic assumptions, has in some cases been impossible as staff have been

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<sup>1</sup> If Members have questions about individual performance information on data they are recommended to ask the respective Heads of Service in advance of the Committee meeting so that a full answer can be provided.

reallocated to other priorities and in others less relevant as the emergency response and business continuity work programmes took sole focus.

- 4.4 As an example of the shift in work demands, Council staff saw a 51% (41,000) increase in the number of emails they dealt with over the three-month period and almost the same number of additional Microsoft Teams meetings/calls (39,500), a 674% increase.
- 4.5 This report therefore looks significantly different from past reports comparing (where possible) against the same period last year and providing commentary on areas that have changed or not been collected.
- 4.6 As the council's response to the ongoing challenge of the pandemic evolves it is recommended that the performance reporting is revisited once the revised budget and service plans have been developed. This will help ensure the focus better fits with the challenges facing the council going forward.

## **5 FINANCIAL IMPLICATIONS**

- 5.1 None identified.

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## **APPENDICES**

Appendix 1 – 2020/21 Quarter 1 performance indicator report

## 2020/21 Quarter 1 performance indicator report

## Corporate Services

KPI	Description	Q1 19/20	Q1 20/21	Trend (+ or -)	Comment
IA01	Percentage of Audit Plan completed during the year	10%	0	-	Audit staff transferred to Business Grants, Council Tax and Business Rates work to enable disbursement of funds
IA04	% of High Risk Audit Recommendations Implemented	88%	n/a	n/a	
CS01	Quality of Customer Service Call Handling - % score from monitoring sample	99%	93%	-	Disruption of waste service collections had a significant impact on call volumes and the ability for the contact centre to be able to retain service levels as did the unprecedented increase in Business Rates enquiries
CS02a	% of telephone calls answered by Contact Centre in 30 seconds	86%	64%	-	
RB05	Percentage of Non-domestic Rates Collected	30.8%	26.4%	-	Demand on the service reached levels not seen before as new processes had to be created to allow for over £13.8 million in grants to be disbursed by the team. Council Tax saw benefits claimant numbers increase by roughly 100% in March April and May.
RB06	% of Council Tax collected	29.8%	28.4%	-	
IT05	% uptime of key systems	100%	100%	n/a	The Council's IT infrastructure was relatively well prepared for remote working. Core challenge for the IT service has been provision of remote access to legacy systems and equipment to enable home-working on a large scale.
IT06	% uptime of Hart DC website	100%	100%	n/a	

## Community Services

KPI	Description	Q1 19/20	Q1 20/21	Trend (+ or -)	Comment
H02	Number of applicants for whom homelessness is relieved	7	-	+	The Housing team have assisted 32 people who were homeless or rough sleeping in the months since 23 March
H03	Number of applicants owed the full housing duty	1	-	-	
H04	Households living in Temporary Accommodation	20	-	-	
H06	Number of families in B&B for more than 6 weeks	1	0	+	All tenants moved out of B&B accommodation before government guidance on requiring this came into force.
H08a	Number of Properties advertised	60	-	+	Advertising of Housing association properties were continued to ensure minimal disruption to the flow of support for those in housing need
H10	Number of gross affordable homes delivered (Values are cumulative)	8	-		Delays to many projects as construction industry adjusts to covid secure requirements, but works have generally continued.
H11	Number of energy efficiency measures installed (Values are cumulative)	1	0	-	No MWG for energy efficiency measures installed during this period

H15	Number of Hart residents assisted into employment or training each year through the skills café	6	n/a		Service provision redesigned to provide a virtual skills café that relaunch at the start of May
H16	Disabled Facilities Grant spend against budget	19%	7%	-	Exact figure may change once finance figures updated
H17	Number of gypsy / traveller illegal encampments	4	0	+	

**Environmental & Technical Services**

KPI	Description	Q1 19/20	Q1 20/21	Trend (+ or -)	Comment
ET03	Number of Green Flags held	3	3	n/a	Team sought to ensure minimal closures to sites to provide open space opportunities for people to exercise during lockdown through signage, monitoring and guidance. Only the internal grazing areas within the Elvetham Heath Nature Reserve needed to close due to the high volume of traffic and the lack of options to create a feasible one way route.
ET04	Number of complaints received for Street Cleaning	16	-		Street care teams focused on emptying litter bins, litter picking and clearing fly-tips,
ET05	Number complaints received for Grounds Maintenance	30	-		Grounds Maintenance teams had to move to a slightly reduced rota to maintain social distancing

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ET06	Number of missed collections excluding garden waste (per 100,000)	26	-		
ET07	Number of missed garden waste collections (per 100,000)	196	-		Garden Waste service halted initially as social distancing and staff levels dropped, but services were resumed in June
ET08	Overall cost of waste per household	£19.00	£19.00		
ET09	Total recycling rate	45.49%	-		
ET10	Carbon footprint for Council operations	<i>Not yet available</i>	<i>Not yet available</i>		Climate Change action plan review recommenced in June
ET11	Number of hours of CCTV camera downtime per month	11	-		
ET12	Number of hours of litter enforcement work carried out per month	113	-		



## Place Services

KPI	Description	Q1 19/20	Q1 20/21	Trend (+ or -)	Comment
R01	% of proactive inspections (including food, health and safety, animal welfare and licenced premises) completed within prescribed time	96%	0		Not doing inspections during COVID
R02	% of Environmental Health complaints (including noise, public health, food) responded on time	94%			
R07	Major development application decisions made within the statutory determination period	50%			
R08	Non-major development application decisions made within the statutory determination period	76%			
R09	Other application decisions made within the statutory determination period	82%			
R11	% of Tree Preservation works applications determined within eight weeks	90%			

R12	Number of fly-tipping enforcement actions	5		
R13	Number of fly-tipping complaints received by service	29		

## Service Level Agreement Performance

### Voluntary sector service level agreements (Quarter 1)

During the Covid-19 crisis, our grant funded voluntary sector partners have worked tirelessly to ensure Hart residents continue to receive the support they need. They have done this by adapting existing services where possible to offer remote/virtual support and establishing new provision to meet needs arising from the pandemic.

**Hart Voluntary Action's** core activity (interaction with the VCS and volunteer brokerage) was almost completely diverted to Covid-19 response during Qtr 1 with c. 700 people being individually checked or brought under our umbrella as Covid-19 Volunteers, and c. 460 volunteer/client matches made between April and June through the Hart Response Hub. Hart Health Walks was the only activity which stopped completely, with all other services adapting their delivery to meet social distancing and lockdown requirements eg youth counselling switching to online/telephone sessions, and young carers clubs taking place via Zoom.

**Fleet Phoenix** group activities were not able to continue during Qtr 1, however, the service offered one-to-one meetings alongside virtual meetings to support young people. The charity established a food and essentials distribution service for Hart residents of all ages, primarily those who were isolating at home and did not have family who could support with this. Fleet Phoenix helped to supply to 591 Adults, 562 Children and also gave out 229 craft kits and delivered 1,143 hot meals.

**Citizens Advice Hart** rapidly adapted their provision to continue to support residents via telephone and email with volunteers operating from home. 820 clients were supported including one quarter of clients supported with Universal Credit issues, 162 with employment issues and 161 with other benefit and tax credit issues. The service experienced a reduction in active volunteers during the lockdown due to some volunteers not having access to an appropriate space or equipment in their home environment. Despite this the service was able to meet 80% of the level of demand seen in Qtr 1 of 2019 with 50% fewer volunteers.

**Inclusion Hampshire** continued to provide access to lessons, materials and emotional and practical support to all learners – albeit remotely. In April Inclusion Hampshire was awarded the Carnegie Centre of Excellence 'School Mental Health Award' at Gold Status to recognise the work undertaken to promote and develop mental health and wellbeing throughout their organisation.

## OVERVIEW AND SCRUTINY

<b>DATE OF MEETING:</b>	<b>18 AUGUST 2020</b>
<b>TITLE OF REPORT:</b>	<b>THE ESTABLISHMENT OF A CORPORATE VEHICLE FOR PROPERTY HOLDING PURPOSES</b>
<b>Report of:</b>	<b>JOINT CHIEF EXECUTIVE</b>
<b>Cabinet member:</b>	<b>Councillor Radley</b>

### 1 PURPOSE OF THE REPORT

- 1.1 To recommend in principle the creation of a local authority company to allow commercial trading in property. The objective is to have a flexible corporate vehicle into which residential and commercial property may be transferred and held for investment purposes.

### 2 RECOMMENDATIONS

- 2.1 Overview and Scrutiny Committee is asked to support the following proposed officer recommendation to Cabinet:
- a) Cabinet agrees in principle to the establishment of a company which would be limited by shares and owned wholly by the Council.
  - b) Cabinet agrees to a further report to be brought forward at the earliest opportunity outlining proposed governance and board membership arrangements, and articles of association for the company before any trading activity commences.

### 3 BACKGROUND

- 3.1 In 2018 the Council agreed a 'strategic business case' for progressing the Commercialisation project across the Council. Three key themes were agreed one of which was to increase income broadly via asset based investments with the objective being to secure long term additional income returns rather than capital growth. At the same time the Council set an overall budget of £50m to fund the procurement of revenue generating assets. Pursuant to this the Council has sought to develop a mixed portfolio comprising: The Pavillion Office in Eastleigh and in 2021 it will take possession of 41 flats for affordable rent at Edenbrook.

### 4 THE REASON FOR THIS REPORT

- 4.1 Local authorities have a range of powers to acquire property that can be operated on a commercial basis and the Council already has the ability to trade without needing to start a wholly owned Company. However, if a local authority acquires a residential property and then lets the property, the

residential tenant will effectively become, by default, a protected tenant – i.e. they will have enhanced rights of occupation and over time potentially acquire the right-to-buy. Local authorities, cannot, except in very rare circumstances grant assured short-hold tenancies. If such provisions were maintained it would undermine the purpose for which the Council has sought to base its commercialisation strategy and to procure residential properties.

- 4.2 To protect the Council's objective to retain long term income streams rather than capital growth, the tried and tested solution is to set up a separate legal entity (a Local Authority Trading Company) into which the properties are transferred and held. Many authorities have established similar such entities with the Company being wholly owned by the Council with the Council as the single shareholder. Such arrangements puts the Council in total control over the operations of the Company.

## **5 THE PROPOSAL**

- 5.1 It is intended that a trading company is established immediately so that trading activity can commence at the beginning of the next financial year (2021/2022) with the Council taking possession (at the end of April 2021) of the 41 flats at Edenbrook. At the same time the The Pavillion Office at Eastleigh would also be transferred to the new company.
- 5.2 In terms of process the Local Government Act 2003 requires a full business case to be approved before trading commences. At this stage, this report is simply intended to establish the principles of trading and the company itself with potential governance structures, board membership details and business case information provided in a further report to Cabinet.
- 5.3 The final governance arrangements for the Company will require careful consideration. By way of principle it is often recommended that any directors be formed of Council officers (Southampton City Council's trading company is a local example). Ultimately it will be matter for the Council whether elected members are also appointed as directors. There are however, two key issues to be considered. The first is the practical disadvantage in that elected members are likely, at times, to find themselves in a conflict situation through both being an elected member of the Council as well as a company director, which brings with it a personal legal duty to act in the best interests of Company. The second more practical concern is the relatively more transient nature of Member's tenure in Office or in their respective roles at the Council – this may give rise to the question of the longevity of individual Member's tenure as a Director. It is not something that should be determined on an annual basis.

## **6 LEGAL AND STATUTORY IMPLICATIONS**

- 6.1 There are a number of legal and statutory implications which the council needs to be aware of in regards to establishing a wholly owned company for trading purposes. Legal advice has therefore been sought about how the Council should go about setting up a trading company and this advice is attached as a Confidential appendix to this report.

## **7 RESOURCES**

- 7.1 There are no additional resource requirements to deliver this programme of work in setting up the trading company. All activity within the company will fully recover costs. The proposal itself is intended to develop new income streams for the council. There will however be a small cost in setting up the company and in complying with the regulatory framework for limited companies but that can be reourced through existing budgets.
- 7.2 The council must recover the full cost of any accommodation, goods, services, employees or anything else it supplies to the company in pursuance of any agreement or arrangement to facilitate the power to trade. The majority of this will be accommodated within the hourly rate charged between the council and the company.
- 7.3 One of the specific reasons behind the formation of the trading company is to help secure additional income which will help support the core functions of the council in the longer term. Any commercial activity comes with a degree of financial risk and needs to be managed and understood.
- 7.4 At this stage it is only the principle of the company formation that needs to be agreed, the approval process of the detailed business plans will identify the financial risks and potential returns in more detail.
- 7.5 The company will operate using existing council staff and where appropriate other external resources rather than having directly employed members of staff.
- 7.6 The recharging of staff time from the company to the council provides a mechanism to ensure that the full costs are applied to the company and that there are no issues around "state aid" or uncompetitive practises being used.

## **8 MAJOR RISKS**

- 8.1 The operational risks associated with setting up a local authority trading company are more around the financial returns and the ability of the business to deliver the expected benefits.

- 8.2 The detailed business case for the company will contain a risk assessment with details of the risks that have been identified and what mitigation action has been or will be taken to minimise that risk. The financial risk is considered to be limited given the scale and nature of the business during the initial business plan period.
- 8.3 Overall it is considered that the risk associated with the actual formation of the company is low and that the trading activities and resultant impact on the council will be beneficial.

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**CONFIDENTIAL Appendix 1** - Advice on the establishment of a corporate vehicle for property holding purposes (Freeth's Solicitors)

By virtue of paragraph(s) 1, 3 of Part 1 of Schedule 12A  
of the Local Government Act 1972.

Document is Exempt from Publication



**OVERVIEW AND SCRUTINY COMMITTEE WORK PROGRAMME – Aug 2020**

Issue and Description of Topic	Current Position Objective	Original Due Date	Revised Due Date	Resources Required	Contact	* This item may contain Exempt Information
<b>Treasury Management Outturn</b>	Annual report on outturn.	Aug 20		Report	Head of Corporate	
<b>2019/20 Revenue and Capital Outturn</b>	Annual report on outturn.	Aug 20		Report	Head of Corporate	
<b>Ombudsman Annual Review letter</b>	To receive complaints statistics forwarded by the Ombudsman.	Aug 20		Agenda note only	Joint Chief Executive	
<b>Performance Information</b>	Quarterly highlight reports.	Aug 20 Nov 20 Feb 21		Report	Performance and Innovation Officer	
<b>Budget Monitoring – to reflect COVID19 impacts</b>	Update on budget to reflect COVID-19 impacts.	Aug 20	Sep 20	Report	Head of Corporate Services	
<b>Service Plans 2020/2021</b>	To make recommendations on final 2020/2021 Service Plans once Council's COVID-19 budget position is established.	Sep 20		Report	Joint Chief Executive	

<b>Corporate Risk Management Report</b>	Half-yearly update on corporate risk profile.	Sep 20		Report	Audit Manager	
<b>5 Councils (5Cs) contract – Accountancy and HR</b>	Review the success of Accountancy and HR transfer out of the 5Cs Contract.	Sep 20		Report	Joint Chief Executive	
<b>Digital Update</b>	To include Modern.gov	Sep 20		Report	Digitalisation Manager	
<b>Resourcing Implications</b>	Virtual vs Blended Meetings.	Sep 20		Report		
<b>Flooding</b>	Update from twice yearly meeting of Agencies and Parish Flood Forums.	Oct 20		Minutes of meeting only	Head of Environment & Technical	
<b>Commercialisation Strategy – review of improving efficiency of services, decreasing current or future costs</b>	Review the current position with regard to the improving efficiency of services, decreasing current or future costs e.g. through digitalisation and demand reduction (Portfolio Holder for Digitalisation to be invited to attend).	Oct 20	Oct 20	Report	Change and Digital Manager	*
<b>Commercialisation Strategy – review of assets-based procurement process.</b>	Review the processes for the procurement of assets-based investment (Portfolio Holder for Commercialisation to be invited to attend).	Jan 20	Nov 20	Report	Commercial & Projects Manager	
<b>Medium Term Financial Strategy</b>	Annual report setting out the Council's Medium-Term Financial Strategy position, prior to consideration by Cabinet.	Nov 20		Report	Head of Corporate	
<b>Treasury Management 2020/21</b>	To consider a Half Year review report on Treasury Management Strategy 2020/21 prior to consideration by Cabinet.	Nov 20		Report	Head of Corporate	

<b>Quarterly Budget Monitoring</b>	Quarterly update on budget position.	Nov 20 Feb 21		Report	Head of Corporate Services	
<b>Capital Strategy, Treasury Management Strategy Statement and Asset Management Plan</b>	To comment on the annual report setting out the future Capital Strategy, Treasury Management Strategy Statement and Asset Management Plan, prior to consideration by Cabinet.	Annual	Jan 21	Report	Head of Corporate	
<b>Draft Budget</b>	To make comments on the draft 2021/22 Budget prior to consideration by Cabinet.	Annual	Jan 21	Report	Head of Corporate	
<b>Car Parking Charges</b>		July 20	Jan 21	Report		
<b>Waste Management Contract</b>		July 20	Jan 21	Report		
<b>Service Plans</b>	To make recommendations to draft 2021/22 Service Plans prior to consideration by Cabinet.	Annual	Mar 21	Report	Joint Chief Executive	
<b>Chairman's Annual Review of the Work of the Committee.</b>	To consider the Chairman's draft report to Annual Council on a review of the work carried out in the past year by Overview and Scrutiny Committee.	Annual	April 21	Report	Chairman of Overview & scrutiny Committee.	
<b>Update on Corporate Peer Review further to revisit of LGA</b>	To consider the outcomes of the revisit of the LGA, prior to consideration by Cabinet.	Dec 19	TBC	Report	Joint Chief Executive	
<b>Heads of Service Attendance</b>	Once a quarter the respective Heads of Service (in rotation) each be invited to attend Committee to update on				Heads of Service	

	performance, targets, and delivery against Service Plans. Aug - Head of Corporate Sep – Head of Community Oct – Head of Environmental & Technical Nov - Head of Place					
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\* **This item may contain Exempt Information** - Regulation 5 of the Local Authority (Executive Arrangements) (Meetings and Access to Information) (England) Regulations 2012