Public Document Pack

## NOTICE OF MEETING

| | |
|---|---|
| **Meeting:** | **Cabinet** |
| **Date and Time:** | **Thursday, 4th February, 2021 and 7.00 pm** |
| **Place:** | **Council Chamber** |
| **Telephone Enquiries to:** | **Helen Vincent**<br>**committeeservices@hart.gov.uk** |
| **Members:** | **Ambler, Bailey, Cockarill, Kinnell, Neighbour, Oliver, Quarterman and Radley** |


Joint Chief Executive

CIVIC OFFICES, HARLINGTON WAY
FLEET, HAMPSHIRE GU51 4AE


# 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 Meetings) (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 any such prohibition or restriction has no effect.**

**This Agenda and associated appendices are provided in electronic form only and are published in Council meetings**

**1 MINUTES OF THE PREVIOUS MEETING** 4 - 8

The minutes of the meeting held on 7 January 2021 are attached for confirmation and signature as a current record.

**2 APOLOGIES FOR ABSENCE**

**3 DECLARATIONS OF INTEREST**

To declare disclosable pecuniary or any other interests.

**4 CHAIRMAN'S ANNOUNCEMENTS**

**5 PUBLIC PARTICIPATION (ITEMS PERTAINING TO THE AGENDA)**

**6 CIVIC REGENERATION WORKING GROUP MINUTES** 9 - 11

Minutes of the meeting held on 5 January 2021 to be noted.

**7 CIVIC REGENERATION WORKING GROUP** 12 - 22

Following the Working Group (WG) update report of 20 October 2020, this report provides an update regarding progress of the Civic Quarter regeneration project. This report of the WG outlines progress made to date (with reference to previous updates), work undertaken, findings and recommendations for next steps.

**8 DRAFT BUDGET 2021/22** 23 - 36

This report provides a summary of the revenue and capital budget proposals for 2021/2022 to enable Cabinet to recommend to Council its proposed draft budget and Council Tax levels. The report also includes the statutory statement of the Head of Corporate Services (Section 151 Officer) to Council on the robustness of the estimates and adequacy of reserves.

This proposed budget references numbers included in the provisional finance settlement for 2021/2022 which was published on December 17th 2020. The final settlement is expected in late January or early February 2021. If any further changes are received a verbal update will be provided at the meeting.

It is important to note that the Government’s multi-year Spending Review, due in 2019 was once again replaced by a short-term Spending Round. What this means is that, in substance, any budget to be proposed will only be for one-year only. No figures have been made available for local government funding beyond 2021/22, either nationally or locally. This report therefore cannot give any realistic projection for 2022/2023, however indicative budget requirements have been entered.

**Date of Publication:** **27 January 2021**

**CABINET**

**Date and Time:** **Thursday 7 January 2021 at 7.00 pm**

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

**Present:**

Ambler, Bailey, Cockarill, Kinnell, Neighbour, Oliver, Quarterman and Radley

**In attendance:** Axam, Forster, Kennett and Smith

**Officers:** Elson, Foy, Hughes, Phillips, Sheppard, Tetlow and Vincent

## 79 MINUTES OF THE PREVIOUS MEETING

The minutes of 3 December 2020 were agreed and confirmed and signed as a correct record.

## 80 APOLOGIES FOR ABSENCE

None received.

## 81 DECLARATIONS OF INTEREST

None declared.

## 82 CHAIRMAN'S ANNOUNCEMENTS

The Chairman informed Members of Emergency Decisions taken this month in light of the most recent Lockdown.

1. Front line reception at the Council Offices are now closed and communication has been put on the website advising residents.

2. Redeploying staff to Covid-19 Response.

3. Re-allocation of the Audit Team to work on the Business Grant Scheme.

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

None.

## 84 MINUTES FROM CIVIC REGENERATION WORKING GROUP

The minutes of the meeting of 1 December 2020 were noted.

## 85 MINUTES FROM CLIMATE CHANGE WORKING GROUP

The minutes of the meeting held on 7 December 2020 were noted.

## 86 2020-21 BUDGET MONITORING - POSITION STATEMENT AT 31 OCTOBER 2020 FOLLOWING LOCKDOWN 2.0

Members were advised of the position on revenue expenditure as an additional report following Lockdown 2.0. It was important that during these unprecedented times Members were regularly informed of significant changes to expenditure on a timely basis which may be outside the standard quarterly budget reporting cycle.

It was explained that Officers are doing diligent work on the year-end figures which are still being revised. The Finance Team are working hard at allocating additional funds and Cabinet will need to look at making cost savings for 2021-2022 due to reduction in Government funding because of COVID-19 and our level of earmarked reserves will alleviate some of the deficit. Members were advised that the Overview & Scrutiny January Committee meeting will discuss the options for future savings.

**DECISION**

That the revised projections and reasons for the main revenue variations be noted.

## 87 UPDATE ON BUSINESS RATES GRANTS SCHEMES LOCKDOWN 2.0

Cabinet received an update on the process and performance regarding the two Lockdown 2.0 Business Rates Grant Schemes that the Council has implemented during December 2020, and an update on the additional schemes that Hart District Council will be required to administer and deliver over the coming months.

Councillor Radley, thanked Ms Foy, Head of Corporate Services and the Finance Team for their hard work helping the businesses in our Community to receive business grant funds from newly setup Government schemes.

Members were advised of the different schemes accepting claims and further additional discretionary schemes that commenced on 26th December and from the 5th January 2021, offering further support for organisations who have been severely impacted. CAB.35

It was suggested not enough information is available in regard to a statement of schemes available to businesses in our Community and information on how to make an application should be better communicated to make the process easier for future claims.

**DECISION**

That the report be noted.

## 88 COUNCIL TAX BASE 2021/22

Cabinet were asked to accept the Local Council Tax base for 2021/2022 for onward recommendation to Council.

Members were informed:

- The reason why a number of houses in several Parishes had gone down slightly is partially due to new developments not being fully delivered and partly occupied properties.

- The historical figure and calculation of uncollected tax payments of 1.3% is still tracking at the same level even during the pandemic.

**RECOMMENDATION to Council**

That in accordance with the Local Authorities (Calculation of Tax Base) Regulations 2012, the amount calculated by Hart District Council as its council tax base for the 2021/22 year shall be set at 41,175.55.

## 89 FLEET POND GREEN CORRIDOR

Cabinet were asked for approval to release funding subject to planning permission and tenders being received within budget. Members were advised that the scope for works tendered is exactly the same as was considered previously and reported. A Planning Application for the entire scheme is currently being submitted.

**DECISION**

That funding allocated within the Council's capital programme be released to deliver the Fleet Pond Green Corridor subject to planning permission being granted and the successful tender being within the approved budget.

## 90 NEXT STEPS IN COVID-19 RECOVERY

Cabinet were updated on the Council's work to support the recovery phase since the last report in October, in response to the outbreak of Coronavirus (COVID-19). It was important to note that the situation remains live as the pandemic continued. CAB.36

Members were informed that the Council has moved from the COVID-19 Recovery phase back to the response phase. Subsequent to this paper and moving into Lockdown 3.0, this has resulted in resources being reallocated back into the response phase to support our Community and the recovery programme has been impacted.

Members questioned the Recovery Plan and were informed that all statutory services the Council provides to residents are running and working effectively.

Additional roles are being undertaken and a clearer picture of business continuity plans will be available next week.

Members discussed:

- Economic Dashboards will be made clearer to the public on our website and to highlight a central database of businesses open during Lockdown.
- The financial and resourcing impact from the outcome of these plans and the possibility of backfilling with agency staff.
- Extending delivery dates presenting more flexibility and resilience for the recovery plan.
- Finances involved with re-allocation of the Fleet Road space resource to be incorporated back into the normal working element.
- Fleet Road enhanced cycle provision to be rolled into the Green Grid Project and M3 LEP funding for delivery of this project to be given in a written response to be provided by the Chief Executive.

**DECISION**

1 That the updates on the Recovery Plan be noted.

2 All decisions regarding resourcing shortages to be considered by the Chief Executives at time critical of each element of our plan and responses.

## 91 CABINET WORK PROGRAMME

The Cabinet Work Programme was considered and amended.

## 92 EXCLUSION OF THE PUBLIC

Members agreed that the public interest in maintaining an exemption outweighed the public interest in disclosing the information.

In accordance with Section 100A(4) of the Local Government Act 1972, the public be excluded during the discussion of the matters referred to, on the grounds that they involved the likely disclosure of exempt information, as defined in paragraphs 1 and 2 of Part 1 of Schedule 12A of the Act, and the public interest in maintaining the exemption outweighed the public interest in disclosing the information.

## 93 HART DISTRICT COUNCIL LEISURE CONTRACT - COVID 19

Members were invited to consider the current position with the current agreement regarding management fee relief to be extended up to the 31st March 2021 and to recognise the financial implications for Everyone Active due to enforced closure of both the Hart and Frogmore Leisure Centres during 2021.

Members considered the paper and agreed the recommendations.

## 94 CORPORATE VEHICLE FOR PROPERTY HOLDING PURPOSES

This report outlined the principle of the creation of a wholly owned company limited by shares to hold and maintain residential assets procured by the Council for commercial return purposes.

(Council Radley left at 9.15pm and returned at 9.16pm during this item)

**RECOMMENDATION to Council**

Cabinet agreed to recommend to Council in January the following:

(A) Approve the establishment of a Council owned housing limited by Shares to hold and deliver housing and meet the Council's objectives for the housing company as set out in the report. (Section 5)

(B) Agree that on incorporation of the company, the appointments set out below in Section 6 (The Governance structure) take place. Any future appointments are to be made by Cabinet.

(C) Accept the recommendation (Section 7) approving the holding vehicle procurement rules.

(D) Authorise the Joint Chief Executive in consultation with the Leader, and the Chairman of Overview and Scrutiny Committee and the Section 151 Officer to establish the housing company and complete the relevant paperwork and documents as required.

(E) Confirm that, subject to availability, the company be incorporated as 'Hart Homes Limited'.

The meeting closed at 9.28 pm

**Civic Campus Regeneration Working Group**

**Minutes**

**05 January 2021 – 11:00**

**Virtual Teams Call**

**Attendees**

Cllr Richard Quarterman
Cllr Anne Crampton
Cllr Chris Dorn
Cllr Wendy Makepeace-Browne
Cllr David Neighbour
Cllr James Radley (joined at 12noon)
Patricia Hughes
Mark Jaggard
Emma Foy (joined 11.30am)
Glyn Lloyd
Celia Wood (notes)

| | |
|---|---|
| Cllr Bob Schofield | Fleet Town Council |
| Phil Bowden | HCC |
| Chris Jelliffe | HCC |
| Olivia Paine | HLM Architects |
| Simon Hope | Montagu Evans |
| David Milner | Create Streets |
| Nicholas Boys-Smith | Create Streets |

Apologies: Samantha Whiting (HCC)

| 1 | **Welcome from the Chairman** | **RQ** |
|---|---|---|
| | The Chair opened the meeting and wished the WG a Happy New Year – reminding the group that the latest restrictions will be a challenge, but we hope to continue the work of this group as best as possible. | |
| **2** | **WG open discussion on updated Create Streets advice document** | **GL/DM** |
| | The Group focused on the updated public engagement document circulated to the Group by Create Streets.<br><br>The group were reminded that at the last meeting the level of detail of questions was discussed deciding on a lighter touch rather than in depth detail. | |

A progress update to the Overview and Scrutiny Committee will be delivered on 19 January: the WG discussed the potential direction for that report and were updated following the previous WG meeting:

DM (Create Streets) - in response to the previous WG meeting, the following has been changed/added:

- replaced the 'dislike' option with 'like' and 'needs improvement'
- added text re 'wider dreams for Fleet town centre'
- added more places on the list of what is important to give an updated list of 3 choices to go down.

The WG discussed the suggested questions on the Create Streets Community Engagement document:

- The need to decide what is expected from the survey and to build the key questions that will provide answers to what is important and why. More work to be done on that.
- Sought clarification on the process of building the detail in the questions.

DM advised the WG this is a 2-stage process:

1 - A listening exercise asking a small amount of questions to engage the highest amount of people that will help the design teams to understand what places and uses are important to the area to be developed - this in turn helps the design team to think about structure and design and form of the area.
2 - The information gathered is analysed (Create Streets can do this). The data can then inform an initial design that can be referred to for options to be offered to the Public for opinion. As the list of questions develops to a potential agreement, this document will be subject to approval of the WG Members.

The WG also discussed the potential for the project to evolve in terms of scope. PH advised that any expansion of the scope of the project and reach of the WG would require approval from Cabinet under the Terms of Reference for the Working Group.

Create Streets advised the WG to engage earlier rather than later. Set the brief, think of it as engagement rather than consultation.

| | | |
|---|---|---|
| | The WG wish to start a conversation on what is important to the public in terms of place and uses on the site, rather than focusing on what is already there.<br><br>The Group also discussed:<br>• the need to be clear from the start where it has control and act as a catalyst to keep within the scope.<br>• Methods of getting the survey circulated and how that will work during the current and ongoing lockdown. Suggestions were for the voluntary and Parish groups plus the local business community to be involved. Timings will have to be considered.<br>• Members will review and agree the questions, format of engagement and the various channels for engaging with the Community. | |
| **3** | **WG to discuss and decide on one of the following to inform O&S paper:** | **ALL** |
| | The WG discussed the preferred routes for the update to go to the O&S Committee: The options are:<br><br>a. WG continue work and prior to engaging with the public.<br>b. WG work continues but focuses on commencing public engagement as soon as possible (date TBC).<br>c. WG refer public engagement decision for O&S comment and Cabinet decision.<br><br>The elected members at the meeting voted a majority for (b). Cllr Radley was not present at that time to voice his opinion, but this will be shared with elected members of the WG when received. | **GL** |
| **4** | **AOB** | |
| | None. | |
| | **Meeting ended at 11.40am** | |

**CABINET**

**DATE OF MEETING:** **4 FEBRUARY 2021**

**TITLE OF REPORT:** **CIVIC QUARTER REGENERATION - UPDATE**

**Report of:** **JOINT CHIEF EXECUTIVE**

**Cabinet member:** **Councillor Quarterman**

## 1 PURPOSE OF THE REPORT

1.1 Following the Working Group (WG) update report of 20 October 2020 (Paper E), this report provides an update regarding progress of the Civic Quarter regeneration project. This report of the WG outlines progress made to date (with reference to previous updates), work undertaken, findings and recommendation for next steps.

## 2 RECOMMENDATIONS

2.1 Cabinet is asked to note the advice provided by Create Streets, attached at Appendix 1, regarding the proposed public engagement strategy. Officers are working to refine the potential questions and to provide context for the public as to the reasons why the WG wish to engage.

2.2 The WG have discussed the public engagement stage at the recent meeting on 5 January 2021, and members approved the continuation of the public engagement work as soon as possible. This is subject to agreement of engagement questions by the WG members. As set out in the Civic Campus Regeneration Terms of Reference, the site is defined as the land currently owned by the Council, ownership map attached at Appendix 2. However, the WG note any potential redevelopment will be considered alongside its position with the town and any potential impact on Fleet town as a whole.

## 3 BACKGROUND

3.1 The Hart District Corporate Plan 2017-2022, which was subject to public consultation ahead of adoption in January 2018 includes a requirement for the Council to become a more efficient and effective Council. Within this it specifically identifies

- Maximising income opportunities, and identifying new opportunities for income generation
- Maximising Council income through effective asset management and collection services

Specifically in relation to the Civic campus, it also includes a priority to

- Work with Fleet Town Council to deliver a new or refurbished Harlington

3.2 The Civic campus represents the largest opportunity to the Council to maximise income through effective asset management.

3.3 In August 2019, Cabinet approved the setting up of a cross party Cabinet WG to investigate potential redevelopment options of the Civic Campus site. The Fleet Neighbourhood Plan (adopted Nov 2019) was stated as a key reference document and a draft list of stakeholders was approved also.

## 4 PROGRESS TO DATE

4.1 As a Cabinet Working Group, all Agendas and Minutes are reported to Cabinet at the meeting following the WG meeting. The Commercialisation manager provided a verbal update at the 20 October 2020 O&S meeting (Paper E). Following that update, the WG have made the following progress post 20 October 2020.

| Date | Comment |
|---|---|
| 20 October 2020 | • CM provided update to Overview & Scrutiny panel |
| November 2020 | • WG to consider advisory team ideas of opportunities the site may offer<br>• Draft engagement strategy was presented by Create Streets and reviewed by WG |
| December 2020 | • WG discussed updated draft engagement strategy |
| January 2021 | • WG meeting on 5th January 2020 discussed the draft engagement options. The WG members voted in favour of progressing the public engagement as soon as possible.<br>• The real estate advisors have produced draft financial feasibility study (currently being reviewed by WG members). An executive summary will also be produced and circulated to WG members.<br>• The findings conclude there are potential viable options but subject to numerous assumptions. The viability is conditional upon successful negotiation of the HCC library and Harlington elements of the project. |

## 5 COMMUNITY ENGAGEMENT STRATEGY

5.1 Engaging with the Community is a key element to the successful delivery of a regeneration scheme for a core Council owned site in Fleet. Community engagement is a process which will likely incorporate numerous opportunities for residents to engage with surveys, Q&A sessions and feedback on potential designs.

5.2 As part of the tender process carried out from March – July 2020, the WG received proposals on community engagement advice / strategies, which form a key part of the regeneration process. After review of the tender responses, the WG decided to include community engagement advice from the outset and appointed Create Streets Ltd (CS) to join the WG meetings and act as advisor.

5.3 The advice provided by Create Streets dated December 2020 is attached at Appendix 1. The advice is to engage with Hart residents with a two-stage approach as follows:

1) Stage 1 – an early listening exercise to provide context and inform the public on the project
2) Stage 2 – A preference survey to select between a number of design options.

5.4 The WG are not in a position to commence Stage 2 yet. During the WG meeting on 5th Jan 2020, Members and stakeholders discussed the numerous options available regarding public engagement. WG Members agreed that public engagement should commence as soon as possible, employing Option 2 as advised by Create Streets. The WG will finalise the content and the approach of the engagement at the next WG meeting (Tues 2nd Feb 2021).

5.5 The WG also wish to note that Create Streets have advised the best platform to employ the engagement strategies is via digital technology. The chosen survey method will be hosted by Create Streets on their own designed platform. The WG intend to send this link on social media outlets such as: Hart District Council website; social media channels such as Facebook, Twitter and LinkedIn; utilising strong networks from the local Parish Council(s) and the wider business community via the Councils' Communications and Economic Development service lines.

## 6 FINANCE & RESOURCE IMPLICATIONS

6.1 The WG carried out a tender process for Surveying & Architectural services from March – July 2020 which culminated in virtual interviews of the shortlisted providers.

6.2 The WG appointed Montagu Evans and HLM Architects with detailed specific targets being a feasibility report; outline business cases and site use design options. The WG decided to appoint Create Streets on a monthly consultancy basis with their ongoing remit being a critical friend of any surveying or architectural advice and providing their own independent advice on pathways to community engagement.

6.3 Costs incurred to date up to the end of December 2020:

| Service | Company | Amount (£) |
|---|---|---|
| Architecture & Surveying advice | HLM Architects<br>Montagu Evans | £47,000 |
| Community engagement advice | Create Streets | £7,500 |
| | | |
| **Total** | | **£54,500** |

6.4 At this stage, the WG have not taken into account any resource costs for hard copy 'postal' engagement of the listening exercise. However, a guide cost for the production of a letter and postal via Royal Mail district wide is £6,500. The WG recognise that some residents will not have access to digital services. The WG have agreed that the proposed engagement project will be District wide.

## 7 TIMING

7.1 The table below details the WG expected next steps. The workstreams below can be run in tandem and the WG anticipate the next phase of work, post public engagement, to last in the region of 4 – 8 months in total.

| Item | Proposed Workstream | Resourcing | Timescales |
|---|---|---|---|
| 1 | • Workplace review of HDC offices.<br>• Assess Council office requirement | • In house<br>• Property Consultant<br>• Architect<br>• Quantity Surveyor | 2 months |
| 2 | • Soft market test public / private sector interest<br>• Test public partnerships including Library<br>• Soft market test residential option for PD scheme | • In house<br>• Property Consultant | 3 months |
| 3 | • Cost review of HDC office options and appraisals | • Property Consultant<br>• Quantity Surveyor | 3 months |
| 4 | • Test Harlington business case inc social value and economic impact outputs | • Architect<br>• Theatre specialist<br>• Focus on future proofing & affordability | 3 months |
| 5 | • HDC to engage officially with HCC to establish basis and future of Library | • HDC team lead<br>• Property Consultant | 3 months |

| | | | |
|---|---|---|---|
| 6 | • Hold off developing masterplan designs until items 1-5 completed | | |
| 7 | • Public consultation Stage 2 | • External consultant | 3-6 months |
| 8 | • Review options<br>• Rescore following public feedback | | |

7.2 At this stage the WG have not requested fee quotations for the next steps above. The WG note the excellent work to date of the project team.

## 8 SUMMARY

8.1 This report of the WG concludes the initial stage 1 of this exciting project. The WG have remained focussed on the key themes of creating a vibrant, engaging place for all to use.

**Contact Details:** Glyn Lloyd: glyn.lloyd@hart.gov.uk

**APPENDICES**
Appendix 1 – Create Streets - Community engagement options December 2020
Appendix 2 – Civic Quarter Ownership Map

CREATE streets

# Civic Quarter Regeneration, Fleet, Hampshire

*Community engagement options December 2020*

This note sets out three community engagement options for the working group to consider. It has also been updated following feedback on 1st Dec 2020. We understand there is support for a two-stage engagement process, i) an early listening exercise to begin to build genuine public support for the scheme and to feed ideas into the design process, and ii) a preference survey to select between a number of design options. This note focusses on that first stage early listening exercise to build awareness of the scheme and genuinely involve the community in the design process. The three options are;

- Option one: Non-visual survey;
- Option two: Listening exercise and visual survey (*our recommended option*); and
- Option three: Detailed visual survey.

## Option one: Non-visual survey

The non-visual survey will provide a detailed set of questions tailored towards certain areas within the Civic Quarter.

*Platform.* A non-visual Google Form could be used for this survey.

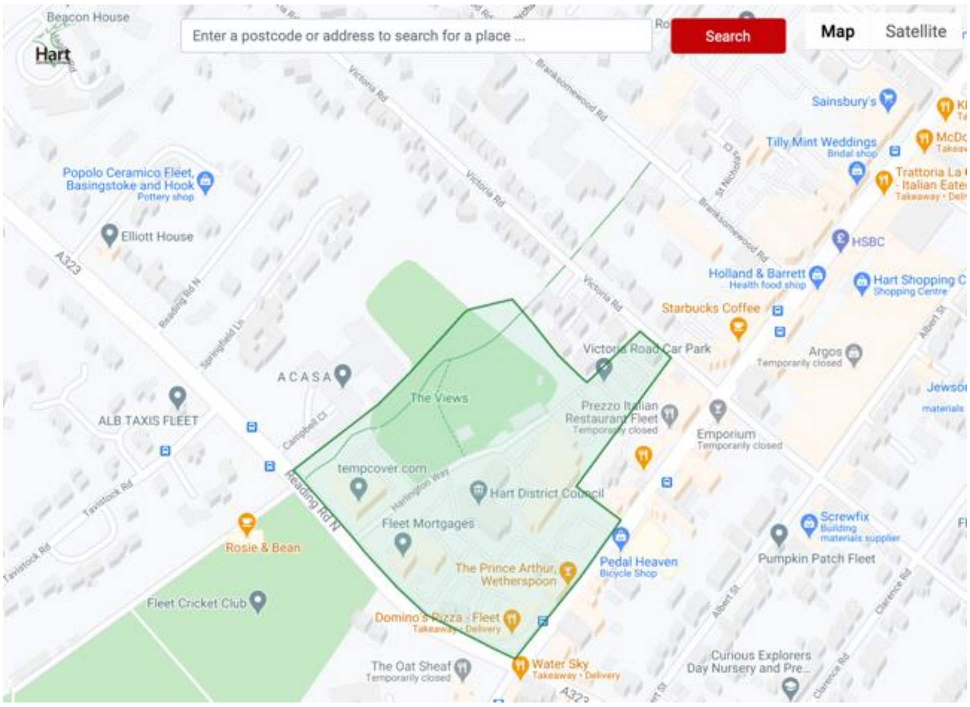
| Potential Question | Style of question |
|---|---|
| Please tell us how you feel about the following areas within the Civic Quarter? | Needs improvement/ Like<br>• Gurkha Square<br>• Gurkha Square Memorial<br>• Fleet Library<br>• HDC Offices<br>• The Harlington<br>• The Views<br>• Victoria Road Car Park<br>• The route through to the views<br>• Other |
| What specifically do you like or want to see improved here? | Open text box |
| Please rank in order of importance the following options? | Ranking options<br>• Gurkha Square<br>• Gurkha Square Memorial<br>• Fleet Library<br>• HDC Offices<br>• The Harlington<br>• The Views<br>• Victoria Road Car Park<br>• The route through to the views<br>• Other |
| Which of these places or buildings would you most like to see improved? | Ranking options<br>• Gurkha Square<br>• Gurkha Square Memorial<br>• Fleet Library |

| | |
|---|---|
| | • HDC Offices<br>• The Harlington<br>• The Views<br>• Victoria Road Car Park<br>• The route through to the views<br>• Other |
| What specifically would you like to see improved about them? | Open text box |
| What are your wider dreams for the Civic Quarter? | Open text box |

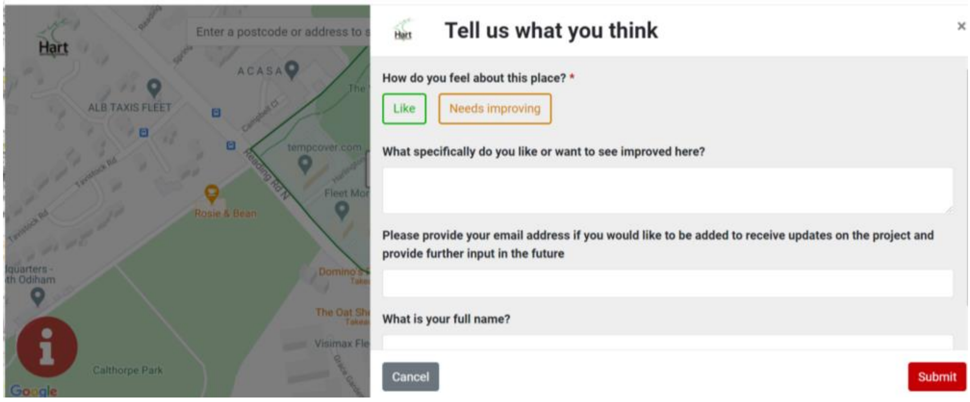
**Option two: Listening exercise and visual survey**

*This is our recommended option*. This initial engagement survey would form a first phase of the community engagement.

*Platform.* Our Create Communities platform could be used at no extra cost. The visual platform uses an interactive map allowing members of the public to have their say on a specific area, good bad or indifferent and provide specific comments based on this location.




*Example of the Create Communities platform. The boundary is indicative at this stage.*



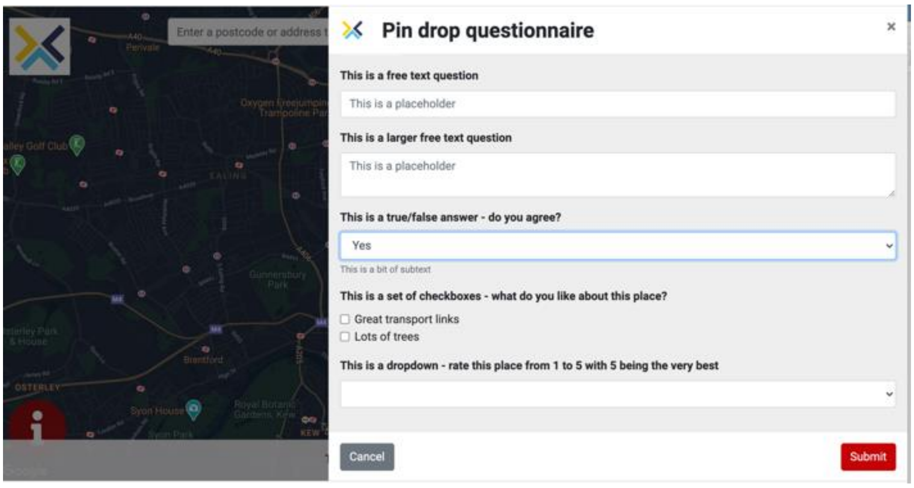

*Example of potential questions – we recommend not more than 4 or 5 questions*

| Potential Question | Style of question |
|---|---|
| How do you feel about this place? | Like / Needs improvement |
| What specifically do you like or want to see improved here? | Open text box |
| In Fleet Civic Quarter which of these buildings or places are important to you? | Tick box options<br>• Gurkha Square<br>• Gurkha Square Memorial<br>• Fleet Library<br>• HDC Offices<br>• The Harlington<br>• Victoria Road Car Park<br>• The Views Park<br>• The route through to The Views Park<br>• Other |
| What are your wider dreams for the Civic Quarter? | Open text box |
| What are your wider dreams for regeneration in Fleet Town Centre? | Open text box |

**Option three: Detailed visual survey**

Similar to the second option although this option would involve more detailed questions.

*Platform.* Our Create Communities platform could be used with no extra cost, allowing members of the public to have their say on a specific area, good bad or indifferent.




*An example of a more detailed approach to questions*

| Potential Question | Style of question |
|---|---|
| How do you feel about this place? | Colour code preference |
| What specifically do you like or dislike about this location? | Open text box |
| In Fleet Civic Quarter which of these buildings or places are important to you? | Tick box options<br>• Gurkha Square<br>• Gurkha Square Memorial<br>• Fleet Library<br>• HDC Offices<br>• The Harlington<br>• Victoria Road Car Park<br>• The Views Park<br>• The route through to The Views Park<br>• Other |
| Which of the options would you most like to see improved? | Tick box options<br>• Gurkha Square<br>• Gurkha Square Memorial<br>• Fleet Library<br>• HDC Offices<br>• The Harlington<br>• The Views Park<br>• Victoria Road Car Park<br>• Other |
| What specifically would you like to see improved about them? | Open text box |
| What are your wider dreams for the Civic Quarter? | Open text box |

CREATE streets

## Our recommendation

We would recommend that *option two* is the better route at this stage for 3 key reasons

- The use of the Create Communities platform will assist in reaching a wider and varied demographic.
- The neutral set of questions will allow members of the public to freely and openly contribute to the future of the Civic Quarter.
- The shorter list of questions will help maximise the number of responses.

## Potential next steps

Once agreed on the approach, a Civic Quarter Create Communities map will be created and run over a period of one - two months. All data will be tracked and collated by Create Streets. Once the exercise is complete, we can then analyse the results and produce a short note on;

1. The current perception of places people like or dislike on the Civic Quarter site;
2. The most important buildings or places within the Civic Quarter site;
3. Specific ideas for improvements on the site;
4. Specific reasons why buildings or places are valued; and
5. Wider ambitions for the Civic Quarter site.

* * *

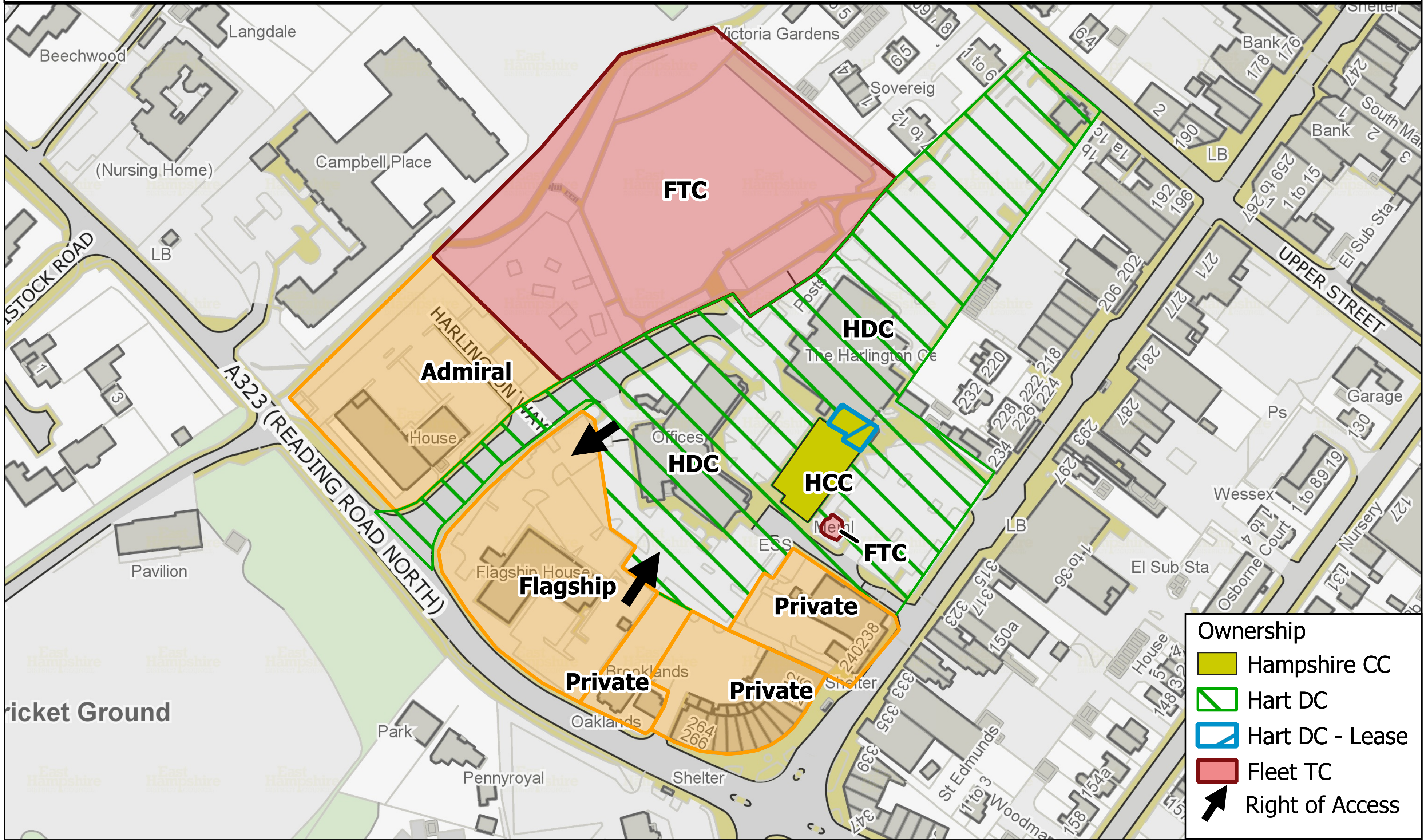
I hope this is helpful and we look forward to discussing.

With very best wishes,

David Milner
**Projects Director, CREATE Streets**

# Civic Quarter Ownership Map

PAPER C - Appendix 2




0 10 20 30 40 50 m

Map scale 1:2000

**CABINET**

**DATE OF MEETING:** **4 FEBRUARY 2021**

**TITLE OF REPORT:** **DRAFT BUDGET 2021/2022**

**Report of:** **Head of Corporate Services**

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

## 1 PURPOSE OF REPORT

1.1 This report provides a summary of the revenue and capital budget proposals for 2021/2022 to enable Cabinet to recommend to Council its proposed draft budget and Council Tax levels. The report also includes the statutory statement of the Head of Corporate Services (Section 151 Officer) to Council on the robustness of the estimates and adequacy of reserves.

1.2 This proposed budget references numbers included in the provisional finance settlement for 2021/2022 which was published on December 17th 2020. The final settlement is expected in late January or early February 2021. If any further changes are received a verbal update will be provided at the meeting.

1.3 It is important to note that the Government's multi-year Spending Review, due in 2019 was once again replaced by a short-term Spending Round. What this means is that, in substance, any budget to be proposed will only be for one-year only. No figures have been made available for local government funding beyond 2021/22, either nationally or locally. This report therefore cannot give any realistic projection for 2022/2023, however indicative budget requirements have been entered.

## 2 RECOMMENDATION to Council

2.1 That the level of Council Tax for 2021/22 be increased by £5 (2.9%) and set at £181.84 for a band D property.

2.2 That the summary revenue budget for 2021/22 as set out in paragraph 12 of this report be approved.

2.3 That the capital programme for 2021/22 as detailed in Appendix 1 be approved.

2.4 That no changes be made to the Council Tax Support Scheme for 2021/22 but that a full review of this takes place and is reported to Council in September 2021.

## 3 BACKGROUND INFORMATION

3.1 The Government postponed the Spending Review due in 2019 and once again published a short-term (one-year) Spending Round. This is the second consecutive one-year settlement necessitated this year by the Covid-19 pandemic, following on from last year's Brexit general election.

**Summary of the Government's Provisional Financial Settlement: 2021/22:**

- a uniform percentage increase in 2020-21 Revenue Support Grant (RSG) allocations, based on the change in the Consumer Price Index (CPI)
- a freeze in Baseline Funding Levels (BFLs) at 2020-21 levels, to match the freeze in the business rates multiplier
- an increase in section 31 grant for the under-indexation of the multiplier, to compensate for the freeze in the business rates multiplier
- eliminating so-called 'negative RSG', through the use of forgone business rates receipts.
- a bespoke council tax referendum principle of up to 2% or £5, whichever is higher, for shire district councils
- a new round of NHB payments in 2021-22, which will not attract new legacy payments
- allocation of a new Lower Tier Services Grant

3.2 The Government has promised once the pandemic is over to revisit the priorities for reform of the local government finance system.

## 4 COUNCIL TAX

4.1 The Government anticipates, as in previous years, that local authorities such as Hart will increase council tax in 2021/2022 by a core principle of up to 2% or £5 on a Band D property. Any higher rise will require holding a local referendum. Consequently, the budget proposals included in this report assume a £5 increase in 2021/2022. The financial effect of this increase is to add approximately £205k annually to income. The Government has incorporated the full increase as an assumption in Local Authorities' increase in spending power.

## 5 NEW HOMES BONUS (NHB)

5.1 NHB is a grant paid by central government to local councils to reflect and incentivise housing growth in their areas. It is based on the amount of extra Council Tax revenue raised for **new**-build **homes**, conversions and long-term empty **homes** brought back into use. There is also an extra payment for providing affordable homes. The Council relies heavily on funding from NHB with approximately 25% of the net revenue budget being funded by NHB in 2020/2021.

5.2 In 2019, the Government said that in 2020 it would consult on an alternative to the NHB. The intention is to move to a new, more targeted approach that rewards local authorities where they are ambitions in delivering needed homes. The Government is clearly has not had an opportunity to move that initiative forward, but it has taken an interim decision to extend NHB for one more year but with no legacy payments. The loss of the legacy payments has had a significant effect on the amount of grant the Council will now receive from NHB.

5.3 The Financial Settlement proposes that Hart will receive £1.847 million in NHB in 2021/22, a reduction of £0.503 million. The NHB, if retained, is likely to further reduce in 2022/23.

5.4 There is, therefore, a significant future risk to the Council and whilst the Government has said that it will consult on replacements for NHB in 2021 there is absolutely no certainty as to what this could look like. It also cannot be assumed that any alternative to NHB will be as generous as the original NHB scheme.

## 6 LOWER TIER SETTLEMENT GRANT

6.3 The 2020/21 Finance Settlement introduced an un-ringfenced lower tier services grant, which is to be used specifically to ensure that no council sees a reduction in core spending power because of the NHB changes. This funding is in response to "*the current exceptional circumstances and is a one-off*". The increase in spending power relies on Local Government increasing Council Tax by the core principle of up to 2% or £5 on a Band D property.

6.4 The Financial Settlement proposes that Hart will receive £0.1839 million in Lower Tier Settlement Grant in 2021/22. This will reduce the impact in the reduction in NHB from £0.503 million to £0.319 million.

## 7 COUNCIL TAX SUPPORT SCHEME

7.1 Since 2013, local authorities in England have been responsible for running their own local schemes for help with council tax - Council Tax Support. Councils can choose to either reduce the discount paid to working age claimants or find income to make up the reduction. The Council has always agreed not to reduce the discount (benefits) paid to such claimants but to fund the cost from the revenue account. There are no proposals to change the arrangement for 2021/22, however a detailed review of this scheme must be commissioned to take place in early 2021/22 to inform future years.

## 8 FEES AND CHARGES

8.1 In setting charges, all relevant government guidance is followed. In general, fees and charges will aim to recover the full cost of services except where this is prevented by legislation, market conditions or where alternative arrangements have been expressly agreed by Council.

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

- **Car Parking** - charges have remained the same in the majority of cases with the following summary exceptions. Full details can be found in the appendix
    - Long term parking – 10 hours plus – increase of £1
    - Quarterly parking permits increased with compensatory decrease in Annual parking permits
    - 2 hour parking in Birchayes reduced from £2 to £1
    - Short time parking in Hook – charge removed.

- Residents Parking Permits
    - Annual Fleet and Hartley Wintney – increase - £15
    - 2nd Household Permit – decrease = £40
- Visitors Parking Permits
    - 2 weeks Fleet & Hartley Wintney – increase - £6
    - 1 day scratch card – increase - £0.50
    - Dispensations – increase - £10
    - Exemptions – increase £10

- **Council Accommodation**
    - The hiring of Council Rooms has been increased.
        - For example, the day time hiring of the Council Chamber has increased from £44.50 per hour to £50 per hour.

- **Democratic Services**
    - Charges for agendas, minutes etc for council meetings have been removed as they are free to download from the Council website.

- **Waste Collection**
    - Annual Green waste collection charges have increased as follows:
        - 140 litre Wheeled Bin Green Waste Collection – increase - £3
        - 140 litre Wheeled Bin Green Waste Collection concessions – increase - £3
        - 240 litre Wheeled Bin Green Waste Collection– increase - £4
        - 240 litre Wheeled Bin Green Waste Collection concessions– increase - £3

In all other cases, where the Council has flexibility in setting fees and charges, the general intention is to increase them by inflation (0.5%), or the nearest £, unless any individual scheme of delegation allows flexibility to set specific fees and charges.

## 9 GROWTH AND SAVINGS INCLUDED IN BUDGET

9.1 An incremental approach to the budget is being followed in building this budget. It includes identifying areas for further savings, as well as any opportunities to secure new sources of income.

9.2 Section 12.1 below shows the current pressure for movement of budgets between 2020/2021 and 2021/2022. In light of current risks, the details of any budget movements are still being evaluated and will be refined further before final consideration by Cabinet.

9.3 However, the following areas represent some of the more significant and ongoing cost pressures:

- Contract changes; insourcing services can bring initial increased costs in earlier years. £140K
- Recyclate income reduction from Hampshire County Council £250K
- Risks in decreased income caused by the Pandemic due to likelihood in full income recovery during early months of 2021-22 - £220K

9.4 A combination of reduced income and increased cost pressures have left the Council with an anticipated budget deficit for 2021/22 of £381K and, in 2022/23 a further deficit of £1,018K. The 2022/23 deficit is both structural and significant and the current lack of commercial opportunities coming forward requires the Council carries out a root and branch review of income and expenditure which will require Members to take difficult decisions to prioritise available budget in future years. It is essential that expenditure decisions for future years are made by Period 5 of 2021/22 to allow plans to be implemented to deliver savings in 2022/23.

## 10 OUTTURN BUDGET FOR 2020/2021

10.1 The outturn budget is expected to be in deficit in 2020/2021. This is due to the loss in income plus an increase in expenditure in response to the COVID-19 pandemic.

10.2 Significant income will be lost in 2020/21 primarily in Parking and Leisure. The Government partly compensates for this loss. The loss is estimated to be £1.7m.

10.3 Additional spending has also been necessary to support the community, employees, and the workplace during the pandemic. The additional expenditure is likely to be c.£500K.

10.4 These pressures are tempered by savings in staff vacancies, travel and expenses plus Government support grants – c. £500K.

10.5 Some of the above losses are expected to be mitigated by both use of reserves and Central Government subsidies to counteract the direct effects of Covid-19 on Council income and expenditure. The Council has also scaled back expenditure where possible. Officers currently estimate a deficit on outturn of between £500K and £600K and a verbal update will be provided at the meeting.

## 11 CAPITAL PROGRAMME

11.1 The proposed 2021/2022 Capital Programme is attached as Appendix 1.

## 12 DRAFT BUDGET 2020/2001

12.1 The table below summarises the draft budget for 2021/2022 compared to the approved (revised) 2020/2021 budget

| | 2020/2021 | 2021/2022 | |
|---|---|---|---|
| | **Budget** | **Draft** | |
| | £000 | £000 | |
| Net Service Budget | 9,174 | 10,536 | |
| SANG Expenditure | 258 | 258 | Funded from allocated S106 receipts |
| **Cost of Service** | **9,432** | **10,794** | |
| Debt Interest | 12 | 12 | |
| MRP | 469 | 406 | |
| New Homes Bonus | -2,377 | -1,847 | Provisional Local Government Settlement |
| Lower Tier Services Grant | | -200 | Provisional Local Government Settlement |
| Pressures | 1,218 | 610 | Change programme variables |
| **Net Expenditure** | **8,754** | **9,776** | |
| | | | |
| **Financed by** | | | |
| Council Tax | -7269 | -7,487 | Provisional Local Government Settlement maximum increase |
| Business Rates Retained | -1,297 | -1,400 | Provisional Local Government Settlement |
| Collection Fund – CT Surplus | -31 | | Collection Fund estimate |
| Collection Fund – NNDR Deficit | 154 | | Collection Fund estimate |
| S106 receipts | -53 | -53 | Allocation as per approved expenditure |
| SANG receipts | -258 | -258 | Allocation as per approved expenditure |
| Commercial Income | | -196 | |
| **Total Financing** | **-8,754** | **-9,395** | |
| Funding from General Fund | | 381 | Balancing of Budget |

12.2 The major revenue funding risks and decisions looking beyond 2021/22 to be considered to ensure financial sustainability:

**Funding Risks**

- Spending Review 2021 – may reduce the totality of local government funding
- Fair Funding Review – risk of losing further central government funding as it is distributed elsewhere
- Changes to New Homes Bonus
- Changes to 75% business rates retention from 2022/2023
- General delays and uncertainty on future funding caused by Covid-19
- Uncertainty over future Planning Fee income (this will inevitably fluctuate)
- Concerns in delivering previously estimated levels of Commercial Income.

12.3 Major changes in spending in service areas have been provided at Appendix 2.

## 13 ROBUSTNESS OF ESTIMATES AND ADEQUACY OF RESERVES

13.1 Section 25 of the Local Government Act 2003 requires the Chief Financial Officer to report on the robustness of the estimates and the adequacy of proposed financial reserves.

13.2 The budget has been constructed following a detailed and robust process involving budget holders, finance staff, the leadership team and Members. Account has been taken of identified financial issues and pressures and realistic budget assumptions have been made and key risks identified. Service changes and savings options have been considered by Heads of Service and Members through the service review process.

13.3 Budget risks are managed throughout the year by a comprehensive budget monitoring process, which acts as an early warning of budget issues allowing corrective action to be taken, and via the general fund reserve.

13.4 The Council has limited reserves available to it. The General Fund balance stood at £6.8m at 31st March 2020. The current year outturn projections and proposed budget for 2021/22 may decrease this by up to £500K.

13.5 The S151 Officer considers that the projected General Fund balance is adequate to help manage the 2020/21 budget risks. While the use of the General Fund balance is for financing unplanned one-off costs and does not underwrite on-going expenditure, the level of the General Fund balance does provide a buffer against the uncertainty of future central government funding.

## 14 COMMENTS OF THE MONITORING OFFICER

14.1 This report recommends the adoption of a lawful budget and the level of Council Tax for 2021/2022. It also outlines the Council's current and anticipated financial circumstances, including matters relating to capital expenditure and resources.

14.2 The setting of the Budget and Council Tax by Members involves their consideration of choices. No genuine or reasonable options should be dismissed out-of-hand and Members must bear in mind their fiduciary duty to the council taxpayers of Hart.

14.3 Members must have adequate evidence on which to base their decisions on the level and quality at which services should be provided. Where a service is provided pursuant to a statutory duty, it would not be lawful to fail to discharge it properly or abandon it. Where there is discretion as to how it is to be discharged, that discretion should be exercised reasonably. Where a service is derived from a statutory power and is in itself discretionary that discretion should be exercised reasonably.

14.4 Should Members wish to make additions or reductions to the budget, on which no information is given in the report before Members, they should present sufficient information on the justification for and consequences of their proposals to enable the Council to arrive at a reasonable decision on them.

14.5 The report sets out the relevant considerations for Members to consider during their deliberations and members are reminded of the need to ignore irrelevant considerations. Members have a duty to seek to ensure that the Council acts lawfully. They are under an obligation to produce a balanced budget and must not knowingly budget for a deficit. Members must not come to a decision which no reasonable authority could come to; balancing the nature, quality and level of services which they consider should be provided, against the costs of providing such services.

14.6 **Members are also reminded of Section 106 of the Local Government and Finance Act 1992 which prohibits any Member, who has not paid for at least two months his/her Council Tax when it became due, from voting on setting the Budget and Council Tax.**

**CONTACT:** Emma Foy, Head of Corporate Services x4207, email: emma.foy@hart.gov.uk

**APPENDICES:**
Appendix 1 – Capital programme 2021/2022
Appendix 2 – Budget Change analysis appendix.

**Appendix 1 -** Capital programme 2021/2022

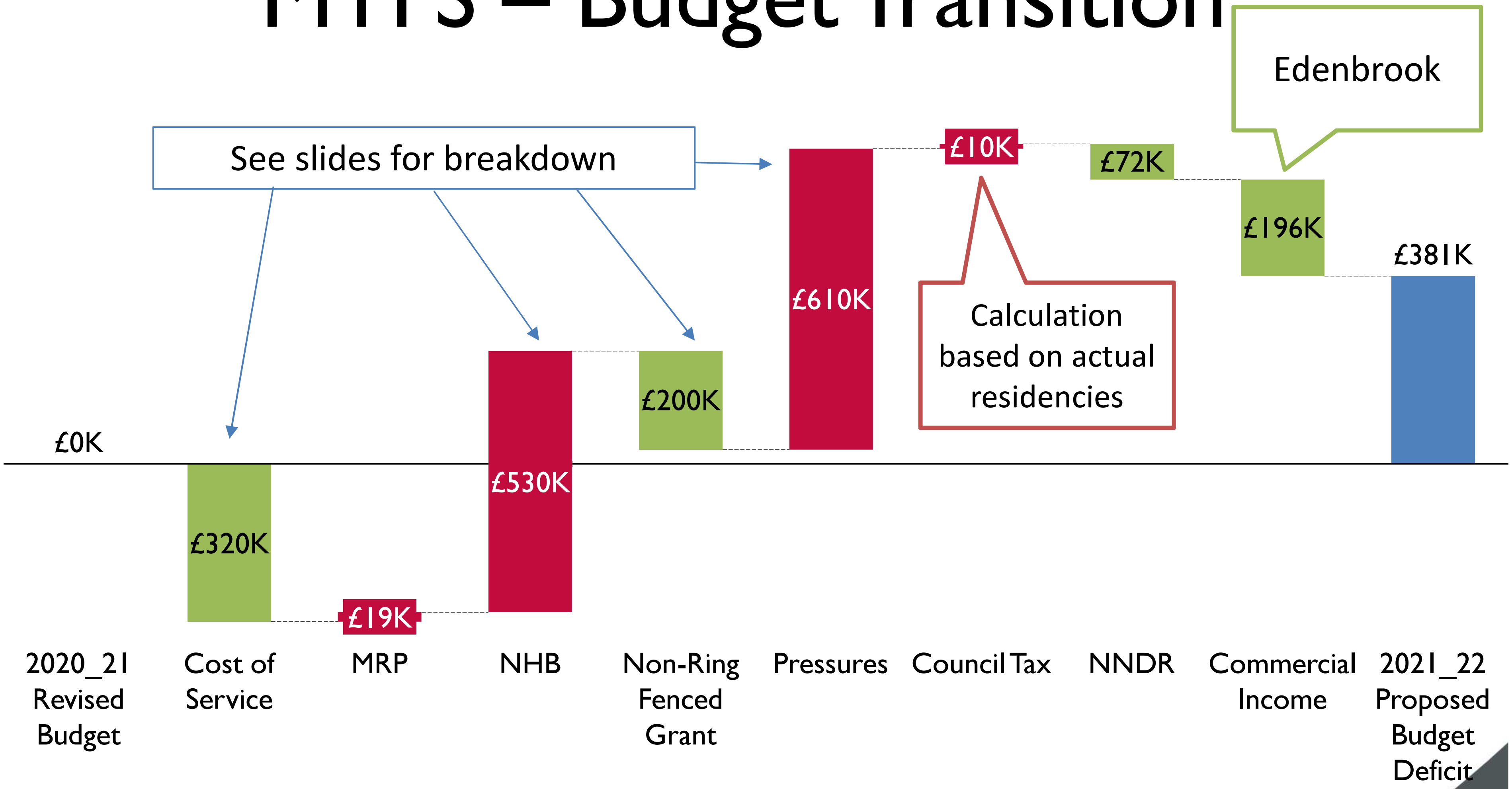
**Capital Programme 2021-2022**

| **Service Area and Description** | **2021/22 Budget requested £'000** | **2022/23 Estimate £'000** | **2023/24 £'000** | **Source of Funding** |
|---|---|---|---|---|
| Upgrade of Checkpoint Firewall | 20 | 0 | 0 | Digital Transformation Reserve |
| Upgrade of Backup solution | 15 | 0 | 0 | Digital Transformation Reserve |
| Warranty for laptops | 10 | 0 | 0 | Digital Transformation Reserve |
| Server Infrastructure refresh | 20 | 0 | 0 | Digital Transformation Reserve |
| Edenbrook apartments final payment | 6,800 | 0 | 0 | PWLB External Borrowing |
| **Total Corporate Services** | **6,865** | **0** | **0** | |
| Disabled Facilities Grant | 500 | 500 | 500 | Grant – Better Care Fund |
| **Total Community Services** | **500** | **500** | **500** | |
| Fleet Pond - Visitor Enhancement | 75 | 31 | | S106 |
| Fleet Pond - Fencing | 21 | | | Capital receipts reserve |
| Fleet Pond - Ecology | 25 | | | S106 |
| Hazeley Heath - Grazing Project | 50 | | | S106 |
| Hazeley Heath - Notice Boards / HW improvements | 27 | | | S106 |
| Hazeley Heath - Access Improvements | | 10 | | S106 |
| HW Central Common - Access Improvements | 80 | | | S106 |
| Edenbrook - Play Tree | 30 | | | SANGs |
| Edenbrook - Visitor Improvements | 20 | | | S106 |
| Edenbrook - History Walk | 20 | | | SANGs |
| Edenbrook - Skate park and Bike Track | 165 | | | S106 |
| Edenbrook - Teen Health | | 65 | | S106 |
| Edenbrook Community Garden | 120 | | | S106 |
| Bramshot Farm - Capital | 150 | 145 | 500 | LEP Grant (SANGs) |
| Fleet Pond - Access Track | 110 | | | S106 |
| EV Chargers | 82 | | | Capital Receipts Reserve |
| New Tractor | 25 | | | TBA SANGs |
| New Bailer | 20 | | | TBA SANGs |
| **Total Environmental and Technical** | **1,020** | **251** | **500** | |
| **Council Totals** | **8,385** | **751** | **1,000** | |

# Budget 2021_22

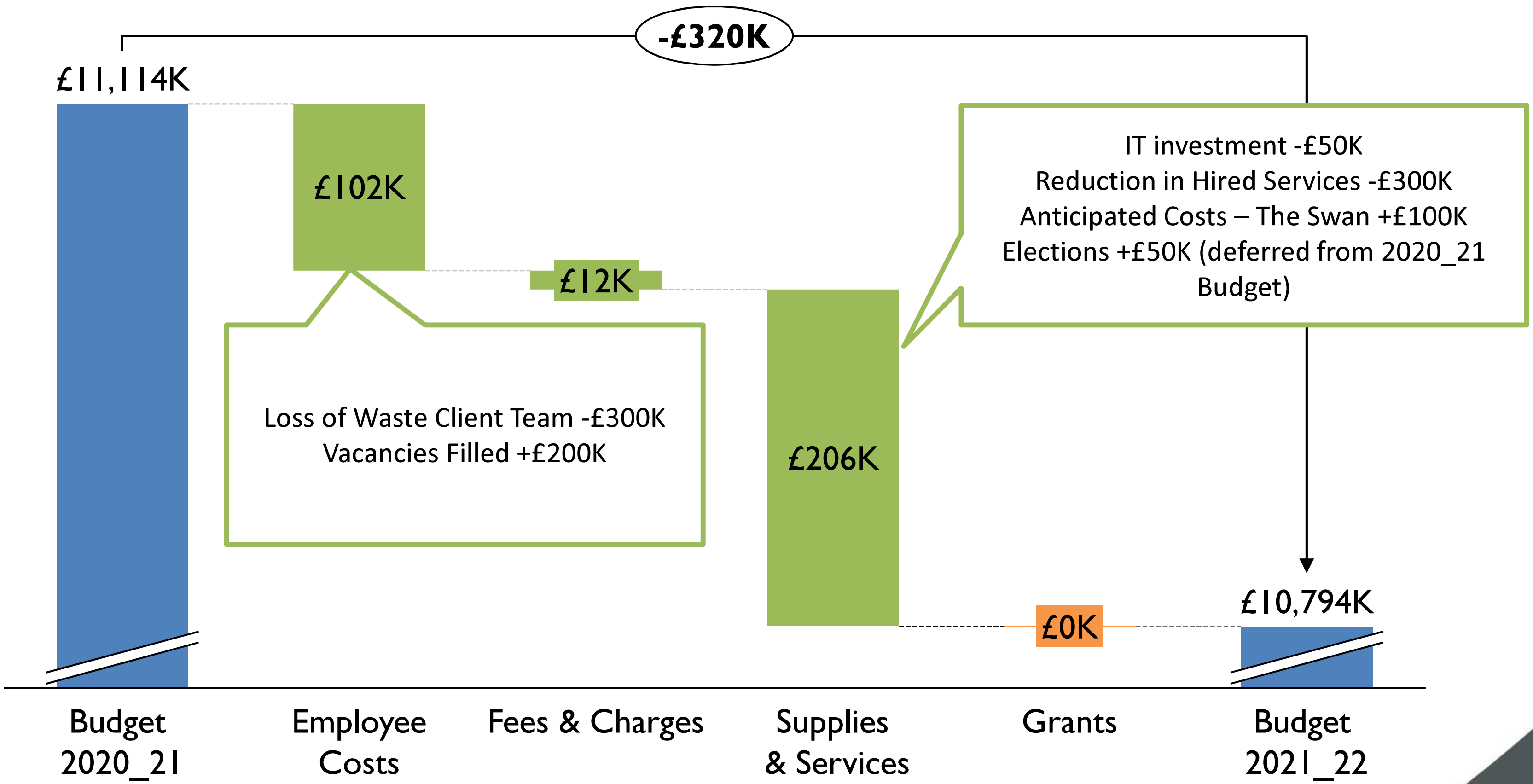
Joanne Rayne

# MTFS – Budget Transition



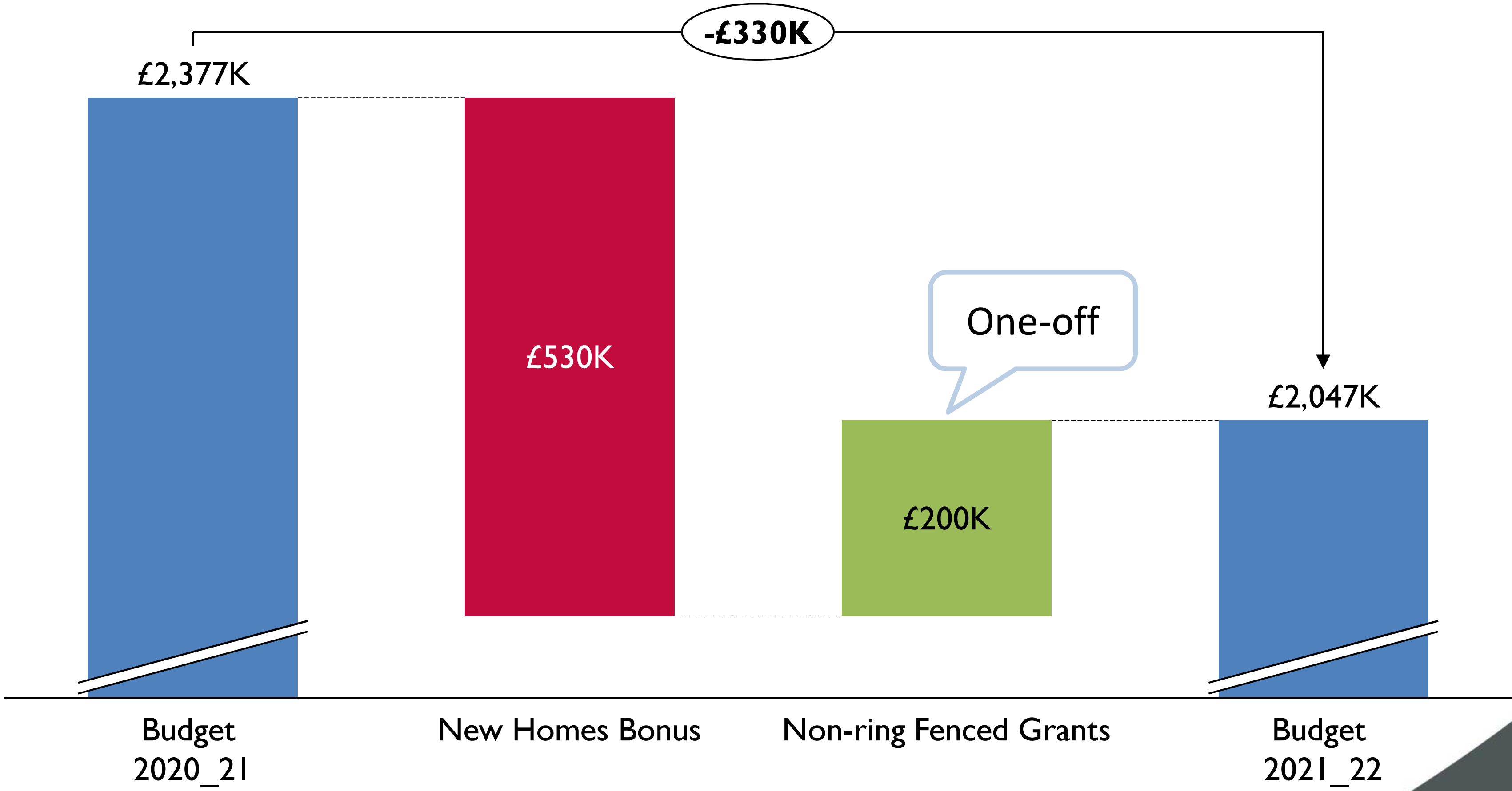
# Cost of Service

## Revised Budget 2020_21 to Proposed Budget 2021_22



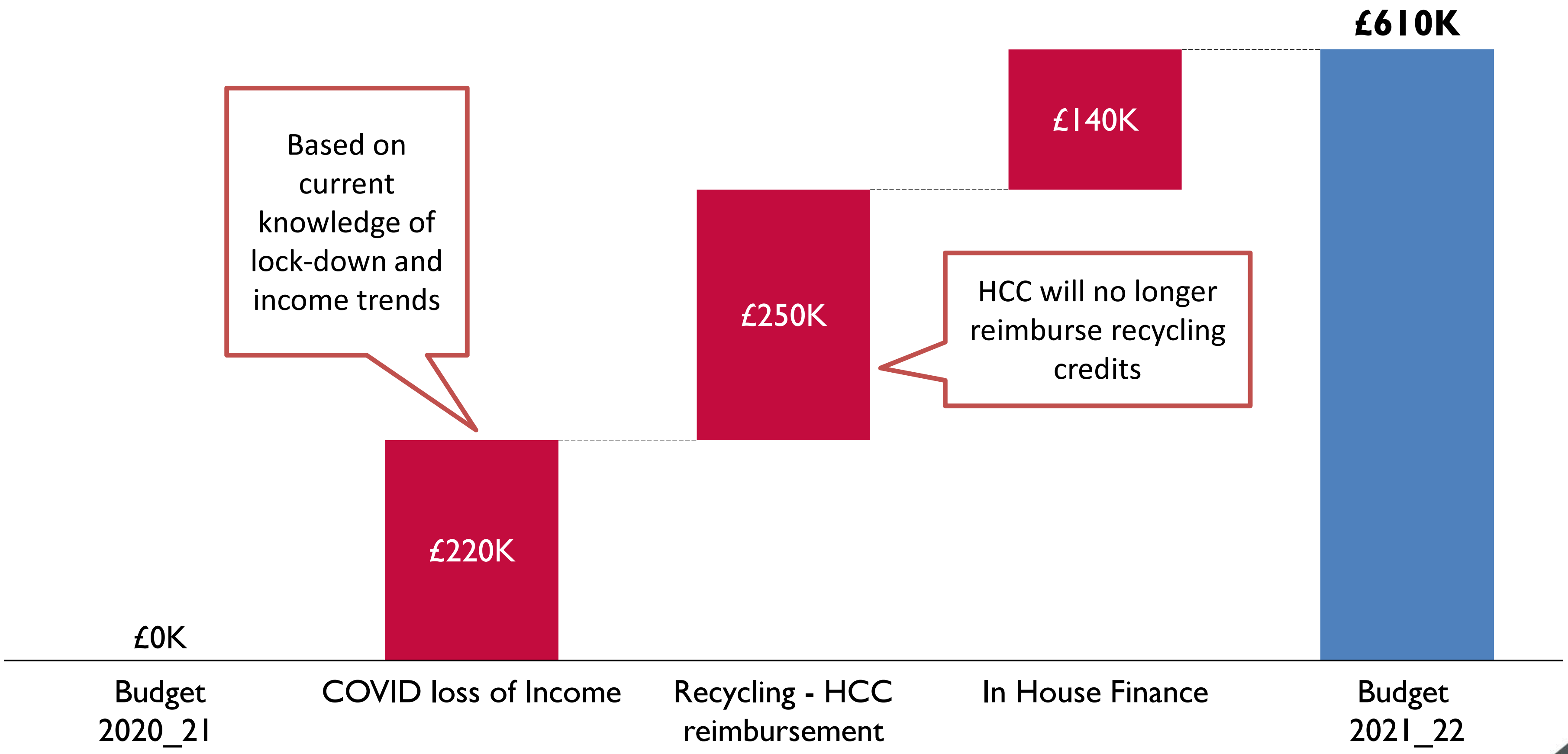
# Grants

## Revised Budget 2020_21 to Proposed Budget 2021_22



# Pressures

## Revised Budget 2020_21 to Proposed Budget 2021_22



**CABINET**

**DATE OF MEETING:** **4 FEBRUARY 2021**

**TITLE OF REPORT:** **CAPITAL STRATEGY, TREASURY MANAGEMENT STRATEGY STATEMENT, AND ASSET MANAGEMENT PLAN**

**Report of:** **Head of Corporate Services**

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

## 1 PURPOSE OF REPORT

1.1 To present the Capital Strategy and the Treasury Management Strategy Statement for 2020/21, which incorporates the Annual Investment Strategy and Prudential and Treasury Indicators. To also present the Asset Management Plan. The Treasury Management Strategy Statement was considered at the January meeting of the Overview & Scrutiny Committee. The Asset Management Plan and Capital Strategy remain the same in policy but have been updated for the latest reported figures.

## 2 RECOMMENDATION to Council

That Cabinet recommend approval to Council of:

2.1 The Capital Strategy

2.2 The Treasury Management Strategy Statement noting the change to allow the Council to invest in Medium Term Notes and Long -Term Multi-Asset Diverse Funds

2.3 The Asset Management Plan.

## 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 and Annual Investment Strategy are included in the body of the report.

CONTACT: Emma Foy, Head of Corporate Services, emma.foy@hart.gov.uk

**Appendices**
Appendix 1 - Capital Strategy
Appendix 2 - Asset Management Plan and Corporate Property Strategy 2021/21

Annex A

## 1. Introduction

### 1.1 Background

1.1.1 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.

1.1.2 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 the Council 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 Council risk or cost objectives.

1.1.3 The contribution the Treasury Management function makes to the authority 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.

1.1.4 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.

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

## 2.0 Reporting Requirements

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.

a) **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; the Treasury Management Strategy and Investment Strategy.

b) **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.

c) **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.

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

## 3.0 Capital Strategy

In addition to the above the CIPFA 2017 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 this capital strategy is to ensure that all elected members on the full council fully understand the overall long-term policy objectives and resulting capital strategy requirements, governance procedures and risk appetite.

This capital strategy is reported separately from the Treasury Management Strategy Statement; non-treasury investments will be reported through the former. This ensures the separation of the core treasury function under security, liquidity and yield principles, and the policy and commercialism investments usually driven by expenditure on an asset. The capital strategy will show:

- The corporate governance arrangements for these types of activities.
- Any service objectives relating to the investments.
- The expected income, costs and resulting contribution.
- The debt related to the activity and the associated interest costs.
- The payback period (MRP policy).
- For non-loan type investments, the cost against the current market value.
- The risks associated with each activity.

Where a physical asset is being bought, details of market research, advisers used, (and their monitoring), ongoing costs and investment requirements and any credit information will be disclosed, including the ability to sell the asset and realise the investment cash.

Where the Council has borrowed to fund any non-treasury investment, there should also be an explanation of why borrowing was required and why the MHCLG Investment Guidance and CIPFA Prudential Code have not been adhered to.

If any non-treasury investment sustains a loss during the final accounts and audit process, the strategy and revenue implications will be reported through the same procedure as the capital strategy.

To demonstrate the proportionality between the treasury operations and the non-treasury operation, high-level comparators are shown throughout this report.

## 4.0 Treasury Management Strategy for 2021/22

The strategy for 2021/22 covers two main areas; these are Capital Expenditure and MRP and Operational and Strategic Treasury Management.

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

## 5.0 Training

The CIPFA 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. Non-mandatory training for all Members was carried out in December 2020. The training needs of Treasury Management Officers are periodically reviewed, and Officers at both Hart and Mendip Councils have recently attended a day long training workshop hosted by Link Asset Management.

## 5.0 Treasury Management Consultants

5.1 The Council uses Link Group, Independent Treasury solutions as its external treasury management advisors.

5.2 The Council recognises that responsibility for treasury management decisions always remains with the organisation 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.

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

## 6.0 The Capital Prudential Indicators 2021/22 – 2023/24

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.

## 6.1 Capital Expenditure

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 | 2019/20 Actual £'000 | 2020/21 Estimate £'000 | 2021/22 Estimate £'000 | 2022/23 Estimate £'000 | 2023/24 Estimate £'000 |
|---|---|---|---|---|---|
| Community Services | 1,256 | 555 | 500 | 500 | 500 |
| Corporate Services | 368 | 1,588 | 65 | 0 | 0 |
| Env and Technical | 581 | 635 | 1,020 | 251 | 500 |
| Place | 40 | 24 | 0 | 0 | 0 |
| **Total** | **2,245** | **2,802** | **1,585** | **751** | **1,000** |
| Commercial activities/ non-financial investments * | 7,038 | 0 | 6,800 | 0 | 0 |
| **Total capital expenditure** | **9,283** | **2,802** | **8,385** | **751** | **1,000** |
| Financed By | | | | | |
| Capital receipts | 329 | 55 | 103 | 0 | 0 |
| Capital grants | 1,346 | 700 | 1,482 | 751 | 1,000 |
| Revenue | 21 | 0 | 0 | 0 | 0 |
| **Total financing** | **1,696** | **755** | **1,585** | **751** | **1,000** |
| **Borrowing requirement** | **7,587** | **2,047** | **6,800** | **0** | **0** |

* 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.

## 6.2 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 assets life, and so charges the economic consumption of capital assets as they are used.

The CFR includes any other long-term liabilities (e.g. PFI schemes, finance leases). Whilst these increase the CFR, and therefore the Council's borrowing requirement, these types of scheme include a borrowing facility by the PFI, PPP lease provider and so the Council is not required to separately borrow for these schemes.

The Council is asked to approve the CFR projections below:

| Capital Financing Requirement (CFR) | 2019/20 Actual £'000 | 2020/21 Estimate £'000 | 2021/22 Estimate £'000 | 2022/23 Estimate £'000 | 2023/24 Estimate £'000 |
|---|---|---|---|---|---|
| Brought Forward | 16,263 | 23,405 | 24,936 | 31,194 | 30,585 |
| Borrowing requirement | 7,587 | 2,047 | 6,800 | 0 | 0 |
| Less MRP and other financing movements | 445 | 516 | 542 | 610 | 610 |
| **Net movement in CFR** | **7,142** | **1,531** | **6,258** | **(610)** | **(610)** |
| **CFR Carried Forward** | **23,405** | **24,936** | **31,194** | **30,585** | **29,975** |

## 6.3 Minimum revenue provision (MRP) policy statement

The Council is required to pay off an element of the accumulated General Fund capital spend each year (the CFR) through a revenue charge (the minimum revenue provision - MRP), although it is also allowed to undertake additional voluntary payments if required (voluntary revenue provision - VRP).

MHCLG regulations have been issued which require the full Council to approve **an MRP Statement** in advance of each year. A variety of options are provided to councils, so long as there is a prudent provision. The Council is recommended to approve the following MRP Statement.

From 1 April 2008 for all unsupported borrowing (including PFI and finance leases) the MRP policy will be*:*

- **Asset life method** – MRP will be based on the estimated life of the assets, in accordance with the regulations (this option must be applied for any expenditure capitalised under a Capitalisation Direction).

This option provides for a reduction in the borrowing need approximately over the asset's life. Repayments included in annual PFI or finance leases are applied as MRP.

MRP Overpayments - A change introduced by the revised MHCLG MRP Guidance was the allowance that any charges made over the statutory minimum revenue provision (MRP), voluntary revenue provision or overpayments, can, if needed, be reclaimed in later years if deemed necessary or prudent. For these sums to be reclaimed for use in the budget, this policy must disclose the cumulative overpayment made each year. The Council is yet to make a MRP overpayment.

## 6.4 Borrowing

The capital expenditure plans set out in Section 6.1 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.

## 6.5 Current Portfolio Position

The overall Treasury Management Portfolio as of March 2020 is shown below for investments.

| Investments / Lending Summary as at: March 2020 | Amount Invested (£) | Length of Deposit | Limit (£) | Within Limit Y/N | Terms | Rate (%) |
|---|---|---|---|---|---|---|
| Cheshire East Council | 4,000,000 | 102 days | 5,000,000.00 | Y | Fixed Term | 0.76% |
| Fareham Borough Council | 5,000,000 | 366 days | 5,000,000.00 | Y | Fixed Term | 0.90% |
| Mid Suffolk District Council | 5,000,000 | 85 days | 5,000,000.00 | Y | Fixed Term | 0.80% |
| Standard Chartered | 2,000,000 | 92 days | 5,000,000.00 | Y | Fixed Term | 0.72% |
| Bank of Scotland | 2,000,000 | Call Account | 5,000,000.00 | Y | 32 Day Notice | 0.40% |

| | | | | | | |
|---|---|---|---|---|---|---|
| Bank of Scotland | 1,000,000 | Call Account | | Y | 32 Day Notice | 0.25% |
| Lloyds Bank | 5,000,000 | Call Account | 5,000,000.00 | Y | 32 Day Notice | 0.25% |
| Santander | 3,320,167 | Call Account | 5,000,000.00 | Y | Instant Access | 0.40% |
| Barclays | 2,320,541 | Call Account | 5,000,000.00 | Y | Instant Access | 0.45% |
| **TOTAL** | **29,640,707** | | | | | |

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 | 2019/20 Actual £'000 | 2020/21 Estimate £'000 | 2021/22 Estimate £'000 | 2022/23 Estimate £'000 | 2023/24 Estimate £'000 |
|---|---|---|---|---|---|
| Borrowing | 12,337 | 11,055 | 16,554 | 15,239 | 14,348 |
| Other long-term liabilities | 0 | 0 | 0 | 0 | 0 |
| **Total debt** | **12,337** | **11,055** | **16,554** | **15,239** | **14,348** |
| | | | | | |
| CFR | 23,405 | 24,936 | 31,194 | 30,585 | 29,975 |
| **Under / (over) borrowing** | **11,068** | **13,881** | **14,641** | **15,346** | **15,627** |

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 2021/22 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 Head of Corporate Services reports that the Council complied with this prudential indicator in the current year and does not envisage difficulties for the future. This view considers current commitments, existing plans, and the proposals in this budget report.

## 6.6 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.

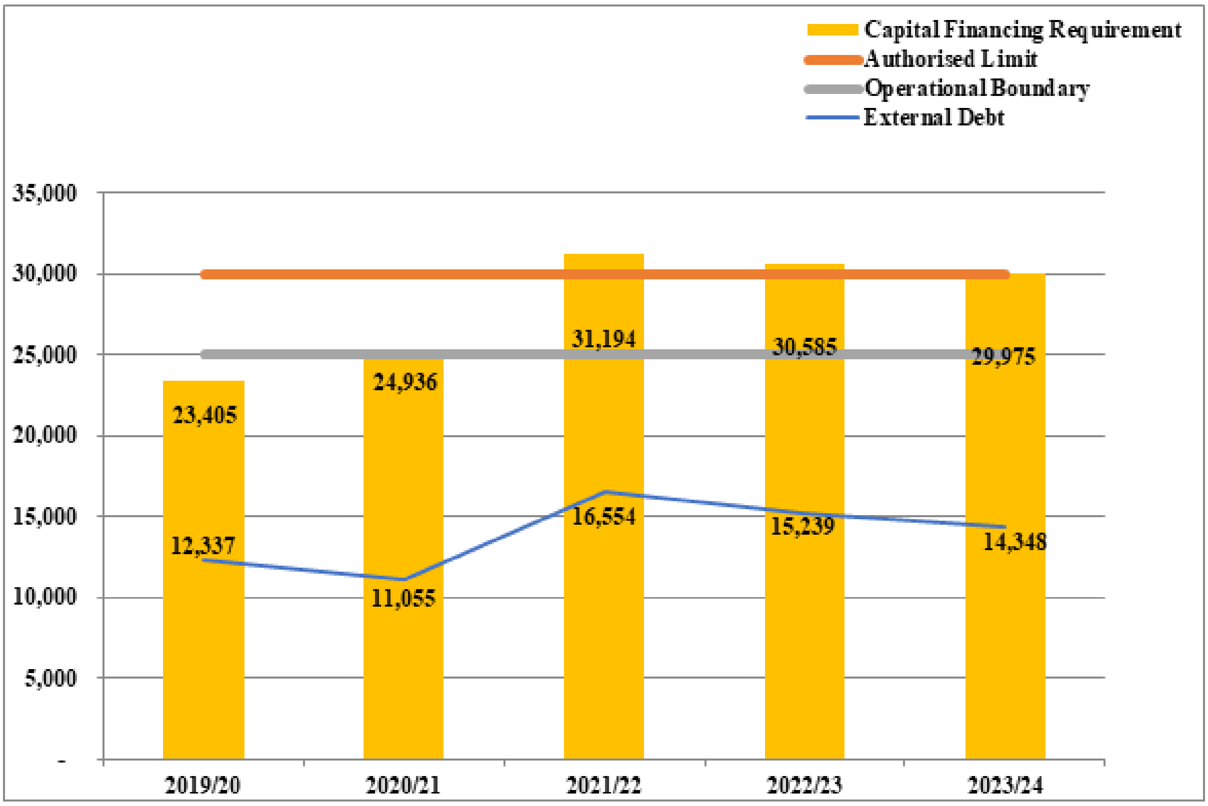
| Operational Boundary for external debt | 2019/20 Actual £'000 | 2020/21 Estimate £'000 | 2021/22 Estimate £'000 | 2022/23 Estimate £'000 | 2023/24 Estimate £'000 |
|---|---|---|---|---|---|
| Borrowing | 25,000 | 25,000 | 25,000 | 25,000 | 25,000 |
| Other long-term liabilities | 0 | 0 | 0 | 0 | 0 |
| **Total debt** | **25,000** | **25,000** | **25,000** | **25,000** | **25,000** |

**The authorised limit for external debt:** A further key prudential indicator represents a control on the maximum level of borrowing. This represents a 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.

1. 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 councils' plans, or those of a specific council, although this power has not yet been exercised.
2. The Council is asked to approve the following authorised limit:

| Authorised Limit for External Debt | 2019/20 Actual £'000 | 2020/21 Estimate £'000 | 2021/22 Estimate £'000 | 2022/23 Estimate £'000 | 2023/24 Estimate £'000 |
|---|---|---|---|---|---|
| Borrowing | 30,000 | 30,000 | 30,000 | 30,000 | 30,000 |
| Other long-term liabilities | 0 | 0 | 0 | 0 | 0 |
| **Total** | **30,000** | **30,000** | **30,000** | **30,000** | **30,000** |

| Capital Financing Requirement | 2019/20 Actual £'000 | 2020/21 Estimate £'000 | 2021/22 Estimate £'000 | 2022/23 Estimate £'000 | 2023/24 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 | 23,405 | 24,936 | 31,194 | 30,585 | 29,975 |
| External Debt | 12,337 | 11,055 | 16,554 | 15,239 | 14,348 |
| | | | | | |
| Under / (over) borrowing | 11,068 | 13,881 | 14,641 | 15,346 | 15,627 |
| Change in External Debt | (1,261) | (1,281) | 5,498 | (1,315) | (891) |




## 6.7 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 11.8.20. However, following the conclusion of the review of PWLB margins over gilt yields on 25.11.20, all forecasts below have been reduced by 1%. These are forecasts for certainty rates, gilt yields plus 80bps:

| Link Group Interest Rate View 9.11.20 | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| These Link forecasts have been amended for the reduction in PWLB margins by 1.0% from 26.11.20 | | | | | | | | | | | | | | |
| | Dec-20 | Mar-21 | Jun-21 | Sep-21 | Dec-21 | Mar-22 | Jun-22 | Sep-22 | Dec-22 | Mar-23 | Jun-23 | Sep-23 | Dec-23 | Mar-24 |
| BANK RATE | 0.10 | 0.10 | 0.10 | 0.10 | 0.10 | 0.10 | 0.10 | 0.10 | 0.10 | 0.10 | 0.10 | 0.10 | 0.10 | 0.10 |
| 3 month ave earnings | 0.10 | 0.10 | 0.10 | 0.10 | 0.10 | 0.10 | 0.10 | 0.10 | 0.10 | 0.10 | 0.10 | 0.10 | 0.10 | 0.10 |
| 6 month ave earnings | 0.10 | 0.10 | 0.10 | 0.10 | 0.10 | 0.10 | 0.10 | 0.10 | 0.10 | 0.10 | 0.10 | 0.10 | 0.10 | 0.10 |
| 12 month ave earnings | 0.20 | 0.20 | 0.20 | 0.20 | 0.20 | 0.20 | 0.20 | 0.20 | 0.20 | 0.20 | 0.20 | 0.20 | 0.20 | 0.20 |
| 5yr PWLB | 0.80 | 0.80 | 0.80 | 0.80 | 0.80 | 0.90 | 0.90 | 0.90 | 0.90 | 0.90 | 1.00 | 1.00 | 1.00 | 1.00 |
| 10yr PWLB | 1.10 | 1.10 | 1.10 | 1.10 | 1.10 | 1.20 | 1.20 | 1.20 | 1.20 | 1.20 | 1.30 | 1.30 | 1.30 | 1.30 |
| 25yr PWLB | 1.50 | 1.50 | 1.60 | 1.60 | 1.60 | 1.60 | 1.70 | 1.70 | 1.70 | 1.70 | 1.80 | 1.80 | 1.80 | 1.80 |
| 50yr PWLB | 1.30 | 1.30 | 1.40 | 1.40 | 1.40 | 1.40 | 1.50 | 1.50 | 1.50 | 1.50 | 1.60 | 1.60 | 1.60 | 1.60 |

*Link have provided some explanation for the above which is detailed below: -*

- *Please note that we have made a slight change to our interest rate forecasts table above for forecasts for 3, 6 and 12 months. Traditionally, we have used LIBID forecasts, with the rate calculated using market convention of 1/8th (0.125%) taken off the LIBOR figure. Given that all LIBOR rates up to 6m are currently running below 10bps, using that convention would give negative figures as forecasts for those periods. However, the liquidity premium that is still in evidence at the short end of the curve means that the rates being achieved by local authority investors are still modestly in positive territory. While there are differences between counterparty offer rates, our analysis would suggest that an average rate of around 10 bps is achievable for 3 months, 10bps for 6 months and 20 bps for 12 months.*
- *During 2021, Link will be continuing to look at market developments in this area and will monitor these with a view to communicating with clients when full financial market agreement is reached on how to replace LIBOR. This is likely to be an iteration of the overnight SONIA rate and the use of compounded rates and Overnight Index Swap (OIS) rates for forecasting purposes.*
- *We will maintain continuity by providing clients with LIBID investment benchmark rates on the current basis.*

**6.8 Impact of COVID-19 on interest rates**

The coronavirus outbreak has done huge economic damage to the UK and economies around the world. After the Bank of England took emergency action in March to cut Bank Rate to first 0.25%, and then to 0.10%, it left Bank Rate unchanged at its subsequent meetings to 5th November, although some forecasters had suggested that a cut into negative rates could happen. However, the Governor of the Bank of England has indicated that he currently thinks that such a move would do more damage than good and that more quantitative easing is the favoured tool if further action becomes necessary. As shown in the forecast table above, no increase in Bank Rate is expected in the forecast table above as economic recovery is expected to be only gradual and, therefore, prolonged.

**6.9 Gilt yields / PWLB rates**

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 a heightened expectation that the US could have been heading for a recession in 2020. In addition, there were growing expectations 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. Combined, these conditions were conducive to very low bond yields. While inflation targeting by the major central banks has been successful over the last thirty 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. The consequence of this has been the gradual lowering of the overall level of interest rates and bond yields in financial markets over the last 30 years. Over the year prior to the coronavirus crisis, this has seen many bond yields up to 10 years turn negative in the Eurozone. 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.

Gilt yields had therefore already been on a generally falling trend up until the coronavirus crisis hit western economies during March 2020. After gilt yields spiked up during the financial crisis in March, we have seen these yields fall sharply to unprecedented lows as investors panicked during March 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 took rapid action to deal with excessive stress in financial markets during March, and started massive quantitative easing purchases of government bonds: this also acted to put downward pressure on government bond yields at a time when there has been a huge and quick expansion of government expenditure financed by issuing government bonds. Such unprecedented levels of issuance in “normal” times would have caused bond yields to rise sharply. Gilt yields and PWLB rates have been at remarkably low rates so far during 2020/21.

As the interest forecast table for PWLB certainty rates above shows, there is expected to be little upward movement in PWLB rates over the next two years as it will take economies, including the UK, a prolonged period to recover all the momentum they have lost in the sharp recession caused during the coronavirus shut down period. From time to time, gilt yields, and therefore PWLB rates, can be subject to exceptional levels of volatility due to geo-political, sovereign debt crisis, emerging market developments and sharp changes in investor sentiment, (as shown on 9th November when the first results of a successful COVID-19 vaccine trial were announced). Such volatility could occur at any time during the forecast period.

## 6.10 Investment and borrowing rates

**Investment returns** are likely to remain exceptionally low during 2021/22 with little increase in the following two years. **Borrowing interest rates** fell to historically very low rates as a result of the COVID crisis and the quantitative easing operations of the Bank of England: indeed, gilt yields up to 6 years were negative during most of the first half of 20/21. The policy of avoiding new borrowing by running down spare cash balances has served local authorities

well over the last few years. The unexpected increase of 100 bps in PWLB rates on top of the then current margin over gilt yields of 80 bps in October 2019, required an initial major rethink of local authority treasury management strategy and risk management. However, in March 2020, the Government started a consultation process for reviewing the margins over gilt rates for PWLB borrowing for different types of local authority capital expenditure. The following rates have been confirmed:
**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)

Because of these increases in margins, many local authorities decided to refrain from PWLB borrowing unless it was for HRA or local infrastructure financing, until such time as the review of margins was concluded.

On 25.11.20, the Chancellor announced the conclusion to the review of margins over gilt yields for PWLB rates; the standard and certainty margins were reduced by 1% but a prohibition was introduced to deny access to borrowing from the PWLB for any local authority which had purchase of assets for yield in its three year capital programme. The new margins over gilt yields are as follows: -.

**PWLB Standard Rate** is gilt plus 100 basis points (G+100bps)
**PWLB Certainty Rate** is gilt plus 80 basis points (G+80bps)
**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)

**Borrowing for capital expenditure**. As Link's long-term forecast for Bank Rate is 2.00%, and all PWLB rates are under 2.00%, there is now value in borrowing from the PWLB for all types of capital expenditure for all maturity periods, especially as current rates are at historic lows. However, greater value can be obtained in borrowing for shorter maturity periods so the Council will assess its risk appetite in conjunction with budgetary pressures to reduce total interest costs. Longer-term borrowing could also be undertaken for the purpose of certainty, where that is desirable, or for flattening the profile of a heavily unbalanced maturity profile.

While this authority will seek to borrow internally where it can, some external borrowing may be required and there will be a cost of carry, (the difference between higher borrowing costs and lower investment returns), to any new borrowing that causes a temporary increase in cash balances as this position will, most likely, incur a revenue cost.

### 6.11 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 investment returns are low and counterparty risk is still an issue that needs to be considered.

Against this background and the risks within the economic forecast, caution will be adopted with the 2021/22 treasury operations. The Head of Corporate Services 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 or if it was felt that there was a significant risk of a much sharper RISE in borrowing rates than that currently forecast, perhaps arising from an acceleration 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 will be re-appraised. Most likely, 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.

### 6.12 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.

### 6.13 Debt rescheduling

Rescheduling of current borrowing in our debt portfolio is unlikely to occur as the 100 bps increase in PWLB rates only applied to new borrowing rates and not to premature debt repayment rates.

If rescheduling was done, it will be reported to the Council, at the earliest meeting following its action.

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

Following the decision by the PWLB on 9 October 2019 to increase their margin over gilt yields by 100 bps to 180 basis points on loans lent to local authorities, consideration will also need to be given to sourcing funding at cheaper rates from the following:

- Local authorities (primarily shorter dated maturities)
- Financial institutions (primarily insurance companies and pension funds but also some banks, out of spot or forward dates)
- Municipal Bonds Agency

The degree which any of these options proves cheaper than PWLB Certainty Rate is still evolving at the time of writing but our advisors will keep us informed.

### 6.15 Approved Sources of Long and Short-Term Borrowing
**On Balance Sheet Fixed Variable**

PWLB
Municipal bond agency
Local authorities
Banks
Pension funds Market (long-term)
Market (temporary)
Market (LOBOs)
Stock issues

Local temporary
Local Bonds
Local authority bills
Overdraft
Negotiable Bonds

Internal (capital receipts & revenue balances)
Commercial Paper
Medium Term Notes
Long term multi-asset diverse funds
Finance leases

## 7 Annual Investment Strategy

### 7.1 Investment policy – management of risk

The MHCLG and CIPFA have extended the meaning of 'investments' to include both financial and non-financial investments. This report deals solely with financial investments, (as managed by the treasury management team). Non-financial investments, essentially the purchase of income yielding assets, are covered in the Capital Strategy, (a separate report).

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

- MHCLG's Guidance on Local Government Investments ("the Guidance")

- CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes 2017 (“the Code”)
- CIPFA Treasury Management Guidance Notes 2018

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 the Council’s risk appetite. In the current economic climate it is considered appropriate to keep investments short term to cover cash flow needs. However, where appropriate (from an internal as well as external perspective), the Council will also consider the value available in periods up to 12 months with high credit rated financial institutions, as well as wider range fund options.

The above guidance from the MHCLG and CIPFA place a high priority on the management of risk. This authority 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 such as “**credit default swaps**” 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 authority has defined the list of **types of investment instruments** that the treasury management team are authorised to use. There are two lists in appendix 5.4 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 originally 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 authority will set a limit for the amount of its investments which are invested for longer than 365 days, (see paragraph 4.2).

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

10. This authority 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 authority 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 2020/21 under IFRS 9, this authority 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 Ministry of Housing, Communities and Local Government, [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

However, this authority 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 4.4). Regular monitoring of investment performance will be carried out during the year.

### 7.2 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:

- "watches" and "outlooks" from credit rating agencies;

- CDS spreads that may give early warning of changes in credit ratings;
- 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 use 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 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.

| | Colour (and long-term rating where applicable) | Money Limit* | Time Limit |
|---|---|---|---|
| Banks | Yellow | £5m | 5yrs |
| Banks | purple | £5m | 2 yrs. |
| Banks | orange | £5m | 1 yr. |
| Banks – part nationalised | blue | £5m | 1 yr. |
| Banks | red | £5m | 6 months |
| Banks | green | £5m | 100 days |
| Limit 3 category-Council's banker | No colour | | 1day |
| Other institutions limit | - | £5m | 1yr |
| DMADF | AAA | unlimited | 6 months |
| Local authorities | n/a | £5m | 1yr |
| Housing Associations | Colour bands | £5m | As per colour band |

| | Fund rating | Money Limit* | Time Limit |
|---|---|---|---|
| Money Market Funds CNAV | AAA | £5m | liquid |
| Money Market Funds LVNAV | AAA | £5m | liquid |
| Money Market Funds VNAV | AAA | £5m | liquid |
| Ultra-Short Dated Bond Funds with a credit score of 1.25 | Dark pink / AAA | £5m | liquid |
| Ultra-Short Dated Bond Funds with a credit score of 1.50 | Light pink / AAA | £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.

**Creditworthiness**

Although the credit rating agencies changed their outlook on many UK banks from Stable to Negative during the quarter ended 30.6.20 due to upcoming risks to banks' earnings and asset quality during the economic downturn caused by the pandemic, the majority of ratings were affirmed due to the continuing strong credit profiles of major financial institutions, including UK banks. However, during Q1 and Q2 2020, banks made provisions for expected credit losses and the rating changes reflected these provisions. As we move into future quarters, more information will emerge on actual levels of credit losses. (Quarterly earnings reports are normally announced in the second half of the month following the end of the quarter.) This has the potential to cause rating agencies to revisit their initial rating adjustments earlier in the current year. These adjustments could be negative or positive, although it should also be borne in mind that banks went into this pandemic with strong balance sheets. This is predominantly a result of regulatory changes imposed on banks following the Great Financial Crisis. Indeed, the Financial Policy Committee (FPC) report on 6th August revised down their expected credit losses for the UK banking sector to "somewhat less than £80bn". It stated that in its assessment, "banks have buffers of capital more than sufficient to absorb the losses that are likely to arise under the MPC's central projection". The FPC stated that for real stress in the sector, the economic output would need to be twice as bad as the MPC's projection, with unemployment rising to above 15%.

All three rating agencies have reviewed banks around the world with similar results in many countries of most banks being placed on Negative Outlook, but with a small number of actual downgrades.

**CDS prices**

Although bank CDS prices, (these are market indicators of credit risk), spiked upwards at the end of March / early April 2020 due to the heightened market uncertainty and ensuing liquidity crisis that affected financial markets, they have returned to more average levels since then. Nevertheless, prices are still elevated compared to end-February 2020. Pricing is likely to remain volatile as uncertainty continues. 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.

## 7.3 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.

a. **Non-specified investment limit.**
b. **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 5.5. This list will be added to, or deducted from, by officers should ratings change in accordance with this policy.

c. **Other limits.** In addition:
- limits in place above will apply to a group of companies.
- sector limits will be monitored regularly for appropriateness.

### 7.5 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. 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.

- If it is thought that Bank Rate is likely to rise significantly within the time horizon being considered, then consideration will be given to keeping most investments as being short term or variable.
- Conversely, if it is thought that Bank Rate is likely to fall within that time period, consideration will be given to locking in higher rates currently obtainable, for longer periods.

#### 7.5.1 Investment returns expectations

Bank Rate is unlikely to rise from 0.10% for a considerable period. It is very difficult to say when it may start rising so it may be best to assume that investment earnings from money market-related instruments will be sub 0.50% for the foreseeable future.

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 (the long-term forecast is for periods over 10 years in the future):

| Average earnings in each year | |
|---|---|
| 2020/21 | 0.10% |
| 2021/22 | 0.10% |
| 2022/23 | 0.10% |
| 2023/24 | 0.10% |
| 2024/25 | 0.25% |
| Long term later years | 2.00% |

- The overall balance of risks to economic growth in the UK is probably now skewed to the upside but is subject to major uncertainty due to the virus and how quickly successful vaccines may become available and widely administered to the population. It may also be affected by what, if any, deal the UK agrees as part of Brexit.
- There is relatively little UK domestic risk of increases or decreases in Bank Rate and significant changes in shorter term PWLB rates. The Bank of

England has effectively ruled out the use of negative interest rates in the near term and increases in Bank Rate are likely to be some years away given the underlying economic expectations. However, it is always possible that safe haven flows, due to unexpected domestic developments and those in other major economies, or a return of investor confidence in equities, could impact gilt yields, (and so PWLB rates), in the UK.

### 7.5.2 Negative investment rates

While the Bank of England said in August / September 2020 that it is unlikely to introduce a negative Bank Rate, at least in the next 6 -12 months, and in November omitted any mention of negative rates in the minutes of the meeting of the Monetary Policy Committee, some deposit accounts are already offering negative rates for shorter periods. As part of the response to the pandemic and lockdown, the Bank and the Government have provided financial markets and businesses with plentiful access to credit, either directly or through commercial banks. In addition, the Government has provided large sums of grants to local authorities to help deal with the COVID crisis; this has caused some local authorities to have sudden large increases in cash balances searching for an investment home, some of which was only very short term until those sums were able to be passed on.

As for money market funds (MMFs), yields have continued to drift lower. Some managers have already resorted to trimming fee levels to ensure that net yields for investors remain in positive territory where possible and practical. Investor cash flow uncertainty, and the need to maintain liquidity in these unprecedented times, has meant there is a surfeit of money swilling around at the very short end of the market. This has seen several market operators, now including the DMADF, offer nil or negative rates for very short-term maturities. This is not universal, and MMFs are still offering a marginally positive return, as are several financial institutions for investments at the very short end of the yield curve.

Inter-local authority lending and borrowing rates have also declined due to the surge in the levels of cash seeking a short-term home at a time when many local authorities are probably having difficulties over accurately forecasting when disbursements of funds received will occur or when further large receipts will be received from the Government.

**Investment treasury indicator and limit** - total principal funds invested for greater than 365 days. These limits are set regarding 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 treasury indicator and limit:

| Upper limit for principal sums invested for longer than 365 days | | | |
|---|---|---|---|
| £m | 2021/22 | 2022/23 | 2023/24 |
| Principal sums invested > 364 & 365 days | £5m | £5m | £5m |
| Current Investments as at 31.12.20 in excess of 1 year maturing each year | £0 | £0 | £0 |

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.

### 7.5.3 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.

## 8 APPENDICES

8.1 Prudential and treasury indicators
8.5 Interest rate forecasts
8.6 Economic background
8.7 Treasury management practice 1 – credit and counterparty risk management
8.8 Approved countries for investments
8.9 Treasury management scheme of delegation
8.10 The treasury management role of the section 151 officer

### 8.1 The Capital Prudential and Treasury Indicators 2021/22 – 2023/24

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.

**1. Capital expenditure**
Please see table in Section 6.1

### 8.2 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:

**a. 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.

| | 2019/20 Actual | 2020/21 Estimate | 2021/22 Estimate | 2022/23 Estimate | 2023/24 Estimate |
|---|---|---|---|---|---|
| Ratio of financing costs to revenue stream (%) | 5.97 | 6.09 | 6.70 | 7.02 | 6.92 |

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

## 8.3 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 2020/21 | | |
|---|---|---|
| | **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% |
| **Maturity structure of variable interest rate borrowing 2020/21** | | |
| | **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% |

## 8.4 Control of interest rate exposure

Please see paragraphs 3.3, 3.4 and 4.4.

## 8.5 Interest Rate Forecasts 2020-2024

PWLB forecasts are based on PWLB certainty rates

| Link Group Interest Rate View 9.11.20 | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| These Link forecasts have been amended for the reduction in PWLB margins by 1.0% from 26.11.20 | | | | | | | | | | | | | | |
| | Dec-20 | Mar-21 | Jun-21 | Sep-21 | Dec-21 | Mar-22 | Jun-22 | Sep-22 | Dec-22 | Mar-23 | Jun-23 | Sep-23 | Dec-23 | Mar-24 |
| BANK RATE | 0.10 | 0.10 | 0.10 | 0.10 | 0.10 | 0.10 | 0.10 | 0.10 | 0.10 | 0.10 | 0.10 | 0.10 | 0.10 | 0.10 |
| 3 month ave earnings | 0.10 | 0.10 | 0.10 | 0.10 | 0.10 | 0.10 | 0.10 | 0.10 | 0.10 | 0.10 | 0.10 | 0.10 | 0.10 | 0.10 |
| 6 month ave earnings | 0.10 | 0.10 | 0.10 | 0.10 | 0.10 | 0.10 | 0.10 | 0.10 | 0.10 | 0.10 | 0.10 | 0.10 | 0.10 | 0.10 |
| 12 month ave earnings | 0.20 | 0.20 | 0.20 | 0.20 | 0.20 | 0.20 | 0.20 | 0.20 | 0.20 | 0.20 | 0.20 | 0.20 | 0.20 | 0.20 |
| 5yr PWLB | 0.80 | 0.80 | 0.80 | 0.80 | 0.80 | 0.90 | 0.90 | 0.90 | 0.90 | 0.90 | 1.00 | 1.00 | 1.00 | 1.00 |
| 10yr PWLB | 1.10 | 1.10 | 1.10 | 1.10 | 1.10 | 1.20 | 1.20 | 1.20 | 1.20 | 1.20 | 1.30 | 1.30 | 1.30 | 1.30 |
| 25yr PWLB | 1.50 | 1.50 | 1.60 | 1.60 | 1.60 | 1.60 | 1.70 | 1.70 | 1.70 | 1.70 | 1.80 | 1.80 | 1.80 | 1.80 |
| 50yr PWLB | 1.30 | 1.30 | 1.40 | 1.40 | 1.40 | 1.40 | 1.50 | 1.50 | 1.50 | 1.50 | 1.60 | 1.60 | 1.60 | 1.60 |

## 8.6 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.

- ***UK.*** *The Bank of England's Monetary Policy Committee kept* ***Bank Rate*** *unchanged on 5th November. However, it revised its economic forecasts to take account of a second national lockdown from 5th November to 2nd December which is obviously going to put back economic recovery and do further damage to the economy. It therefore decided to do a further tranche of* ***quantitative easing (QE) of £150bn****, to start in January when the current programme of £300bn of QE announced in March to June, runs out. It did this so that "announcing further asset purchases now should support the economy and help to ensure the unavoidable near-term slowdown in activity was not amplified by a tightening in monetary conditions that could slow the return of inflation to the target".*
- *Its forecasts appeared, at the time, to be rather optimistic in terms of three areas:*
    - *The economy would recover to reach its pre-pandemic level in Q1 2022*
    - *The Bank also expects there to be excess demand in the economy by Q4 2022.*
    - *CPI inflation is therefore projected to be a bit above its 2% target by the start of 2023 and the "inflation risks were judged to be balanced".*
- *Significantly, there was no mention of* ***negative interest rates*** *in the minutes or Monetary Policy Report, suggesting that the MPC remains some way from being persuaded of the case for such a policy, at least for the next 6 -12 months. However, rather than saying that it "stands ready to adjust*

*monetary policy", the MPC this time said that it will take "whatever additional action was necessary to achieve its remit". The latter seems stronger and wider and may indicate the Bank's willingness to embrace new tools.*

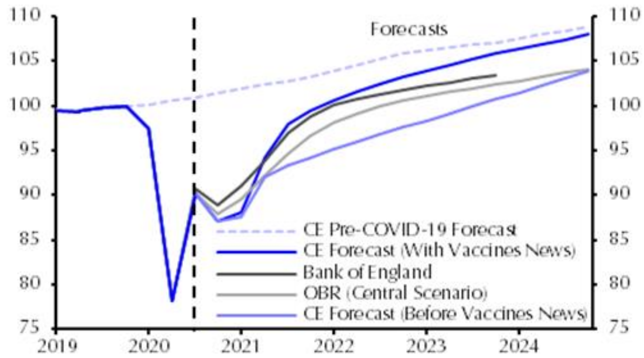
- *One key addition to* ***the Bank's forward guidance*** *in August was a new phrase in the policy statement, namely that "it does not intend to tighten monetary policy until there is clear evidence that significant progress is being made in eliminating spare capacity and achieving the 2% target sustainably". That seems designed to say, in effect, that even if inflation rises to 2% in a couple of years' time, do not expect any action from the MPC to raise Bank Rate – until they can clearly see that level of inflation is going to be persistently above target if it takes no action to raise Bank Rate. Our Bank Rate forecast currently shows no increase through to quarter 1 2024 but there could well be no increase during the next five years due to the slow rate of recovery of the economy and the need for the Government to see the burden of the elevated debt to GDP ratio falling significantly.* ***Inflation*** *is unlikely to pose a threat requiring increases in Bank Rate during this period as there is likely to be spare capacity in the economy for a considerable time. It is expected to briefly peak at around 2% towards the end of 2021, but this is a temporary short-lived factor and so not a concern.*
- *However, the minutes did contain several references to* ***downside risks****. The MPC reiterated that the "recovery would take time, and the risks around the GDP projection were judged to be skewed to the downside". It also said "the risk of a more persistent period of elevated unemployment remained material". Downside risks could well include severe restrictions remaining in place in some form during the rest of December and most of January too. That could involve some or all of the lockdown being extended beyond 2nd December, a temporary relaxation of restrictions over Christmas, a resumption of the lockdown in January and lots of regions being subject to Tier 3 restrictions when the lockdown ends. Hopefully, restrictions should progressively ease during the spring. It is only to be expected that some businesses that have barely survived the first lockdown, will fail to survive the second lockdown, especially those businesses that depend on a surge of business in the run up to Christmas each year. This will mean that there will be some level of further permanent loss of economic activity, although the extension of the furlough scheme to the end of 31st March will limit the degree of damage done.*
- *As for* ***upside risks****, we have been waiting expectantly for news that various* ***COVID19 vaccines*** *would be cleared as being safe and effective for administering to the general public. The Pfizer announcement on 9th November was very encouraging as its 90% effectiveness was much higher than the 50-60% rate of effectiveness of flu vaccines which might otherwise have been expected. However, their phase three trials are still only two-thirds complete. More data needs to be collected to make sure there are no serious side effects. We don't know exactly how long immunity will last or whether it is effective across all age groups. The Pfizer vaccine specifically also has demanding cold storage requirements of minus 70C that might make it more difficult to roll out. However, the logistics of production and deployment can surely be worked out over the next few months.*
- *However, there has been even further encouraging news since then with another two vaccines announcing high success rates. Together, these*

*three announcements have enormously boosted confidence that **life could largely return to normal during the second half of 2021**, with activity in the still-depressed sectors like restaurants, travel and hotels returning to their pre-pandemic levels, which would help to bring the unemployment rate down. With the household saving rate currently being exceptionally high, there is plenty of pent-up demand and purchasing power stored up for these services. A comprehensive roll-out of vaccines might take into late 2021 to fully complete; but if these vaccines prove to be highly effective, then there is a possibility that restrictions could begin to be eased, possibly in Q2 2021, once vulnerable people and front-line workers had been vaccinated. At that point, there would be less reason to fear that hospitals could become overwhelmed any more. Effective vaccines would radically improve the economic outlook once they have been widely administered; it may allow GDP to rise to its pre-virus level a year earlier than otherwise and mean that the unemployment rate peaks at 7% next year instead of 9%. But while this would reduce the need for more QE and/or negative interest rates, increases in Bank Rate would remain some years away. There is also a potential question as to whether the relatively optimistic outlook of the Monetary Policy Report was swayed by making positive assumptions around effective vaccines being available soon. It should also be borne in mind that as effective vaccines will take time to administer, economic news could well get worse before it starts getting better.*

- ***Public borrowing** is now forecast by the Office for Budget Responsibility (the OBR) to reach £394bn in the current financial year, the highest ever peace time deficit and equivalent to 19% of GDP. In normal times, such an increase in total gilt issuance would lead to a rise in gilt yields, and so PWLB rates. However, the QE done by the Bank of England has depressed gilt yields to historic low levels, (as has similarly occurred with QE and debt issued in the US, the EU and Japan). This means that new UK debt being issued, and this is being done across the whole yield curve in all maturities, is locking in those historic low levels through until maturity. In addition, the UK has one of the longest average maturities for its entire debt portfolio, of any country in the world. Overall, this means that the total interest bill paid by the Government is manageable despite the huge increase in the total amount of debt. The OBR was also forecasting that the government will still be running a budget deficit of £102bn (3.9% of GDP) by 2025/26. However, initial impressions are that they have taken a pessimistic view of the impact that vaccines could make in the speed of economic recovery.*
- *Overall, **the pace of recovery** was not expected to be in the form of a rapid V shape, but a more elongated and prolonged one. The initial recovery was sharp but after a disappointing increase in GDP of only 2.1% in August, this left the economy still 9.2% smaller than in February; this suggested that the economic recovery was running out of steam after recovering 64% of its total fall during the crisis. The last three months of 2020 were originally expected to show zero growth due to the impact of widespread local lockdowns, consumers probably remaining cautious in spending, and uncertainty over the outcome of the UK/EU trade negotiations concluding at the end of the year also being a headwind. However, the second national lockdown starting on 5th November for one month is expected to depress GDP*

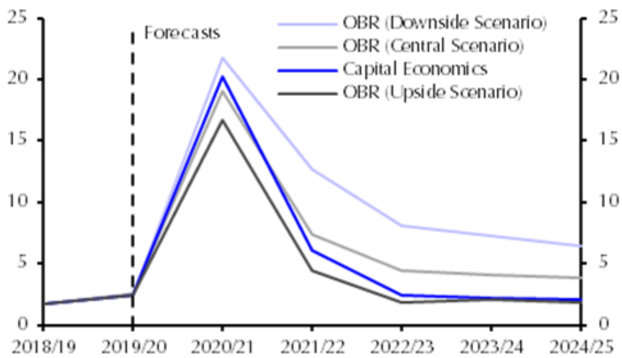
*by 8% in November while the rebound in December is likely to be muted and vulnerable to the previously mentioned downside risks.  It was expected that the second national lockdown would push back recovery of GDP to pre pandemic levels by six months and into sometime during 2023.  However, the graph below shows what Capital Economics forecast will happen now that there is high confidence that successful vaccines will be widely administered in the UK in the first half of 2021; this would cause a much quicker recovery than in their previous forecasts.*

*Chart: Level of real GDP (Q4 2019 = 100)*




*This recovery of growth which eliminates the effects of the pandemic by about the middle of the decade would have major repercussions for public finances as it would be consistent with the government deficit falling to 2% of GDP without any tax increases.  This would be in line with the OBR's most optimistic forecast in the graph below, rather than their current central scenario which predicts a 4% deficit due to assuming much slower growth.  However, Capital Economics forecasts assume that there is a reasonable Brexit deal and also that politicians do not raise taxes or embark on major austerity measures and so, (perversely!), depress economic growth and recovery.*

*Chart: Public Sector Net Borrowing (As a % of GDP)*




- *Capital Economics have not revised their forecasts for Bank Rate or gilt yields after this major revision of their forecasts for the speed of recovery of* *economic growth, as they are also forecasting that inflation is unlikely to be a significant threat and so gilt yields are unlikely to rise significantly from current levels.*

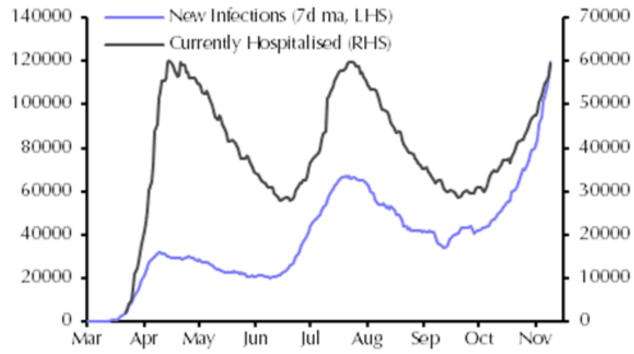
- *There will still be some* ***painful longer term adjustments*** *as e.g. office space and travel by planes, trains and buses may not recover to their previous level of use for several years, or possibly ever, even if vaccines are fully successful in overcoming the current virus. There is also likely to be a reversal of globalisation as this crisis has exposed how vulnerable long-distance supply chains are. On the other hand, digital services are one area that has already seen huge growth.*

- *The* ***Financial Policy Committee*** *(FPC) report on 6th August revised down their expected credit losses for the banking sector to "somewhat less than £80bn". It stated that in its assessment "banks have buffers of capital more than sufficient to absorb the losses that are likely to arise under the MPC's central projection". The FPC stated that for real stress in the sector, the economic output would need to be twice as bad as the MPC's projection, with unemployment rising to above 15%.*

***US.*** *The result of* ***the November elections*** *means that while the Democrats have gained the presidency and a majority in the House of Representatives, it looks as if the Republicans will retain their slim majority in the Senate. This means that the Democrats will not be able to do a massive fiscal stimulus, as they had been hoping to do after the elections, as they will have to get agreement from the Republicans. That would have resulted in another surge of debt issuance and could have put particular upward pressure on debt yields – which could then have also put upward pressure on gilt yields. On the other hand, equity prices leapt up on 9th November on the first news of a successful vaccine and have risen further during November as more vaccines announced successful results. This could cause a big shift in investor sentiment i.e. a swing to sell out of government debt to buy into equities which would normally be expected to cause debt prices to fall and yields to rise. However, the rise in yields has been quite muted so far and it is too early to say whether the Fed would feel it necessary to take action to suppress any further rise in debt yields. It is likely that the next two years, and possibly four years in the US, could be a political stalemate where neither party can do anything radical.*

*The economy had been recovering quite strongly from its contraction in 2020 of 10.2% due to the* ***pandemic*** *with GDP only 3.5% below its pre-pandemic level and the unemployment rate dropping below 7%. However, the rise in new cases during quarter 4, to the highest level since mid-August, suggests that the US could be in the early stages of a third wave. While the first wave in March and April was concentrated in the Northeast, and the second wave in the South and West, the latest wave has been driven by a growing outbreak in the Midwest. The latest upturn poses a threat that the recovery in the economy could stall. This is* ***the single biggest downside risk*** *to the shorter term outlook – a more widespread and severe wave of infections over the winter months, which is compounded by the impact of the regular flu season* *and, as a consequence, threatens to overwhelm health care facilities. Under those circumstances, states might feel it necessary to return to more draconian lockdowns.*

*COVID-19 New infections & hospitalisations*




*However, with the likelihood that highly effective vaccines are going to become progressively widely administered during 2021, this should mean that life will start to return to normal during quarter 2 of 2021. Consequently, there should be a sharp pick-up in growth during that quarter and a rapid return to the pre-pandemic level of growth by the end of the year.*

*After Chair Jerome Powell unveiled the **Fed's adoption of a flexible average inflation target** in his Jackson Hole speech in late August, the mid-September meeting of the Fed agreed by a majority to a toned down version of the new inflation target in his speech - that "it would likely be appropriate to maintain the current target range until labour market conditions were judged to be consistent with the Committee's assessments of maximum employment and inflation had risen to 2% and was on track to moderately exceed 2% for some time." This change was aimed to provide more stimulus for economic growth and higher levels of employment and to avoid the danger of getting caught in a deflationary "trap" like Japan. It is to be noted that inflation has actually been under-shooting the 2% target significantly for most of the last decade, (and this year), so financial markets took note that higher levels of inflation are likely to be in the pipeline; long-term bond yields duly rose after the meeting. The Fed also called on Congress to end its political disagreement over providing more support for the unemployed as there is a limit to what monetary policy can do compared to more directed central government fiscal policy. The FOMC's updated economic and rate projections in mid-September showed that officials expect to leave the fed funds rate at near-zero until at least end-2023 and probably for another year or two beyond that. There is now some expectation that where the Fed has led in changing its inflation target, other major central banks will follow. The increase in tension over the last year between the US and China is likely to lead to a lack of momentum in progressing the initial positive moves to agree a phase one trade deal. The Fed's meeting on 5 November was unremarkable - but at a politically sensitive time around the elections.*

***EU.*** *The economy was recovering well towards the end of Q2 and into Q3 after a sharp drop in GDP caused by the virus, (e.g. France 18.9%, Italy 17.6%). However, growth is likely to stagnate during Q4, and Q1 of 2021, as a second wave of the virus has affected many countries, and is likely to hit hardest those countries more dependent on tourism. The €750bn fiscal support package eventually agreed by the EU after prolonged disagreement between various countries, is unlikely to provide significant support, and quickly enough, to make an appreciable difference in the worst affected countries. With inflation expected to be unlikely to get much above 1% over the next two years, the ECB has been struggling to get inflation up to its 2% target. It is currently unlikely that it will cut its central rate even further into negative territory from -0.5%, although the ECB has stated that it retains this as a possible tool to use. It is therefore expected that it will have to provide more monetary policy support through more quantitative easing purchases of bonds in the absence of sufficient fiscal support from governments. The current PEPP scheme of €1,350bn of QE which started in March 2020 is providing protection to the sovereign bond yields of weaker countries like Italy. There is therefore unlikely to be a euro crisis while the ECB is able to maintain this level of support. However, the PEPP scheme is regarded as being a temporary measure during this crisis so it may need to be increased once the first PEPP runs out during early 2021. It could also decide to focus on using the Asset Purchase Programme to make more monthly purchases, rather than the PEPP scheme, and it does have other monetary policy options.*

*However, as in the UK and the US, the advent of highly effective vaccines will be a game changer, although growth will struggle during the closing and opening quarters of this year and next year respectively before it finally breaks through into strong growth in quarters 2 and 3. The ECB will now have to review whether more monetary support will be required to help recovery in the shorter term or to help individual countries more badly impacted by the pandemic.*

***China.*** *After a concerted effort to get on top of the virus outbreak in Q1, economic recovery was strong in Q2 and then into Q3 and Q4; this has enabled China to recover all of the contraction in Q1. Policy makers have both quashed the virus and implemented a programme of monetary and fiscal support that has been particularly effective at stimulating short-term growth. At the same time, China's economy has benefited from the shift towards online spending by consumers in developed markets. These factors help to explain its comparative outperformance compared to western economies.*

*However, this was achieved by major central government funding of yet more infrastructure spending. After years of growth having been focused on this same area, any further spending in this area is likely to lead to increasingly weaker economic returns in the longer term. This could, therefore, lead to a further misallocation of resources which will weigh on growth in future years.*

***Japan.*** *Japan's success in containing the virus without imposing draconian restrictions on activity should enable a faster return to pre-virus levels of* *output than in many major economies. While the second wave of the virus has been abating, the economy has been continuing to recover at a reasonable pace from its earlier total contraction of 8.5% in GDP. However, there now appears to be the early stages of the start of a third wave. It has also been struggling to get out of a deflation trap for many years and to stimulate consistent significant GDP growth and to get inflation up to its target of 2%, despite huge monetary and fiscal stimulus. There has also been little progress on fundamental reform of the economy. The change of Prime Minister is not expected to result in any significant change in economic policy.*

***World growth.*** *While Latin America and India have, until recently, been hotspots for virus infections, infection rates have begun to stabilise. World growth will be in recession this year. Inflation is unlikely to be a problem for some years due to the creation of excess production capacity and depressed demand caused by the coronavirus crisis.*

*Until recent years, world growth has been boosted by increasing* ***globalisation*** *i.e. countries specialising in producing goods and commodities in which they have an economic advantage and which they then trade with the rest of the world. This has boosted worldwide productivity and growth, and, by lowering costs, has also depressed inflation. However, the rise of China as an economic superpower over the last thirty years, which now accounts for nearly 20% of total world GDP, has unbalanced the world economy. The Chinese government has targeted achieving major world positions in specific key sectors and products, especially high-tech areas and production of rare earth minerals used in high tech products. It is achieving this by massive financial support, (i.e. subsidies), to state owned firms, government directions to other firms, technology theft, restrictions on market access by foreign firms and informal targets for the domestic market share of Chinese producers in the selected sectors. This is regarded as being unfair competition that is putting western firms at an unfair disadvantage or even putting some out of business. It is also regarded with suspicion on the political front as China is an authoritarian country that is not averse to using economic and military power for political advantage. The current trade war between the US and China therefore needs to be seen against that backdrop. It is, therefore, likely that we are heading into a period where there will be a* ***reversal of world globalisation and a decoupling of western countries*** *from dependence on China to supply products. This is likely to produce a backdrop in the coming years of weak global growth and so weak inflation.*

***Summary***

***Central banks are, therefore, likely to support growth by maintaining loose monetary policy through keeping rates very low for longer. Governments could also help a quicker recovery by providing more fiscal support for their economies at a time when total debt is affordable due to the very low rates of interest. They will also need to avoid significant increases in taxation or austerity measures that depress demand in their economies.***

***If there is a huge surge in investor confidence as a result of successful vaccines which leads to a major switch out of government bonds into equities, which, in turn, causes government debt yields to rise, then there will be pressure on central banks to actively manage debt yields by further QE purchases of government debt; this would help to suppress the rise in debt yields and so keep the total interest bill on greatly expanded government debt portfolios within manageable parameters. It is also the main alternative to a programme of austerity.***

*The graph below as at 10th November, shows how the 10 and 30 year gilt yields in the UK spiked up after the Pfizer vaccine announcement on the previous day, (though they have levelled off during late November at around the same elevated levels): -*


***INTEREST RATE FORECASTS***

**Brexit.** *The interest rate forecasts provided by Link in paragraph 3.3 are predicated on an assumption of a reasonable agreement being reached on trade negotiations between the UK and the EU by 31.12.20. However, as the differences between a Brexit deal and a no deal are not as big as they once were, the economic costs of a no deal have diminished. The bigger risk is that relations between the UK and the EU deteriorate to such an extent that both sides start to unravel the agreements already put in place. So, what really matters now is not whether there is a deal or a no deal, but what type of no deal it could be.*

*The differences between a deal and a no deal were much greater immediately after the EU Referendum in June 2016, and just before the original Brexit deadline of 29.3.19. That's partly because leaving the EU's Single Market and Customs Union makes this Brexit a relatively "hard" one. But it's mostly because a lot of arrangements have already been put in place. Indeed, since the Withdrawal Agreement laid down the terms of the break-up, both the UK and the EU have made substantial progress in granting financial services equivalence and the UK has replicated the bulk of the trade deals it had with non-EU countries via the EU. In a no deal in these circumstances (a "cooperative no deal"), GDP in 2021 may be only 1.0% lower than if there* *were a deal. In this situation, financial services equivalence would probably be granted during 2021 and, if necessary, the UK and the EU would probably rollover any temporary arrangements in the future.*

*The real risk is if the UK and the EU completely fall out. The UK could override part or all the Withdrawal Agreement while the EU could respond by starting legal proceedings and few measures could be implemented to mitigate the disruption on 1.1.21. In such an "uncooperative no deal", GDP could be 2.5% lower in 2021 than if there was a deal. The acrimony would probably continue beyond 2021 too, which may lead to fewer agreements in the future and the expiry of any temporary measures.*

*Relative to the slump in GDP endured during the COVID crisis, any hit from a no deal would be small. But the pandemic does mean there is less scope for policy to respond. Even so, the Chancellor could loosen fiscal policy by about £10bn (0.5% of GDP) and target it at those sectors hit hardest. The Bank of England could also prop up demand, most likely through more gilt and corporate bond purchases rather than negative interest rates.*

*Brexit may reduce the economy's potential growth rate in the long run. However, much of that drag is now likely to be offset by an acceleration of productivity growth triggered by the digital revolution brought about by the COVID crisis.*

***So in summary there is not likely to be any change in Bank Rate in 20/21 – 21/22 due to whatever outcome there is from the trade negotiations and while there will probably be some movement in gilt yields / PWLB rates after the deadline date, there will probably be minimal enduring impact beyond the initial reaction.***

***The balance of risks to the UK***

- *The overall balance of risks to economic growth in the UK is probably now skewed to the upside, but is subject to major uncertainty due to the virus and how quickly successful vaccines may become available and widely administered to the population. It may also be affected by what, if any, deal the UK agrees as part of Brexit.*
- *There is relatively little UK domestic risk of increases or decreases in Bank Rate and significant changes in shorter term PWLB rates. The Bank of England has effectively ruled out the use of negative interest rates in the near term and increases in Bank Rate are likely to be some years away given the underlying economic expectations. However, it is always possible that safe haven flows, due to unexpected domestic developments and those in other major economies, could impact gilt yields, (and so PWLB rates), in the UK.*

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

- ***UK*** *- further national lockdowns or severe regional restrictions in major conurbations during 2021.*
- ***UK / EU trade negotiations*** *– if they were to cause significant economic disruption and downturn in the rate of growth.*

- ***UK government*** *takes too much action too quickly to raise taxation or introduce austerity measures that depress demand in the economy.*
- ***UK - Bank of England*** *takes action too quickly, or too far, over the next three years to raise Bank Rate and causes UK economic growth, and increases in inflation, to be weaker than we currently anticipate.*
- *A resurgence of the* ***Eurozone sovereign debt crisis.*** *The ECB has taken monetary policy action to support the bonds of EU states, with the positive impact most likely for "weaker" countries. In addition, the EU agreed a €750bn fiscal support package. These actions will help shield weaker economic regions for the next year or so. However, in the case of Italy, the cost of the virus crisis has added to its already huge debt mountain and its slow economic growth will leave it vulnerable to markets returning to taking the view that its level of debt is unsupportable. There remains a sharp divide between northern EU countries favouring low debt to GDP and annual balanced budgets and southern countries who want to see jointly issued Eurobonds to finance economic recovery. This divide could undermine the unity of the EU in time to come.*
- *Weak capitalisation of some* ***European banks****, which could be undermined further depending on extent of credit losses resultant of the pandemic.*
- ***German minority government & general election in 2021.*** *In the German general election of September 2017, Angela Merkel's CDU party was left in a vulnerable minority position dependent on the fractious support of the SPD party, as a result of the rise in popularity of the anti-immigration AfD party. The CDU has done badly in subsequent state elections but the SPD has done particularly badly. Angela Merkel has stepped down from being the CDU party leader but she intends to remain as Chancellor until the general election in 2021. This then leaves a major question mark over who will be the major guiding hand and driver of EU unity when she steps down.*
- ***Other minority EU governments.*** *Austria, Sweden, Spain, Portugal, Netherlands, Ireland and Belgium also have vulnerable minority governments dependent on coalitions which could prove fragile.*
- ***Austria, the Czech Republic, Poland and Hungary*** *now form a strongly anti-immigration bloc within the EU. In November, Hungary and Poland threatened to veto the 7 year EU budget due to the inclusion of a rule of law requirement that poses major challenges to both countries. There has also been a rise in anti-immigration sentiment in Germany and France.*
- ***Geopolitical risks,*** *for example in China, Iran or North Korea, but also in Europe and other Middle Eastern countries, which could lead to increasing safe haven flows.*

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

- ***UK -*** *a significant rise in inflationary pressures. These could be caused by an uncooperative Brexit deal or by a stronger than currently expected recovery in the UK economy after effective vaccines are administered quickly to the UK population which leads to a resumption of normal life and a return to full economic activity across all sectors of the economy.*
- *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 within the UK economy, which then necessitates a rapid series of increases in Bank Rate to stifle inflation.*

- ***Post-Brexit** – if a positive agreement was reached that removed the majority of threats of economic disruption between the EU and the UK.*

### 8.7 Treasury Management Practice 1 (TMP1) – Credit and Counterparty Risk Management

**SPECIFIED INVESTMENTS:** All such investments will be sterling denominated, with **maturities up to maximum of 1 year**, meeting the minimum 'high' quality criteria where applicable.

**NON-SPECIFIED INVESTMENTS**: These are any investments which do not meet the specified investment criteria.

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 Government gilts | yellow | 100% | 5 years |
| UK Government 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<br>Orange<br>Red<br>Green<br>No Colour | £5m | 12 months<br>12 months<br>6 months<br>100 days<br>Not for use |
| Term deposits with banks and building societies | Blue<br>Orange<br>Red<br>Green<br>No Colour | £5m | 12 months<br>12 months<br>6 months<br>100 days<br>Not for use |
| CDs or corporate bonds with banks and building societies | Blue<br>Orange<br>Red<br>Green<br>No Colour | £5m | 12 months<br>12 months<br>6 months<br>100 days<br>Not for use |
| Gilt funds | UK sovereign rating | £5m | |

* DMO – is the Debt Management Office of H.M.Treasury

**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.

## 8.8 Approved countries for investments (as at 01.12.2020)

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, Norway and Luxembourg), have banks operating in sterling markets which have credit ratings of green or above in the Link credit worthiness service.

***Based on lowest available rating***

AAA

- Australia
- Denmark
- Germany
- Luxembourg

- Netherlands
- Norway
- Singapore
- Sweden
- Switzerland

AA+

- Canada
- Finland
- U.S.A.

AA

- Abu Dhabi (UAE)
- France

AA-

- Belgium
- Hong Kong
- Qatar
- **U.K.**

## 8.9 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.

## 8.10 Role of the section 151 officer

The S151 (responsible) officer is responsible for:

- 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, and treasury management, with a long-term timeframe
- 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 authority
- ensure that the authority has appropriate legal powers to undertake expenditure on non-financial assets and their financing
- ensuring the proportionality of all investments so that the authority does not undertake a level of investing which exposes the authority 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 an authority
- ensuring that the authority 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.* `

**CABINET**

**KEY DECISIONS/ WORK PROGRAMME, AND EXECUTIVE DECISIONS MADE**

**February 2021**

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 | Date item agreed for report | Outline/Reason for Report/Comments | Original Due Date | Revised Due Date | Key Decision Y? Note 1 | Cabinet Member (Note 2) | Service (Note 3) | * This item may contain Exempt Inform-ation |
|---|---|---|---|---|---|---|---|---|
| Civic Regeneration Working Group | Jan 21 | Post consideration by Overview & Scrutiny Committee, to update on the discussions of the Working Group | Jan 21 | Feb 21 | | RQ | CS | |
| Draft 2021/22 Revenue Budget, Capital Programme and Council Tax Proposals | Annual | Post consideration by Overview & Scrutiny Committee, to agree to recommend to Council the 2021/22 Revenue Budget, Capital Programme and Council Tax Proposals | Feb 21 | | | JR | F | |
| Draft 2021/22 Capital Strategy, Treasury Management Strategy Statement and Asset Management Plan | Annual | Post consideration by Overview & Scrutiny Committee, to agree to recommend to Council the 2021/22 draft Capital Strategy, the 2021/22 Treasury Management Strategy Statement and Asset Management Plan | Feb 21 | | | JR | F | |



Agenda Item 10

| Report Title | Date item agreed for report | Outline/Reason for Report/Comments | Original Due Date | Revised Due Date | Key Decision Y? Note 1 | Cabinet Member (Note 2) | Service (Note 3) | * This item may contain Exempt Inform-ation |
|---|---|---|---|---|---|---|---|---|
| Debt Recovery Update Policy | Nov 20 | To update Cabinet on the Debt Recovery policy | Feb 21 | Mar 21 | | JR | F | |
| Housing Re-Procurement | Sep 20 | To inform Cabinet of new software to manage the allocations, choice-based lettings, housing options and homelessness aspects of Housing Services | Feb 21 | Mar 21 | | SB | H | |
| Budget Monitoring | Quarterly | Post consideration by Overview & Scrutiny Committee, to consider a report on Quarterly Budget Monitoring | Mar 21<br>Jun 21<br>Sep 21 | | | JR | F | |
| Service Plans | Annual | Post consideration by Overview & Scrutiny Committee, agree the 2021/22 Service Plans | Apr 21 | | | DN | All | |
| Car Boot Sales | Sep 20 | To update Cabinet on car boot sales | Jan 21 | Apr 21 | | RQ | JCX | |
| Outside Bodies | Annual | Post consideration by Overview & Scrutiny of the effectiveness of the Council's involvement with outside bodies | Jun 21 | | | DN | JCX | |

| Report Title | Date item agreed for report | Outline/Reason for Report/Comments | Original Due Date | Revised Due Date | Key Decision Y? Note 1 | Cabinet Member (Note 2) | Service (Note 3) | * This item may contain Exempt Inform-ation |
|---|---|---|---|---|---|---|---|---|
| Food and Health and Safety Service Plan | Annual | Recommend to Council that the annual Food Safety Plan be adopted | Jul 21 | | | SK | P | |
| Revenue and Capital Outturn 2020/2021 | Annual | Post consideration by Overview & Scrutiny Committee, to consider the Annual report on outturn | Aug 21 | | | JR | F | |
| Treasury Management 2020/2021 (Annual Report) | Annual | Post consideration by Overview & Scrutiny Committee, to consider the Annual report on Treasury Management Activities 2020/21 | Aug 21 | | | JR | F | |
| Treasury Management 2021/22<br>(Half Year Report) | Annual | Post consideration by Overview & Scrutiny Committee, to consider a Half Year review report on Treasury Management Strategy 2020/21 | Dec 21 | | | JR | F | |
| Budget and Medium Term Financial Strategy | Annual | To give an early consideration of the emerging budget for 2021/22 and the MTFS | Dec 21 | | | JR | F | |
| Frogmore Day Care Centre | Jan 21 | To update Cabinet on the position. | Jan 21 | TBC | | JR | F | |

**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 | SA | Digital | RQ | Commercialisation (Cn) | SB | Community (Cy) |
| SK | Regulatory | AO | Environment | JR | Finance and Corporate Services | GC | Place |

**Note 3**

**Service:**

| | | | | | |
|---|---|---|---|---|---|
| JCX | Joint Chief Executive | CS | Corporate Services | P | Place Services |
| CSF | Community Safety | PP | Planning Policy | TS | Environmental & Technical Services |
| F | Finance | H | 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

**EXECUTIVE DECISIONS**

| | | | |
|---|---|---|---|
| 04/12/20 | Cllr Neighbour | To upgrade two tennis courts at Riseley, Wokingham | No Call-in |
| 04/12/20 | Cllr Neighbour | Improvements to the Village Pond, Yateley | No Call-in |
| | | | |