



NOTICE OF MEETING

Meeting:	Overview and Scrutiny Committee
Date and Time:	Tuesday 18 January 2022 7.00 pm
Place:	Council Chamber
Enquiries to:	Committee Services committeeservices@hart.gov.uk
Members:	Axam, Collins, Crookes, Davies, Dorn, Drage, Farmer, Harward, Smith, Wildsmith and Worlock (Chairman)

Joint Chief Executive

CIVIC OFFICES, HARLINGTON WAY
FLEET, HAMPSHIRE GU51 4AE

AGENDA

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

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

- At the start of the meeting, the Lead Officer will confirm the Fire Evacuation Procedure.**
- The Chairman will announce that this meeting will be recorded and that anyone remaining at the meeting had provided their consent to any such recording.**

1 MINUTES OF PREVIOUS MEETING (Pages 5 - 11)

The minutes of the meeting of 14 December 2021 are attached to be confirmed and signed as a correct record.

2 APOLOGIES FOR ABSENCE

To receive any apologies for absence from Members*.

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

3 DECLARATIONS OF INTEREST

To declare disclosable, pecuniary and any other interests*.

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

4 CHAIRMAN'S ANNOUNCEMENTS

5 PUBLIC PARTICIPATION (ITEMS PERTAINING TO THE AGENDA)

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

[Public Participation leaflet 2021.pdf \(hart.gov.uk\)](#)

6 HOUSING CAPITAL SPEND UPDATE

An update from members of the Housing Capital Spend Task and Finish group. This group was set up in November 2021 to review project options for Housing Capital Spend.

7 HOUSING CAPITAL FUNDING FOR ENERGY EFFICIENCY MEASURES IN NEW AFFORDABLE HOUSING (Pages 12 - 32)

This paper sets out a proposal to ringfence a proportion of the Council's housing capital funds to support Registered Provider's and housing associations (see useful terms in Appendix A), to provide energy efficiency measures in some of their new affordable homes.

RECOMMENDATIONS

That Overview and Scrutiny Committee recommend to Cabinet the approval of the proposal to provide top-up funding to housing associations and Registered Providers to enable the provision of additional energy efficiency measures on new-build affordable homes which will

- ringfence up to March 2025, £550k of housing capital funds for this purpose, after which time the scheme will be reviewed
- provide delegated authority to the Head of Community and Head of Finance, in consultation with the Portfolio Holder for Community, delegated authority to approve schemes on a case-by-case basis, to enable Officers

to move swiftly to negotiate these additional measures

This proposal has been discussed at November Overview and Scrutiny 2021 and at the Overview and Scrutiny Task and Finish Group meeting on 8 December 2021. Feedback and comments from Councillors in these meetings have been considered and reflected in this paper.

8 HOMELESSNESS AND ROUGH SLEEPING STRATEGY 2022-27 (Pages 33 - 76)

To seek the Committee's endorsement before seeking Cabinet approval for the adoption of the Homelessness and Rough Sleeping Strategy 2022-27.

RECOMMENDATION

That the new Homelessness and Rough Sleeping Strategy attached as **Appendix A** be endorsed and recommended for adoption by Cabinet.

9 DRAFT BUDGET 2022/2023 AND MEDIUM TERM FINANCIAL STRATEGY (Pages 77 - 95)

This report provides a summary of the revenue and capital budget proposals for 2022/2023. The Overview and Scrutiny Committee are requested to review, provide challenge and to forward comments on the proposed draft Budget and Council Tax proposals to Cabinet.

This proposed budget includes funding provided in the provisional finance settlement for 2022/2023 which was published on December 16, 2021. The final settlement is expected in early 2022.

The anticipated multi-year Spending Review was once again replaced by a short-term Spending Round. This limits any meaningful financial planning to one year. Whilst best estimates have been made for future years, this report therefore cannot give any realistic projection beyond 2022/2023.

RECOMMENDATION

That the Committee reviews this report, provides challenge, and provides any comments to Cabinet it has on the draft Budget 2022/2023.

10 TREASURY MANAGEMENT STRATEGY STATEMENT AND ANNUAL INVESTMENT STRATEGY (Pages 96 - 130)

To present the draft Treasury Management Strategy Statement for 2022/23 which incorporates the Annual Investment Strategy and Prudential and Treasury Indicators.

RECOMMENDATION

That the Committee consider any recommendations it wishes to make to Cabinet in respect of the Treasury Management Strategy Statement and Annual Investment Strategy.

11 CABINET WORK PROGRAMME (Pages 131 - 135)

To consider the Cabinet Work Programme.

12 OVERVIEW AND SCRUTINY WORK PROGRAMME (Pages 136 - 139)

To consider and amend the Overview and Scrutiny Work Programme.

Date of Publication: Monday, 10 January 2022

Public Document Pack Agenda Item 1

OVERVIEW AND SCRUTINY COMMITTEE

Date and Time: Tuesday 14 December 2021 at 7.00 pm

Place: Council Chamber

Present:

Axam, Butler, Crookes, Dorn, Drage, Farmer, Harward, Smith and Worlock
(Chairman)

In attendance:

Councillor Butcher
Councillor Forster
Councillor Wildsmith

Officers:

Emma Foy, Head of Corporate Services & S151 Officer
John Elson, Head of Environment & Technical Services
Mark Jaggard, Head of Place
Kirsty Jenkins, Head of Community
Jenny Humphreys, Committee Services Officer

76 MINUTES OF PREVIOUS MEETING

A member wanted a sentence included in November's Overview and Scrutiny Minutes on Odiham car parking charges (minute 67).

The member wanted it noted that they had mentioned that Odiham car parking charges had increased, and as a result the number of people buying tickets and revenue had gone down.

The Minutes of the meeting of 16 November 2021 were otherwise confirmed and signed as a correct record.

A member asked if there could be a 'matters arising' item on future agendas for Overview and Scrutiny meetings. The member also discussed version numbers and dates on agendas and the Chairman confirmed that this was something the Joint Chief Executive and officers were still discussing.

77 APOLOGIES FOR ABSENCE

Apologies were received from Councillors Davies and Collins. Councillor Butler attended as a substitute for Councillor Davies.

Councillor Wildsmith attended via Teams video.

78 DECLARATIONS OF INTEREST

Councillor Forster declared a personal interest as a nominated sub-contractor on the Kent Framework.

79 CHAIRMAN'S ANNOUNCEMENTS

The Chairman announced that Committee Services and the Joint Chief Executive had received a communication from a resident requesting that points raised within this communication could be addressed at tonight's meeting.

The Chairman then highlighted the correct procedures with respect of public participation at the meeting. The Council allows residents to make statements and raise questions at meetings of the Overview and Scrutiny Committee. It is less formal than the Council arrangements. The rules, however, require the person making the statement, or raising the questions, to attend the meeting in person. This is because there is an expectation that members of the committee and officers can question the person making the statement or asking questions. Attendance can be either by coming to the meeting or by joining virtually via Teams.

In this case, the person asking the question had chosen not to attend. The points therefore could not be put to the committee, and neither could the individual be questioned. However, the Chairman confirmed that she had asked the Head of Corporate Services to address any relevant points in her presentation of the Budget Monitoring paper (agenda item 11).

The Chairman moved agenda item 8 before item 6.

80 PUBLIC PARTICIPATION (ITEMS PERTAINING TO THE AGENDA)

None.

81 ENVIRONMENT & TECHNICAL SERVICE PANEL UPDATE

Members summarised that the meeting was well run, the team were working very well together, and they are confident a good job is being done.

Members highlighted the following amber items as ones to watch:

- Developing a proposal for the installation of electrical vehicle charging points.
- The replacement of Hart's vehicle fleet with electric cars.
- Delivery of Phase 1 works at Edenbrook Country Park.

Members requested to see Quarter 2 data for CCTV, and the Head of Environment & Technical confirmed that the figures are above target but they are still awaiting to receive this data officially from Rushmoor Borough Council.

Councillor Forster left the meeting due to a personal interest (19:14).

A member questioned the use of the word 'tendering' for the Kent Framework project.

The Head of Environment & Technical Services will change the word 'tendering' to 'procuring'. This is due to the process not being a competitive one but a selection.

A member queried the progress of work on Odiham Common and the Head of Environment & Technical Services confirmed this project, as far as he was aware was on track.

82 PLACE SERVICE PANEL UPDATE

Members summarised that the service is working very hard and key individuals are very busy, with resource constraints curbing output across the very wide range of tasks.

Members stressed that prioritising the 32 service priorities so the team can focus on certain ones at different times could be more beneficial.

Members discussed fly-tipping and questioned the current figures and KPI's and how they were recorded.

The Chairman and Overview and Scrutiny Committee to consider changing the format and template for all service areas if it is deemed that extra information and prioritisation on tasks needs to occur.

83 COMMUNITY SERVICE PANEL UPDATE

Members reported that the meeting was very positive and commended the Head of Community for also providing written answers to questions that were asked at the meeting.

84 PROJECT INTEGRA JOINT MUNICIPAL WASTE MANAGEMENT STRATEGY

The Head of Corporate Services explained that the report sets out the new Joint Municipal Waste Management Strategy (JMWMS) proposed by Hampshire County Council.

This will be supported by a new operational partnership agreement and detailed action plan to take Project Integra (PI) forward including meeting the requirements of the Environment Bill.

Councillor Forster re-joined the meeting (19:26)

Members discussed:

- When the Environment Bill will become law.
- The project's financial costs and implications.
- The uncertainty of timescales.
- The "twin-stream" approach to recycling and how different proposed ones in the Strategy are to Hart's current one.
- The significant new recycling facilities that would be needed for this project and how these would be funded. For example, yoghurt pots, tin foil, and food waste.
- Increasing residents' education of recycling and engaging more with them on what they would like to see introduced to Hart's recycling service.
- Plastic pollution and plastic recycling.
- The Sky Ocean Rescue initiative.

DECISION

The Overview and Scrutiny Committee recommended to Cabinet the endorsement of a "twin-stream" approach to recycling, (not **the** "twin-stream" approach that is detailed in the report) to improve performance. Noting the clear proviso, that no commitment can yet be made to it, until the requirements of the Environment Bill and the associated financial arrangements are made clear, and agreement is reached on any revision to Project Integra with Hampshire County Council.

This to include the following comments (if possible):

- Timescales for the project to be listed.
- Funding and who would pay for aspects of the project.
- The project should be one that can respond easily to environmental and climate change factors when they arise, to support Hart's Climate Emergency commitment.
- In Appendix 1 (page 10 of the Strategy) Hart's recycling should be listed as 'alternate weekly' instead of fortnightly.

The Chairman to agree further comments with the Committee via email before Cabinet in January.

The Chairman also relayed a message from Basingstoke and Deane Borough Council on the welfare of Hart employees who had transferred as part of the waste management transition. Officers at Basingstoke said: "staff that have transferred have integrated well."

85 TREASURY MANAGEMENT 2021/22 (HALF YEAR REPORT)

The Head of Corporate Services summarised the Council's Treasury Management activities and performance during the first six months of the 2021/22 financial year (April-September 2021).

The Head of Corporate Services added that the report was due to come to November's Overview & Scrutiny meeting but was postponed due to that meeting's very full agenda.

Members discussions included:

- The risks and potential exposures of borrowing.
- Increasing the Barclays Counterparty limit from £5 million to £10 million and why this amount had been proposed.
- Operational Boundary and what it involved.

DECISION

The Committee endorsed the recommendation to Cabinet to increase the Barclays Counterparty limit to £10m until 31 March, to accommodate the investment in the Barclays Green Investment fund.

The Committee endorsed the recommendation that following the acquisition of Centenary House, to increase the Operational Boundary and Authorised Limit as detailed in paragraph 4.3.

The Head of Corporate Services to include percentage of assets and net spends in the Cabinet report and to circulate to members beforehand.

86 QUARTER TWO BUDGET MONITORING

The Head of Corporate Services summarised the revenue outturn and capital outturn for the first six months of the year ending 30 September 2021.

She highlighted that when the report was prepared the level of sales, fees and charges compensation had not been confirmed so this is not reflected.

The cost of Services Budget set by Cabinet in February was £107948.

Members discussions included:

- The net cost of waste transferring from Environment & Technical Services to Corporate Services.
- Car parking income decreasing due to the pandemic.
- Place service receiving increased fees from planning applications and increased work on Building Control.
- The retention of the dog warden van and why the Council has earmarked £24,000 for a potentially new electric vehicle for this service.
- Covid-19 grants/compensation from the government.
- Accounting Treatment and its definition.
- The loss of revenue due to the temporary closure of the Hart Leisure Centre during lockdowns.

The Head of Corporate Services agreed to provide more details on the dog warden van in the future.

Members also questioned if the Head of Corporate Services had answered all the resident's questions that had been submitted in a statement prior to the meeting.

The Head of Corporate Services confirmed she had answered all the points in the statement that referred to the Budget report, waste transfer and the earmarked reserves.

DECISION

1. The Overview and Scrutiny Committee noted the revised projections and main revenue variances highlighted in Paragraph 4.1 and Appendices 1 and 2.
2. The Committee noted the provisional full year revenue outturn position as at 30 September 2021 of a £612,000 overspend as detailed in Table 4.3.
3. The Committee noted capital outturn position as at 30th September 2021.

87 CABINET WORK PROGRAMME

Members questioned why the upcoming Annual Parking report is scheduled to include details of car parking income as it was already included in the budget papers.

The Head of Corporate Services to investigate this with the Joint Chief Executive and to find out more about what parking proposals these are referring to.

88 OVERVIEW AND SCRUTINY WORK PROGRAMME

In addition to a verbal discussion, members were keen to see a report and presentation for the item on 'Renewable Energy Policy for Hart', due to come to February's Overview and Scrutiny meeting.

The Chairman agreed that an accompanying presentation on this topic and separate meetings were being considered by the Portfolio Holder for Place and Head of Place.

The Chairman also confirmed that the Renewable Energy Policy was planning policy.

The Chairman reminded the Committee that the Work Programme is a living document and items will be added continuously.

The meeting closed at 9.02 pm

OVERVIEW & SCRUTINY

DATE OF MEETING: 18 January 2022

TITLE OF REPORT: Housing capital funding for energy efficiency measures in new affordable housing

Report of: Head of Community

Cabinet Portfolio: Community

Key Decision No

Confidentiality Non Exempt

1 PURPOSE OF REPORT

1.1 This paper sets out a proposal to ringfence a proportion of the Council's housing capital funds to support Registered Provider's and housing associations (see useful terms in Appendix A), to provide energy efficiency measures in some of their new affordable homes.

2 OFFICER RECOMMENDATION

2.1 That Overview and Scrutiny Committee recommend to Cabinet the approval of the proposal to provide top-up funding to housing associations and Registered Providers to enable the provision of additional energy efficiency measures on new-build affordable homes which will

- ringfence up to March 2025, £550k of housing capital funds for this purpose, after which time the scheme will be reviewed
- provide delegated authority to the Head of Community and Head of Finance, in consultation with the Portfolio Holder for Community, delegated authority to approve schemes on a case-by-case basis, to enable Officers to move swiftly to negotiate these additional measures

2.2 This proposal has been discussed at November Overview and Scrutiny 2021 and at the Overview and Scrutiny Task and Finish Group meeting on 8 December 2021. Feedback and comments from Councillors in these meetings have been considered and reflected in this paper.

3 BACKGROUND

3.1 Community Services has circa £12m capital funding to support the provision of affordable housing within the district. This includes money from the sale of former Council housing through the Right to Buy, money from

the sale of Green Lane carpark and 1 Green Lane and S106 financial contributions received in lieu of on-site affordable housing. Right to Buy receipts are not ring fenced for non-stock holding Council's and it is proposed that these can be used to fund this initiative.

3.2 The Council has funded a number of projects over the last five years ranging from top-up funding to reduce the rent levels for 4 bed affordable homes, funding to provide affordable homes at a Social Rent rather than an Affordable Rent level (Jean Orr Court) and most recently £325k to fund a joint project with VIVID to purchase a bungalow for a disabled resident. Amounts funded range from £57k to £360k.

3.3 The Strategy and Development Team have been exploring how to bring forward suitable projects to which these funds could be applied to deliver affordable housing projects in the district for the benefit of local residents. With the Council's declaration of a climate change emergency earlier in the year, and the opportunity to apply this funding to a 100% affordable housing site in Hart, it seemed timely to bring this proposal forward first, working closely with the Council's Sustainability Officer and the Planning Service. Other proposals will be discussed and prioritised with the Overview and Scrutiny Task and Finish Group and brought forward when appropriate to do so.

3.4 This paper outlines a proposal for the Council to provide top-up funding to new affordable housing schemes in order for additional energy efficiency standards and measures to be included in the new build homes. The primary driver is to be a positive contribution to addressing climate change issues and the Council's climate targets. However, the additional energy efficiency measures will also reduce energy bills helping with the affordability of energy bills for people on limited incomes.

4 MAIN ISSUES

4.1 At full Council on 29 April 2021 councillors declared a Climate Emergency and committed to becoming a carbon neutral authority by 2035 and a carbon neutral district by 2040. This was following the adoption of Hart's Climate Change Action Plan in 2020.

4.2 It is vitally important that affordable homes should not be precluded from providing additional energy efficiency measures due to cost and as such local authorities can consider how they can enable affordable, energy efficient homes in its area. This proposal will help the Council in working towards achieving this and its actions in the Climate Change Action Plan.

4.3 In terms of the national picture, in January 2021, the Government published the Future Homes Standard 2025 which gives targets for reducing carbon emissions in homes. At present Homes England funding supports the provision of a range of different affordable housing products, and whilst new lower carbon technologies and systems do exist, they continue to be harder to access and more expensive generally until they become more mainstream and more widely used. With limited funding available, this can make including these technologies in affordable housing difficult to achieve.

- 4.4 Housing Associations/Registered Providers (RP), who provide the majority of affordable housing in the district either directly, or on S106 sites with developers, are looking at how they can improve the energy efficiency of their properties. This can often be a balancing act between ensuring the homes meet the highest housing need, are of good quality and design and utilise modern technologies. They can apply for Homes England grants to help deliver the affordable housing but there are limits to the levels that will be paid and this means that not all the desired requirements can always be achieved.
- 4.5 It is important to note that not all affordable housing sites will be appropriate for this proposal, and where an RP or housing association own the site or are developing the site themselves generally speaking there is more scope to include additional features.
- 4.6 The Council has a ringfenced capital fund to enable the delivery of affordable housing projects. By providing top-up funding to some of the new affordable homes the Council can enable the housing associations to provide additional energy efficiency measures on their properties including solar panels and air source heat pumps, for example. In some cases, there may be opportunities to provide Passivhaus standard homes. These are highly insulated homes and use very little energy for heating. More information about this is provided with this paper. The energy efficiency features will vary from site to site depending on a number of factors and it is proposed that each proposal is assessed on a case-by-case basis against set criteria. Further details of this are included with this paper.
- 4.7 These homes will provide an excellent opportunity for the Council and the housing associations to monitor energy use, the impact on energy bills and overall affordability and use the lessons learned for future sites and opportunities. More information about what can be measured and how is provided with this paper.

5 OVERVIEW AND SCRUTINY DISCUSSION

5.1 There were a number of questions raised at Overview and Scrutiny in November 2021. Responses to these questions are detailed below.

5.2 How will the energy efficiency benefits be monitored and measured?

Energy efficiency benefits

- **Co-benefits** - Potential gains from improving energy efficiency are substantial not only in terms of saving energy and combating climate change, but also in terms of contributing to an array of other co-benefits, including improving human health and creating skilled jobs.
- **Energy efficiency** - Retrofitting of energy efficiency measures to existing buildings is costly and disruptive to the occupants during installation. Aspects such as construction type and design can also prohibit the ability to retrofit energy efficiency measures to existing

housing stock. Additionally, Passivhaus standard is virtually impossible to deliver after construction and much more costly than adding these measures during construction.

- **Reduction in carbon emission** - carbon emission from domestic properties is the second biggest source of carbon emission in Hart, and one of the hardest to decarbonise. Funding additional energy efficiency measures will ensure that the homes that benefit from the funding will help to meet Hart's 2040 net zero goal.
- **Fit for future** - by not needing to retrofit homes to bring current new build properties up to the much lower 2025 future home standard. This will mean money will not need to be spent in the future to improve the energy efficiency of the property or reduce its carbon emissions.¹
- **Skills** - Homes delivered with improved energy efficiency measures through the funding will offer benefits in building local skills and supply chains to enable building to higher energy efficiency standards. The current skills gap has been identified as a key action by the Committee on Climate Change report 'UK housing: Fit for the future?'² Without the near complete decarbonisation of the housing stock, we will not meet our decarbonisation targets.
- **Future policy** - Homes delivered with higher energy efficiency measures through the funding will be used to help provide evidence and develop future policy to raise energy efficiency measures of all new-builds across the district.
- **Enhanced building standards** - Some housing associations, including Hastoe have adopted their own energy efficiency and build standards that are above standard building requirements³. This funding will help evidence the merits of including improved energy efficiency measures within new affordable homes so that the Council can work with all partner housing associations to encourage higher standards across all new-build affordable stock.

5.3 **Monitoring and measuring the energy efficiency benefits and the type of data that will be collected and how?**

The energy efficiency benefits of homes receiving this funding to improve thermal comfort, heat pumps, solar PV, are already understood and extensively modelled.

The evidence of the energy saving would therefore be expected to come before the project was approved, as these technologies / building methods are already well established and proven.

¹ The article linked below highlights that people buying new homes in the next four years are likely to find that their homes will need to be retrofitted with energy efficiency measures and low carbon technology at an average cost of more than £20k. Whereas, building a new home with higher energy efficiency standards and a heat pump instead of a gas boiler now costs about £4,800 more than current building standards. <https://www.theguardian.com/environment/2021/jan/23/buyers-of-brand-new-homes-face-20000-bill-to-make-them-greener>

² [UK housing: Fit for the future? - Climate Change Committee \(theccc.org.uk\)](https://www.theguardian.com/environment/2021/jan/23/buyers-of-brand-new-homes-face-20000-bill-to-make-them-greener)

³ <https://www.hastoe.com/about-us/building-homes/our-new-build-standard>

However, if further real-world information is required these can be monitored via a smart meter which can measure half hourly energy consumption readings, or via a sub-meter in the case of Solar PV energy production.

Residents will also be able to compare their bills to the cost of energy bills in standard construction homes. This information is readily available.

If more extensive data is required, it would be possible to install energy monitoring system to provide us with real-world energy usage data. This that would not require manual data inputs from residents. However, this would require a further cost for software and hardware to be installed and maintained. This could potentially result in redirection of funding from energy savings measures and would provide limited learning outcomes as the energy savings benefits are already well established.

For example, Solar PV is a mature technology the expected annual savings and energy productions are well understood and modelled, and can be calculated via widely available tools⁴:

Hart also sends out new resident surveys to every person moving into a new affordable home in the district. Surveys to homes receiving funding for additional energy efficiency measures will include questions about bills and energy usage, thermal comfort as well as questions about the design features and practical aspects of living in the home to help us understand this better for future homes.

Further information about Passivhaus is provided with this paper, however, it is worth noting that it is only one of a number of energy efficiency designs and measures that this funding could support.

One of the design requirements to meet the Passivhaus standard is that these homes require space heating energy demand to not exceed 15 kWh per square meter of net living space.

This reduces the need to heat the building to such an extent that you don't need a conventional heating system. However, there will be some heating mechanism attached to the property - often it takes the form of a small heating element attached to the ventilation system.

If building to Passivhaus standard, there is already published energy data available showing the benefits that this type of housing can achieve. Passivhaus standards should reduce space heating costs to near zero. ⁵

⁴ <https://www.pvfitcalculator.energysavingtrust.org.uk>

⁵ Please see the link for research in the comparative costs of building Passivhaus in the UK. <https://passivhaustrust.org.uk/news/detail/?nid=462>

A housing association does not always monitor specific energy usage for every property on every scheme as standard practice. For example, if the new homes are built to the Passivhaus standards, then the energy usage will be as detailed in existing published data. The housing association must prove that the construction is to Passivhaus standards regarding air movement and thermal quality in order to achieve Passivhaus accreditation so these standards will provide the expected efficiencies.⁶

There are many tools available that will model energy production from a site and would be able to assess this at the design stage. This would form part of the assessment in whether to grant funding for the proposal or not for which there is a standard application form and assessment criteria (an example of which is included with this information).

5.4 What is the possibility of upgrading existing new affordable housing schemes under construction in Hart to be more energy efficient?

Where sites have already been granted permission and are under construction, the applicant would need to submit a new application to put in any new solar panels, heat pumps etc as the homes under construction would have no Permitted Development rights. Each application would be assessed individually.

Where there are sites with multiple phases of development which are brought forward under reserved matters applications there may be an opportunity to amend proposed designs to include additional energy efficiency features if they meet the funding criteria and guideline figures for funding per unit.

5.5 Criteria to award funding:

Applications to access funding for additional energy efficiency measures would be submitted using the Council's standard funding request application form (example attached), and a standard assessment process would be applied in each case against the standard criteria as well as analysis of the specific energy efficiency criteria.

<https://www.passivhaustrust.org.uk/UserFiles/File/Why%20choose%20Passivhaus%202013%20FINAL.pdf>

⁶ Source: <https://energysavingtrust.org.uk/passivhaus-what-you-need-know/>

Evidence:

https://www.passivhaustrust.org.uk/UserFiles/File/Technical%20Papers/2020%2006_Passivhaus%20and%20the%20Performance%20Gap_University%20of%20Bath_Rachel%20Mitchell%20and%20Sukumar%20Natarajan.pdf

Assessment process:

- Each application for funding would be assessed by an officer panel comprising of four officers - the Housing Strategy and Development Manager, Housing Strategy and Development Officer, Sustainability Officer, and Planning Development Management and Building Control Manager.
- Each application will be assessed using the criteria included in the application form (see attached example Appendix B), a supporting statement and any additional supporting documentation the RP (housing association) provides or is requested to provide.
- Any recommendation for approval will be made to the Portfolio Holder for Community, the Head of Community and Head of Corporate Services who will have delegated powers to approve or not approve applications made for this funding.

Applications are invited from an RP or housing association that is approved by the Council and which meet one or more of the following criteria (included on the application form):

- Suggested request makes the best use of the Council's resources to achieve maximum gain for the local community.
- Hart secures 100% nomination rights on new properties and giving priority to local people.
- Suggested request helps to deliver rural housing developments that often have higher associated costs.
- Suggested request contributes towards meeting the corporate priorities for affordable housing and climate change.
- Suggested request provides additional energy efficiency measures above Building Regulations requirements.

5.6 Application Form - Please see **Appendix B**

6 ALTERNATIVE OPTIONS CONSIDERED AND REJECTED

6.1 Officers will be bringing forward a number of other proposals for spending the Housing Capital Fund. A Task and Finish Group has been set up with Overview and Scrutiny Councillors which will explore these proposals in more detail.

6.2 In relation to this proposal, the Council could decide not to ringfence any funding for energy efficiency methods and use it to prioritise other projects. This could mean that a number of new affordable homes are developed without any additional energy efficiency measures, or with some features but not making the most of the opportunity available. This will be a missed opportunity to deliver a project focussed on energy efficiency and to meet Hart's climate change aims.

7 CORPORATE GOVERNANCE CONSIDERATIONS

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

7.1 This proposal supports several of the priorities set out in Hart's Corporate Plan 2017-22. These include "A Clean, Green and Safe Environment" - to improve energy efficiency, and "Healthy Communities and People" - ensure access to affordable housing.

7.2 Also, Hart Vision 2040 - "Technological advances may be making even greater differences to the way we work and live as communities", and "Reducing the impact of climate change by building in sustainability and using new technologies to mitigate the impact of climate change"

Service Plan

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

- 7.4 **Legal and Constitutional Issues**
There are no legal or constitutional issues arising from this report. If the proposal is agreed by Cabinet, the Council will engage Legal Services to ensure there is a legal agreement in place between them and the relevant Registered Provider, for the delivery of energy efficiency measures in exchange for funding.
- 7.5 **Financial and Resource Implications**
In order to support the provision of additional energy efficiency measures in new affordable homes it is requested that £550k of housing capital receipts is ringfenced up to March 2025 for this purpose. This has been included in the draft capital housing budget for 2022-23, subject to the outcome of the committee's decision.
- 7.6 Overview and Scrutiny Committee are asked to recommend approval of this proposal to Cabinet.
- 7.7 The funding can be drawn from the Right to Buy receipts. There are no specific restrictions on the use of these funds.
- 7.8 On average, a Passivhaus or affordable home with several additional energy efficiency measures is estimated to require in the region of £10k per unit more grant funding than a traditionally built property. This is expected to vary very slightly from site to site depending on site specific restrictions and requirements. Build costs will also vary depending on availability of materials and skills. We have seen recently that costs have increased due to a shortage of certain materials and skills for most sites currently being built.
- 7.9 Therefore, it is proposed that the requested amount should enable a small number of sites to be able to access the funding and this will provide the Council with the opportunity to review the effectiveness of the funding and the outcomes. If appropriate sites do not come forward the ringfenced funding will not be spent and can be used elsewhere after 2025.
- 7.10 Each request for funding from a housing association will be made using an approved funding application form. **Appendix B** The applications will be assessed by a panel of four Council officers - the Housing Strategy and Development Manager, Housing Strategy and Development Officer, the Sustainability Officer and the Development Management and Building Control Manager, against set criteria and supporting statements provided with the application.
- 7.11 The individual considerations, costs and aspects will vary from site to site as the property type, size, site etc will vary considerably from site to site. The cost of building materials may also change from time to time.
- 7.12 Recommendations will be made by the officer panel to officers and Councillors with delegated responsibilities to determine whether the funding request is approved.

7.13 There are no implications for additional resources or staffing to support this proposal.

8 Risk Management

8.1 The Council could decide not to agree to this proposal there are a number of possible risks including that:

- Affordable housing providers will not be able to provide any (or many) additional energy efficiency measures in new affordable homes as they are too expensive and Homes England grant will not cover the full costs of including them.
- The Council does not meet its carbon reduction targets.
- Future opportunities to support schemes may be few and far between and the Council misses the opportunity to support innovative and forward-thinking designs to help reduce carbon emissions in new affordable homes.
- Residents living in the new affordable homes are faced with rising energy bills but limited incomes and problems with affordability of new homes arise.

9 EQUALITIES

- 9.1 This funding will support the delivery of new, affordable housing which can be accessed by a wide range of people of different race, disability, gender, ages, sexual orientation, pregnancy, religion and belief, from the Council's housing register and the Help to Buy register.
- 9.2 It would also support the provision of affordable housing for people on low incomes who would benefit from more affordable energy bills in the long term.

10 CLIMATE CHANGE IMPLICATIONS

- 10.1 This proposal has direct implications for reducing carbon emissions in the construction and emissions from the occupation of new affordable homes arising from the recommendations. Homes built with improved energy efficiency measures now will need little or no changes in the future.
- 10.2 The funding requested would be to enable the delivery of affordable homes with additional energy efficiency measures including, but not limited to, heat pumps, photo voltaic panels, improved airtightness measures with Mechanical Ventilation and Heat Recovery. A small number of sites may provide an opportunity to provide affordable homes built to Passivhaus standards which significantly reduce the amount of carbon they use and generate. Furthermore, it contributes directly to the Council's Climate Change Action Plan, adopted in 2020.
- 10.3 By building properties that will meet the requirement for Hart to be a net carbon neutral authority by 2040, now will ensure these properties will not need to be retrofitted later to meet this target.

11 ACTION

- 11.1 That Overview and Scrutiny Committee recommend the approval of this proposal to Cabinet and that the Head of Community Services, the Portfolio Holder for Housing and the Head of Corporate Services are granted delegated responsibilities to approve applications for the funding on a case-by-case basis.

Contact Details:

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Kirsty Jenkins, Head of Community	Kirsty.Jenkins@Hart.gov.uk

Appendices A & B

**Add rows as required to box below*

Ref.	Title of Appendix	Exemption Paragraph Number (if applicable) <i>If some/all of the information is confidential, you must indicate why it is not for publication by virtue of Part 1 of Schedule of the Local Government Act 1972 by ticking the relevant</i>						
		1	2	3	4	5	6	7
A	Additional background information							
B	Application for Housing Capital Reserves Funding – Part A and Part B							

Background papers:

**Add rows as required to box below*

*Please list all unpublished, background papers relevant to the decision in the table below. Background papers are **unpublished** works, relied on to a material extent in preparing the report, which disclose facts or matters on which the report or an important part of the work is based.*

Title of any background paper(s)	Exemption Paragraph Number (if applicable) <i>If some/all of the information is confidential, you must indicate why it is not for publication by virtue of Part 1 of Schedule 12A of the Local Government Act 1972 by ticking the relevant box.</i>						
	1	2	3	4	5	6	7
N/A							
N/A							

Appendix A:

Background paper to the capital project proposal - “Supporting energy efficiency measures in new affordable housing”

This paper is to clarify and provide additional detail around some of the points covered in the main paper.

Local background within Hart:

Hart District Council recognises the negative effect of climate change and at full Council on 29 April 2021 councillors declared a Climate Emergency in Hart and committed to becoming a carbon neutral authority by 2035 and a carbon neutral district by 2040. This was following the adoption of Hart’s Climate Change Action Plan in 2020. The Action Plan has 5 key elements including, a pledge to make Hart District carbon neutral by 2040, whilst bringing forward the current 2040 target to 2035, for areas under direct control of Hart District Council.

Local measures:

Local Authorities can set higher energy efficiency standards for new homes in their local area. If it does, this needs to be with consideration of other factors, including the viability of providing homes and particularly affordable homes. It is vitally important that affordable homes should not be precluded from providing additional energy efficiency measures due to cost and as such local authorities can consider how it can enable affordable energy efficient homes in its area.

This paper is requesting that Hart ringfences a proportion of its capital funds to support RPs or housing associations to provide energy efficiency measures in some of their new homes. The most appropriate measures will vary on a site-by-site basis.

Planning:

- In January 2021 the Government published the Future Homes Standard 2025 consultation which proposes a Future Building Standard for more efficient homes. It states that all new homes built from 2025 will produce 75-80% less carbon emissions than homes built under current regulations. No new home built under the Future Homes Standard will be reliant on fossil fuels.
- There is a legal duty on local authorities to ensure climate mitigation across all local planning policy. The National Planning Policy Framework (NPPF) was updated to include climate change specifically.
- Buildings must help reduce climate change emissions.
- There are a range of different types of energy efficiency measures available and there can be tension between design and energy efficiency requirements, for example, some homes may propose large areas of glazing to make the most of the heat and light from the sun, but also need shutters over the windows and shading so the homes do not overheat.

Design:

- Buildings can achieve zero carbon (or zero carbon ready) performance by eliminating fossil fuel use for heating, using on-site and/or off-site renewable energy, reducing the use of high global warming potential refrigerants and using low carbon, reused or recycled materials in construction.
- Design features can include external shutters, overhangs, shading on balconies and ways to remove excess heat like mechanical heat ventilation. It is important to look at the design of homes and specification especially as people work from home more.
- 80% of energy used in homes is used to heat the house and water.
- Solar panels can generate energy for the homes, however, there is a need to be able to store the energy produced. For example, solar panels generate energy during the day and will generate more energy during the summer months which will need to be stored in order to be used as and when required.
- Modern Methods of Construction or MMC can also be utilised to deliver more energy efficient housing. MMC properties are estimated to use 20-30% less energy to heat.

Passivhaus:

One form of design to deliver more highly energy efficient housing is known as Passivhaus. This paper mentions an opportunity to fund an affordable housing scheme based on Passivhaus standards therefore more information about what this means has been provided here. Additional information is provided within the main paper following specific questions raised by the November Overview and Scrutiny Committee.

Passivhaus literally means “passive house”. It is a voluntary standard for energy efficiency in a building, which includes highly energy efficient design which reduces the building’s ecological footprint and provides very low-energy buildings that need very little fuel. Other stock-holding local authorities including Reading and Winchester are building their new affordable homes to Passivhaus standard as the many benefits are widely accepted and understood.

- A Passivhaus property has an airtight building envelope, and can include triple glazed windows, mechanical heat ventilation and overhangs for shading.
- The homes are highly insulated and use very little energy for heating.
- They are more expensive to build which can take them out of reach as affordable housing.
- Passivhaus principles and technology play a key role in achieving zero carbon for the future.
- This is a fabric first approach - the energy efficiency is built into the property itself not just features added on to the building - like photovoltaic panels (PV) on the roof.
- Homes can be Passivhaus or partial Passivhaus - depends on design and scheme.

- Larger, simple designs perform better than smaller or more complicated shapes.
- The buildings aim to use design to achieve the most energy efficient outcomes, for example, south facing windows, airtight building, can and should open windows, pre-heating in-coming fresh air, mechanical ventilation.
- There is a standard that is just below full Passivhaus known as AECB standard. This is also providing additional energy efficiency measures.
- As technology and systems are more widely available costs will reduce over time.

Costs:

- Providing additional energy efficiency measures can cost more than a standard build. However, the carbon emissions from that home are significantly less than standard built homes and there are reduced costs to retrofit the homes in the future.
- As an indication of likely costs, the mean value in Hampshire for a standard build is approximately £1,300m² (this varies according to the type and number of homes provided and someone building a large site will be able to build more cheaply because of economies of scale). By comparison, costs to build to Passivhaus standards are in the region of £1,465m².
- Costs will reduce going forward as methods of construction, materials and technology improve and become more mainstream.
- It is important to note that at the moment due to shortages in materials and labour, development costs are higher than previously for all developments, and each site is likely to be different in some way.

Potential First Site:

If this proposal is agreed, a potential first site to fund has been identified that will provide 14 affordable homes, all of which it is proposed could be constructed to Passivhaus or AECB standard (both of which are very energy efficient and low-carbon homes).

There has been a pre-app application for the proposal, (Ref: 20/02938/PREAPP), but the full planning application has not yet been submitted. It is not guaranteed that it will receive permission, however it is important not to miss a potential opportunity for this funding.

Hastoe Housing Association is proposing to develop the 14 affordable homes which will comprise of three shared ownership homes and 11 for rent. They are intending to apply for Homes England funding to enable them to provide the lower-level Social Rent to ensure that the properties will be as affordable as possible in the longer-term. As such, if they also applied to Homes England for funding for Passivhaus standard the grant rate will be very high, and Homes England is unlikely to fund the full costs.

Hastoe is a rural housing specialist, and they tailor each scheme to fit within its unique local setting and circumstances. They would like to apply to Hart Council for top-up funding to enable them to provide homes at a Social Rent level (funded by

Homes England) and Passivhaus standard (to be funded by Hart District Council) on a bespoke site in the district.

No. units	Tenure	Estimated HDC funding required per unit (in addition to Homes England funding)	Estimated total required from HDC
11	Rented	£10k	£110k
3	Shared ownership	£7k	£21k
Overall funding required from HDC (estimated)			£131k

This site provides an exciting opportunity for Hart to be involved in the development of a Passivhaus affordable housing development. Hastoe are aware that Hart would like to have the opportunity to learn from the features and development of these homes, and going forward, there could be the opportunity to understand how the residents find living with the Passivhaus design features, and this information can be used to help inform planning policy and other Council policies going forward. This would help the Council in working towards achieving its actions in the Climate Change Action Plan.

Not all sites will deliver Passivhaus homes. Others may propose several other energy efficiency measures. Also, the costs per unit are likely to vary from site to site and this will be assessed as part of the funding application by the officer panel.

By 2025 the funding and scheme can be reviewed, and a decision made about whether to continue funding along these lines or to revise the scheme according to identified needs at that time.

Useful Terms:

- **Carbon neutral** means that any CO₂ released into the atmosphere from a company’s activities is balanced by an equivalent amount being removed.
- **Climate positive** means that activity goes beyond achieving net-zero carbon emissions to create an environmental benefit by removing additional carbon dioxide from the atmosphere.
- **Carbon negative** means the same thing as ‘climate positive’.
- **Carbon positive** is how organisations describe climate positive and carbon negative.
- **Net-Zero carbon emissions** mean that an activity releases net-zero carbon emissions into the atmosphere.
- **Net-Zero emissions** - balance the whole amount of greenhouse gas (GHG) released and the amount removed from the atmosphere.

- **Embodied carbon** is the carbon dioxide emissions associated with making a building that comes from extraction, transportation and manufacturing of raw building materials is a significant part of a building's life cycle. Embodied carbon will be responsible for almost half of total new construction emissions between now and 2050.
- **Zero carbon building** - built-into the building's construction and use.
- **Passivhaus** - a building with an airtight envelope. It literally means 'passive house'. It is a voluntary standard for energy efficiency in a building, which includes highly energy efficient design which reduces the building's ecological footprint and provides very low-energy buildings that need very little fuel.
- **The Future Buildings Standard** - a Government consultation carried out from 18 Jan 2021 to 13 April 2021. The outcomes of the consultation are due to be published. It sets out proposals for a Future Buildings Standard, which provides a pathway to highly efficient non-domestic buildings which are zero carbon ready, better for the environment and fit for the future.
- **AECB standard** - this standard is aimed at those wishing to create high-performance, low-carbon buildings using widely available technology.
- **NPPF** - National Planning Policy Framework.
- **PV panels** - also known as solar panels, capture the sun's energy and convert it into electricity.
- **Mechanical ventilation** - is used to control indoor air quality, excess humidity and odours.
- **Registered Provider** – Sometimes used to refer to housing associations, but RP's can be "non-profit" or "for-profit". The operating rules and regulations vary depending on whether an RP is a "for profit" or "non-profit" organisation.
- **Housing association** - Most non-profit providers are also known as housing associations

Appendix B:

Application for Housing Capital Reserves Funding - Part A - Value for Money Assessment

Scheme	Registered Provider/Housing Association Name						
	Site Address						
Financial Info	Planning status of site						
	Planning application reference (if relevant)						
	Total number of units on site						
	Total number of affordable units on site						
	Date funding is needed for						
	Total Development Cost	£					
	Homes England Grant	£					
	Funding from sales on site	£					
	Funding from borrowing against rental stream	£					
	Other RP funding (e.g., RCGF)	£					
	Other funding sources - <i>Internal Subsidy where rents fail to support borrowing</i>	£					
	Shortfall (Funding requested)	£					
Property Details	Requested funding per unit	£					
	Total number of affordable units to be provided with HDC funding						
	Bed size and Tenure mix		1 Bed	2 Bed	3 Bed	4 Bed	
		Social Rent					
		Affordable Rent					
		Shared Ownership					
		Discount Market Sale					
	1 Bed	2 Bed	3 Bed	4 Bed			
Social Rent							
Affordable Rent Est.							

AR% of market rent				
Rent per week <i>(If Affordable Rent please state percent of market rent)</i>				

Shared Ownership sales price estimate and percentage share to be sold	1 Bed	2 Bed	3 Bed	4 Bed

Comments

Brief description of proposal and how Hart District Council bridging the shortfall would provide added value to the development. Please include any site-specific information on why the requested additional funding is required.

Applications for funding additional energy efficiency measures should include the following information:

- Measures that will be added as a result of the funding over and above the standard features required through planning policy, specific planning permission requirements for the site and building control regulations.
- Benefits from these additional measures e.g., solar panels, Passivhaus standards - including details regarding financial benefits for the occupant over the life of the home, how the measures will make the home/s fit for the future, estimated reduction in carbon emissions as a result of the increased measures being provided.
- Confirmation that additional measures proposed are suitable in planning terms for the property and for the site.
- Payback information - details regarding how long it will take to generate the amount of energy equivalent to the amount that was used to produce the measures installed.

Part B: For HDC use only		
Does this application meet the Additional Energy Efficiency Capital Spending Criteria?		Yes / No
If yes, please tick at least one of the following in relation to this scheme:		
Increases the supply of affordable housing in the district		
Provides one-off solutions to meet a specifically identified local need		
Provides additional energy efficiency measures		
Secures 100% nomination rights on new properties to be delivered		
Delivers a rural affordable housing that often have higher associated costs		
Contributes towards meeting the corporate priority on affordable housing		
Makes the best use of the Council's resources to achieve maximum gain for the local community		
Comments	Housing Service comments on how Hart District Council bridging the shortfall would provide added value to the development	
Does this application fall within the guideline figures for funding per unit? Costs may vary depending on case-by-case specific factors.		Yes / No
Comments	Housing Service comments on site specific issues for why additional funding may be needed.	

Date application assessed for approval by the officer assessment panel	
Recommended for approval by delegated staff and Councillors	Yes/No
Date decision made by delegated staff and Councillors	
Decision to approve.	Yes/No
Date RP/housing association notified of decision	

OVERVIEW & SCRUTINY

DATE OF MEETING:	18 January 2022
TITLE OF REPORT:	Homelessness and Rough Sleeping Strategy 2022-27
Report of:	Head of Community
Cabinet Portfolio:	Community
Key Decision	No
Confidentiality	Non Exempt

1 PURPOSE OF REPORT

- 1.1 To seek the Committee's endorsement before seeking Cabinet approval for the adoption of the Homelessness and Rough Sleeping Strategy 2022-27.

2 OFFICER RECOMMENDATION

That the new Homelessness and Rough Sleeping Strategy attached as **Appendix A** be endorsed and recommended for adoption by Cabinet.

3 BACKGROUND

- 3.1 It is a statutory requirement for the Council to publish a Homelessness and Rough Sleeping Strategy that sets out its plans to prevent and tackle homelessness in the area.
- 3.2 Officers have conducted a review of homelessness, including a desktop review of data and a series of workshops with staff and stakeholders. An online survey was sent to a comprehensive range of organisations and individuals including all Members.
- 3.3 Members of Overview and Scrutiny Committee were invited to join a Task and Finish Group, to assist in the review of services and in developing the priorities for the new strategy. Members of this Group have also been involved in reviewing the draft strategy before bringing it forward to this committee.
- 3.4 The review of homelessness and consultation carried out has helped to inform the strategy's delivery plan which has been developed with our key partners and reflects the views of consultees. The Delivery Plan will help the Council develop its approach to preventing and tackling homelessness over the next five years. The strategy document, including the delivery plan, is included with this report at **Appendix A**.

4 MAIN ISSUES

4.1 The review of local homelessness and rough sleeping and the associated consultation activity identified four key priority areas for the Council to focus on. These are in keeping with the Government's national priorities and the Council's Corporate Plan and Corporate Vision.

4.2 The four key priorities identified are:

- **Prevention** - having measures and initiatives in place to prevent homelessness from happening.
- **Intervention** - having targeted support in place for those in crisis, at the point of homelessness.
- **Recovery** - having support in place to help to rebuild lives.
- **Partnerships** - working together to find effective longer-term solutions and interventions.

4.3 In essence the strategy sets out a range of activity over the short to medium term that will drive forward improvement in the delivery of the services that are provided to those who find themselves facing homelessness. As with the outgoing strategy, the focus is on preventing homelessness, by working as 'upstream' as possible, to resolve people's housing issues before they hit crisis point. The Council cannot achieve this in isolation and the delivery plan sets out workstreams and actions that will be delivered by a range of local partners.

5 ALTERNATIVE OPTIONS CONSIDERED AND REJECTED

5.1 It is a legal requirement to publish a Homelessness and Rough Sleeping Strategy and so there is no alternative to bringing this forward for adoption.

6 CORPORATE GOVERNANCE CONSIDERATIONS

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

The Homelessness and Rough Sleeping Strategy links directly into the Corporate Plan priorities including "A Thriving Local Economy", specifically in supporting residents in becoming economically active, "Healthy Communities and People", specifically, supporting residents in taking control of their own health and wellbeing and ensure access to housing.

This Strategy also links directly to the Council's Vision 2040. "The place to live" priority identifies the need to improve affordability so families can stay close together and help our communities flourish.

6.2 Service Plan

Is the proposal identified in the Service Plan?	Yes
Is the proposal being funded from current budgets?	Yes

Have staffing resources already been identified and set aside for this proposal?	Yes
--	-----

6.3 Legal and Constitutional Issues

It is a legal requirement that the Council publishes an up-to-date Homelessness and Rough Sleeping Strategy and Action Plan. This strategy also supports the Council’s statutory homelessness and rough sleeping duties and assists in guiding the work of the Council and its partner agencies.

6.4 Financial and Resource Implications

All the financial and resource implications associated with this Strategy will be met within existing resources, which includes the use of central Government Homelessness Prevention Grant.

6.5 Risk Management

The Council is required to publish this strategy. If it fails to do so, it is unlikely that it will be able to access any government funding in relation to tackling homelessness.

In addition, it is essential to have a strategic vision for the work of the homelessness service. The strategy and the delivery plan tie the council and its partners in to delivering an effective, efficient and continually improving cross sector provision for residents.

7 EQUALITIES

7.1 This Strategy has been evaluated using the Council Equality Impact Assessment which identified that the Strategy is likely to have a positive impact on the following groups -

7.2 Women, Men, Disability, Children and Young People, Older Adults, Pregnancy and Maternity, Low Income/ benefits/ Unemployed, Living in Rural Areas.

7.3 No negative impacts were identified in the EIA assessment.

8 CLIMATE CHANGE IMPLICATIONS

8.1 There are no direct carbon/environmental impacts arising from the recommendations.

9 ACTION

9.1 It is requested that Committee endorses the Homelessness and Rough Sleeping Strategy 2022-27 and recommends it to Cabinet.

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 Nicola Harpham - Nicola.Harpham@Hart.gov.uk
 Kelly Watts – Kelly.Watts@Hart.gov.uk

Appendices

**Add rows as required to box below*

Ref.	Title of Appendix	Exemption Paragraph Number (if applicable)						
		1	2	3	4	5	6	7
A	Homelessness and Rough Sleeping Strategy 2022-27							
B	Homelessness and Rough Sleeping Strategy Action Plan 2022-27							

Background papers:

**Add rows as required to box below*

*Please list all unpublished, background papers relevant to the decision in the table below. Background papers are **unpublished** works, relied on to a material extent in preparing the report, which disclose facts or matters on which the report or an important part of the work is based.*

Title of any background paper(s)	Exemption Paragraph Number (if applicable)						
	1	2	3	4	5	6	7
Equality Impact Assessment							
N/A							

Hart District Council Homelessness and Rough Sleeping Strategy

2022-2027

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Foreward

We are living in unprecedented times amid an on-going shortage of affordable housing, compounded by a pandemic and all the associated pressures arising from these issues. In such times, planning suitable service provision going forward and supporting service users is increasingly difficult to deliver. At Hart we strive to continue providing high quality services despite the challenges we face and take pride in providing a responsive and person-centred approach which has been shown through the Council's approach to dealing with the difficulties of recent times.

Affordability is a key issue in the district and rising house prices and rent levels place increasing pressures on households which has led to many people approaching the Council for advice and support and finding themselves facing homelessness.

Since the introduction of the Homelessness Reduction Act in 2018 the Council has successfully assisted many households and prevented homelessness for many. Hart has accessed and utilised Government funding to provide services where they were needed most and to target support for rough sleepers and homeless families.

I am very pleased to support this Homelessness and Rough Sleeping Strategy which sets out the Council's approach for preventing and tackling homelessness and in the district. It aims to build upon services already being provided and to work with our local stakeholders to continue to build upon our successes and make positive differences to peoples' lives.

Councillor Stuart Bailey

Portfolio Holder for Community

Hart District Council

Introduction

Under the Homelessness Act 2002, all housing authorities must carry out a review of homelessness in their area and publish a homelessness strategy which sets out what it plans to do to prevent homelessness and rough sleeping.

This strategy has been developed following a review of homelessness in Hart which has included a desktop review of national and local data, discussions with colleagues involved in delivering the statutory homelessness service, engagement with partners who deliver local services that homeless people access, talking to those who have been homeless and experienced Hart's homelessness service and an assessment of resources that can be targeted towards tackling homelessness in the future.

The Council established a Members Task and Finish Group to assist in the strategy development.

Aims

The strategy has been shaped in partnership with a range of stakeholders and colleagues from statutory and voluntary agencies, who have been engaged through a range of meetings, workshops and online surveys. Their help has assisted the Council develop a strategy that will tackle homelessness by taking a multi-agency approach.

Several key issues and actions have been identified that will enable the Council to reduce homelessness and rough sleeping in the district over the life of this plan. The actions have been prioritised in discussions with colleagues, stakeholders' workshops, Member workshops and through a review of best practice in homelessness.

The action plan is available as a separate document and is published on the Council's website.

Reviewing and updating

Progress on the actions identified through this strategy will be reviewed on a quarterly basis by the Housing Solutions Manager and a Community Services Officers' group as well as through the 'Here for Hart' themed workshops.

Elected Members from the Overview and Scrutiny Committee will also monitor performance against the annual Service Plan, through the Service Panel process.

About Hart

Hart is a largely rural district with around half the population of the district living within the two main urban areas of Fleet and Yateley. There are an estimated 35,500 homes in the district with 30% of the population living in rural areas. The Office of National Statistics (ONS) June 2020 mid-year population estimates a population of 97,608, and the ONS projected population for Hart by the end of the term of this strategy in 2027 is 100,220. Hart has an ageing population.

There is a high demand for all types of housing, with the ONS (2021) recording that in 2019, 80% of the population were owner-occupiers (40% owned outright and 40% owned with mortgage), 13% were living in private rented accommodation and 7% living in rented affordable homes.

Hart is a desirable place to live but this comes at a high price with the average house price in Hart being £415,000 (ONS - Sept 2020) which means that to afford to buy a property of that price there is a ratio of 10 x average earnings. Property prices seen within the rural areas of Hart can be significantly more.

Rental levels in the district are also very high with households requiring an income of £17,140 to afford £500 a month to rent just a room in a house, and £27,430 to afford to rent a 1 bed flat at £800 a month. Private rented family sized accommodation is in the region of £1,250 a month for a 3 bed and £1,700 a month for a 4 bed or larger home, which require incomes of £42,860 and £58,290 respectively. With the average annual income for residents of Hart at £41,419 with an annual lower quartile income for the district of £27,829 (ONS - Sept 2020) private renting is not an affordable or long-term option for many local people without assistance.

Average Rents and Required Income Levels in Hart		
Property Type/Size	Average Rent	Required Income (pa)
Room	£500	£17,140
Studio	£675	£23,140
1 bed	£800	£27,430
2 bed	£950	£32,570
3 bed	£1250	£42,860
4+ bed	£1700	£58,290

Source: ONS (Sept 2020)

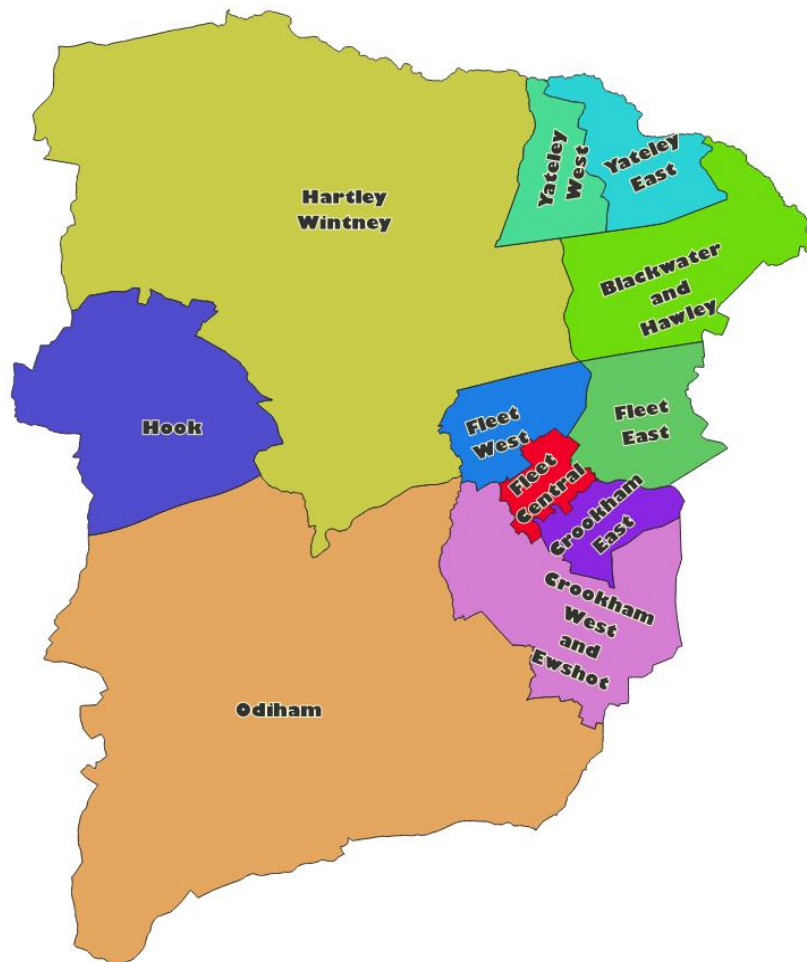
One of the Council's key corporate priorities is to support the delivery of affordable housing in the district. The Council does not own its own housing stock; it was transferred to a housing association in 1994 and it works closely with housing

associations, or Registered Providers (RP's), working in partnership to enable the delivery of affordable housing in the district.

This can be affordable home ownership, like shared ownership, or rented affordable housing. As of November 2021, there were 507 people on the Help to Buy Agent 3 register for shared ownership housing, and the average annual household income of an applicant registered for a shared ownership property is £38,056, with average savings of £24,125.

The demand for rented affordable housing exceeds supply with 1,468 people on the Council's housing register for rented housing as of April 2021 and only 198 properties being available to let last year (2020-21).

Map of Hart District showing all Wards



Council Priorities

The Council's Corporate Plan is currently being reviewed and updated. It will identify key strategic priorities providing a golden thread through to the Homelessness Strategy. The new Corporate Plan priorities will feed through into this strategy action plan through the officer working group.

The Corporate Plan 2017-2022 sets out the following strategic priorities and key actions for the Council.

**Hart District Council Corporate Plan 2017-2022
strategic priorities:**

- A Thriving Local Economy
- A Clean, Green and Safe Environment
- Healthy Communities and People
- An Efficient and Effective Council

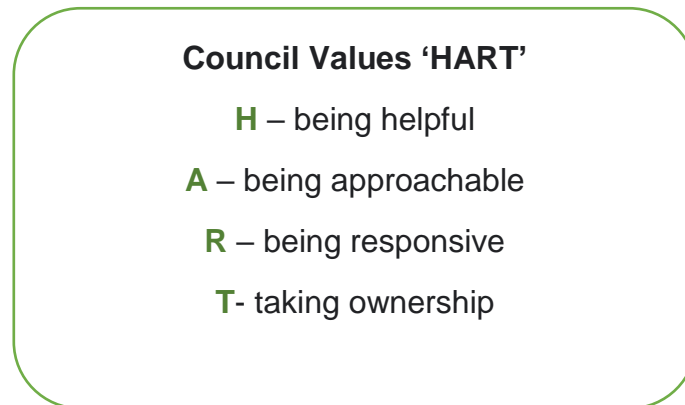
The Council has adopted a new long-term Vision to 2040.

The Vision for Hart: "To become the best place to live, work and enjoy". It provides a clear direction for Hart and will shape the council and working environment. It will help to improve the Council's use of resources and align its strategies to reach the outcomes Harts communities deserve. The priorities identified within the Vision will be aligned with the corporate plan, service plans and projects.

"The place to live" priority identifies the need to improve affordability so families can stay close together and so key workers can afford to live in Hart and help our communities flourish.

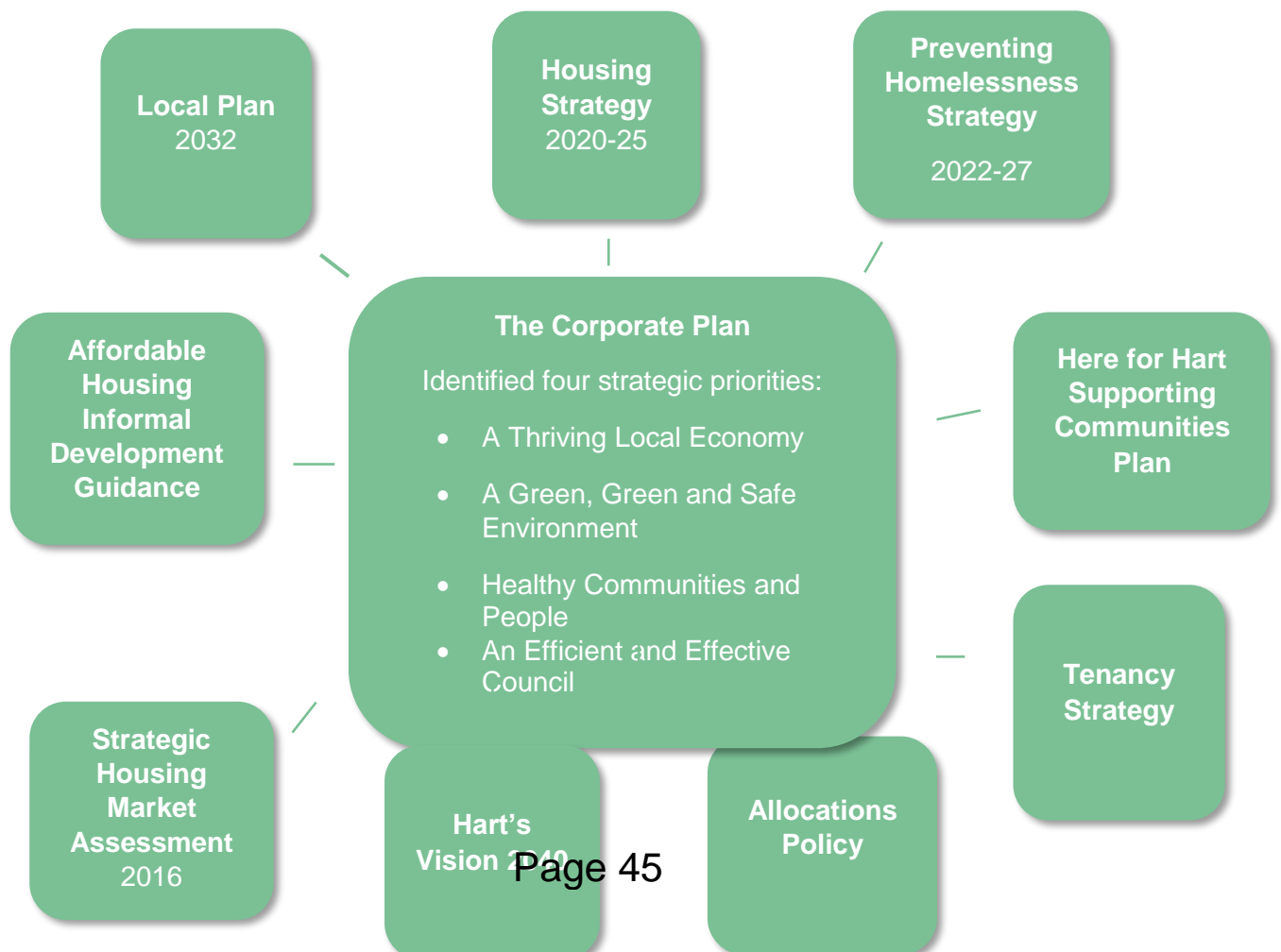
Council Values

The Council Values shape the day-to-day way the Council and its staff operate and help ensure that all staff are consistently aware of how their role contributes to the achievement of corporate aims and objectives, creating shared values in their delivery.



Links to other Council Strategies and Plans

The Homelessness & Rough Sleeping Strategy links into the aims and actions set out in other strategies that sit within the Communities Team, as well as strategies and policies that sit under Place, such as the Local Plan. The objectives of the Council seen through wider corporate policies, including the Corporate Plan also have influence on this strategy.



Homelessness and Its Causes

What is homelessness?

In simple terms homelessness means not having a home. A home is not simply a building. Although most people associate homelessness with rough sleeping, that is far from the whole story. There are many circumstances where a person may have a roof over their head but are still homeless.

People may be homeless if:

- They are staying with family or friends “sofa surfing”
- They are staying in temporary accommodation including a hostel, night shelter or bed and breakfast
- They are at risk of violence or abuse in the home, or threats of violence or abuse
- They are living in unsafe or poor conditions that affect their health
- They have no legal right to stay in the property
- They are living apart from family because they don't have somewhere they can live together
- They are being evicted or the house is being repossessed

Achievements From the Previous Strategy

Through continued work to deliver improvements within the service and on-going collaboration with partner organisations, Hart's Housing Team have delivered many of the actions identified in the 2016-2021 Homelessness and Rough Sleeping Strategy.

Key achievements include:

- Taking the learning from the Government funded 'trailblazer' project and embedding them into the homelessness service.
- The adoption of 'No First Night Out', keeping people from sleeping rough on the streets of Hart.
- Shifting the focus of the service towards a person-centred approach, adopting the principles of creating a psychologically informed environment for the delivery of services.
- A move towards a whole service approach, aimed at tackling the wider causes (and results) of homelessness including support in accessing other services and employment services.
- Delivery of the skills café, helping clients get job ready.
- Working with VIVID housing association to provide digital inclusion services.
- Improved signposting and links between agencies providing support and advice, through the development of the county wide duty to refer protocol.
- Targeted work with landlords in the private sector to improve access to good quality, well-managed private rented accommodation. Delivery of online training courses to local landlords
- Working with households adversely affected by the benefit cap.

Challenges

Hart is a relatively affluent and largely rural area where the cost of renting and buying a home is very high. Many support services and specialist accommodation are located outside the district and accessing good quality, affordable, suitable homes is a real challenge.

Some of the key challenges identified through our work with stakeholders and internal teams include:

- A need for more suitable and affordable short-term, supported, emergency and longer-term housing.
- A need for support and advice services targeted at specific service users e.g., young people, people with complex support needs.
- A need to publicise the homelessness, housing advice and rough sleeping services wider, to increase accessibility
- A need to continue to develop links with other agencies to provide a wrap-around service for service users who have more than a simple need for "bricks and mortar"

(Diagram to be added here when available - not ready ahead of publication for Overview and Scrutiny).

Homelessness and the Pandemic

In March 2020, central Government announced its 'everyone in' policy, which focussed on making sure everyone who was rough sleeping was brought inside for the duration of the Covid-19 pandemic. The ambition of this policy was to protect the health of rough sleepers and to prevent wider transmission of the virus.

A local cell was convened by Hampshire County Council to coordinate the effort across Hampshire, and through this process each rough sleeper was offered accommodation.

This was an extraordinarily busy time for the Housing Solutions Team, dealing with requests for support, seeking accommodation and making sure that support was in place to make sure accommodation that was sourced was sustainable. There were other challenges facing the team during this time. The challenge of shared living associated with temporary accommodation meant social distancing was hard to maintain (or enforce). Whilst the Council's temporary accommodation gave people their own front door, the ability to access supported accommodation for single people became impossible. Additionally, huge numbers of hotels were closed and only those supporting the 'everyone in' effort were allowed to remain open.

In addition, a fear of sharing accommodation emerged. A significant number of approaches were made for help where housing situations had broken down. This was most common where a lodger was asked to leave because of fear of sharing a home during the pandemic, or where a lodger worked in a high-risk environment and was seen to be a threat to the health of the main household (e.g., was a social care worker). National data shows that during the pandemic, the most common triggers for homelessness were no longer being able to stay with friends and family.

Hart provided temporary accommodation for 36 people during this time under the 'everyone in' policy, and made placements in local hotels, most often the Travelodge.

Additionally, there were other issues seen that service users were approaching the council for support with:

- Increased reports of domestic abuse during lockdown (exacerbated by the stay-at-home requirement).
- Loss of employment, resulting in an increase in affordability issues (and subsequent rent and mortgage arrears).
- Debt, as furlough meant 20% less income for households on an already tight budget.
- Inability to access second-hand furniture and white goods for new tenancies as the Lions store was closed.

Central Government imposed an eviction ban during the pandemic, and this did protect most people from losing their homes. However, the ban ended at the end of May 2021, and this will undoubtedly have an impact on the number of people turning to the council for help, although the full result of this has not yet been seen. Courts are full and possession actions will take some time.

The pandemic is not over at the time this strategy was published and there are still big concerns for some of our residents.

Key issues yet to be resolved include:

- Poverty
- Loss of employment as the furlough scheme ends and businesses stop receiving government support.
- Debt - Hart Citizens Advice have reported a 45% rise in requests for help with dealing with debt.
- Rent arrears - the government has recognised this to be an emerging issue and in November 2021 awarded each local authority an additional grant to assist with tackling rent arrears.
- Homelessness as pent-up possession action proceeds through the courts.

The Council is pleased to report that all those brought in under the Government's 'everyone in' policy, have been moved on to sustainable longer term housing solutions.

Prevention Work and Early Intervention

The Council prides itself on preventing significant levels of homelessness, through early intervention work.

Some of the key successes include:

- Development of a 'Duty to Refer' protocol across Hampshire, including training partner agencies on its use and value, resulting in early awareness of potential homelessness.
- Implementation of a 'No Second Night Out' policy in 2018 and a 'No First Night Out' Policy in 2020. The No Second Night Out policy meant that nobody needed to spend a second night out on the streets in Hart; this was soon pushed forward, to mean that nobody needs to spend even one night sleeping rough, due to active and responsive outreach
- Implementation of a pre-court action protocol (with an annual refresh), enabling all housing associations to notify the Council of any early possession action.
- Homelessness outreach service provided directly by the Housing Solutions Team, to prevent vulnerable tenancies from breaking down, pending service users engaging with other support providers.

- Landlord liaison service - providing quick interventions for tenancy issues when flagged by a private sector landlord.
- Promotion of the severe weather emergency protocol (SWEPE), to prevent rough sleeping in winter.
- Access to the Hardship Fund for essential purchases to enable independent living.
- Tailored supported accommodation was secured to address the complex needs of service users, on a personalised case by case basis
- Creation of Here for Hart and launch of the Here for Hart Supporting Communities Plan which brings together in one place information about the Council's priorities, partnerships and projects which tackle social and health inequalities, nurture supportive and inclusive communities, and support communities to recover from the impacts of the pandemic.

What is Homelessness Prevention Work?

The Housing Solutions team will talk to people as early as possible about their housing options. Where there is a threat of homelessness, the team work hard to prevent it from happening.

This will include:

- Home visits.
- Working with service users to create Personalised Housing Plans with agreed steps to prevent or relieve homelessness.
- Checking validity of notices (and often enabling longer stays before people need to leave accommodation).
- Negotiation with landlords, parents, family and friends to enable people to stay in their current accommodation.
- Use of discretionary housing payments to address difficulties with rent payments.
- Use of Government housing and/or COVID-19 support funding.
- Provision of money and debt advice.
- Additional wraparound help including access to the Hart Employment and Skills Hub, referral to other support services such as mental health or referral to the Supporting Families Programme administered by the Children's Services Team.

Referrals to the Housing Solutions Service from Other Agencies

The Homelessness Reduction Act (2018) introduced a new duty to refer. This was a duty on other agencies to send a referral to the Housing Solutions Team when they were working with a service user who was threatened with homelessness. This duty provides additional opportunities for homelessness prevention and early intervention.

Hart led on developing a county wide approach and referral process, as it welcomed this new opportunity for early intervention work. As a snapshot, referrals received during 2020-21 are set out below.



The graph shows that most referrals were received from probation, the Department of Work and Pensions, non-statutory services (e.g. - supported housing, GP wellness clinics), and mental health services.

Homelessness Applications and Decisions

The Council provides a free housing advice service to all residents; this is a statutory requirement. The focus of the service is providing good quality housing advice to enable service users to deal with their own housing situation, and the prevention of homelessness. Where a service user is facing homelessness or is already homeless, they will make what is known as a 'homelessness application'. Each application must be assessed, and a formal decision issued in writing.

The total number of homelessness applications and decisions made every year in Hart over the last 4 years is shown in the chart below.

Year	Total No. of Approaches to Service	No. Prevented	No. Relieved	Not Homeless	Homeless Main Duty	Housing Advice Only (doesn't meet Government triggers)
2018/19	285	67	51	9	35	123
2019/20	213	62	55	4	21	71
2020/21	498	31	47	0	11	393
2021/22 (up to 12.08.21)	274	8	5	0	2	259

The figures are then further broken down into the separate duties the Council holds. These are: Prevention, Relief and Main Duty and those who were found to be “not homeless”.

Prevention - The prevention duty is intended to help a service user find a solution to their housing situation. Prevention duty is accepted if a service user is facing homelessness within 56 days. This duty may end earlier if prevention is successful within this period or may be extended if they are able to stay in their accommodation for longer. If they are made homeless during this period, a relief duty will then be owed. A prevention duty can end if:

- Service user can continue to stay where they are living.
- Service user finds somewhere else to live.
- The Council finds them somewhere else to live (for example a private rented sector tenancy).
- Service user becomes homeless.

The Council works hard to prevent as many people as possible from becoming homeless. This means most service users will either be assisted to remain where they are living or helped to find a private rented tenancy.

Relief - If a service user already has no accommodation, for example, they are sofa surfing, sleeping rough or all efforts to prevent homelessness during the 56-day prevention duty have failed, the Council owes them a ‘**relief duty**’ for the maximum of 56 days.

The relief duty ends when:

- Accommodation is offered to the service user as a final offer of accommodation - this can be in the private rented sector or a Part 6 offer of social housing.
- The service user finds themselves somewhere else to live with the assistance of the Council.
- The service user refuses a final offer of suitable accommodation
- 56 days has passed, the service user is a non-priority adult, and no further duty is owed.

- The service user is no-longer eligible, or loss of contact /no engagement with the client.

Main Duty - At the end of the 56-day relief duty, if the Council decides a service user is in priority need and not intentionally homeless, the Council is likely to owe them the main housing duty. This decision would not be made until the relief duty ends after 56 days where all efforts to facilitate a housing solution have failed.

The number of service users approaching the Council for assistance with their housing options over the last 4 years has increased by 46%, as shown in the table above. However, the total number of homelessness applications each year were steady for the first two then significantly reduced. This is likely to be attributed to the Covid-19 pandemic and the eviction ban, which resulted in less people being formally at risk of homelessness.

Those service users reaching the main duty stage remain consistently low as the service's primary focus is on prevention and relief work and ensuring we prevent as many service users as possible from becoming homeless.

Analysis of the approaches being made has shown that most service users who approach the Council for assistance do so either before they are threatened with homelessness (at the triage stage) or within 56 days of becoming homeless (the prevention stage). This is the approach the Council would like to maintain. The earlier service users approach us for assistance, the more opportunity there is for us to prevent any homelessness occurring and keep them in their own homes where safe and appropriate to do so.

Personalised Housing Plans

Each service user who approaches the service because they are facing homelessness will have a 'Personalised Housing Plan'. This is produced by the Housing Solutions Team, in partnership with them, and sets out the agreed actions each of the two parties will take over the coming weeks and months. It essentially supports the work on homelessness prevention and provides a tool for leaving no stone unturned in exploring other housing options.

Temporary Accommodation

Hart District Council transferred all its housing stock to a housing association in 1994 as part of a housing stock transfer programme. As such, it does not have access to its own housing stock for use as temporary accommodation, other than one housing scheme it owns at Heathlands Courts in Yateley. Whilst owned by the Council, it is managed and let by Vivid Housing Association. This is the Council's main resource for temporary accommodation and it comprises of 23 x 1- and 2-bedroom flats.

This accommodation helps the Council meet its legal homelessness duties and reduces its reliance on bed and breakfast and other forms of less secure temporary accommodation for residents. Whilst it continues to be an asset for the Council the building and accommodation have some limitations and the flats do not adequately meet the needs of larger households or those who require adapted and accessible accommodation.

There is a review underway of Heathlands Court; with a view to modernising the accommodation provided and making better use of communal areas.

The average length of stay in Heathlands Court is 36 months. The Housing Solutions Team manage exit plans for each resident and generally move on accommodation is into the private rented sector, officers use the time that clients spend in Heathlands Court to manage debts and give a period of stability to ensure successful and sustainable move on.

Bed and Breakfast

Where the Council needs to provide emergency accommodation, it uses bed and breakfast establishments. The use of B&B is kept to a minimum - it is both costly for the Council and inappropriate accommodation for families, except in an absolute emergency.

Below shows some key points in relation to Hart's use of B&B accommodation. The timescales are from November to October as this was when the data was collected.

During the year November 2019 - October 2020:

- 35 households were accommodated in B&B.
- The average length of stay was 13.5 days.
- No families were accommodated in B&B for over 6 weeks in line with Government guidelines.

During the following year, November 2020 - October 2021:

- 24 households were accommodated in B&B.
- The average length of stay was 15 days.
- No families were accommodated in B&B for over 6 weeks in line with Government guidelines.

There have been less people placed into B&B accommodation in 2020-21 but their stays were longer due to the complex nature of some of service users' needs and because of difficulties sourcing suitable (specialist or supported) move on accommodation.

Other Temporary Accommodation Options

Where either Heathlands Court or Bed & Breakfast accommodation is inappropriate or unavailable, the council accesses other forms of short-term accommodation to relieve homelessness.

This can include:

- Refuge accommodation for those fleeing domestic abuse.
- Supported accommodation for those with identified support needs.
- Attempts to access other specialist supported housing schemes across Hampshire and beyond as necessary.
- The Life Project, which is supported accommodation for young mothers and children and pregnant women.

There is limited local provision within Hart so, the Housing Solutions Team must work hard to find suitable alternative options for service users, looking across Hampshire and its borders, and even beyond.

Use of the Private Rented Sector

The Council's Landlord and Tenant Liaison Officer has a proactive relationship with local private sector landlords and private rented housing is used for move-on accommodation for both temporary and permanent housing solutions. In 2019-20, the Council assisted 65 service users into the private rented sector and in 2020-21 this increased to 72.

These private rented sector homes are used either to prevent homelessness, or as a discharge of a homelessness duty owed. The Council assists and supports service users into the private rented sector in several ways:

- Assessment of affordability - looking at income and expenditure, maximising benefit take up, giving employment advice and advising on expenditure and debt.
- Providing Discretionary Housing Payments (DHP) to assist with short term affordability issues.
- Assisting with the required rent deposit and rent in advance to secure a home.
- Providing ongoing tenancy support to service users and referring to specialist support services where necessary.
- Liaising with landlords through the duration of the tenancy to ensure the tenancy runs smoothly.

All the above work mean that tenancies are sustainable, and landlords report high levels of satisfaction in working with Hart's Housing Solutions Team.

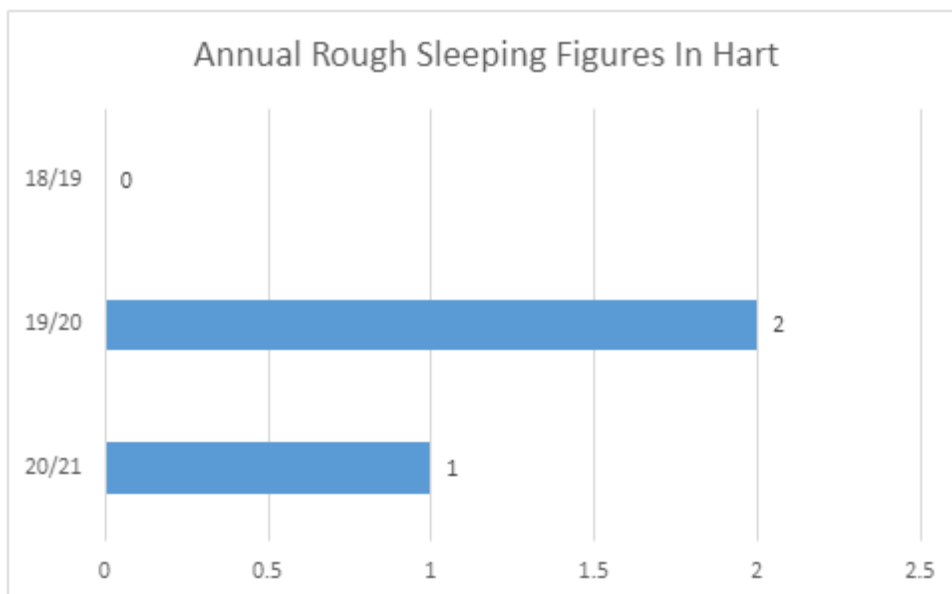
Rough Sleeping

The Government published its rough sleeping strategy in 2018. It sets out the Government's plans to help people who are sleeping rough now and to put in place structures to end rough sleeping for good. The Government's vision is for halving rough sleeping by 2022 and ending it by 2027.

Hart has very low rough sleeping figures but takes the issue very seriously and provides a very reactive outreach service.

Through a joint bid with Rushmoor Borough Council for Rough Sleeping Initiative Funding (RSI) funding was secured to assist with supporting those who are rough sleeping. The bid has been successful over the last three years and has given access to specialised support for those who are the most complex and entrenched in rough sleeping. Hart's Rough Sleeping Action Plan outlines how the Council is working with partners to reduce rough sleeping in the district. It can be seen here: [Hart Ending Rough Sleeping Plan FINAL.pdf](#)

Every local authority is required to carry out a rough sleeper count every year. In Hampshire, this is achieved through an annual estimate. Each authority selects the same night in November and asks all agencies to report rough sleeping on that night. The figures are independently verified. The chart below shows the results of those counts for the last 3 years in Hart.



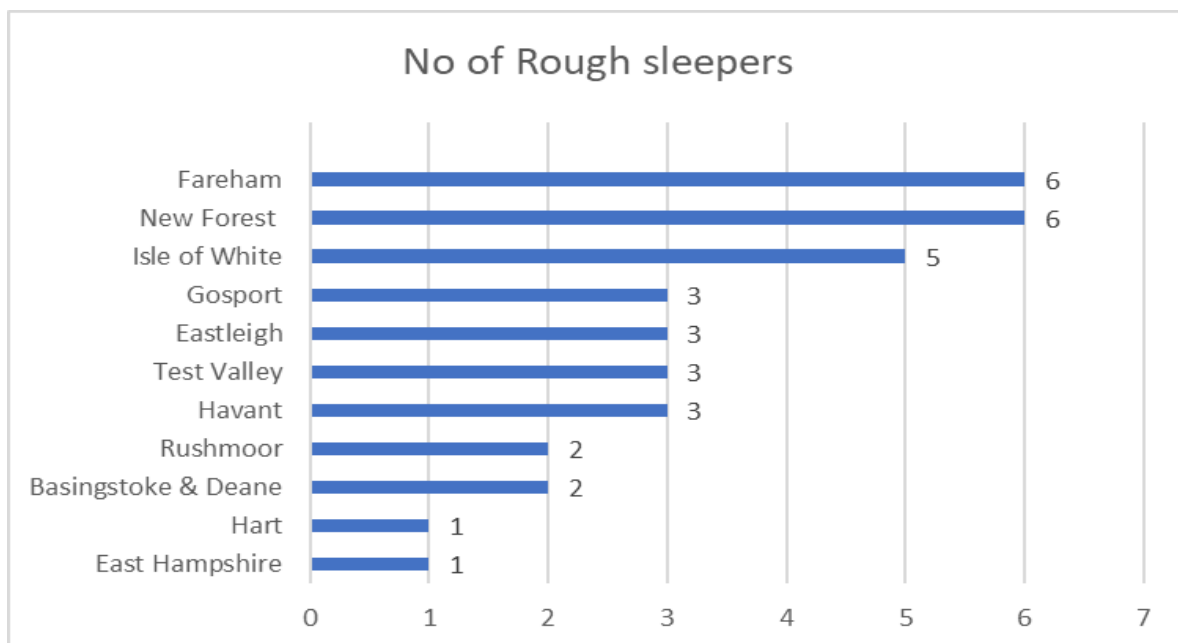
Rough Sleeping levels in Hart remain consistently low. There is a 'No First Night Out' (NFNO) policy in place to support people before they find themselves on the streets. Records show no evidence of any long term of entrenched rough sleepers in Hart; the Council works closely with central Government advisors and frequently respond to data requests from to ensure compliance.

The Council adopts a 'Housing First' approach to tackling homelessness - where the provision of accommodation is pivotal and the support wraps around the individual to ensure they retain the accommodation and move on into independent living.

The Council has excellent links with local community Police force, through the Community Safety Team which allows for an excellent joined up approach towards safeguarding homeless people.

This is further strengthened through the RSI Partnership with Rushmoor Borough Council which supports the teams in meeting the health and social care needs of those experiencing rough sleeping.

The chart below shows the reported levels of rough sleeping across Hampshire as of the November 2021 official snapshot.



Streetlink

Streetlink offers the public a way to report when they see someone sleeping rough, to ensure rough sleepers are connected to the local services and support available to them. It is delivered by Homeless Link. The service is funded by the Department for Levelling Up, Housing and Communities and is part of Homeless Link, a national charity.

Hart has worked with Streetlink for the last 5 years and over that time has received several referrals. Particularly during winter, there are several social media campaigns to promote the service.

The table below shows the number of referrals made over the last 5 years.

When a referral comes in, a member of the Housing Solutions Team responds by going out to visit the rough sleeper that has been reported to work with them to bring them inside.

Year	Number of referrals to Streetlink
2017/18	3
2018/19	8
2019/20	7
2020-21	16
2021-22	8 to date (10/12/21)

As the table above shows, 2020/21 was a particularly busy year for referrals. This was largely due to the Government's 'Everyone In' campaign - where every rough sleeper was expected to be assisted into accommodation during the Covid-19 pandemic.

Reasons for Homelessness

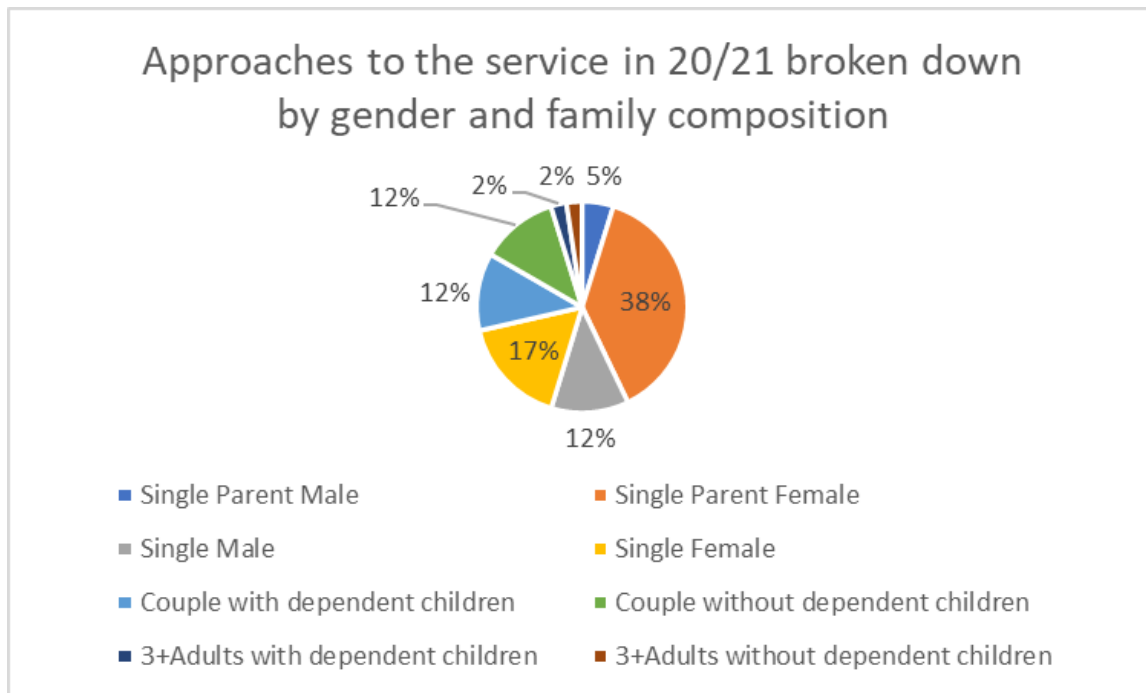
The top three reasons for homelessness in Hart have remained the same for the last 3 years.

These are:

- 'Asked to leave by Friends and Family'
- 'End of Assured Shorthold Tenancy'
- 'Violence or Harassment or Violent relationship breakdown'

Service User Profile

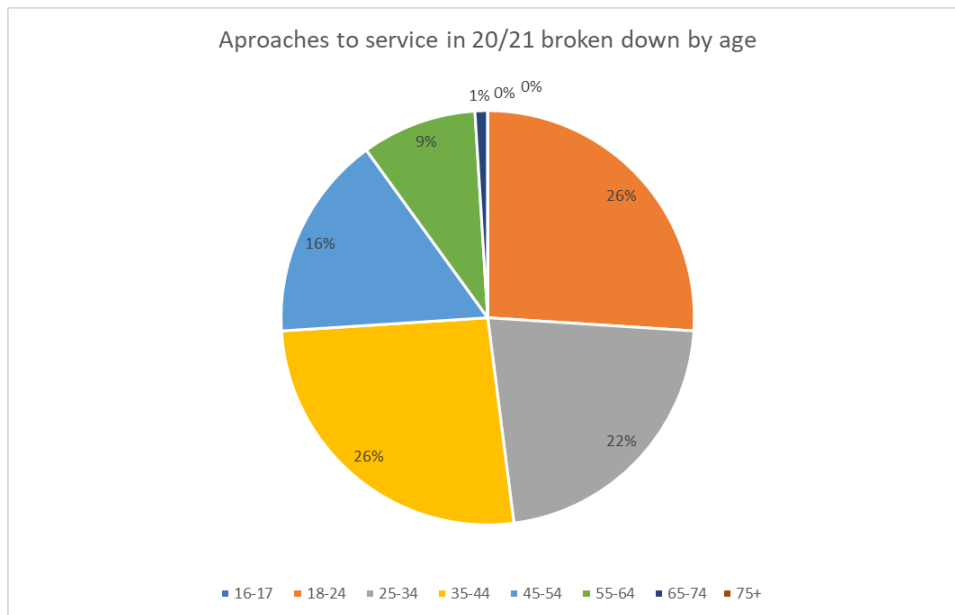
The chart below shows the composition of households using Hart's Homelessness service in 2020/21.



This data shows that most people using the service are single parent women, followed by single females, couples with dependent children and single males. Households of 3 or more adults with or without children make up the smallest numbers of households to use the homelessness service.

This chart shows the age ranges of the main applicants who used the Homelessness service during 2020-21.

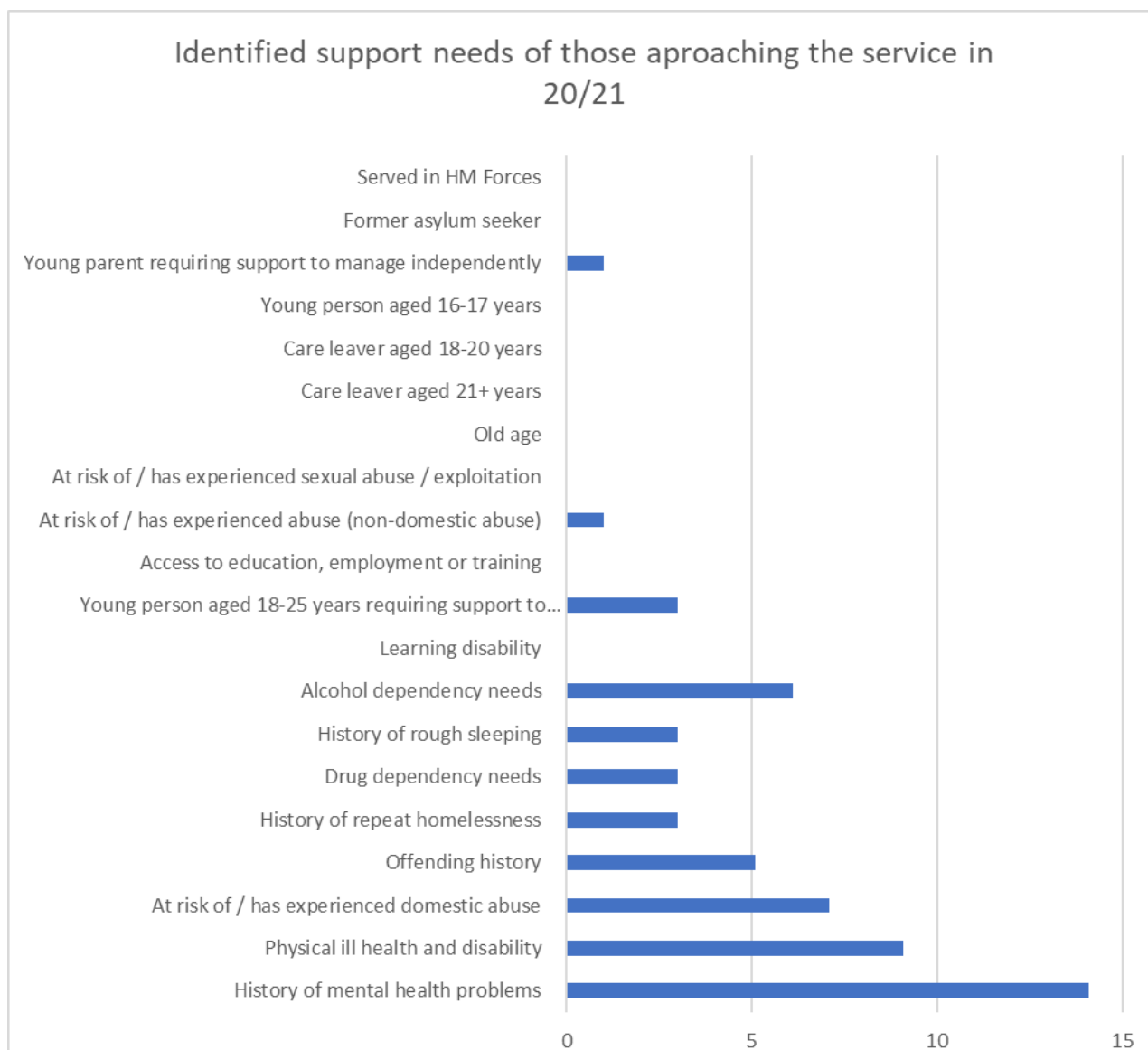
(Taken from Live tables [DetailedLA 2020-21 Revised dropdowns fixed.ods \(live.com\)](#))



This shows that most service users are aged 18-24 and 35-44, followed by 25 to 34-year-olds. People aged 75 and over did not access the service in 2020/21 and only 1% of 65 to 74-year-olds and 9.1% of 55 to 64-year-olds used the service.

In 2020-21, 42% of those who were homeless in Hart had identified support needs. This included 14.1% who had a history of mental health problems, 9.1% physical ill health and disability, followed by 6.1% with alcohol dependency needs and 5.1% with a history of offending.

The chart below shows the range of support needs of all those accessing the service in 2020-21.



From this data, further exploration is needed to understand how accessible the service is for different age groups, household types and for people with different support needs.

Domestic Abuse

Over the last five years, the Council has been the lead authority for a Hampshire wide domestic abuse project, called the Hampshire Making Safe Scheme. The focus of this was providing safe accommodation outside of a refuge setting and the provision of target hardening (security measures) so that residents can feel safe within their own homes. Early intervention and prevention have been provided by dedicated officers in front line health settings such as NHS Emergency Departments and maternity wards.

This scheme provided a model of best practice and was cited as such by the then Ministry of Housing. Much of its learning is reflected in the Domestic Abuse Act, and the projects managed by Hart are now commissioned and managed by Hampshire County Council, with new central Government funding.

Hart continues to be involved and takes the lead role as the Housing representative on the Hampshire Domestic Abuse Partnership and has, during 2021, been active on working groups seeking to implement the Domestic Abuse Act locally and produce the Hampshire Domestic Abuse Strategy. The Council will continue to work with colleagues across Hampshire in delivering new initiatives aimed at supporting our residents who are affected by domestic abuse.

Assisting Asylum Seekers to find Settled Homes

During 2021, the Council took on new projects to provide accommodation for Afghan families fleeing their homes and being relocated to the UK by central Government. As part of a county wide approach, Hart offered 3 homes to Afghan families and at the time of writing, two families have moved in and settled well into their new communities.

We continue to work as a team across Hampshire, helping to provide homes and support to relocating evacuees.

Working with Others - Building a Network of Support

Homelessness can only ever be prevented through partnership working, and Hart has worked hard to forge successful and strong links with a range of agencies who can help officers and service users. This strategy itself is the result of joint work, exploring what more can be done and developing priorities for action.

Hart works closely with the following agencies:

- Hampshire County Council
- Mental Health teams
- Citizens Advice
- Hart Voluntary Action
- Fleet Phoenix
- Prisons
- Housing Associations
- Probation
- Domestic abuse providers
- DWP
- Health colleagues
- Colleagues within other departments at Hart Council

Here for Hart was created in 2021 to provide a robust platform for multi-agency collaboration, ensuring effective joint working to support the community through COVID-19 recovery and beyond. It is the umbrella under which the Council works with partners and communities to help people stay well, feel included in their community, and supported through the challenges they experience.

Consultation

To carry out the review of homelessness, the Council engaged with a range of stakeholders, including service users, to find out their views on current services and ideas for future action. Specifically, stakeholders and service users were asked about:

- Views on current service provision.
- Issues and challenges organisations faced in tackling homelessness with their clients.
- Any gaps people identified in the advice, homelessness and rough sleeping services within Hart.
- What they felt the 4 main priorities should be included within this Strategy.

The main issues identified were:

- The need to provide clear information and signposting to publicise the services available for service users and referrers, including the out of hours service.
- The importance of providing a consistent level of service, being contactable and keeping people informed.
- The importance of building upon existing partnerships and links to develop improved multi-agency working to deliver a holistic approach to service provision.
- Supporting the provision of long-term, good quality affordable housing solutions as well as short-term and emergency housing.
- Providing services for a range of service users including single white men and suitable accommodation for young single women.
- Working with private landlords to make appropriate and supported placements in good quality accommodation.
- Improved data reporting to enable officers to drill down into who is using the service and identify their specific needs.
- Improved data reporting to identify the key cause of homelessness to reduce recurring homelessness in Hart.

- Provide targeted advice and information services specifically for young people.
- Provide accessible, joined up services for people experiencing domestic abuse.
- Utilise appropriate communication for different service users including technology and social media platforms.

Our service users were positive about the service overall and comments included -



Engagement and Consultation has included:

- Workshops and discussions with the Housing Solutions Team.
- Questionnaire for the wider Community Services Team and staff within other departments at the Council.
- Questionnaire for key stakeholders.
- Questionnaire and workshop with local Councillors.
- Telephone survey with service users and temporary accommodation residents, using an independent third party, to encourage people to speak freely
- Face to face discussions with residents at Heathlands Court
- Questionnaire for local private landlords.
- Workshop with stakeholders and partners through the Here for Hart Group.

Resourcing Homelessness Provision in Hart

The housing advice and homelessness service is a statutory function of the local authority and as such is funded through the General Fund. The Council also receives a Homelessness Prevention Grant targeted, as the name suggests, at initiatives that prevent homelessness. The Council uses this to fund a specialist staff member, to support the rent deposit scheme, fund specialist debt provision, spot purchase emergency accommodation and as a flexible prevention fund to achieve targeted individual interventions.

Bidding for Additional Funding

The Council takes every possible opportunity to bid for additional funding to support residents who are in housing difficulties. There have been several recent successes including:

Rough Sleeper Initiative 2020-21 £92,000 (Shared with Rushmoor Borough Council)	Secured funding from MHCLG to continue the Rough Sleeper Initiative (RSI), working in partnership with Rushmoor Borough Council. This project provides specialist support for complex single residents facing homelessness. Funding helps them secure and keep accommodation, as well as providing on-going one to one support.
Homelessness Reduction Act funding 2020-21 £35,000	Secured MHCLG funding to enable Hart to fully implement the Homelessness Reduction Act and contribute to ending rough sleeping by increasing activity to prevent single homelessness. The funding has been used to provide practical support and accommodation for those facing homelessness.
Private rented sector funding 2019-20 £97,000	Secured funding to provide access to private rented sector homes for single households who would otherwise be excluded or difficult to place with a variety of complex need. One off funding.
Cold Weather Fund 2020-21 £5,000	Secured Cold Weather Funding for the Winter period 20-21, to cover the cost of providing emergency accommodation for those who would otherwise sleep rough.

Covid Grant Funding

Over the past year several Covid-19 grants have been awarded to local authorities from central Government. Hart has been able to target a small number of these to

assist the vulnerable who have faced poverty and hardship throughout the pandemic. A hardship fund has been administered by the Housing Solutions Team and has been used for provision of a variety of things from, white goods, assistance with utility bill arrears to school uniform and food parcels.

The Role of Allocations

The overall aim of this strategy and the work of the Housing Solutions Team is to prevent homelessness wherever possible. Where this is not possible, there is a duty to relieve homelessness, through the provision of temporary accommodation. As described earlier, temporary accommodation is largely in the form of Heathlands Court, from which service users move on from into the private rented sector.

It is important that access to permanent social housing is through the housing register. This makes access fair and equitable and based on assessed need and waiting time. There is no direct link between being homeless and securing a permanent housing association property.

Most of those who are homeless will move on to the private rented sector and some will make housing register applications from that accommodation.

From April 2020 to March 2021 a total of 198 households were allocated a home through the Council's Housing Register. These were 136 general needs, 34 older persons and 23 extra-care (for older people) properties.

Approximately 90% of all let's go to new housing register applicants and 8% to applicants seeking a transfer. Very few allocations are made to those who present to the Council as homelessness.

Number of Applicants Registered on Hart's Housing Register (as of 1st April)

	2018-19	2019-20	2020-21
1 bedroom need	740	666	795
2-bedroom need	482	388	410
3-bedroom need	177	152	206
4-bedroom need	60	57	57
TOTAL	1459	1263	1468

Below shows the average waiting times for applicants registered on Hart's Housing Register, broken down by bedroom need. The times stated reflects average waiting times for those placed in Hart's reasonable preference category Band C.

1 bed need = 2 years 3 months

2 bed need = 2 years 6 months

3 bed need = 2 years 10 months

4 bed need = no 4 bed homes let to Band C applicants within the past 12 months

Creating Sustainable Places to Live

Providing good quality, well-designed affordable homes on development sites is a vital part of addressing housing need in the district. Hart draws upon the housing needs information from the housing register to work with housing associations and developers to ensure that new affordable homes are the right mix of size, type and tenure to meet the housing need.

Over the last 5 years Hart has successfully delivered new rented affordable and shared ownership homes for people in the district who cannot afford to buy or rent privately because of the high costs of properties in Hart.

Year	No. of Rented Affordable Homes	No. of Shared Ownership Homes
2016-17	79	70
2017-18	77	67
2018-19	78	50
2019-20	159	46
2020-21	58	92

Summary of Key Areas to Address

The information above highlights key areas to include in the Strategy Delivery Plan/Action Plan including:

- Increasing the understanding of what is needed to live independently; preparation for people to be tenancy ready.
- 'Click before you Evict' campaign to improve Information for landlords, and their tenants, to address issues in advance that could otherwise lead to an eviction.
- Providing advice and support for people experiencing domestic abuse and making their accommodation safe for those who wish to remain in their homes.
- Supporting the Hampshire Domestic Abuse Strategy 2021, review the local offering to survivors of domestic abuse who face homelessness or who need housing advice.
- Keeping up to date with new ideas and best practice relating to homelessness prevention and advice services.
- Drilling down into identifying who approaches the service and how to work with them even more effectively as early as possible.

- Reviewing links with a wide range of agencies who can provide additional services particularly for people with physical ill health and disabilities, substance misuse, a history of offending and mental health support needs and develop further if required.
- Exploring ways to improve networking with harder to access agencies to improve the overall service provision and holistic approach.
- Providing housing and homelessness advice and information specifically for younger people.

Priorities for the Future

From the review of homelessness and rough sleeping and consultation carried out to inform this strategy, 4 key priorities have been identified:

- **Prevention** - having measures in place to prevent homelessness from happening.
- **Intervention** - having targeted support in place for those in crisis.
- **Recovery** - having support in place to help to rebuild lives.
- **Partnerships** - working together to find effective solutions.

Prevention - Having measures in place to prevent homelessness happening

We will:

- Make best use of available data and insight to inform preventative activity.
- Continue to focus on prevention measures to encourage and enable people to access support early to prevent crisis situations.
- Work with a range of agencies to target housing advice and information about homelessness
- Work closely with other councils to share and learn from best practice
- Scope out new initiatives to prevent homelessness.

Intervention - Having targeted support for those in crisis

We will:

- Develop or refresh referral processes with a range of organisations and services to improve information sharing and support provided.
- Work with others to provide suitable support services to assist in times of crisis.
- Develop referral processes and financial services for service users to access financial advice.

Recovery - Having support in place to help to rebuild lives

We will:

- Review the tenancy sustainment support on offer internally and externally to ensure it meets the needs of service users.
- Develop opportunities for clients to access employment, skills and education.
- Ensure there is a good supply of appropriate and affordable accommodation for people accessing the service, particularly young, single people and rough sleepers.

Partnerships - Working together to find effective solutions

We will:

- Explore opportunities for co-location of services.
- Review and develop further working protocols with health services including, hospitals, mental health, learning disability, physical disability, drug and alcohol misuse services.
- Proactively promote the service and raise awareness of what the housing solutions team does with other professionals and the voluntary sector.

Action Plan

The review of homelessness and the subsequent published strategy, gives rise to the creation of a homelessness strategy action plan. This is a plan that sets out a range of actions that will improve the service offering for residents of Hart that find themselves facing homelessness.

The Action Plan is a separate document and can be found on the Council's website.

Further Information and Contact Details

If you require any further information, please contact the Community Services Team:

Email: housing@hart.gov.uk

Telephone: 01252 774420

Hart District Council
Preventing Homelessness and Rough Sleeping Strategy
Action Plan 2022-2025

Responsible Staff Members:**Kelly Watts** - Housing Solutions Manager**Guy Clayton** - Social Inclusion & Partnerships Manager**Nicola Harpham** - Strategy & Development Manager**Priority 1: Prevention - having measures in place to prevent homelessness from happening**

	Action	Person Responsible	Completion date	Comments
1.1	Analyse available data to review the top 3 main reasons for homelessness and the causes for these, to monitor access to the service and to identify pathways to homelessness to inform future additional preventative activity.	Kelly Watts	April 2022 April 2023 April 2024 April 2025	Looking at main causes of homelessness using CA data and internal service data.
1.2	Review the service webpages and literature to ensure they are clear and accessible and available in a range of appropriate formats for residents, service users and professionals.	Kelly Watts	April 2024 TBC - links to corporate timescales	Links to corporate website project.
1.3	Create a friendly and informative short video to introduce the housing options service,	Kelly Watts/ Guy Clayton	March 2023	Part of a wider piece of work due to be

	what they can support with and let people know what to expect. Promote this as part of a set of videos created for Here for Hart.			undertaken in Here for Hart programme.
1.4	Build upon existing services to develop more ways for people to access skills, training, employment and social inclusion opportunities.	Guy Clayton	March 2024	Here for Hart Supporting Communities' Plan.
1.5	Life skills development - for young people, people living independently for the first time and people who would benefit from assistance and advice to sustain a tenancy, to develop the skills and knowledge to manage money, access support, employment etc.	Guy Clayton	September 2024	Here for Hart Supporting Communities Plan.
1.6	Work with local schools, colleges and agencies working with young people to provide housing advice and information about homelessness including hidden homelessness, as an upstream prevention tool.	Guy Clayton	March 2024	
1.7	Link into agencies working with young people to better understand the causes of youth homelessness and how these could be prevented.	Guy Clayton Fleet Phoenix Vision for Youth	March 2023	Look at how youth services prevent family breakdown and parental eviction and explore strengthening links.
1.8	Working with partner agencies to encourage digital inclusion for people accessing housing advice, homelessness and rough sleeping services.	Guy Clayton	June 2023	Here for Hart Supporting Communities' Plan.

1.9	Build upon existing success with using the private rented sector for short-term and longer-term housing solutions. Understand best practice and explore new initiatives.	Kelly Watts and Landlord Liaison Officer	April 24	
1.10	Implement a regular temporary accommodation inspection programme to ensure all TA including Bed and Breakfast is of a suitable standard for Council referrals.	Kelly Watts with Hart Environmental Health Team	March 23 March 24 March 25 March 26 March 27	
1.11	Proactively advertise the services available including the Out of Hours service for service users, Councillors, the public and other agencies and professionals.	Kelly Watts	December 22	With assistance from Hart's Comms Team.
1.12	Periodically test the quality of the Out of Hours Service.	Kelly Watts	Bi-annual every year	6 monthly mystery shopper type checks to be carried out.
1.13	Review provision of services for survivors of domestic abuse, in line with the Hampshire Domestic Abuse Strategy 2021. Conduct a health check with the support (financial and other resources) of HCC.	Kelly Watts Vicky Atkinson - Hampshire County Council	March 24	

Priority 2: Intervention - having targeted support in place for those in crisis

	Action	Person Responsible	Completion date	Comments
2.1	Develop referral processes and financial services for service users to access financial advice.	Guy Clayton	December 2023	

2.2	Refresh referral processes for service users to access skills, training and employment advice.	Guy Clayton	March 2023	Here for Hart Supporting Communities' Plan.
2.3	Refresh referral processes and joint working practices with prisons and probation.	Guy Clayton	September 2024	Countywide 'Minding the Gap' (Changing Futures) programme.
2.4	Refresh referral processes and joint working practices with hospitals.	Guy Clayton	September 2024	
2.5	Refresh referral processes and joint working practices with health services, including mental health, learning disability, physical disability, drug and alcohol misuse services.	Guy Clayton	September 2024	
2.6	Work with the Citizens Advice to develop methods to identify people at risk of losing their homes through mortgage arrears and repossession, because of the pandemic.	Kelly Watts/Guy Clayton	December 23	
2.7	Explore provision of safe accommodation with support for survivors of domestic abuse, linking to the Council's commercialisation strategy.	Nicola Harpham Vicky Atkinson - Hampshire County Council	March 23	Link with the keep well collaborative and Changing Futures - County-wide work.
2.8	Explore the need and possibilities to provide more shared accommodation in Hart for under 35's requiring affordable accommodation.	Kelly Watts	December 24	Consultation highlighted the need for good quality shared accommodation and options for single females.
2.9	Ensure that there are suitable processes in place to assist care leavers who have	Guy Clayton	March 2024	

	accommodation problems and are homeless or facing homelessness.			
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Priority 3: Recovery - having support in place to help to rebuild lives
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	Action	Person Responsible	Completion date	Comments
3.1	Review the tenancy sustainment support on offer internally and externally to ensure it meets the needs of service users.	Kelly Watts	December 22	Link to review of Heathlands Court. Link to HCC Social Inclusion funding review.
3.2	Build upon existing services to develop more ways for people to access skills, training, employment and social inclusion opportunities.	Guy Clayton	March 2023	Here for Hart Supporting Communities' Plan.
3.3	Increase use of protocols and referrals set up with mental health services, probation, and education and employment services to support service users rebuild their lives.	Guy Clayton	March 2025	Review whether Refernet can be used to streamline access.
3.4	Go live with Housing First as clients are identified	Guy Clayton	Ongoing	Policy in place.
3.5	Ensure there are regular liaison and tenancy checks with landlords and tenants of private rented housing used by the Council to identify any issues and rectify them.	Kelly Watts (via Landlord Liaison Officer)	April 23	3- and 6-month review meetings to be standard practice.
3.6	Develop a "shared lived experiences" model to provide advice and information people can relate to.	Kelly Watts Guy Clayton	September 2023	

3.7	Review the accommodation provision and support services provided at Heathlands Court to ensure that they are fit for purpose and providing the best services to enable people to rebuild their lives.	Kelly Watts Nicola Harpham VIVID housing association	September 2022	
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Priority 4: Partnerships - working together to find effective solutions

	Action	Person Responsible	Completion date	Comments
4.1	Proactively promote the service and raise awareness of what the Housing Solutions Team can provide with professionals and the voluntary sector.	Kelly Watts	April 2022 April 2023 April 2024 April 2025	
4.2	Continue to support the development of Community Pantries and larders to improve access to affordable food and reduce food waste.	Guy Clayton	March 2024	Here for Hart Supporting Communities' Plan.
4.3	Work with CA to investigate using Refernet as a potential common referral process between organisations and professionals.	Guy Clayton Sam Mabbot - CAB	March 2023	Here for Hart Supporting Communities' Plan.
4.4	Explore opportunities for co-location of services (accessed virtually or in person), through some form of community hub.	Guy Clayton	March 2023	Here for Hart Supporting Communities' Plan.
4.5	Actively engage with and support the work of the Domestic Abuse Forum.	Kelly Watts	Ongoing	Regular attendance at DA forum.
4.6	Continue to attend county wide professional meetings to share best practice, and tackle and broader issues as a collective.	Kelly Watts Nicola Harpham Kirsty Jenkins	Ongoing	For example: Strategic Housing Officers Group. Housing Advisory Group,

				Housing Enablers Network.
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OVERVIEW AND SCRUTINY COMMITTEE

DATE OF MEETING: 18 JANUARY 2022

TITLE OF REPORT: DRAFT BUDGET 2022/2023 AND MEDIUM TERM FINANCIAL STRATEGY

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 2022/2023. The Overview and Scrutiny Committee are requested to review, provide challenge and to forward comments on the proposed draft Budget and Council Tax proposals to Cabinet.
- 1.2 This proposed budget includes funding provided in the provisional finance settlement for 2022/2023 which was published on December 16th, 2021. The final settlement is expected in early 2022.
- 1.3 The anticipated multi-year Spending Review was once again replaced by a short-term Spending Round. This limits any meaningful financial planning to one year. Whilst best estimates have been made for future years, this report therefore cannot give any realistic projection beyond 2022/2023.

2 OFFICER RECOMMENDATION

- 2.1 That the Committee reviews this report, provides challenge, and provides any comments to Cabinet it has on the draft Budget 2022/23.

3 BACKGROUND INFORMATION

- 3.1 This is the third year that the Government has provided a short-term (one-year) funding settlement.

Summary of Proposals for 2022/23:

- A freeze in Baseline Funding Levels (BFLs) at 2021-22 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.
- A bespoke council tax referendum principle of up to 2% or £5, whichever is higher, for shire district councils.
- A referendum principle of £10 for police authorities.
- A new round of New Homes Bonus payments in 2022-23, which will not attract new legacy payments.

- A new one-off Services Grant based on 2013/14 Settlement Funding Assessment to compensate for the increase in National Insurance Contributions.
- Allocation of a Lower Tier Services Grant to top up the Council above the minimum funding floor.

4 COUNCIL TAX

- 4.1 The Government has provided a cap on Council Tax increases to District Council as in previous years. The cap for 2022/23 is the greater of 2% or £5 on a Band D property. Any higher rise will require holding a local referendum. The Government assumes that we will increase at the capped level in order to maintain our spending power as a Council. The budget proposals included in this report assume a £5 increase in 2022/2023. This equates to an annual Council Tax income of £7,812,875 for 2022/23 (an increase of approximately £325,000)

5 NEW HOMES BONUS (NHB)

- 5.1 Under the expected changes to be made to Local Government Financing, we were not expecting to receive New Homes Bonus for 2022/23 and that this funding would be replaced by a smaller replacement grant. Officers had forecast that the previous grant of £1.8m would be replaced by a smaller grant of £1m. The provisional Local Government Settlement retains New Homes Bonus for 2022/23 and the value to be received for 2022/23 is £1,604m. The Council relies on funding from New Homes Bonus with approximately 17% of the net revenue budget being funded by New Homes Bonus in 2021/2022.
- 5.2 There is, therefore, a significant future risk to the Council and whilst the Government consultation is considering replacements to the New Homes Bonus from 2023/24 there is absolutely no certainty as to what this could look like.

6 LOWER TIER SETTLEMENT GRANT

- 6.1 The 2021/22 Finance Settlement introduced an un-ringfenced lower tier services grant, which was granted to ensure that no council received a reduction in core spending power. It is based on assessed relative need for lower tier services.
- 6.2 The Financial Settlement proposes that Hart will receive £0.062 million in Lower Tier Settlement Grant in 2022/23. This is a reduction of 0.122 million from 2021/22.

7 SERVICES GRANT

- 7.1 The 2022/23 Finance Settlement introduced a one-off Service Grant to provide funding in recognition of vital services delivered by local government.

7.2 The Financial Settlement proposes that Hart will receive £0.095 million in Services Grant. The purpose of the intent of this grant is to assist with the increased National Insurance Contributions required in 2022/23.

8 COUNCIL TAX SUPPORT SCHEME

8.1 Since 2013, local authorities in England have been responsible for running their own local schemes for help with council tax - Council Tax Support. Councils can choose to either reduce the discount paid to working age claimants or find income to make up the reduction. In previous years the Council has agreed not to reduce the discount (benefits) paid to such claimants but to fund the cost from the revenue account. There are no proposals to change the arrangement for 2022/23, however, a detailed review of the scheme is now underway for implementation in 2023/24.

9 FEES AND CHARGES

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

- Car Parking – Following a significant decrease in income during Covid-19 and a lack of workplace commuting the overall Car parking fee income budget has been reduced by 25% in comparison to pre-Covid levels.
- In all other cases, where the Council has flexibility in setting and charges the general intention is to increase them by inflation or up to the nearest £, where applicable, unless any individual scheme of delegation allows flexibility to set specific fees and charges, or Statutory charges apply.
- At the point of writing this report we had not yet received confirmation from the County Council of fees and charges relating to the services we operate under the Agency agreement. An update will be provided when these are received.

10 GROWTH AND SAVINGS INCLUDED IN BUDGET

10.1 Historically, an incremental approach to the budget is being followed to build the budget but for this year; a zero-based budget build was applied. A zero-based budget requires that all expenditure is justified. The below table shows the movement in net cost of services as a result of the zero-based budget: highlighting budget corrections, growth items and reductions as a result of reviewing each service line by line.

	£'000
Net Cost of Services 2021/22	10,794
Net Staff Inflation after savings	(7,442)
Contract inflation	919,660
Growth – New initiatives	549,855
Growth – Existing Service Delivery	447,542
Insurance	(19,410)
Savings (zero base budget not required)	(8,895)
Increase in Income	(383)

Decrease in Income	818
Budget Corrections	435
Net Cost of Services 2022/23	12,497

10.2 Section 13.1 below shows the current pressure for movement of budgets between 2021/2022 and 2022/2023. Considering current risks, the details of any budget movements are still being evaluated and will be refined further before final consideration by Cabinet.

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

- Contract inflationary charges uplifted to reflect CPI of 5.1%.
- Reduction in income anticipated from fees and charges
- Unknown increase in staff pay
- Power and Fuel cost inflation

10.4 In August 2021 a program of savings and refreshed Medium Term Financial Strategy was brought to Members to review. Potential Savings were classified into Tier 1 and Tier 2; the more difficult savings included within Tier 2 due to the speed of implementation; desirability and risk of implementation. Tier 1 and 2 Savings have been agreed for implementation and the following assumptions have been made on implementation. The value of Tier 1 savings agreed for implementation in 2022/23 is £335,000. The value of Tier 2 savings to be realised in 2022/23 is £202,000 and a breakdown is shown in the table below.

Tier 2 Savings - in at 50% achievement rate in most cases for 2022-23 increase in 2023-24	2022-23 £'000
Corporate – Corporate Services Restructure – bring services back from Mendip and restructure	62
Corporate – Review and revise skills and resources at Senior Management Team	52
Corporate – Carry out a review of Member and Staff Allowances	4
Corporate – Outsource of Internal Audit to one provider	15
Place – Review and revise skills and resources and skills required in the future within Place	25

Technical and Environmental – Review and revise skills and resources required within Technical and Environmental Service	17
Place – Review provision of dog warden service	27
TOTAL TIER 2 SAVINGS	202

11 OUTTURN BUDGET FOR 2021/2022

- 11.1 Quarter Two budget monitoring was reported to Overview and Scrutiny Committee in December 2021 and will be reported to Cabinet in January 2022. At the end of Quarter Two, the Council was forecasting an overspend of £240K.
- 11.2 The key drivers of the overspend are reductions in off-street parking income and leisure income due to Covid-19 and an increase in expenditure on homelessness.

12 CAPITAL PROGRAMME

- 12.1 The proposed 2022/2023 Capital Programme is attached as Appendix 1.

13 DRAFT BUDGET 2022/2023

13.1 The table below summarises the draft budget for 2022/2023 compared to the approved 2021/2022 budget

	2021/2022	2022/2023	
	Budget	Draft	
	£000	£000	
Net Service Budget	10,536	11,930	
SANG Expenditure	258	567	Funded from allocated S106 receipts
Cost of Service	10,794	12,497	
Debt Interest	12	12	
MRP	406	642	
New Homes Bonus	-1847	-1,603	Provisional Local Government Settlement
Lower Tier Services Grant	-200	-62	Provisional Local Government Settlement
Services Grant		-95	
Pressures	610		Change programme variables
Net Expenditure	9,776	11,391	
Financed by			
Council Tax	-7,487	-7,813	Provisional Local Government Settlement maximum increase
Business Rates Retained	-1,400	-1,400	Provisional Local Government Settlement
Tier 1 Savings		-335	
Tier 2 Savings		-202	
S106 receipts	-53		Allocation as per approved expenditure
SANG receipts	-258	-567	Allocation as per approved expenditure
Commercial Income	-196	-1,073	
Total Financing	-9,395	-11,391	
Transfer from /to Reserves	381	0	

13.2 The major revenue funding risks and decisions looking beyond 2022/23 are to be considered to ensure financial sustainability:

Funding Risks

- Spending Review 2022 – 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 2023/2024
- 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.

14. EQUALITIES

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

15. CLIMATE CHANGE

The budget and MTFS will work alongside the council's ambition to become a carbon neutral authority by 2035. There are no direct carbon/environmental impacts arising from the recommendations, however, it should be noted that a £250,000 Growth Item is being requested for 2022-23 to further develop the Council's agenda to deliver the ambition of being a carbon neutral authority by 2035.

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

APPENDICES:

- Appendix 1 – Capital programme 2022/2023
- Appendix 2 – Medium Term Financial Strategy
- Appendix 3 – Review of Reserves
- Appendix 4 – Summary service budgets
- Appendix 5 – Growth Items over £5,000

Appendix 1 - Capital programme 2022/2023

Service Area and Description	2022/23 Budget requested £'000	2023/24 Estimate £'000	2024/25 £'000	Source of Funding
Checkpoint Gateway refresh	30	0	0	Digital Transformation Reserve
Corporate Internet Contract migration and project costs.	25	0	0	Digital Transformation Reserve
On-Premises Backup upgrade	35	0	0	Digital Transformation Reserve
Total Corporate Services	90	0	0	
Disabled Facilities Grant	867	867	868	Grant – Better Care Fund
Affordable Housing Loan	300			S106 – Earmarked Reserve Housing
Energy Efficiency	550			S106 – Earmarked Reserve Housing
Householder Loans to prevent homelessness	650			S106 – Earmarked Reserve Housing
Total Community Services	2,367	867	868	
3 x Electric Service Vehicles	70			SANG's Reserve
Bramshot Farm	340	500		S106
Edenbrook Country Park Teen Health	65			S106
Edenbrook Country Park Visitor Improvements	158			S106
Fleet Pond Access Track	433			EM3 LEP Funding Grant
Fleet Pond Green Grid Ecology	25			S106
Fleet Pond Green Grid Engineering	373			EM3 LEP Funding Grant
Fleet Pond Visitor Enhancement	31			S106
Hazeley Heath Access Improvements	30			S106
Kingsway Flood Alleviation Scheme	54			Environment Agency funding already received and held in reserves
Mill Corner Flood Alleviation Scheme	27			Environment Agency funding already received and held in reserves
Phoenix Green Flood Alleviation Scheme	70			Environment Agency and Vivid Housing

Small SANG Sites	185			SANG's reserves
Total Environmental and Technical	1,720	500	0	
Council Totals	4,177	1,367	868	

Appendix 2

Medium Term Financial Strategy

Medium-Term Financial Strategy 2022/23 – 2024/25

1 Introduction

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

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

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

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

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

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

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

2 Internal Policy and Service Context

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

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

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

1 A Thriving Local Economy

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

2 Clean, Green and Safe Environment

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

3 Healthy Communities and People

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

4 An Efficient and Effective Council

- Explore options to increase financial self-sustainability

2.4 The Medium Term Financial Strategy also supports all other Council strategies, such as the Capital Strategy, the Commercialisation Strategy, and the Treasury Management Strategy. In particular, it acts as the framework linking the Council's more detailed service plans, asset management plans

and capital plans with the longer term to help ensure that the Council's plans are financially achievable.

3 Internal Financial Context

3.1 In 2021/22 the Council's net cost of services was £10,794m

3.2 The key financial issues for the Council are.

- The Council relies heavily on New Homes Bonus and uses all the funds it receives to support the revenue budget each year
- Changes to Business Rates retention have not significantly increased the Council's income to date, as there has been little net growth of larger businesses in the district
- Reserves are currently healthy, but are likely to be increasingly required to fund the revenue budget in future years
- The council tax base has seen strong growth over recent years, but future development may be slower as our Local Plan development has been front loaded.
- Government funding is likely to further reduce after 2022-23
- The Council has few saleable assets and will have to borrow to fund capital assets.

4 External Economic, Financial and Legislative Context

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

4.2 Local Government Finance Settlements

4.2.1 The draft Local Government Settlement for 2022/23 included zero Revenue Support Grant.

4.2.2 The government's calculations of local authorities' core spending power consider their ability to generate income from business rates and Council Tax and assumes that authorities will increase Council Tax up to the referendum limit which for this council is £5.00 (2.0%) for a Band D property.

4.3 Spending Review 2022

In his latest Statement the Chancellor of the Exchequer announced a Spending Review to determine departmental spending limits for the period of this MTFS. In the latest Budget it became clear that any additional spending would be allocated to "protected" services, particularly the NHS. At best, DULHC control totals are likely to increase by no more than CPI. As an "unprotected" service, real funding may be further reduced.

4.4 Fair Funding Review

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

Grants and spending power are determined according to the relative needs and resources of each council area. The formulae to calculate these needs and resources are being reviewed, reduced in number, and simplified for allocations from 2023/24. This will inevitably lead to "winners" and "losers" as the overall pot will remain the same size at best.

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

4.5 Business Rates Income

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

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

4.5.3 However, the proposals were then revised to 75% retention as insufficient grant streams proved suitable for replacement. The Government proposals expect the new system to retain the current top-up /tariff approach which results in the council currently retaining only £1.2 million (3.3%) of the £39 million it collects in business rates. Further consideration will be required to determine the proportion of business rates that will be allocated to each tier of local government.

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

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

4.6 New Homes Bonus Grant

The New Homes Bonus is a grant paid by central government to local councils for increasing the number of homes and their use. This grant was due to end in 2020/21 and it is expected it will be replaced before 2023/24.

4.7 Impact on the Council and Budget

4.7.1 The key impacts of the national context on the Council's Medium Term Financial Strategy are.

- The Council should be prepared for an extended period of government funding reductions throughout the medium term period and beyond and therefore should continue to seek to reduce costs and generate additional revenues wherever possible in order that core services can be delivered on a sustainable basis.
- The Council may face increased demand on its services and budgets as a result of partner organisations' responses to reductions in government funding.
- There has been a significant risk transfer from central government to local government as a result of the legislative changes.
- The uncertainty and increased risk and volatility associated with the new Business Rate Retention Scheme and the fair funding review.
- The impact on business rates of the current economic volatility and Covid-19

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

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

MEDIUM TERM FINANCIAL FORECAST AND STRATEGY 2022/23 to 2026/27

5 Financial Forecast Scenarios and Assumptions

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

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

- Pay increase allowance of 2% per annum, along with an allowance for incremental increases.
- Pension cost increases in line with notified changes equivalent to 1% increase in payroll costs for 2019/20 followed by no increase per annum from 2020/21 for the next triennial valuation of the pension fund, as indicated at the recent Employers meeting of the Hampshire Pension Fund
- An annual inflation allowance of 5.1% per annum
- Contracted services' inflation allowances reflect the inflation clauses of their contracts.
- Base interest rate assumption of 0.5% on Treasury management investments.
- Use of all New Homes Bonus receivable to support the revenue budget
- Zero Revenue Support Grant
- Business rate income forecast to be at the baseline level over the forecast period.
- Continuation of the current council tax support scheme.

Appendix 3

Review of Reserves

The Chief Finance Officer is required, under section 25 of the Local Government Act 2003, to report on the robustness of estimates and adequacy of reserves. This is also linked to the requirement of the Prudential Code that authorities should have full regard to affordability, when making recommendations about future capital programmes.

Statement on the Adequacy of Financial Reserves

“Having conducted a review of the Council’s requirement for the minimum working balance, taking into consideration various matters including: -

- the Council’s spending plans for 2021/22 - 2022/23 and the medium-term financial position.
- adequacy of estimates of inflation, interest rates.
- treatment of demand led pressures.
- impact of external partnerships.
- the need to respond to emergencies.
- Capital programme variations.
- Reduction of New Homes Bonus in future years
- Income risks from future national waste strategy
- Income from Leisure contract

I can confirm that an amount of £5.317m is considered adequate for this purpose. In relation to other financial reserves, a review has also been conducted to determine their adequacy. In addition to the matters referred to above, and considering the Medium-Term Financial Plan, the review concluded that the level of such reserves is adequate based on current information in relation to anticipated risk, existing commitments and known future plans.

However, the Council faces a significant degree of uncertainty over future funding and reductions in the base budget will need to be made.

This statement is made on the understanding that any use of reserves and balances is undertaken in accordance with the Council’s existing Financial Procedure Rules and that a further review of reserves and balances will be undertaken following the closure of the Council’s accounts in May 2022.

Emma Foy BA (Hons) FCCA
Head of Corporate Services and Section 151 Officer

Appendix 4 Service level Budgets by Subjective Code

Directorate	Employee Costs - 1		
	2021/2022	2022/2023	Variance
Accounting Adjustments Totals	0	0	0
Community Services Totals	1,028,448	1,007,860	-20,588
Corporate Services Totals	2,231,694	1,871,544	-360,150
Place Services Totals	2,332,515	2,292,629	-39,886
Technical & Environmental Services Totals	1,167,917	1,275,703	107,786
Whole Council Total	6,760,574	6,447,736	-312,838

Directorate	Premises Costs - 2		
	2021/2022	2022/2023	Variance
Accounting Adjustments Totals	0	0	0
Community Services Totals	0	350	350
Corporate Services Totals	38,198	39,583	1,385
Place Services Totals	436,030	318,594	-117,436
Technical & Environmental Services Totals	210,740	223,329	12,589
Whole Council Total	684,968	581,856	-103,112

Directorate	Transport Costs - 3		
	2021/2022	2022/2023	Variance
Accounting Adjustments Totals	0	0	0
Community Services Totals	33,307	33,514	207
Corporate Services Totals	24,533	15,696	-8,837
Place Services Totals	52,329	38,540	-13,789
Technical & Environmental Services Totals	61,685	45,988	-15,697
Whole Council Total	171,854	133,738	-38,116

Directorate	Supplies and Services - 4		
	2021/2022	2022/2023	Variance
Accounting Adjustments Totals	195,000	195,000	0
Community Services Totals	709,611	278,567	-431,044
Corporate Services Totals	9,566,335	4,700,768	-4,865,567
Place Services Totals	1,112,301	1,332,218	219,917
Technical & Environmental Services Totals	1,785,135	2,318,068	532,933
Whole Council Total	13,368,382	8,824,621	-4,543,761

Directorate	Third Party Payments - 5		
	2021/2022	2022/2023	Variance
Accounting Adjustments Totals	3,463,768	3,463,768	0
Community Services Totals	8,000	6,000	-2,000
Corporate Services Totals	2,104,351	2,074,253	-30,098

Place Services Totals	158,437	183,271	24,834
Technical & Environmental Services Totals	81,014	105,082	24,068
Whole Council Total	<u>5,815,570</u>	<u>5,832,374</u>	<u>16,804</u>

Directorate	Transfer Payments - 6		
	2021/2022	2022/2023	Variance
Accounting Adjustments Totals	0	0	0
Community Services Totals	118,000	118,000	0
Corporate Services Totals	12,880,000	10,415,766	-2,464,234
Place Services Totals	0	0	0
Technical & Environmental Services Totals	0	0	0
Whole Council Total	<u>12,998,000</u>	<u>10,533,766</u>	<u>-2,464,234</u>

Directorate	Capital Costs - 8 & A		
	2021/2022	2022/2023	Variance
Accounting Adjustments Totals	-1,481,928	-1,168,879	313,049
Community Services Totals	0	838,106	838,106
Corporate Services Totals	998,000	998,000	0
Place Services Totals	220,000	220,000	0
Technical & Environmental Services Totals	284,400	284,400	0
Whole Council Total	<u>20,472</u>	<u>1,171,627</u>	<u>1,151,155</u>

Directorate	Income - 9		
	2021/2022	2022/2023	Variance
Accounting Adjustments Totals	-15,036,867	-15,610,854	-573,987
Community Services Totals	-464,086	-1,160,726	-696,640
Corporate Services Totals	-21,186,264	-13,656,656	7,529,608
Place Services Totals	-1,851,486	-1,987,535	-136,049
Technical & Environmental Services Totals	-1,281,117	-1,109,947	171,170
Whole Council Total	<u>-39,819,820</u>	<u>-33,525,718</u>	<u>6,294,102</u>

Appendix 5

Growth Items more than £10,000

The following growth items are currently included in the Service Budgets subject to approval by Members. These items are to be met by base budget funding.

Directorate	Description	Value
Community Services	Officer Honorarium Payment potential increase in salary JE	£12,000.00
Place Services	Repairs and Maintenance contract Civic Office	£76,414.00
Place Services	Post Covid19 Economic Strategy	£20,000.00
Place Services	CIL Examination - Consultancy Fees	£15,000.00
Technical & Environmental Services	Visitor Survey - Countryside	£10,000.00
Technical & Environmental Services	Connect water supply to grazing area £22.5k	£22,500.00
Technical & Environmental Services	Climate Change Growth Item	£250,000.00
Technical & Environmental Services	Boardwalk replacement 1 £25k, boardwalk replacement 2 £15k, £8k path repairs, £7.5k ditch works, bench/bridge replacement £9.5k	£65,000.00

OVERVIEW AND SCRUTINY COMMITTEE

DATE OF MEETING: 18 January 2021

TITLE OF REPORT: **TREASURY MANAGEMENT STRATEGY STATEMENT AND ANNUAL INVESTMENT STRATEGY**

Report of: **Head of Corporate Services**

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

1 PURPOSE OF REPORT

- 1.1 To present the draft Treasury Management Strategy Statement for 2022/23 which incorporates the Annual Investment Strategy and Prudential and Treasury Indicators.

2 OFFICER RECOMMENDATION

- 2.1 That the Committee consider any recommendations it wishes to make to Cabinet in respect of the Treasury Management Strategy Statement and Annual Investment Strategy.

3 BACKGROUND

- 3.1 The Local Government Act 2003 (“the Act”) and supporting regulations require the Council to ‘have regard to’ the Prudential Code and to set Prudential Indicators for the next three years to ensure that the Council’s capital investment plans are affordable, prudent and sustainable.
- 3.2 The Act therefore requires the Council to set out the Treasury Strategy for borrowing and to prepare an Annual Investment Strategy (as required by Investment Guidance issued after 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 attached as Annex A.

4 EQUALITIES

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

5 CLIMATE CHANGE

These strategies will work alongside the council’s ambition to become a carbon neutral authority by 2035. No direct carbon/environmental impacts arising from the recommendations. We are however, starting to move to a more sensitive and sustainable investment strategy.

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APPENDICES

Appendix 1 – Treasury Management Strategy Statement and Annual Investment Strategy

Appendix 2 – Capital Strategy

Hart District Council

TREASURY MANAGEMENT STRATEGY STATEMENT 2022-23

1.0 Introduction and the revised code

1.1 CIPFA published the revised codes on 20th December 2021 and has stated that formal adoption is not required until 2023/24. This Council has to have regard to the existing codes of practice when it prepares the Treasury Management Strategy Statement and Annual Investment Strategy and monitoring reports during the year.

1.2 The revised codes will have the following implications:

- a requirement for the Council to adopt a new debt liability benchmark treasury indicator to support the financing risk management of the capital financing requirement;
- clarify what CIPFA expects a local authority to borrow for and what they do not view as appropriate. This will include the requirement to set a proportionate approach to commercial and service capital investment;
- a requirement to address Environmental Social and Governance issues within the Capital Strategy and the Treasury Management Risk Framework
- it will require implementation of a policy to review commercial property, with a view to divest where appropriate;
- it requires the creation of new Investment Practices to manage risks associated with non-treasury investment (similar to the current Treasury Management Practices);
- the council must ensure that any long term treasury investment is supported by a business model;
- there is a requirement to effectively manage liquidity and longer term cash flow requirements;
- the code has required an amendment to the knowledge and skills register for individuals involved in the treasury management function - to be proportionate to the size and complexity of the treasury management conducted by each council;
- There is a a new requirement to clarify reporting requirements for service and commercial investment, (especially where supported by borrowing/leverage).

- 1.3 In addition, all investments and investment income must be attributed to one of the following three purposes:

Treasury management

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

Service delivery

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

Commercial return

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

- 1.4 As this Treasury Management Strategy Statement and Annual Investment Strategy deals solely with treasury management investments, the categories of service delivery and commercial investments will be dealt with as part of the Capital Strategy report. However, as investments in commercial property have implications for cash balances managed by the treasury team, it will be for each authority to determine whether they feel it is relevant to add a high level summary of the impact that commercial investments have, or may have, if it is planned to liquidate such investments within the three year time horizon of this report, (or a longer time horizon if that is felt appropriate).
- 1.5 Members will be updated on how all these changes will impact our current approach and any changes required will be formally adopted within the 2023/24 Treasury Management Strategy Statement report.

2.0 Background to the Strategy

- 2.1 The Council is required to operate a balanced budget meaning 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.
- 2.2 The second 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.
- 2.3 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.
- 2.4 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.”

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.

3.0 Treasury Management Reporting requirements

3.1 The Capital Strategy

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 Strategy is provided in Appendix 2 to the Treasury Management Strategy Statement report.

3.2 Treasury Management Reporting

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

- 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, (how residual capital expenditure is charged to revenue over time);
 - the treasury management strategy, (how the investments and borrowings are to be organised), including treasury indicators; and
 - an investment strategy, (the parameters on how investments are to be managed).
- 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.

4.0 Treasury Management Strategy for 2022/23

4.1 The strategy for 2022/23 covers two main areas:

Capital issues

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

Treasury management issues

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

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

4.2 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. Members received training in November 2020 and further training will take place in April 2022. The training needs of treasury management officers are periodically reviewed with officers carrying out Treasury management updates attending annual training provided by Link Group.

4.3 Treasury Management Consultants

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

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

It also recognises that there is value in employing external providers of treasury management services 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.

5.0 The Capital Prudential Indicators 2022/23 – 2024/25

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

5.2 Capital Expenditure and financing prudential indicator

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 through approval of the Capital Budget each year.

Capital Expenditure by Service	2020/21 Actual £'000	2021/22 Estimate £'000	2022/23 Estimate £'000	2023/24 Estimate £'000	2024/25 Estimate £'000
Community Services	649	500	2,367	867	868
Corporate Services	247	34	90	0	0
Env and Technical	438	1,706	1,861	500	0
Place	-	0	0	0	0
Total	1,334	2,240	4,318	1,367	868
Commercial activities/ non-financial investments *	0	19,032	0	0	0
Total capital expenditure	1,334	21,272	4,318	1,367	868

* 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.

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

Financing of capital expenditure	2020/21 Actual £'000	2021/22 Estimate £'000	2022/23 Estimate £'000	2023/24 Estimate £'000	2024/25 Estimate £'000
Total capital expenditure	1,334	21,272	4,318	1,367	868
Financed by:					
Capital receipts	213	34	90	0	0
Capital grants	1,067	2,206	2,728	1,367	868
Revenue	55	0	1,500	0	0
Total financing	1,334	2,240	4,318	1,367	868
Borrowing requirement	0	**19,032	0	0	0

- *Capital expenditure on projects for yield schemes will mean that there will be no access to PWLB borrowing. If an authority goes ahead with such schemes, then it should provide figures to explain what proportion of financing is taken by such schemes out of total financing in each year.*

*** The borrowing requirement for 2021/22 is derived from PWLB borrowing to fund Edenbrook Apartments and internal borrowing funding the purchase of Centenary House.*

5.3 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.

As part of the approval of the Capital budget, Members are asked to approve the CFR projections overleaf; this will be set out as an appendix to the budget papers to February Council.

Capital Financing Requirement (CFR)	2020/21 Actual £'000	2021/22 Estimate £'000	2022/23 Estimate £'000	2023/24 Estimate £'000	2024/25 Estimate £'000
Brought Forward	23,405	22,889	41,405	40,509	39,612
Borrowing requirement	0	19,032	0	0	0
Less MRP and other financing movements	516	516	897	897	897
Net movement in CFR	(516)	18,516	(897)	(897)	(897)
CFR Carried Forward	22,889	41,405	40,509	39,612	38,716

5.4 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).

DLUHC 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 over approximately the asset's life.

Repayments included in annual PFI, or finance leases are applied as MRP.

MRP Overpayments - A change introduced by the revised DLUHC MRP Guidance was the allowance that any charges made over the statutory minimum revenue provision (MRP), voluntary revenue provision (VRP) 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.

5.5 Borrowing

The capital expenditure plans set out in Section 5.2 provide details of the service activity of the Council. The treasury management function ensures that the Council's cash is organised in accordance with the relevant professional codes, so that sufficient cash is available to meet this service activity and the Council's capital strategy. This will involve both the organisation of the cash flow and, where capital plans require, the organisation of appropriate borrowing

facilities. The strategy covers the relevant treasury / prudential indicators, the current and projected debt positions, and the annual investment strategy.

5.6 Current Portfolio Position

The overall Treasury Management Portfolio as of March 2021 is shown below for investments.

Investments / Lending Summary as at: March 2021	Amount Invested (£)	Length of Deposit	Limit (£)	Within Limit Y/N	Terms	Rate (%)
Spelthorne Borough Council	5,000,000	182 days	5,000,000.00	Y	Fixed Term	0.04%
Fareham Borough Council	5,000,000	365 days	5,000,000.00	Y	Fixed Term	0.18%
Qatar National Bank	2,000,000	165 days	5,000,000.00	Y	Fixed Term	0.30%
Barclays Ltd - Green Account	5,000,000	220 days	5,000,000.00	Y	95 Day Notice	0.30%
Lloyds Bank	4,995,858	175 days	5,000,000.00	Y	32 Day Notice	0.03%
Aberdeen Liquidity-Standard Life	4,975,000	Call Account	5,000,000.00	Y	Instant Access	0.01%
Barclays	1,232,488	Call Account	5,000,000.00	Y	Instant Access	0.01%
Santander	4,679,201	Call Account	5,000,000.00	Y	Instant Access	0.08%
TOTAL	32,882,547					

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	2020/21 Actual £'000	2021/22 Estimate £'000	2022/23 Estimate £'000	2023/24 Estimate £'000	2024/25 Estimate £'000
Borrowing	11,534	17,091	15,336	14,444	14,083
Other long-term liabilities	0	0	0	0	0
Total debt	11,534	17,091	15,336	14,444	14,083
CFR	22,889	41,405	40,509	39,612	38,716
Under borrowing / (over)	11,355	24,315	25,173	25,169	24,632

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 2022/23 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.

5.7 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	2020/21 Actual £'000	2021/22 Estimate £'000	2022/23 Estimate £'000	2023/24 Estimate £'000	2024/25 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 legal limit beyond which external debt is prohibited, and this limit needs to be set or revised by the full council. It reflects the level of external debt which, while not desired, could be afforded in the short term, but is not sustainable in the longer term.

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:

Appendix I – Annexes

Authorised Limit for External Debt	2020/21 Actual £'000	2021/22 Estimate £'000	2022/23 Estimate £'000	2023/24 Estimate £'000	2024/25 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	2020/21 Actual £'000	2021/22 Estimate £'000	2022/23 Estimate £'000	2023/24 Estimate £'000	2024/25 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	22,889	41,405	40,509	39,612	38,716
External Debt	11,534	17,091	15,336	14,444	14,083
Under / (over) borrowing	11,355	24,315	25,173	25,169	24,632
Change in External Debt	(851)	5,557	(1,755)	(892)	(360)

6.0 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 20th December 2021. These are forecasts for certainty rates, gilt yields plus 80bps:

Link Group Interest Rate View 20.12.21														
	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25
BANK RATE	0.25	0.25	0.50	0.50	0.50	0.75	0.75	0.75	0.75	1.00	1.00	1.00	1.00	1.25
3 month ave earnings	0.20	0.30	0.50	0.50	0.60	0.70	0.80	0.90	0.90	1.00	1.00	1.00	1.00	1.00
6 month ave earnings	0.40	0.50	0.60	0.60	0.70	0.80	0.90	1.00	1.00	1.10	1.10	1.10	1.10	1.10
12 month ave earnings	0.70	0.70	0.70	0.70	0.80	0.90	1.00	1.10	1.10	1.20	1.20	1.20	1.20	1.20
5 yr PWLB	1.40	1.50	1.50	1.60	1.60	1.70	1.80	1.80	1.80	1.90	1.90	1.90	2.00	2.00
10 yr PWLB	1.60	1.70	1.80	1.80	1.90	1.90	2.00	2.00	2.00	2.10	2.10	2.10	2.20	2.30
25 yr PWLB	1.80	1.90	2.00	2.10	2.10	2.20	2.20	2.20	2.30	2.30	2.40	2.40	2.50	2.50
50 yr PWLB	1.50	1.70	1.80	1.90	1.90	2.00	2.00	2.00	2.10	2.10	2.20	2.20	2.30	2.30

Link has provided additional narrative to support the above table which is available on request.

7.0 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 2022/23 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.
- 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 taken in line with the Council's constitution and approval processes.

7.1 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.

7.2 Debt rescheduling

Rescheduling of current borrowing in our debt portfolio is unlikely to occur as there is still a very large difference between premature redemption rates and new borrowing rates, even though the general margin of PWLB rates over gilt yields was reduced by 100 bps in November 2020.

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

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

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

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

7.4 Approved Sources of Long and Short term Borrowing

	Variable	Fixed
PWLB	●	●
Municipal bond agency	●	●
Local authorities	●	●
Banks	●	●
Pension funds	●	●
Insurance companies	●	●
UK Infrastructure Bank	●	●
Market (long-term)	●	●
Market (temporary)	●	●
Market (LOBOs)	●	●
Stock issues	●	●

Local temporary	●	●
Local Bonds	●	
Local authority bills	●	●
Overdraft		●
Negotiable Bonds	●	●
Internal (capital receipts & revenue balances)	●	●
Commercial Paper	●	
Medium Term Notes	●	
Finance leases	●	●

8 Annual Investment Strategy

8.1 Investment policy – management of risk

The Department of Levelling Up, Housing and Communities (DLUHC - this was formerly the Ministry of Housing, Communities and Local Government (MHCLG)) and CIPFA have extended the meaning of ‘investments’ to include both financial and non-financial investments. This report deals solely with 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: -

- DLUHC’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 are 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 and more than 12 months with high credit rated financial institutions, as well as wider range fund options.

The above guidance from the DLUHC 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 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 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 more than 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 8.2.
7. **Transaction limits** are set for each type of investment in 8.2
8. **This authority will set a limit** for its investments which are invested for longer than 365 days, (see paragraph 8.2).
9. Investments will only be placed with counterparties from countries with a specified minimum **sovereign rating**, (see paragraph 8.3).
10. This authority has engaged **external consultants**, 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 2022/23 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 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 4.5). Regular monitoring of investment performance will be carried out during the year.

8.2 Changes in risk management policy from last year.

The above criteria are unchanged from last year.

8.3 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 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. This information can be provided to Members on request.

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.

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 daily 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.

8.4 Ratings matrix table

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

	Colour (and long term rating where applicable)	Money Limit*	Time Limit
Banks	Yellow	£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	No colour		1day
Other institutions limit	-	£5m	1yr
DMADF	UK sovereign rating	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	Dark pink / AAA	£5m	liquid
Ultra-Short Dated Bond Funds with a credit score of	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.

8.5 Creditworthiness.

Significant levels of downgrades to Short- and Long-Term credit ratings have not materialised since the crisis in March 2020. In the main, where they did change, any alterations were limited to Outlooks. However, as economies are beginning to reopen, there have been some instances of previous lowering of outlooks being reversed.

8.6 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. 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.

8.7 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.
- Barclays Bank (Hart’s main banking institution) will have an increased counterparty limit to £10m. This increase is due to increased working capital requirements.

8.8 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 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, consideration will be given to locking in higher rates currently obtainable, for longer periods.

8.9 Investment returns expectations

The current forecast shown includes a forecast for a first increase in Bank Rate in May 2022 though it could come in February.

The suggested budgeted investment earnings rates for returns on investments placed for periods up to about three months during each financial year, (based on a first increase in Bank Rate in quarter 2 of 2022), are as follows:

Average earnings in each year	Now	Previously
2022/23	0.50%	0.50%
2023/24	0.75%	0.75%
2024/25	1.00%	1.00%
2025/26	1.25%	1.25%
Long term later years	2.00%	2.00%

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

The Council is asked to approve the treasury indicator and limit:

Upper limit for principal sums invested for longer than 365 days			
£m	2022/23	2023/24	2024/25
Principal sums invested > 364 & 365 days	£5m	£5m	£5m
Current Investments as at 31.12.21 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.

8.11 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.

9 The Capital Prudential and Treasury Indicators 2022/23 – 2024/25

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.

9.1 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. 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.

	2020/21 Actual	2021/22 Estimate	2022/23 Estimate	2023/24 Estimate	2024/25 Estimate
Ratio of financing costs to revenue stream (%)	6.69	5.52	8.37	11.04	10.55

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

9.2 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 2022/23		
	Lower	Upper
Under 12 months	0%	100%
12 months to 2 years	0%	100%
2 years to 5 years	0%	100%
5 years to 10 years	0%	100%
10 years to 20 years	0%	100%
20 years to 30 years	0%	100%
30 years to 40 years	0%	100%
40 years to 50 years	0%	100%
Maturity structure of variable interest rate borrowing 2022/23		
	Lower	Upper
Under 12 months	0%	100%
12 months to 2 years	0%	100%
2 years to 5 years	0%	100%
5 years to 10 years	0%	100%
10 years to 20 years	0%	100%
20 years to 30 years	0%	100%
30 years to 40 years	0%	100%
40 years to 50 years	0%	100%

Link Group Interest Rate View 20.12.21														
	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25
BANK RATE	0.25	0.25	0.50	0.50	0.50	0.75	0.75	0.75	0.75	1.00	1.00	1.00	1.00	1.25
3 month ave earnings	0.20	0.30	0.50	0.50	0.60	0.70	0.80	0.90	0.90	1.00	1.00	1.00	1.00	1.00
6 month ave earnings	0.40	0.50	0.60	0.60	0.70	0.80	0.90	1.00	1.00	1.10	1.10	1.10	1.10	1.10
12 month ave earnings	0.70	0.70	0.70	0.70	0.80	0.90	1.00	1.10	1.10	1.20	1.20	1.20	1.20	1.20
5 yr PWLB	1.40	1.50	1.50	1.60	1.60	1.70	1.80	1.80	1.80	1.90	1.90	1.90	2.00	2.00
10 yr PWLB	1.60	1.70	1.80	1.80	1.90	1.90	2.00	2.00	2.00	2.10	2.10	2.10	2.20	2.30
25 yr PWLB	1.80	1.90	2.00	2.10	2.10	2.20	2.20	2.20	2.30	2.30	2.40	2.40	2.50	2.50
50 yr PWLB	1.50	1.70	1.80	1.90	1.90	2.00	2.00	2.00	2.10	2.10	2.20	2.20	2.30	2.30
Bank Rate														
Link	0.25	0.25	0.50	0.50	0.50	0.75	0.75	0.75	0.75	1.00	1.00	1.00	1.00	1.25
Capital Economics	0.25	0.25	0.50	0.75	0.75	0.75	0.75	1.00	1.00	-	-	-	-	-
5yr PWLB Rate														
Link	1.40	1.50	1.50	1.60	1.60	1.70	1.80	1.80	1.80	1.90	1.90	1.90	2.00	2.00
Capital Economics	1.40	1.40	1.50	1.50	1.60	1.70	1.70	1.80	1.90	-	-	-	-	-
10yr PWLB Rate														
Link	1.60	1.70	1.80	1.80	1.90	1.90	2.00	2.00	2.00	2.10	2.10	2.10	2.20	2.30
Capital Economics	1.60	1.60	1.70	1.70	1.80	1.80	1.90	2.00	2.00	-	-	-	-	-
25yr PWLB Rate														
Link	1.80	1.90	2.00	2.10	2.10	2.20	2.20	2.20	2.30	2.30	2.40	2.40	2.50	2.50
Capital Economics	1.80	1.80	1.90	1.90	2.00	2.10	2.10	2.20	2.30	-	-	-	-	-
50yr PWLB Rate														
Link	1.50	1.70	1.80	1.90	1.90	2.00	2.00	2.00	2.10	2.10	2.20	2.20	2.30	2.30
Capital Economics	1.40	1.50	1.60	1.70	1.80	1.90	2.00	2.20	2.30	-	-	-	-	-

9.3 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 LNAV	AAA	£5m	Liquid
Money Market Funds VNAV	AAA	£5m	Liquid
Ultra-Short Dated Bond Funds with a credit score of 1.25	AAA	100%	Liquid
Ultra-Short Dated Bond Funds with a credit score of 1.5	AAA	100%	Liquid
Local authorities	yellow	100%	5 years
Term deposits with housing associations	Blue Orange Red Green No Colour	£5m	12 months 12 months 6 months 100 days Not for use
Term deposits with banks and building societies	Blue Orange Red Green No Colour	£5m	12 months 12 months 6 months 100 days Not for use
CDs or corporate bonds with banks and building societies	Blue Orange Red Green No Colour	£5m	12 months 12 months 6 months 100 days Not for use
Gilt funds	UK sovereign rating	£5m	

* DMO – is the Debt Management Office of 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.

9.4 Approved countries for investments (as at 22.12.2021)

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.**

9.5 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.

9.6 The Treasury Management 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, non-financial investments, 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.*

Hart District Council Draft Capital Strategy

1. Purpose and Aims

- 1.1. The Prudential Code for Capital Finance in Local Authorities was updated by the Chartered Institute of Public Finance and Accountancy in December 2021. The framework established by the Prudential Code supports local strategic planning, local asset management planning and proper option appraisal.
- 1.2. Formal adoption of the new framework is not expected until 2023/24. Until adoption the 2017 code will be followed.
- 1.3. The objectives of the Prudential Code are to ensure that the capital expenditure plans of local authorities are affordable, prudent, and sustainable and that treasury management decisions are taken in accordance with good professional practice and in full understanding of the risks involved.
- 1.4. The Prudential Code requires authorities to look at capital expenditure and investment plans in the light of overall organisational strategy and resources and ensure that decisions are made with sufficient regard to the long run financing implications and potential risks to the authority.
- 1.5. The Prudential Code sets out that to demonstrate that the authority takes capital expenditure and investment decisions in line with service objectives and properly takes account of stewardship, value for money, prudence, sustainability and affordability, authorities should have in place a capital strategy. The capital strategy should set out the long-term context in which capital expenditure and investment decisions are made and gives due consideration to both risk and reward and impact on the achievement of priority outcomes.
- 1.6. This capital strategy sets out a framework for the self-management of capital finance and examines the following areas:
 - Capital expenditure and investment plans
 - Prudential Indicators
 - External debt
 - Treasury Management

2. National Context

- 2.1. It is important to set out the external environment in which Hart District Council is currently operating. Some of the key factors that impact directly on the capital programme are outlined below:
 - Central Government is focused on recovery following a period of unparalleled global uncertainty due to Covid-19.
 - Discretionary fiscal support to support the economy during the pandemic and increased the pressure on central finances.
 - Financial stability and tackling public debt continue to be key drivers for

Central Government over this parliamentary term. This is resulting in reduced direct funding for local government, particularly related to revenue support. This has a direct impact on the Council's ability to self-fund capital investment.

- The Government has chosen to prioritise high-value investment, specifically in infrastructure and innovation that will directly contribute to raising Britain's productivity.
- Mechanisms for distributing government funding continue to evolve through the Government's devolution agenda specifically through the Local Growth Fund (LGF) and the increased role of Local Enterprise Partnerships (LEPs) in the strategic oversight of regional areas.
- Central government has invested £12 billion through the local growth fund. This presents both opportunities and risks to existing levels of government service delivery and investment, as LEPs with the strongest Strategic Plans will gain the greatest share.

3. “Vision 2040” – Hart District Council's Strategic Response

- 3.1. The Council approved its “Vision 2040” in September 2019, which sets out a clear direction for the district.
- 3.2. “Vision 2040” is structured around three vision statements:

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

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

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

- Developing the skills we need for the future by delivering a higher/further education campus within the district, working with local educational providers, with a technological focus
- Helping our micro/small businesses grow and our residents to work flexibly, with casual office space providing high speed internet
- Reducing the impact of climate change by building in sustainability and using new technologies to mitigate the impact of climate change

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

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

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

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

4. Corporate Plan 2017-22

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

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

A Thriving Local Economy

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

Clean, Green and Safe Environment

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

Healthy Communities and People

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

An Efficient and Effective Council

- Explore options to increase financial self-sustainability

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

5.0. What is Capital Expenditure?

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

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

- The expenditure results in the acquisition, construction or enhancement of fixed assets (tangible and intangible) in accordance with “proper practices”.
- The expenditure meets one of the definitions specified in regulations made under the 2003 Local Government Act.
- The Secretary of State makes a direction that the expenditure can be treated as capital expenditure.

6.0 Approach to Capital Investment

6.1 Hart District Council’s Capital Strategy defines and outlines the Council’s approach to capital investment and is fundamental to the Council’s financial planning processes. It aims to ensure that:

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

7.0 Governance Arrangements Capital Programme Approvals

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

8.0 Capital Programme Bodies

- 8.1 The main internal bodies that are responsible for the governance and management of the capital programme are the Full Council and Cabinet.

9.0 Funding Streams

- 9.1 Hart District Council's Capital Programme is funded from a mix of sources including:-
- a **Prudential Borrowing** – The introduction of the Prudential Code in 2004 allowed the Council to undertake unsupported borrowing itself. This borrowing is subject to the requirements of the Prudential Code for Capital Expenditure for Local Authorities. The Council must ensure that unsupported borrowing is affordable, prudent and cost effective. This funding can also be used as an option to front fund development to stimulate growth. This has provided the Council with the flexibility to raise capital funding as demand and business need have dictated. This type of borrowing has revenue implications for the Council in the form of financing costs.

Appendix 2 – Capital Strategy

- b **External Grants** – Disabled Facilities Grants are funded by external grant allocations from central government.
 - c **Section 106, SANGs and External Contributions** – Elements of the capital programme are funded by contributions from private sector developers and partners. Growth in Hampshire has resulted in Section 106 and SANGs contributions from developers accounting for significant elements of funding of the capital programme in recent years.
 - d **Revenue Funding** – The Council can use revenue resources to fund capital projects on a direct basis. However, the impact of austerity on the Council's revenue budget has reduced options in this area and therefore the preference is for Invest to Save options to be adopted where feasible.
 - e **Capital Receipts** – The Council is able to generate capital receipts through the sale of surplus assets such as land and buildings. However, Hart now owns very few assets, besides the Civic Centre.
- 9.2 The size of the Capital Programme will be influenced by funding sources and financing costs. The main limiting factor on the Council's ability to undertake capital investment is whether the revenue resource is available to support in full the implications of capital expenditure, both borrowing costs and running costs, after allowing for any support provided by central government, now mainly through capital grants.

10.0 Overview of the Capital Programme

- 10.1 The Capital Programme is elsewhere on this agenda as Appendix 2 of the Budget Report.

11.0 2022/23 PRUDENTIAL INDICATORS FOR CAPITAL FINANCE

11.1 Appendix 1 of this report sets out the prudential indicators and outlines how expenditure will be financed by borrowing in an affordable, prudent and sustainable way.

12.0 COMMERCIALISATION STRATEGY

12.1 Cabinet agreed a refreshed Commercialisation Strategy in July 2021.

12.2 As central government funding is reduced, it is intended that the gap in funding is filled by commercial income. In 2022/23 commercial income is expected to be £1.2 million. The target commercial income is at least £2 million.

12.3 The target investment is to build a balanced portfolio with a capital value of up to £50 million which will be financed where possible by prudential borrowing in accordance with the Council's Medium Term Financial Strategy (MTFS).

12.4 The priority will be to invest within Hart district (all residential acquisitions must be within the area of Hart) but the Strategy supports the need for flexibility in acquisition of commercial investment properties outside the district boundary as there are insufficient commercial property opportunities available within the Hart district that:

- Will enable the investment of £50m within the parameters identified within the strategy
- Will enable the mix of investment property types stipulated (to mitigate risk)
- Will enable the Council to achieve the liquidity required from the investment portfolio
- Will provide the substantial covenant strengths required for long term secure property investment.

12.5 In making any decision to invest in property, the Council will consider the statutory investment guidance issued in 2021 from the Ministry of Housing, Communities and Local Government (MHCLG), and CIPFA's Prudential Code, which sets the governing framework for borrowing for commercial return.

12.6 Where possible, internal borrowing will be utilised, as this is more cost effective than external borrowing.

12.7 There are no plans to raise the limits for external borrowing in 2022/23.

CABINET

KEY DECISIONS/ WORK PROGRAMME, AND EXECUTIVE DECISIONS MADE

February 2022

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

Report Title	Outline/Reason for Report/Comments	Due Date	Key Decision Y? Note 1	Cabinet Member (Note 2)	Service (Note 3)	* This item may contain Exempt Information
Future of CAB Yateley Building	To approve CAB the use of the Apex Building and agree a proposal for occupation by the Oakley Health Group	Feb 22		JR	CS	
Senior Management Team Restructure	Post consideration by the Staffing Committee, to consider the Senior Management Team restructure	Feb 22		JR	F	
Corporate Services Restructure	Post consideration by the Staffing Committee, to consider and financial implications arising from the proposed restructure of Corporate Services	Feb 22		JR	F	
Improving Energy Efficiency Measures in Affordable Housing	Post consideration by Overview and Scrutiny Committee, to consider housing capital funding for additional energy efficiency measures in affordable housing on sites in Hart	Feb 22		SB	H	

Report Title	Outline/Reason for Report/Comments	Due Date	Key Decision Y? Note 1	Cabinet Member (Note 2)	Service (Note 3)	* This item may contain Exempt Information
Homelessness Strategy	Post consideration by Overview & Scrutiny Committee, to consider a new Homelessness Strategy 2022-2027	Feb 22		SB	CSF	
Draft Budget 2022/2023	Post consideration by Overview & Scrutiny Committee, to agree to recommend to Council the 2022/23 Revenue Budget, Capital Programme and Council Tax Proposals	Feb 22		JR	F	
Treasury Management Strategy Statement and Annual Investment Strategy	Post consideration by Overview & Scrutiny Committee, to agree to recommend to Council the draft Treasury Management Strategy Statement for 2022/2023 which incorporates the Annual Investment Strategy and Prudential and Treasury indicators	Feb 22		JR	F	
Annual Car Parking Report	Post consideration by Overview and Scrutiny for Cabinet to review and endorse a summary of actions from the last 12 months, and proposals for the upcoming year. Including income, maintenance, and carbon emissions	Mar 22		AO	TS	
Update and Refresh the Corporate Complaint Policy	Post nominations to a task and finish group at Overview & Scrutiny Committee, to update and refresh the Corporate Complaint Policy for Cabinet approval	Mar 22		JR	JCX	

Report Title	Outline/Reason for Report/Comments	Due Date	Key Decision Y? Note 1	Cabinet Member (Note 2)	Service (Note 3)	* This item may contain Exempt Information
Quarterly Performance Plans	To seek Cabinet approval for reports on performance data	Mar 22 Jun 22 Sep 22 Dec 22		DN	ALL	
Service Plans	Post consideration by Overview & Scrutiny Committee, agree the 2021/22 Service Plans	Apr 22		DN	ALL	
Budget Monitoring	Post consideration by Overview & Scrutiny Committee, to consider a report on Budget Monitoring	Apr 22 Jul 22 Oct 22 Jan 22		JR	F	
Odiham Common Management Plan	To update Members on the Odiham Common Management Plan	Jun 22		DN	P	
Outside Bodies	To approve representation from the Council on identified outside bodies	Jun 22		DN	ALL	
Revenue and Capital Outturn 2022/2023	Post consideration by Overview & Scrutiny Committee, to consider the Annual report on outturn	Jul 22		JR	F	

Report Title	Outline/Reason for Report/Comments	Due Date	Key Decision Y? Note 1	Cabinet Member (Note 2)	Service (Note 3)	* This item may contain Exempt Information
Medium Term Financial Strategy and Capital Strategy, Treasury Management Strategy Statement and Asset Management Plan	Post consideration by Overview & Scrutiny Committee, to consider the Council's Medium-Term Financial Strategy position and future Capital Strategy, Treasury Management Strategy Statement and Asset Management Plan	Sep 22		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	TC 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

OVERVIEW AND SCRUTINY COMMITTEE WORK PROGRAMME – January 2022

Issue and Description of Topic	Current Position Objective	Original Due Date	Resources Required	Contact	*This item may contain Exempt Information
Housing Capital Spend update	An update from members of the Task and Finish group. This group was set up in November 2021 to review project options for Housing Capital Spend.	Jan 22	Oral update	Cllrs from the T&F group and Strategy and Development Manager	
Housing capital funding for Energy Efficiency measures in new affordable housing	To consider, prior to approval by Cabinet an updated report on housing capital funding for additional energy efficiency measures in affordable housing on sites in Hart.	Jan 22	Report	Head of Community	
Homelessness and Rough Sleeping Strategy 2022-27	To consider a new Homelessness Strategy 2022-2027, prior to consideration by Cabinet.	Jan 22	Report	Head of Community Services	
Draft Budget 2022/2023 and Medium Term Financial Strategy	To make comments on and agree to recommend to Council the 2022/2023 Revenue Budget, Capital Programme and Council Tax proposals.	Jan 22	Report	Head of Corporate Services	

Treasury Management Strategy Statement and Annual Investment Strategy	To present the draft Treasury Management Strategy Statement for 2022/2023 which incorporates the Annual Investment Strategy and Prudential and Treasury Indicators.	Jan 22	Report	Head of Corporate Services	
Car Parking Standards Update	To consider updates to the car parking standards project, to be implemented at new developments.	Feb 22	Report	Head of Place	
Renewable Energy Policy for Hart	A discussion on the introduction of a policy on renewable energy for Hart.	Feb 22	Discussion	Portfolio Holder for Place and Head of Place	
Annual Car Parking Report	A summary of actions from the last 12 months, and proposals for the upcoming year. Including income, maintenance, and carbon emissions. This is a requirement by HCC and will need member input.	Feb 22	Report	Head of Environment & Technical	
The Harlington Lease	Subject to the conclusion of discussions with Fleet Town Council (FTC) consider approval of a new lease of the Harlington Centre prior to consideration by Cabinet.	Feb 22	Report	Joint Chief Executive	

County deal	An update on the County Deal.	March 22	Oral – with powerpoint slides	Joint Chief Executive - PH	
Service Plans	To consider the 2021/22 Service Plans prior to consideration by Cabinet.	Mar 22	Report	Leader of the Council	
Revenue and Capital Outturn 2022/2023	To consider the Annual Report on outturn before consideration by Cabinet.	Jun 22	Report	Head of Corporate Services	
Medium Term Financial Strategy and Capital Strategy, Treasury Management Strategy Statement and Asset Management Plan	To comment on the annual reports setting out the Council's Medium-Term Financial Strategy position and future Capital Strategy, Treasury Management Strategy Statement and Asset Management Plan, prior to consideration by Cabinet.	Aug 22	Report	Head of Corporate Services	
Annual Review Letter 2022/23	<p>This annual review from the Ombudsman covers:</p> <ul style="list-style-type: none"> • the complaints and enquiries received in the period • the decisions made in the period • compliance with the recommendations recorded during the period 	Aug 22	Report	Joint Chief Executive	

