



## NOTICE OF MEETING

<b>Meeting:</b>	<b>Cabinet</b>
<b>Date and Time:</b>	<b>Thursday 3 August 2023 7.00 pm</b>
<b>Place:</b>	<b>Council Chamber</b>
<b>Enquiries to:</b>	<b>Committee Services Committeeservices@hart.gov.uk</b>
<b>Members:</b>	<b>Neighbour (Leader), Radley (Deputy Leader), Bailey, Clarke, Cockarill, Collins, Oliver and Quarterman</b>

Chief Executive

CIVIC OFFICES, HARLINGTON WAY  
FLEET, HAMPSHIRE GU51 4AE

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## 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 THE PREVIOUS MEETING** 4 - 12

The minutes of the meeting held on 6 July 2023, including exempt minutes, are attached for confirmation and signature as a current 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 disposable pecuniary, and any other interests\*.

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

**4 CHAIRMAN'S ANNOUNCEMENTS**

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

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

**6 CLIMATE CHANGE UPDATE** 13 - 16

This report presents the current status on some priority actions identified in the Climate Action Plan, which was approved by Cabinet on 6 July, and recommended projects for Cabinet approval to be funded from the Climate Change budget.

**RECOMMENDATION**

Cabinet is requested to review and approve the proposed projects list and associated cost allocations to be funded from the approved 2023/24 climate budget.

**7 REVENUE, CAPITAL AND TREASURY OUTTURN 2022/23** 17 - 47

The Revenue Outturn report presents the revenue outturn for the year ended 31st March 2023 comparing it with the approved budget and providing explanations of significant variances.

The report also contains the capital outturn for the year ended 31st March 2023 and requests for budget carry forwards.

The Treasury Management Report presents the Council's Treasury Management activities during the year ended 31 March 2023

## **RECOMMENDATION**

That Cabinet note the outturn positions for 2022/23 and approve the capital carry forward requests.

## **8 REVIEW OF RESERVES INCLUDING SANGS FUNDING**

48 - 57

This report presents the outcome of the S151 Officer's initial review of the Council's financial reserves, as requested by Full Council in February 2023, including funds held for Suitable Alternative Natural Greenspaces (SANGs). The report is intended to inform members of the balances and purpose of reserves held and present proposals to better align them with priority service needs and emerging risks. A further review will be undertaken later in the year alongside the budget process and update of the Medium-Term Financial Strategy (MTFS).

## **RECOMMENDATION**

Cabinet is requested to:

- i. Note the findings of the initial review of reserves and request that the second stage of the review is undertaken as part of the update of the Medium-Term Financial Strategy and once the government funding position is more certain.
- ii. Approve the proposed actions in relation to SANG finances as set out in paragraph 14 and ask officers to report back to Cabinet in the budget setting report.
- iii. Approve the proposed actions in relation to capital reserves as set out in paragraph 16 and ask officers to develop a programme of projects to utilise S106 funds and include these in the budget setting report.

and recommend to Council:

- iv. To approve the proposed prudent minimum balance on the General Fund Working Balance of £6m, to be reviewed as part of the updated Medium-Term Financial Strategy
- v. To approve the earmarking of the 2022/23 underspend to meet the known future cost pressures as detailed in paragraph 8.
- vi. To approve the changes to earmarked reserves highlighted in Appendix 2

## **9 CABINET WORK PROGRAMME**

58 - 64

To consider and amend the Cabinet Work Programme.

**Date of Publication: Wednesday, 26 July 2023**

## **CABINET**

**Date and Time:** Thursday 6 July 2023 at 7.00 pm

**Place:** Council Chamber

**Present:**

Neighbour (Leader), Radley (Deputy Leader), Bailey, Clarke, Cockarill, Collins, Oliver and Quarterman

**In attendance:** Axam  
Darren Wood – Park Run  
Nathan Wicks – Local Partnerships

**Officers:**

Daryl Phillips	Chief Executive
Graeme Clark Officer	Executive Director, Corporate Services & S151
Adam Green	Countryside Manager
Ashley Grist	Contracts & Procurement Manager
Leigh Wallace	Countryside Manager
Liz Vango-Smith	Sustainability & Climate Change Officer
Jenny Murton	Committee Services Officer

### **11 MINUTES OF THE PREVIOUS MEETING**

The minutes of the meeting held on 1 June 2023 were confirmed as a correct record unanimously by all those present at the last meeting, and signed by the Chairman.

Councillors Bailey, Neighbour and Oliver were not present on 1 June.

Proposed by Councillor Quarterman; seconded by Councillor Collins.

### **12 APOLOGIES FOR ABSENCE**

No apologies received.

### **13 DECLARATIONS OF INTEREST**

Councillor Radley queried if he needed to declare an interest in Item 11, The Swan, as he is also a Member of Planning Committee. The Chief Executive confirmed as long as Planning Committee Members kept an open mind they did not need to declare an interest in this item.

### **14 CHAIRMAN'S ANNOUNCEMENTS**

No announcements.

## **15 PUBLIC PARTICIPATION (ITEMS PERTAINING TO THE AGENDA)**

None.

## **16 PARKRUN**

Cabinet received an update on Edenbrook's Parkrun by Darren Wood, one of the event's organisers.

The report presented to Members provided details on two areas of initial concern originally raised at Cabinet on Thursday 5 August 2021; notably issues related to participant numbers and parking in residential areas.

The report was also to seek permission to continue the lease establishing the Parkrun event at Edenbrook Country Park for a further 5-years.

Members questioned:

- What the largest number of attendees at a single Edenbrook Parkrun event could be. It was confirmed that the average was 269 people with the maximum in rare cases being around 400.
- The type of complaints residents may have about this event currently or in the future.
- How the event can cover its costs and be and remain a free activity for all participants.
- How the event is insured and the role of its sponsors.

Mr Wood explained that to date the group had received one complaint about the event from a resident. This involved querying the potential noise concerns and timings of the event set up.

The Leader of the Council thanked Mr Wood and the Countryside team for their ongoing efforts with the Parkrun event and its continued success. This is despite the course being on a floodplain and occasionally because of this some events needing to be cancelled at short notice.

The Leader of the Council also highlighted that parking, which was potentially considered a possible issue, seemed to be fine and the event was well contained and supported.

It was agreed that any future issues that may arise regarding this event be dealt with on a case-by-case basis.

Members debated:

- Why the lease had been proposed to be for five years only and the possibility of extending this.
- What the get out clause would be if the Council or the organisers decided to end the event at any time.

The Chief Executive asked Mr Wood to send him an example of a lease that other Parkruns use that are indefinite.

Mr Wood thanked the Council for trusting him and the team to run the Parkrun event at Edenbrook.

## **DECISION**

Cabinet agreed for the Chief Executive and Portfolio Holder for Strategic Direction and Partnerships to work on a lease agreement with the Parkrun team to run the event indefinitely at Edenbrook Country Park. There would be a one-week notice period for each party.

Proposed by Councillor Neighbour; seconded by Councillor Clarke.

## **17 CLIMATE CHANGE ACTION PLAN**

The Portfolio Holder for Climate Change introduced the item and highlighted that the presentation was the same one presented to the Climate Change Working group and Overview and Scrutiny Committee. A summary of the comments from both groups is however included and the team will respond to these going forward.

He thanked all those involved in preparing the information and confirmed it is still a work in progress, with more detail on timescales and costs required.

The Portfolio Holder for Climate Change also highlighted that the Council declared a Climate Change Emergency in April 2021 not September 2019 as stated in the officer's report.

Nathan Wicks from Local Partnerships summarised the Climate Action Plan, which included the Corporate Plan Objectives, Carbon Neutral Pathway and three key focus areas: Buildings, Energy and Transport. He also highlighted that there may be potential for solar panels on the Hart Leisure Centre and other buildings in the Hart district in the future.

Members questioned:

- The Carbon impact category and how it would be measured.
- Decarbonisation schemes and if these should be secured by the owner of the property, the leaseholder, or tenants.
- Whether Decarbonisation schemes will be available for properties the council owns that are outside of Hart district or properties the council leases.
- Grants and external funding that could be applied for, to enable particular climate change projects.

Members queried why the report said £200,000 for general operational budget for climate change functions when the original figure agreed by Cabinet in April 2023 was £250,000. The Executive Director for Corporate confirmed that this £50,000 had been diverted to cover staff costs.

Members discussed:

- How the district wide elements of the Climate Action plan will be communicated and if the Council had enough resource and budget to provide this effectively.
- The staffing that is currently in place for Climate Change projects and if future staffing resources would be required.

The Executive Director for Corporate and the Sustainability and Climate Change Officer reassured Members that the Council is monitoring the situation and is working with stakeholders, Hampshire County Council, parishes and other external groups on Climate Change projects and initiatives.

Members debated:

- The number of items in the report that carry 'high-resource complexity' and that this needs to be carefully monitored.
- Whether the council is fully resourced for this Action Plan as a whole; it was considered by several Members it was not, but that this element is still a work in progress.

The Chief Executive and the Portfolio Holder for Climate Change discussed when updates should be presented to Full Council; it was agreed that its meetings in July and January would be most appropriate.

Members proposed that these updates to Council should also include achievements and work that has already been completed, not just work that's still ongoing.

## **DECISION**

Cabinet reviewed the draft Climate Action Plan and having regard to the views of the Climate Change Working Group and the Overview and Scrutiny Committee, unanimously approved it.

Proposed by Councillor Quarterman; seconded by Councillor Oliver.

## **18 Q4 PERFORMANCE PLAN REVIEW**

The Contracts and Procurement Manager updated Cabinet on the Council's performance indicator results for Quarter 4 of 2022/2023 (1 January 2023 – 31 March 2023). This report had already been presented to Overview and Scrutiny Committee.

Members questions on the data for Corporate Services included:

- The definition of a missed bin in this report and that the text used for CP10 and CP11 may need to be reworded.
- If CP10 and CP11 in the report on missed (bin) collections, could contain more detail in future to enable the number of expected bin collections to be compared to the number that were actually carried out.
- If raw data could be provided in future quarterly performance reports in order to better compare Hart's missed (bin) collections against other local authorities.
- Why there is no explanation in the report as to why some targets have not been met and if this could be added or explained in future ones.

The Portfolio Holder for Communities queried if the staff turnover issue in Community Services had been resolved; this was agreed to be discussed at a later date with the Executive Director – Community.

There were no questions from Members on the data for the former Environmental and Technical Services.

The Leader of the Council highlighted that some figures in the report are missing due to awaiting Government information; it was also raised that the most recent figures for CCTV downtime are still being prepared by the new provider.

The Chief Executive stressed that we need to evaluate some of the criteria when preparing next year's report. Some recordings have no specific targets, and some are some numbers only with no targets. For example, targets cannot be set for things like fly-tipping.

Members also queried if the Council is meeting its budget expectations and what these were.

## **DECISION**

The performance report for Quarter 4 2022/23 was noted by Cabinet.

## **19 CABINET WORK PROGRAMME**

It was highlighted by the Portfolio Holder for Planning Policy and Place that there was an error in the Cabinet Work Programme regarding the Supplementary Planning Documents (SPDs) scheduled for Cabinet in November.

The Work Programme should say that the SPDs will go to Cabinet for adoption, not for comment. (Overview and Scrutiny Committee will see them for comment prior to Cabinet).

The Chief Executive confirmed that he would speak to the Senior Leadership Team to ensure the Work Programme continues to reflect all ongoing work. He will also speak to Committee Services to ensure both Cabinet and Overview and Scrutiny Work Programmes are tailored further to their specific audiences.



The Portfolio Holder for Climate Change asked for a Climate Change update to be added for January 2024.

The Portfolio Holder for Community Safety and Development Management queried the Review of the CCTV service item and whether an item on the Urban Capacity study could be added; the Chief Executive to check this.

Cabinet noted the Work Programme.

## **20 EXCLUSION OF THE PUBLIC**

The Leader of the Council proposed that the item be dealt with in an Exempt session, and this was seconded by Councillor Quarterman.

The Portfolio Holder for Finance queried the reason in keeping a potential selling price of The Swan Inn a secret before it had been sold. The Chief Executive confirmed this is best practise in a competitive world.

A Member asked if the property was advertised for sale, and it was confirmed by the Chief Executive that a public session to go to market had been held.

The Member also asked if the property had had more than one offer and it was confirmed there had been additional interest but only one offer to date.

### **DECISION**

Cabinet undertook a recorded vote to discuss this item in an Exempt session and the results were:

*For: Bailey, Clarke, Cockarill, Collins, Quarterman, Oliver and Neighbour*

*Against: Radley*

*Abstention: None*

It was therefore agreed that the public interest in maintaining an exemption outweighed the public interest in disclosing the information for the following item.

It was agreed that, in accordance with Section 100A(4) of the Local Government Act 1972, the public be excluded during the discussion of the matters referred to, on the grounds that they involved the likely disclosure of exempt information, as defined in paragraph 3 of Part 1 of Schedule 12A of the Act, and the public interest in maintaining the exemption outweighed the public interest in disclosing the information.

## **21 THE SWAN, NORTH WARNBOROUGH**

This item was dealt with as a Part II Exempt item.

**Exempt Minute - The Swan, North Warnborough**

The meeting closed at 8.58 pm

By virtue of paragraph(s) 3, 4 of Part 1 of Schedule 12A  
of the Local Government Act 1972.

Document is Exempt from Publication

## **CABINET**

**THURSDAY 3 AUGUST**

### **CLIMATE CHANGE BUDGET ALLOCATION**

**Report of: Sustainability and Climate Change Officer**

**Cabinet Portfolio: Climate Change and Corporate**

**Key Decision: No**

**Confidentiality: Non-exempt**

### **PURPOSE OF REPORT**

1. This report presents the current status on some priority actions identified in the Climate Action Plan, which was approved by Cabinet on 6 July, and recommended projects for Cabinet approval to be funded from the Climate Change budget.

### **RECOMMENDATION**

2. Cabinet is requested to review and approve the proposed projects list and associated cost allocations to be funded from the approved 2023/24 climate budget.

### **BACKGROUND**

3. Cabinet approved the revised Climate Change action plan on 6 July following scrutiny by the working group and Overview and Scrutiny Committee. The proposals included in this report link to agreed actions within the plan and this is referenced in the table below.

### **MAIN ISSUES**

4. One of the key areas of focus in the Climate Change Action Plan is the buildings owned by the Council. There are options to consider both within the District and external to the District. Failure to prioritise buildings within the District could see resources allocated in a way that prevents the council reaching its District targets. If there is no prioritisation of council-owned buildings then progress will not be made on reducing carbon emissions.
5. Hart's pathway to achieving this action plan was included with the Action Plan and this outlines the key steps to work towards the Council's agreed climate targets. Without appropriate energy audits and reports, it will be difficult to ascertain the works that are required to decarbonise the council's buildings. In the first instance, energy audits and/or full decarbonisation plans are required to assess each building's requirements for decarbonisation. Energy audits should be the first step for the buildings with lower operations and most likely less complex emissions, which will then identify the requirement for full decarbonisation plans. Decarbonisation plans should be completed for the buildings with more complex operational outputs, such as Civic Head Office and the leisure centres. The results from these plans will enable Hart DC to apply for appropriate funding and prioritise works as part of an implementation programme
6. Insufficient resourcing is a key risk for delivery of the property projects and an opportunity has been identified to offer a temporary increase in hours to a key member of staff, who will be able to lead and support on a number of these projects. Without this additional resource, there is a risk of under-delivery.

7. The 'Energy' section of the Climate Change Action Plan identifies the opportunity for assessing and increasing solar photovoltaic (PV) panels. Without appropriate feasibility studies to assess building feasibility and options for renewable energy technologies, the council will be unable to install the appropriate technology. The feasibility studies will also identify suitability of each building for the recommended technology, such as structural stability, space available, etc.
8. There is an opportunity to continue engagement with Local Partnerships to look at next steps. Local Partnerships has been instrumental in developing the newly approved Action Plan and without their ongoing support, the council may miss key opportunities, such as funding information, as well as support with identifying next steps as a more detailed plan.

## **PROPOSALS**

9. To approve the projects and cost allocations as identified in 'Financial and Resource Implications'.
10. To approve the prioritisation of energy audits and decarbonisation plans for buildings listed as these are directly under council control within the District, with other buildings considered in a future phase of carbon reduction. Prioritise the council's high carbon-output operational buildings for decarbonisation plans such as civic and leisure centres, with a less complex audit and report for the buildings identified with less complex energy needs.
11. Approve budget to include renewable energy surveys and begin an implementation programme to install appropriate renewable technologies, such as solar PV on council-owned buildings.
12. Approve additional staff resource to enable ongoing planning and delivery of the Climate Change programme.

## **ALTERNATIVE OPTIONS CONSIDERED AND REJECTED**

13. Wait for funding stream to become available to cover costs for energy audits and decarbonisation strategies. There are currently no open or confirmed funding streams available for application at this time and a delay in initiating these audits and reports will prevent applications to other key funding streams.
14. Work on investment properties is not considered in the current phase of works (e.g. Edenbrook flats, Century House at Basingstoke, The Pavilion at Hedge End). At this time, there is currently a need to decarbonise within the District to meet the 2035 carbon neutral target and priorities should lie here in the first instance. In addition, there is a responsibility on tenants to reduce emissions in some of our buildings, so there is opportunity to allow time for them to implement measures. These buildings will be included for review at a later stage.
15. Energy audit and decarbonisation plan for the Harlington Centre is important, but has been shelved at this stage as a council-funded activity, due to the current uncertainties around building plans and lease agreements.
16. Springwell Lane Depot is not being put forward at this time, as it is the responsibility of the current tenants (Serco) to carry out energy audits and undertake energy saving measures. There are also potential restrictions on what can realistically be achieved, due current building structure and the level of financial investment that would potentially be needed to carry out significant energy reductions.

## CORPORATE GOVERNANCE CONSIDERATIONS

17. The projects and expenditure proposed support the Climate Change Action plan, which in turn supports the key 'Planet' priority set out in the Corporate Plan and its primary objective is to guide the Council towards achieving its vision.

### Service Plan

18. Is the proposal identified in the Service Plan? Yes  
 19. Is the proposal being funded from current budgets? Yes  
 20. Have staffing resources already been identified and set aside for this proposal?  
 Yes

### Financial and Resource Implications

21. The Council approved £200k in the 2023/24 budget to undertake climate related projects. The table below details a number of proposed projects together with the estimated cost of each. Additional report(s) will be submitted as the climate programme progresses and further plans are developed as an outcome from the proposed projects below.
22. The estimated expenditure of £137k can be funded from the approved budget allocation for 2023/24.

Proposed item/project	Action Plan ref	Responsible officers	Estimated cost
Human resourcing: in-house surveyor overseeing buildings actions included in the Plan (internal)		Estate Surveyor/ Sustainability and Climate Change Officer	£4,500
Local Partnerships – continued critical friend support including facilitation, external funding and carbon literacy		Sustainability and Climate Change Officer/ Comms and Engagement Officer	£10,000
Decarbonisation plans: leisure centres		Large Contracts Officer/ Sustainability and Climate Change Officer	£40,000
Energy audit reports – HDC owned buildings leased to community orgs Cross Barn, CAB Yateley, Age Concern Yateley, Frogmore Day Centre		Estate Surveyor/ Sustainability and Climate Change Officer	£10,000
Renewable energy feasibility studies and first phase of implementation		Facilities Manager/ Sustainability and Climate Change Officer	£50,000
LED lighting for civic offices		Facilities Manager	£20,000
Training and seminars for staff			£2,500
		<b>Total</b>	<b>£137,000</b>

23. The project budgets will be monitored by the finance team who will attend the climate change officer working group and the corporate project board for the larger projects.

### **Risk Management**

24. The risk in not going ahead with the proposed projects is that the council will be unable to make progress on the Climate Action Plan, or towards reaching our climate 2035 targets. External funding will be explored to implement decarbonisation plans and energy report findings.

### **EQUALITIES**

25. The proposed changes set out in this paper are not considered to impact on equalities directly.

### **CLIMATE CHANGE IMPLICATIONS**

26. The proposals included in this report underpin the delivery of the Council's climate change action plan.

**Contact Details:** Liz Vango-Smith

## **CABINET**

**DATE OF MEETING: 3 AUGUST 2023**

**TITLE OF REPORT: 2022/23 REVENUE AND CAPITAL OUTTURN**

**Report of: Section 151 Officer**

**Cabinet Portfolio: Finance**

**Key Decision: No**

**Confidentiality: Non-Exempt**

## **PURPOSE OF REPORT**

1. This report presents the revenue outturn for the year ended 31<sup>st</sup> March 2023 comparing it with the approved budget and providing explanations of significant variances.
2. The report also contains the capital outturn for the year ended 31<sup>st</sup> March 2023 and requests for budget carry forwards.
3. Overview & Scrutiny committee reviewed this report at their meeting on 18<sup>th</sup> July 2023 and made no major comments that changed the report.

## **RECOMMENDATION**

That Cabinet note the outturn position for 2022/23 and approve the capital carry forward requests.

## **REVENUE POSITION**

4. The Council set its 2022/23 balanced budget in February 2022.
5. Throughout the year Cabinet have been informed of any changes through quarterly reporting of the budgetary position. These reports have also been scrutinised by Overview & Scrutiny Committee
6. As part of this process forecasts have been closely monitored and when last reported to Cabinet in March 2023, there was an anticipated underspend of £17k.
7. The main changes between Q3 position (£17k under spend) and final outturn (£1,322k under spend) are as follows:
  - Bad debt provision decreased by £162k based on an assessment of aged debt at the year end.
  - Recycling income £108k more than anticipated at Q3, mixed recycling tonnage rates are volatile.
  - Interest from investment was £242k higher than forecast as interest rates increased in Q4.
  - Leisure Centre income loss decreased by £285k as audit finding removed unrealised income from prior year (21/22) accounts. Note: net position between 2021-2023 is the same.
  - Parking income was £150k higher than forecast.
  - Housing Benefit account was £120k better than forecast post year end reconciliation, this represents a 1.1% variance on a £10.4m cost.



- Non-essential spend on SANGS was paused pending reserve review resulting in an underspend of £163k v Q3 forecast.

8. The following table summarises the revenue outturn position by service area. Detailed information is shown in Appendix A

**Table 1 Summary Revenue Outturn v Budget 2022/23**

Summary £000	Approved Budget	Movement in Reserves	Revised Budget	22-23 Actuals	Outturn
Community Services	3,289	(483)	2,806	2,355	(451)
Corporate Services	6,305	313	6,618	6,412	(206)
Place Services	2,366	(115)	2,251	2,089	(162)
<b>Net Cost of Service</b>	<b>11,960</b>	<b>(284)</b>	<b>11,676</b>	<b>10,856</b>	<b>(819)</b>
Other	(11,960)	284	(11,676)	(12,178)	(502)
	<b>0</b>	<b>(0)</b>	<b>(0)</b>	<b>(1,322)</b>	<b>(1,322)</b>

## CAPITAL POSITION

9. Total capital spending in 2022/23 was £2.4m against a Budget of £5.1m, an underspend of £2.7m.
10. The following table summarises the outturn position by service area. Detailed information is shown in Appendix B

**Table 2 Capital Outturn v Budget 2022/23**

Summary £000	Approved Budget	Expenditure	Variance
Community Services	4,415	2,278	(2,136)
Corporate Services	511	123	(388)
Place Services	150	0	(150)
	<b>5,076</b>	<b>2,401</b>	<b>(2,675)</b>

11. Capital expenditure in 2022/23 has been funded as follows:

**Table 3 Capital expenditure funding source 2022/23**

Financed by:	£000
Developers' Contributions	605
Disabled Facilities Grant	733
Earmarked Reserves/Revenue	1,063
	<b>2,401</b>



## **EQUALITIES**

12. There are no direct impacts to equality from the recommendations of this report.

## **CLIMATE CHANGE IMPLICATIONS**

13. There are no direct carbon/environmental impacts arising from the recommendations of this report.

## **ACTION**

14. Cabinet to note the Revenue and Capital Outturn and consider the Capital carry forward requests for approval.

**Contact Details:** [joanne.rayne@hart.gov.uk](mailto:joanne.rayne@hart.gov.uk)

## **Appendices**

- A. Revenue Outturn by subjective code
- B. Capital Outturn by Project
- C. Capital Carry Forward Requests

## 1. Summary Revenue Outturn £000

## Appendix 1

Summary	Note #	Approved Budget	Movement in Reserves	Revised Budget	22-23 Actuals	Outturn
Employee Costs	3	6,545	(30)	6,516	6,657	142
Premises	4	584	0	584	614	30
Supplies and Services	5	8,878	(190)	8,688	9,500	812
Transport		135	0	135	99	(36)
Third Party Payments	6	2,204	0	2,204	2,091	(113)
Transfer Payments	7	10,302	0	10,302	10,193	(109)
Bad Debt Provision		28	0	28	(134)	(162)
Other Grants and Contributions	9	(596)	(709)	(1,305)	(2,034)	(728)
Income	8	(16,120)	644	(15,475)	(16,131)	(655)
<b>Net Cost of Service</b>		11,960	(284)	11,676	10,856	(819)
Commercial Income		(1,073)	0	(1,073)	(1,090)	(17)
Collection Fund		(9,213)	0	(9,213)	(9,347)	(135)
Net Debt/Interest		12	0	12	(339)	(351)
Other		(1,686)	284	(1,402)	(1,402)	0
<b>Outturn</b>		<b>(0)</b>	<b>(284)</b>	<b>(0)</b>	<b>(1,322)</b>	<b>(1,322)</b>

The significant variances are explained in breakout tables below.

## 2. Movement in Reserves

<b>Movement in Reserves</b>	<b>£000</b>	<b>Reason</b>
Cyber Security Grant	(25)	Grant received in 2022/23 to be used in 2023/24
Roundabout Sponsorship	(31)	Sponsorship received in 2022/23 to be used in future years
Biodiversity	(45)	S106 receipts received in 2022/23
Affordable Housing	(91)	S106 receipts received in 2022/23
New Burdens	(119)	Grant received in 2022/23 to be used in 2023/24
Covid19 Residual Grant	(118)	Residual Covid Grant
Homes for Ukraine	(215)	Grant received in 2022/23 to be used in 2023/24
Housing Need Grant	(390)	Grant received in 2022/23 to be used in 2023/24
Climate Change	(229)	Capital projects
Support for Leisure Centre	804	Cabinet decision - October 2021
Housing Need	175	Tier 1 saving
	<b>(284)</b>	

## 3. Employee Costs

<b>Employee Costs</b>	<b>Original Budget</b>	<b>Movement in Reserves</b>	<b>Revised Budget</b>	<b>22-23 Actuals</b>	<b>Outturn</b>
Pay Costs	5,981	(30)	5,952	5,771	<b>(181)</b>
Agency	428	0	428	522	<b>94</b>
Severance	0	0	0	239	<b>239</b>
Other	136	0	136	125	<b>(11)</b>
<b>Outturn</b>	<b>6,545</b>	<b>(30)</b>	<b>6,516</b>	<b>6,657</b>	<b>142</b>

Agency costs supplement staff vacancies and support projects. The overall overspend is attributable to one-off severance payments approved during the year.

## 4. Premises £000

Premises	Approved Budget	Movement in Reserves	Revised Budget	22-23 Actuals	Outturn
Electricity	60	0	60	104	44
Gas	16	0	16	42	26
Grounds Maintenance	66	0	66	51	(15)
Business Rates	321	0	321	305	(17)
Other	121	0	121	113	(8)
<b>Outturn</b>	<b>584</b>	<b>0</b>	<b>584</b>	<b>614</b>	<b>30</b>

- Gas and Electricity costs for the Civic Building subject to national utility price increases - electricity expense will benefit from newly installed solar panels on Civic Centre in 2023/24.

## 5. Supplies &amp; Services £000

Supplies & Services	Approved Budget	Movement in Reserves	Revised Budget	22-23 Actuals	Outturn
Fees and hired services	4,522	15	4,537	5,038	501
Sub-contracted work	1,170	(229)	941	1,261	320
Other	3,186	24	3,210	3,200	(10)
<b>Outturn</b>	<b>8,878</b>	<b>(190)</b>	<b>8,688</b>	<b>9,500</b>	<b>812</b>

- Fees and hired services overspend is mainly off-set by increase of rent income of £302k and food voucher/energy support grant income to pay for the costs incurred under the government's support schemes - see note 8.
- Sub-contracted work is offset by Countryside Stewardship grant of £141k - see note 9.

- Supplies and Services are subject to inflationary pressure. Contracts are subject to indexes which were higher than budget assumptions.

#### 6. Third Party Payments £000

Third Party Payments	Approved Budget	Movement in Reserves	Revised Budget	22-23 Actuals	Outturn
5C Contract	1,904	0	1,904	1,791	(113)
Other	299	0	299	300	0
<b>Outturn</b>	<b>2,204</b>	<b>0</b>	<b>2,204</b>	<b>2,091</b>	<b>(113)</b>

- The 5C contract is a cost sharing agreement. Services provided by Capita were changed for some of the 5 councils which is reflected in a decrease in costs for Hart.
- Recommendation:** the one-off underspend from the 5C Contract is moved to an earmarked reserve in anticipation of costs post contract end. Reference: Reserves Review.

#### 7. Transfer Payments £000

Transfer Payments	Approved Budget	Movement in Reserves	Revised Budget	22-23 Actuals	Outturn
Housing Benefits	10,416	0	10,416	10,296	(120)
Other	(114)	0	(114)	(103)	11
<b>Outturn</b>	<b>10,302</b>	<b>0</b>	<b>10,302</b>	<b>10,193</b>	<b>(109)</b>

Housing benefit is paid by Hart but funded by the DWP, this is gradually being replaced by Universal Credit. It is difficult to accurately forecast the costs and overpayments.

## 8. Income £000

Income	Approved Budget	Movement in Reserves	Revised Budget	22-23 Actuals	Outturn
Green waste subscriptions	(720)	0	(720)	(830)	(110)
Recycling credits	(132)	0	(132)	(540)	(408)
Car Parks	(715)	0	(715)	(844)	(129)
Planning - application fees	(900)	0	(900)	(617)	283
Building Control	(424)	0	(424)	(331)	93
Rent Income	(176)	0	(176)	(477)	(302)
Other	(13,054)	644	(12,410)	(12,491)	(82)
<b>Outturn</b>	<b>(16,120)</b>	<b>644</b>	<b>(15,475)</b>	<b>(16,131)</b>	<b>(655)</b>

- The Green waste budget was decreased from 2021/22 as subscriber numbers declined. These numbers have improved although not yet at pre-pandemic levels.
- Planning income is difficult to forecast as it can be skewed by large development applications, the budget in 23/24 has been adjusted to reflect the trend of reduced income reported throughout the year.
- Mixed recycling income per tonne is volatile, the unit price doubled during the year and generated a significant one-off income. This can't be guaranteed in future years but the value will be monitored during the year.
- Rent Income is offset by an increase in cost of Supplies and Services as grants are awarded, for example to CAB to pay rent for accommodation.
- **Recommendation:** the one-off surplus income from car parks, recycling and green waste is moved to an earmarked reserve for future defined purposes. Reference: Reserves Review



## 9. Grants &amp; Contributions £000

Grants & Contributions	Approved Budget	Movement in Reserves	Revised Budget	22-23 Actuals	Outturn
Support for Homeless	(261)	(204)	(465)	(382)	83
Homes for Ukraine	0	(215)	(215)	(429)	(214)
Biodiversity	0	0	0	(54)	(54)
Countryside Stewardship	0	0	0	(141)	(141)
Energy Bill Support	0	0	0	(118)	(118)
Food Vouchers	0	0	0	(208)	(208)
New Burdens	(185)	(115)	(300)	(383)	(83)
Other	(150)	(175)	(325)	(318)	7
<b>Outturn</b>	<b>(596)</b>	<b>(709)</b>	<b>(1,305)</b>	<b>(2,034)</b>	<b>(728)</b>

- Homes for Ukraine funding received during the year is off-set by staff and other costs in 22/23 and future years – all residual income transferred to reserves for future use.
- Countryside Stewardship grant was used to for a third-party sub-contract.
- All unbudgeted income without corresponding spend has been moved to reserves for future use.

# CAPITAL OUTTURN 2022-23

# APPENDIX B

## Capital Outturn 2022/23

## Appendix 2

Community Services	Approved Budget	Actuals	Variance	
Disabled Facilities Grants	867	726	(141)	Service is demand led and unspent grant transferred to reserve
Fleet Pond Visitor Enhancement	106	55	(51)	Project closed in current position
Bramshot Farm Concessions	40	0	(40)	Scheme delayed to 23/24
Bramshot Farm Parking	150	13	(137)	Scheme suspended pending review of SANG funding
Private Sector Renewal	0	7	7	Grants paid & funded from reserves
S106 Leisure Parish	725	725	0	s106 grants received and paid to parishes
Hazeley Heath Projects	57	0	(57)	Revenue project
HW Cent Common Access Improve	80	0	(80)	Revenue project
Edenbrook Play Tree	30	0	(30)	Scheme suspended pending review of SANG funding
Edenbrook History Walk	20	0	(20)	Scheme suspended pending review of SANG funding
Service Vehicles	114	98	(16)	New EV parking vehicle to be delivered early 23/24
Edenbrook - Skate/Bike Park	170	5	(165)	Scheme suspended pending review of SANG funding
Edenbrook - Teen Health	65	0	(65)	Scheme suspended pending review of SANG funding
Edenbrook - Visitor Improve	159	46	(112)	Scheme suspended pending review of SANG funding
Fleet Pond Fencing	33	0	(33)	Transferred to Projects HAJ
Grants for Affordable Housing	400	0	(400)	Mortgage Asst Scheme cancelled.
Energy Efficiency Measures – Housing	250	0	(250)	Scheme delayed to 23/24
Grants for Affordable Housing	300	0	(300)	Scheme delayed to 23/24
Fleet Pond Green Grid Eng	373	605	232	To be funded from s106 Hartland Park.
Fleet Pond Green Corr Ecology	50	0	(50)	Revenue project
Allotments at Edenbrook	32	(2)	(34)	Project complete
Cove Road Crossing	255	0	(255)	Scheme being redesigned, work will commence in 23/24.
Small SANGS Capital Works	5	0	(5)	Funding not required in 22/23
Countryside Stewardship	134	0	(134)	To be funded by DEFRA, Expenditure treated as income accrual.
	<b>4,415</b>	<b>2,278</b>	<b>(2,136)</b>	

**CAPITAL OUTTURN 2022-23**

**APPENDIX B**

**Capital Outturn 2022/23 CONTINUED**

<b>Corporate Services</b>	<b>Approved Budget</b>	<b>Actuals</b>	<b>Variance</b>	
IT Upgrade	90	0	(90)	Revenue project – will be fully spent early in 23/24
Cyber security	125	0	(125)	Revenue project – will be fully spent early in 23/24
Website Development	150	0	(150)	Revenue project – will be fully spent early in 23/24
Accessibility Project	24	0	(24)	Project started in 23/24
Edenbrook Apartments	0	1	1	
Climate Change	122	122	(0)	Solar Panels, EV charging.
	<b>511</b>	<b>123</b>	<b>(388)</b>	
<b>Place Services</b>				
Phoenix Green, Hartley Wintney	70	0	(70)	Project delayed to 23/24
Mill Corner, North Warnborough	27	0	(27)	Project delayed to 23/24
Kingsway Flood Alleviation Sch	54	0	(54)	Project delayed to 23/24
	<b>150</b>	<b>0</b>	<b>(150)</b>	
<b>Total</b>	<b>5,076</b>	<b>2,401</b>	<b>(2,675)</b>	

**23/24 Capital budget carry forward requests**

	<b>23/24 Carry Forward</b>
<b>Community Services</b>	
Fleet Pond Visitor Enhancement	51
Bramshot Farm Concessions	40
Bramshot Farm Parking	137
Hazeley Heath Projects	11
HW Cent Common Access Improve	76
Service Vehicles	16
Edenbrook CP - Skate/Bike Park	165
Edenbrook CP - Teen Health	65
Edenbrook CP - Visitor Improve	40
Energy Efficiency Measures – Housing	250
Grants for Affordable Housing	300
Fleet Pond Green Corr Ecology	30
Cove Road Crossing	255
Countryside Stewardship	50
	<b>1,486</b>
<b>Corporate Services – balance to cfw after committed revenue expenditure</b>	
IT Upgrade	18
Cyber security	48
Website Development	7
Accessibility Project	24
	<b>97</b>
<b>Place Services</b>	
Phoenix Green, Hartley Wintney	70
Mill Corner, North Warnborough	27
Kingsway Flood Alleviation Sch	54
	<b>150</b>
<b>Total</b>	<b>1,733</b>

**CABINET**

**DATE OF MEETING: 3 AUGUST 2023**

**TITLE OF REPORT: TREASURY MANAGEMENT OUTTURN 2022/23**

**Report of: Executive Director of Corporate Services & Section  
151 Officer**

**Cabinet Member: Councillor James Radley, The Deputy Leader and  
Portfolio Holder for Finance and Corporate Services**

**1 PURPOSE OF REPORT**

- 1.1 To report the Council's Treasury Management activities during the year ended 31 March 2023 for scrutiny and comments in advance of consideration by Cabinet.
- 1.2 Overview & Scrutiny committee reviewed this report at their meeting on 18<sup>th</sup> July 2023 and made no major comments that changed the report.

**2 OFFICER RECOMMENDATION**

- 2.1 That Cabinet note the treasury management outturn position for 2022/23.

**3 BACKGROUND**

- 3.1 This Council is required by regulations issued under the Local Government Act 2003 to produce a separate annual treasury management review of activities and the actual prudential and treasury indicators for 2022/23. This is also a requirement of Hart's Treasury Strategy approved by Council. This report meets the requirements of both the CIPFA Code of Practice on Treasury Management, (the Code), and the CIPFA Prudential Code for Capital Finance in Local Authorities, (the Prudential Code).
- 3.2 During 2022/23 the minimum reporting requirements were that the Council should receive the following reports:
  - an annual treasury strategy in advance of the year (24.02.2022)
  - a mid-year (minimum) treasury update report (26.01.23)
  - an annual review following the end of the year describing the activity compared to the strategy (this report).
- 3.3 The regulatory environment places responsibility on members for the review and scrutiny of treasury management policy and activities. This report is, therefore, important in that respect, as it provides details of the outturn position for treasury activities and highlights compliance with the Council's policies previously approved by members.
- 3.4 This Council confirms that it has complied with the requirement under the Code to give prior scrutiny to all the above treasury management reports by the Scrutiny Committee before they were reported to the full Council. Appendix A details economic commentary from Hart's treasury advisors Link.

**4 THE COUNCIL’S CAPITAL EXPENDITURE AND FINANCING**

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

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

The actual capital expenditure forms one of the required prudential indicators. The table below shows the actual capital expenditure and how this was financed.

	<b>2021-22</b>	<b>2022-23</b>	<b>2022-23</b>
	<b>Actual</b>	<b>Budget</b>	<b>Actual</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Capital Expenditure	21,688	5,076	2,400
Financed in year	(3,127)	(5,076)	(2,400)
<b>Unfinanced capital expenditure</b>	<b>18,561</b>	<b>0</b>	<b>0</b>

**5 THE COUNCIL’S OVERALL BORROWING NEED**

5.1 The Council’s underlying need to borrow for capital expenditure is termed the Capital Financing Requirement (CFR). This figure is a gauge of the Council’s notional indebtedness. The CFR results from the capital activity of the Council and resources used to pay for the capital spend each year. It represents the cumulative unfinanced capital expenditure (see above table), and prior years’ net or unfinanced capital expenditure which has not yet been paid for by revenue or other resources.

5.2 Part of the Council’s treasury activity is to address the funding requirements for this borrowing need. Depending on the capital expenditure programme, the treasury service organises the Council’s cash position to ensure that sufficient cash is available to meet the capital plans and cash flow requirements. This may be sourced through borrowing from external bodies, (such as the Government, through the Public Works Loan Board [PWLB], or the money markets, or utilising temporary cash resources within the Council (internal borrowing).

5.3 Reducing the CFR – the Council’s underlying borrowing need (CFR) is not allowed to rise indefinitely. Statutory controls are in place to ensure that capital assets are broadly charged to revenue over the life of the asset. The Council is required to make an annual revenue charge, called the Minimum Revenue Provision – MRP, to reduce the CFR. This is effectively a repayment of the borrowing need. This differs from the treasury management arrangements which ensure that cash is available to meet capital commitments. External debt can also be borrowed or repaid at any time, but this does not change the CFR.

TREASURY MANAGEMENT OUTTURN 2022/23

- 5.4 The total CFR can also be reduced by:
  - the application of additional capital financing resources, (such as unapplied capital receipts); or
  - charging more than the statutory revenue charge (MRP) each year through a Voluntary Revenue Provision (VRP).
- 5.5 The Council’s 2022/23 MRP Policy, (as required by DLUHC Guidance), was approved as part of the Treasury Management Strategy Report for 2022/23 on 24.02.2022.
- 5.6 The Council’s CFR for the year is shown below and represents a key prudential indicator.

CFR	2021-22	2022-23
	Actual	Actual
	£'000	£'000
Opening Balance	22,889	41,450
Unfinanced capital expenditure	18,561	(588)
<b>Closing Balance</b>	<b>41,450</b>	<b>40,862</b>

- 5.7 Borrowing activity is constrained by prudential indicators for gross borrowing and the CFR, and by the authorised limit.
- 5.8 Gross borrowing and the CFR - in order to ensure that borrowing levels are prudent over the medium term and only for a capital purpose, the Council should ensure that its gross external borrowing does not, except in the short term, exceed the total of the capital financing requirement in the preceding year (2022/23) plus the estimates of any additional capital financing requirement for the current (2023/24) and next two financial years. This essentially means that the Council is not borrowing to support revenue expenditure. This indicator allowed the Council some flexibility to borrow in advance of its immediate capital needs in 2022/23. The table below highlights the Council’s gross borrowing position against the CFR. The Council has complied with this prudential indicator.

	2021-22 Actual £'000	2022-23 Budget £'000	2022-23 Actual £'000
CFR	41,450	40,509	40,862
Gross Borrowing Position	18,088	25,173	15,769
<b>(Under) / over funding of CFR</b>	<b>(23,362)</b>	<b>(15,336)</b>	<b>(25,093)</b>

5.9 The authorised limit - the authorised limit is the “affordable borrowing limit” required by s3 of the Local Government Act 2003. Once this has been set, the Council does not have the power to borrow above this level. The table below demonstrates that during 2022/23 the Council has maintained gross borrowing within its authorised limit.

5.10 The operational boundary – the operational boundary is the expected borrowing position of the Council during the year. Periods where the actual position is either below or over the boundary are acceptable subject to the authorised limit not being breached.

5.11 Actual financing costs as a proportion of net revenue stream - this indicator identifies the trend in the cost of capital, (borrowing and other long term obligation costs net of investment income), against the net revenue stream.

	2022-23 £'000
Authorised limit	30,000
Maximum gross borrowing position during the year	15,769
Operational boundary	25,000
Average gross borrowing position	16,928
Financing costs as a proportion of net revenue stream	0.39%



**6 TREASURY POSITION AS AT 31<sup>st</sup> MARCH 2023**

6.1 The Council's treasury management debt and investment position is organised by the treasury management service in order to ensure adequate liquidity for revenue and capital activities, security for investments and to manage risks within all treasury management activities. Procedures and controls to achieve these objectives are well established both through member reporting detailed in the summary, and through officer activity detailed in the Council's Treasury Management Practices. At the end of 2022/23 the Council's treasury position was as follows:

Treasury	31/03/2022 Principal £'000	Rate/ Return	Average Life Years	31/03/2023 Principal £'000	Rate/ Return	Average Life Years
Fixed rate funding:						
PWLB 1	8,337	2.19%	20 years	7,992	2.19%	19 years
PWLB 2	6,800	1.91%	50 years	6,800	1.91%	49 years
Hampshire County Council	2,950	0.00%	2 years	977	0.00%	1 year
Variable rate funding:						
PWLB	0			0		
Market	0			0		
<b>Total debt</b>	<b>18,087</b>			<b>15,769</b>		
<b>CFR</b>	<b>41,450</b>			<b>40,862</b>		
<b>Over / (under) borrowing</b>	<b>(23,363)</b>			<b>(25,093)</b>		
Total investments	29,647			25,873		
Net debt	(53,009)			(50,966)		

## TREASURY MANAGEMENT OUTTURN 2022/23

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

	2021-22	2022-23
	£'000	£'000
Less than one year	2,439	1,434
Between one and two years	1,314	345
Between two and five years	1,085	1,123
Between five and ten years	1,998	2,042
Between ten and fifteen years	2,228	2,277
Between fifteen and twenty years	2,224	1,748
More than twenty years	6,800	6,800

6.3 Investment portfolio:

Treasury investments	31/03/2022	31/03/2022	31/03/2023	31/03/2023
	Actual £'000	Actual %	Actual £'000	Actual %
Banks	15,747	53%	21,873	85%
Money market funds	13,900	47%	4,000	15%
<b>Total</b>	<b>29,647</b>	<b>100%</b>	<b>25,873</b>	<b>100%</b>

6.4 The maturity structure of the investment portfolio was as follows:

Investment portfolio	31/03/2022	31/03/2023
	Actual £'000	Actual £'000
Up to 1 year	29,647	25,873
Longer than 1 year	0	0
<b>Total</b>	<b>29,647</b>	<b>25,873</b>

**7 BORROWING OUTTURN**

7.1 Treasury Borrowing – breakdown of borrowing at 31<sup>st</sup> March 2023:

Lender	Principal £'000	Type	Interest Rate	Maturity	Average for 2022/23
PWLB 1	7,992	Fixed Rate	2.19%	25 years	8,165
PWLB 2	6,800	Fixed Rate	1.91%	50 years	6,800
Hampshire County Council	977	Fixed Rate	0.00%	7 years	1,963

- 7.2 Due to investment concerns, both counterparty risk and comparatively low investment returns, no borrowing was undertaken during the year.
- 7.3 The Council has not borrowed more than, or in advance of its needs, purely in order to profit from the investment of the extra sums borrowed.
- 7.4 No rescheduling was done during the year as the average 1% differential between PWLB new borrowing rates and premature repayment rates made rescheduling unviable.

**8 INVESTMENT OUTTURN**

- 8.1 Investment Policy – the Council’s investment policy is governed by DLUHC investment guidance, which has been implemented in the annual investment strategy approved by the Council on 24<sup>th</sup> February 2022. This policy sets out the approach for choosing investment counterparties and is based on credit ratings provided by the three main credit rating agencies, supplemented by additional market data, (such as rating outlooks, credit default swaps, bank share prices etc.).
- 8.2 The investment activity during the year conformed to the approved strategy, and the Council had no liquidity difficulties.
- 8.3 Resources – the Council’s cash balances comprise revenue and capital resources and cash flow monies. The Council’s core cash resources comprised as follows:

## TREASURY MANAGEMENT OUTTURN 2022/23

<b>Balance Sheet Resources</b>	<b>2021/22</b>	<b>2022/23</b>
	<b>£'000</b>	<b>£'000</b>
Earmarked Reserves	(26,092)	(23,435)
Provisions	(687)	(548)
Usable Capital Receipts	(386)	(482)
<b>Total</b>	<b>(27,165)</b>	<b>(24,465)</b>

### 8.4 Investments held by the Council

- The Council maintained an average balance of £36.1m of internally managed funds.
- The internally managed funds earned an average rate of return of 2.02%.
- The comparable performance indicator is the average 90 day SONIA rate, which was 1.84%.
- This compares with a budget assumption of £35m average investment balances earning an average rate of 0.66%.

## 9 EQUALITIES

9.1 There are no impacts to equality from the recommendations of this paper

## 10 CLIMATE CHANGE IMPLICATIONS

10.1 There are no direct carbon/environmental impacts arising from the recommendations of this paper.

## 11 CONCLUSION

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

**Contact Details:** joanne rayne@hart.gov.uk

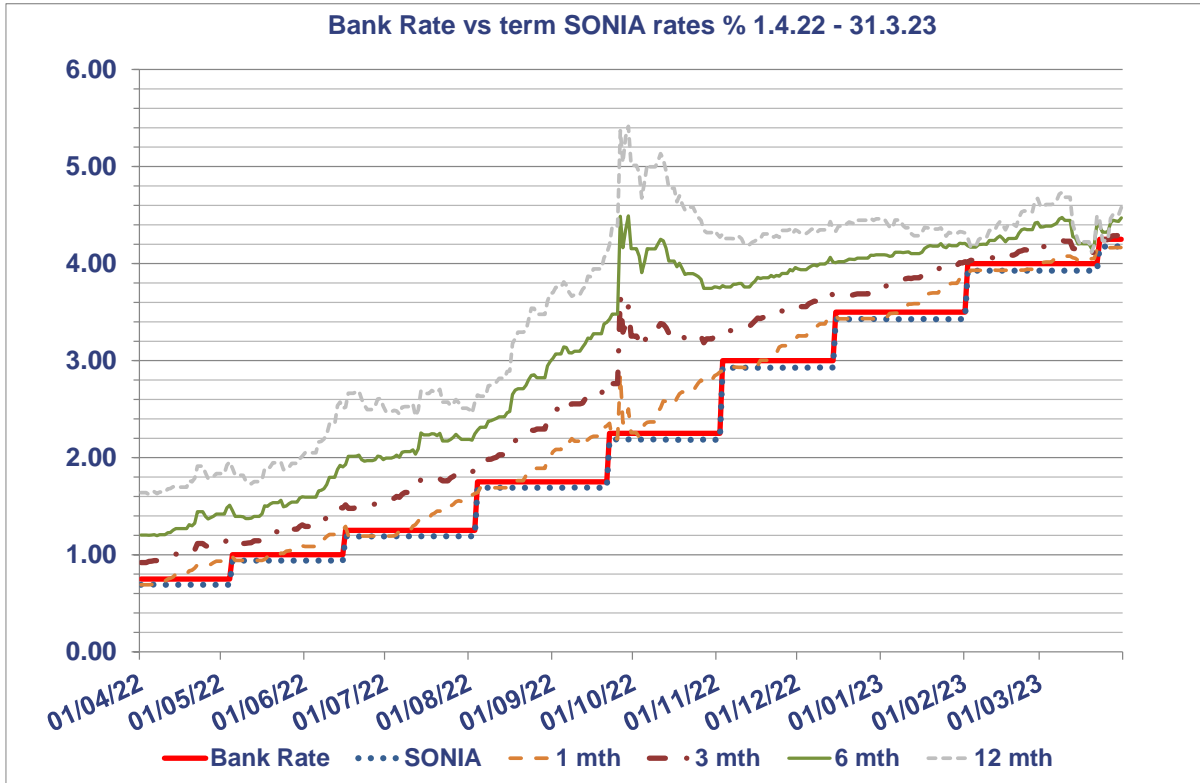
### **BACKGROUND PAPERS:**

Treasury Management Strategy Statement (24<sup>th</sup> February 2022)

**APPENDIX A – BACKGROUND ECONOMIC INFORMATION FROM TREASURY ADVISORS LINK**

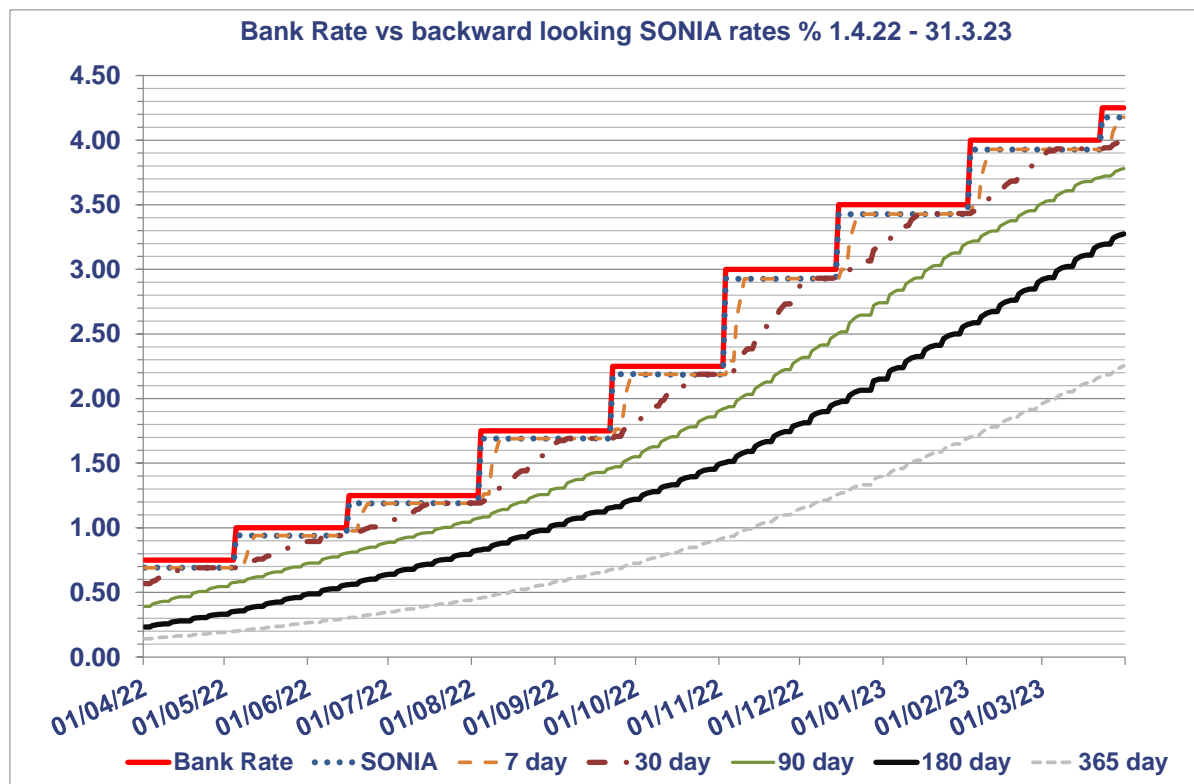
**THE STRATEGY FOR 2022/2023**

i. Investment strategy and control of interest rate risk



FINANCIAL YEAR TO QUARTER ENDED 31/3/2023						
	Bank Rate	SONIA	1 mth	3 mth	6 mth	12 mth
<b>High</b>	4.25	4.18	4.17	4.30	4.49	5.41
<b>High Date</b>	23/03/2023	31/03/2023	31/03/2023	31/03/2023	29/09/2022	29/09/2022
<b>Low</b>	0.75	0.69	0.69	0.92	1.20	1.62
<b>Low Date</b>	01/04/2022	28/04/2022	01/04/2022	01/04/2022	07/04/2022	04/04/2022
<b>Average</b>	2.30	2.24	2.41	2.72	3.11	3.53
<b>Spread</b>	3.50	3.49	3.48	3.38	3.29	3.79

ii. Investment Benchmarking Data – Sterling Overnight Index Averages (Backward-looking) 2022/23



FINANCIAL YEAR TO QUARTER ENDED 31/03/2023							
	Bank Rate	SONIA	7 day	30 day	90 day	180 day	365 day
<b>High</b>	4.25	4.18	4.18	4.00	3.78	3.27	2.25
<b>High Date</b>	23/03/2023	31/03/2023	31/03/2023	31/03/2023	31/03/2023	31/03/2023	31/03/2023
<b>Low</b>	0.75	0.69	0.69	0.57	0.39	0.23	0.14
<b>Low Date</b>	01/04/2022	28/04/2022	29/04/2022	01/04/2022	01/04/2022	01/04/2022	01/04/2022
<b>Average</b>	2.30	2.24	2.20	2.09	1.81	1.42	0.90
<b>Spread</b>	3.50	3.49	3.49	3.43	3.39	3.04	2.11

- iii. Investment returns picked up throughout the course of 2022/23 as central banks, including the Bank of England, realised that inflationary pressures were not transitory, and that tighter monetary policy was called for.
- iv. Starting April at 0.75%, Bank Rate moved up in stepped increases of either 0.25% or 0.5%, reaching 4.25% by the end of the financial year, with the potential for a further one or two increases in 2023/24
- v. The sea-change in investment rates meant local authorities were faced with the challenge of pro-active investment of surplus cash for the first time in over a decade, and this emphasised the need for a detailed working knowledge of cashflow projections so that the appropriate balance between maintaining cash for liquidity purposes, and “laddering” deposits on a rolling basis to lock in the increase in investment rates as duration was extended, became an on-going feature of the investment landscape.
- vi. With bond markets selling off, equity valuations struggling to make progress and, latterly, property funds enduring a wretched Q4 2022, the more traditional

investment options, such as specified investments (simple to understand, and less than a year in duration) became more actively used.

- vii. Meantime, through the autumn, and then in March 2023, the Bank of England maintained various monetary policy easing measures as required to ensure specific markets, the banking system and the economy had appropriate levels of liquidity at times of stress.

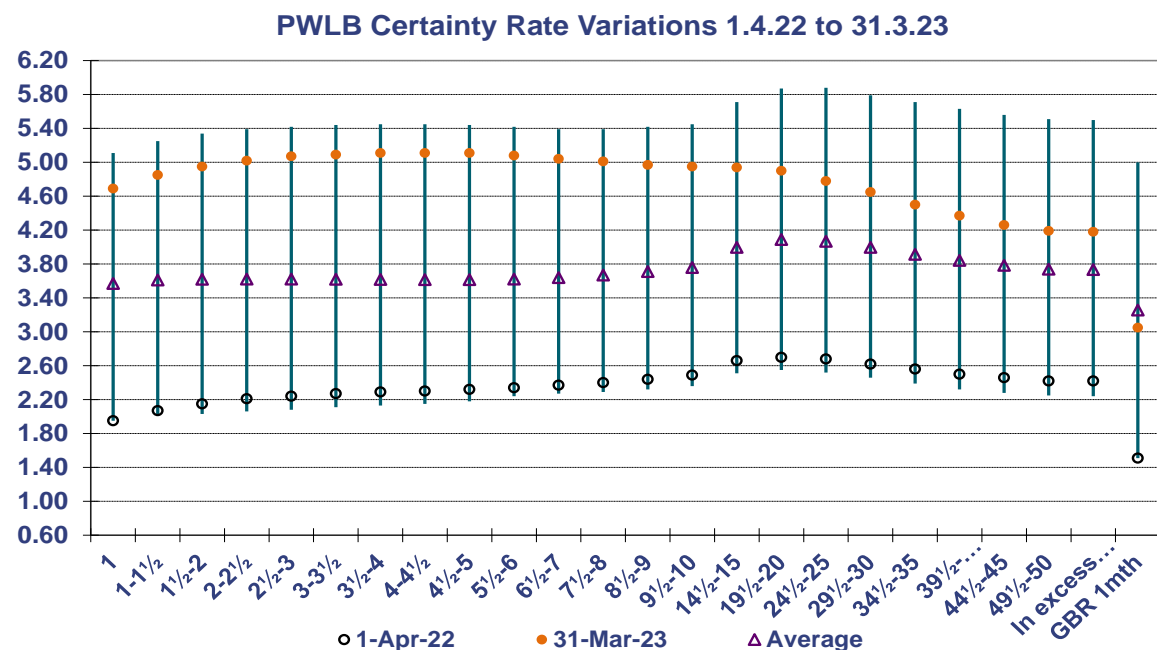
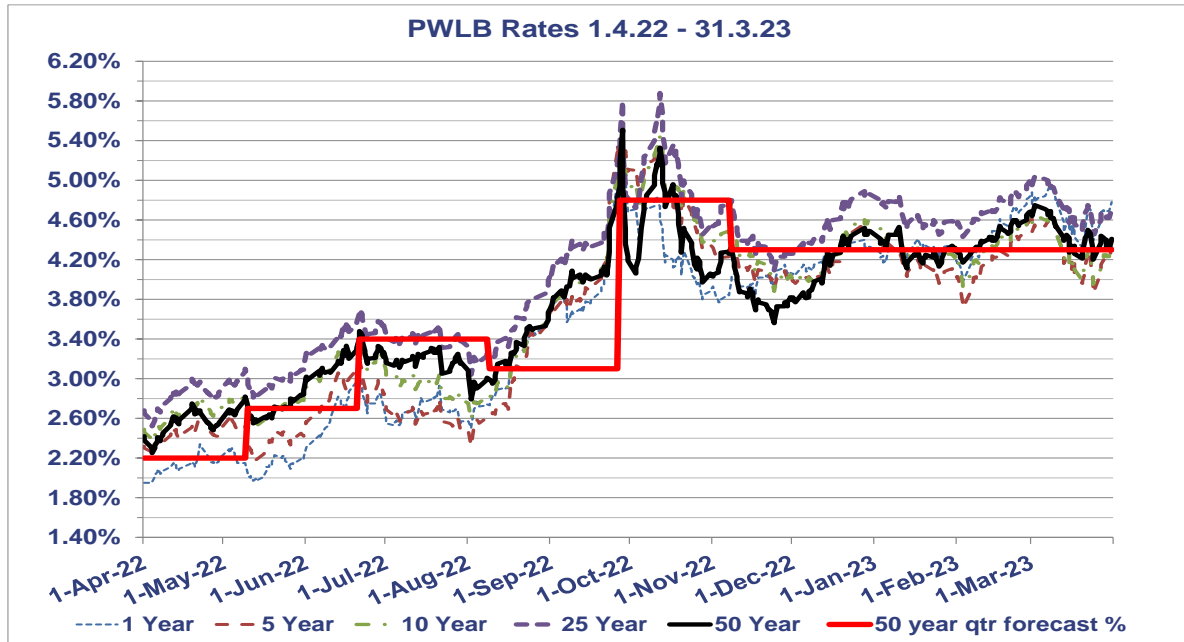
**BORROWING STRATEGY AND CONTROL OF INTEREST RATE RISK**

- i. During 2022/23, the Council maintained an under-borrowed position. This meant that the capital borrowing need, (the Capital Financing Requirement), was not fully funded with loan debt as cash supporting the Council's reserves, balances and cash flow was used as an interim measure. This strategy was prudent as investment returns were initially low and minimising counterparty risk on placing investments also needed to be considered.
- ii. A cost of carry generally remained in place during the year on any new long-term borrowing that was not immediately used to finance capital expenditure, as it would have caused a temporary increase in cash balances; this would have incurred a revenue cost – the difference between (higher) borrowing costs and (lower) investment returns. As the cost of carry dissipated, the Council sought to avoid taking on long-term borrowing at elevated levels (>4%) and has focused on a policy of internal and temporary borrowing, supplemented by short-dated borrowing (<3 years) as appropriate.
- iii. The policy of avoiding new borrowing by running down spare cash balances has served well over the last few years. However, this has been kept under review to avoid incurring higher borrowing costs in the future when this Authority may not be able to avoid new borrowing to finance capital expenditure and/or the refinancing of maturing debt.
- iv. Against this background and the risks within the economic forecast, caution was adopted with the treasury operations. The Treasury Management Team therefore monitored interest rates in financial markets and adopted a pragmatic strategy based upon the following principles to manage interest rate risks:
  - \* if it had been felt that there was a significant risk of a sharp FALL in long and short-term rates, (e.g., due to a marked increase of risks around relapse into recession or of risks of deflation), then long term borrowings would have been postponed, and potential rescheduling from fixed rate funding into short term borrowing would have been considered.
  - \* if it had been felt that there was a significant risk of a much sharper RISE in long and short-term rates than initially expected, perhaps arising from an acceleration in the start date and in the rate of increase in central rates in the USA and UK, an increase in world economic activity or a sudden increase in inflation risks, then the portfolio position would have been re-appraised. Most likely, fixed rate funding would have been drawn whilst interest rates were lower than they were projected to be in the next few years.
- v. Interest rate forecasts were initially suggesting only gradual rises in short, medium and longer-term fixed borrowing rates during 2022/23 but by August it had become clear that inflation was moving up towards 40-year highs, and the Bank of England engaged in monetary policy tightening at every Monetary Policy Committee meeting during 2022, and into 2023, either by increasing Bank Rate by 0.25% or 0.5% each time. Currently the CPI measure of inflation is still above 10% in the UK but is expected to fall back towards 4% by year end. Nonetheless, there remain significant risks to that central forecast.



Link Group Interest Rate View 27.03.23												
	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26
BANK RATE	4.50	4.50	4.25	4.00	3.50	3.25	3.00	2.75	2.75	2.50	2.50	2.50
3 month ave earnings	4.50	4.50	4.30	4.00	3.50	3.30	3.00	2.80	2.80	2.50	2.50	2.50
6 month ave earnings	4.50	4.40	4.20	3.90	3.40	3.20	2.90	2.80	2.80	2.60	2.60	2.60
12 month ave earnings	4.50	4.40	4.20	3.80	3.30	3.10	2.70	2.70	2.70	2.70	2.70	2.70
5 yr PWLB	4.10	4.10	3.90	3.80	3.70	3.60	3.50	3.40	3.30	3.20	3.20	3.10
10 yr PWLB	4.20	4.20	4.00	3.90	3.80	3.70	3.50	3.50	3.40	3.30	3.30	3.20
25 yr PWLB	4.60	4.50	4.40	4.20	4.10	4.00	3.80	3.70	3.60	3.50	3.50	3.40
50 yr PWLB	4.30	4.20	4.10	3.90	3.80	3.70	3.50	3.50	3.30	3.20	3.20	3.10

vi. PWLB Rates 01/04/22 – 31/03/23



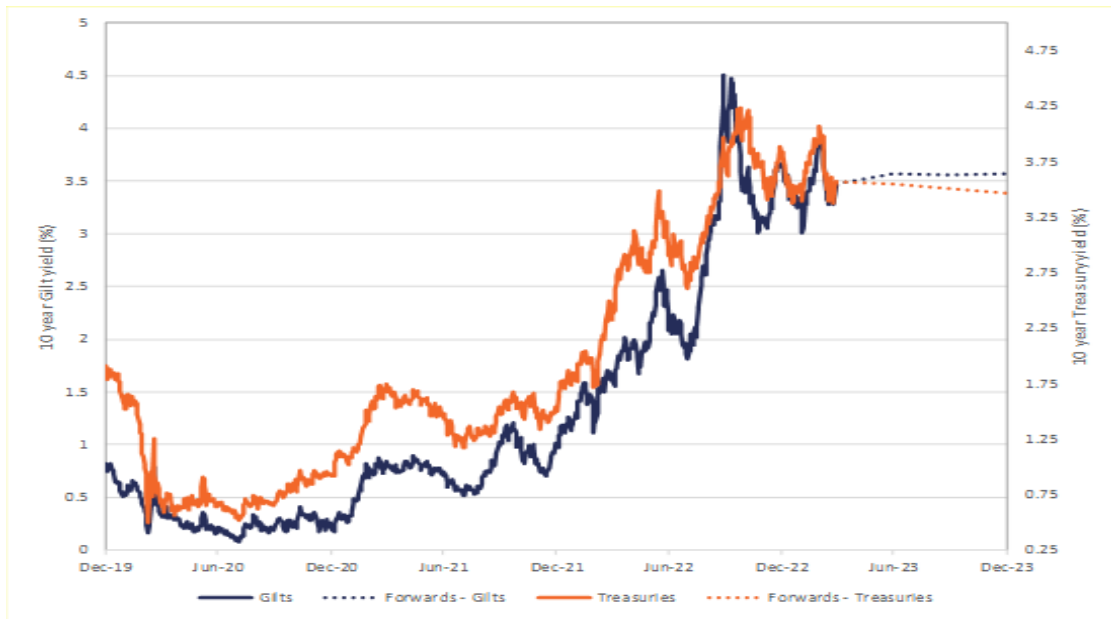
vii. HIGH/LOW/AVERAGE PWLB RATES FOR 2022/23

	1 Year	5 Year	10 Year	25 Year	50 Year
<b>Low</b>	1.95%	2.18%	2.36%	2.52%	2.25%
<b>Date</b>	01/04/2022	13/05/2022	04/04/2022	04/04/2022	04/04/2022
<b>High</b>	5.11%	5.44%	5.45%	5.88%	5.51%
<b>Date</b>	28/09/2022	28/09/2022	12/10/2022	12/10/2022	28/09/2022
<b>Average</b>	3.57%	3.62%	3.76%	4.07%	3.74%
<b>Spread</b>	3.16%	3.26%	3.09%	3.36%	3.26%

viii. PWLB rates are based on gilt (UK Government bonds) yields through HM Treasury determining a specified margin to add to gilt yields. The main influences on gilt yields are Bank Rate, inflation expectations and movements in US treasury yields. Inflation targeting by the major central banks has been successful over the last 30 years in lowering inflation and the real equilibrium rate for central rates has fallen considerably due to the high level of borrowing by consumers: this means that central banks do not need to raise rates as much now to have a major impact on consumer spending, inflation, etc. This has pulled down the overall level of interest rates and bond yields in financial markets over the last 30 years. Indeed, in recent years many bond yields up to 10 years in the Eurozone turned negative on expectations that the EU would struggle to get growth rates and inflation up from low levels. In addition, there has, at times, been an inversion of bond yields in the US whereby 10-year yields have fallen below shorter-term yields. In the past, this has been a precursor of a recession.

ix. However, since early 2022, yields have risen dramatically in all the major developed economies, first as economies opened post-Covid; then because of the inflationary impact of the war in Ukraine in respect of the supply side of many goods. In particular, rising cost pressures emanating from shortages of energy and some food categories have been central to inflation rising rapidly. Furthermore, at present the FOMC, ECB and Bank of England are all being challenged by persistent inflation that is exacerbated by very tight labour markets and high wage increases relative to what central banks believe to be sustainable.

x. **Graph of UK gilt yields v. US treasury yields**



- xi. There is likely to be a fall in gilt yields and PWLB rates across the whole curve over the next one to two years as Bank Rate first rises to dampen inflationary pressures and a tight labour market, and is then cut as the economy slows, unemployment rises, and inflation (on the Consumer Price Index measure) moves closer to the Bank of England's 2% target.
- xii. As a general rule, short-dated gilt yields will reflect expected movements in Bank Rate, whilst medium to long-dated yields are driven primarily by the inflation outlook.
- xiii. The Bank of England is also embarking on a process of Quantitative Tightening, but the scale and pace of this has already been affected by the Truss/Kwarteng "fiscal experiment" in the autumn of 2022 and more recently by the financial market unease with some US (e.g., Silicon Valley Bank) and European banks (e.g., Credit Suisse). The gradual reduction of the Bank's original £895bn stock of gilt and corporate bonds will be sold back into the market over several years. The impact this policy will have on the market pricing of gilts, while issuance is markedly increasing, is an unknown at the time of writing.

**C THE ECONOMY AND INTEREST RATES****UK. Economy.**

- i. Against a backdrop of stubborn inflationary pressures, the easing of Covid restrictions in most developed economies, the Russian invasion of Ukraine, and a range of different UK Government policies, it is no surprise that UK interest rates have been volatile right across the curve, from Bank Rate through to 50-year gilt yields, for all of 2022/23.
- ii. Market commentators' misplaced optimism around inflation has been the root cause of the rout in the bond markets with, for example, UK, EZ and US 10-year yields all rising by over 200bps in 2022. The table below provides a snapshot of the conundrum facing central banks: inflation is elevated but labour markets are extra-ordinarily tight, making it an issue of fine judgment as to how far monetary policy needs to tighten.

	<b>UK</b>	<b>Eurozone</b>	<b>US</b>
<b>Bank Rate</b>	4.25%	3%	4.75%-5%
<b>GDP</b>	0.1%q/q Q4 (4.1%y/y)	+0.1%q/q Q4 (1.9%y/y)	2.6% Q4 Annualised
<b>Inflation</b>	10.4%/y/y (Feb)	6.9%/y/y (Mar)	6.0%/y/y (Feb)
<b>Unemployment Rate</b>	3.7% (Jan)	6.6% (Feb)	3.6% (Feb)

- iii. Q2 of 2022 saw UK GDP deliver growth of +0.1% q/q, but this was quickly reversed in the third quarter, albeit some of the fall in GDP can be placed at the foot of the extra Bank Holiday in the wake of the Queen's passing. Q4 GDP was positive at 0.1% q/q. Most recently, January saw a 0.3% m/m increase in GDP as the number of strikes reduced compared to December. In addition, the resilience in activity at the end of 2022 was, in part, due to a 1.3% q/q rise in real household disposable incomes. A big part of that reflected the £5.7bn payments received by households from the government under the Energy Bills Support Scheme.
- iv. Nevertheless, CPI inflation picked up to what should be a peak reading of 11.1% in October, although hopes for significant falls from this level will very much rest on the movements in the gas and electricity markets, as well as the supply-side factors impacting food prices. On balance, most commentators expect the CPI measure of inflation to drop back towards 4% by the end of 2023. As of February 2023, CPI was 10.4%.
- v. The UK unemployment rate fell through 2022 to a 48-year low of 3.6%, and this despite a net migration increase of c500k. The fact remains, however, that with many economic participants registered as long-term sick, the UK labour force shrunk by c500k in the year to June. Without an increase in the labour force participation rate, it is hard to see how the UK economy will be able to grow its way to prosperity, and with average wage increases running at over 6% the MPC will be concerned that wage inflation will prove just as sticky as major supply-side shocks to food (up 18.3% y/y in February 2023) and energy that have endured since Russia's invasion of Ukraine on 22 February 2022.

- vi. Bank Rate increased steadily throughout 2022/23, starting at 0.75% and finishing at 4.25%.
- vii. In the interim, following a Conservative Party leadership contest, Liz Truss became Prime Minister for a tumultuous seven weeks that ran through September and October. Put simply, the markets did not like the unfunded tax-cutting and heavy spending policies put forward by her Chancellor, Kwasi Kwarteng, and their reign lasted barely seven weeks before being replaced by Prime Minister Rishi Sunak and Chancellor Jeremy Hunt. Their Autumn Statement of the 17<sup>th</sup> of November gave rise to a net £55bn fiscal tightening, although much of the “heavy lifting” has been left for the next Parliament to deliver. However, the markets liked what they heard, and UK gilt yields have reversed the increases seen under the previous tenants of No10/11 Downing Street, although they remain elevated in line with developed economies generally.
- viii. As noted above, GDP has been tepid throughout 2022/23, although the most recent composite Purchasing Manager Indices for the UK, US, EZ and China have all surprised to the upside, registering survey scores just above 50 (below suggests economies are contracting, and above suggests expansion). Whether that means a shallow recession, or worse, will be avoided is still unclear. Ultimately, the MPC will want to see material evidence of a reduction in inflationary pressures and a loosening in labour markets. Realistically, that is an unlikely outcome without unemployment rising and wage settlements falling from their current levels. At present, the bigger rise in employment kept the ILO unemployment rate unchanged at 3.7% in January. Also, while the number of job vacancies fell for the ninth consecutive month in February, they remained around 40% above pre-pandemic levels.
- ix. Our economic analysts, Capital Economics, expect real GDP to contract by around 0.2% q/q in Q1 and forecast a recession this year involving a 1.0% peak-to-trough fall in real GDP.
- x. The £ has remained resilient of late, recovering from a record low of \$1.035, on the Monday following the Truss government’s “fiscal event”, to \$1.23. Notwithstanding the £’s better run of late, 2023 is likely to see a housing correction of some magnitude as fixed-rate mortgages have moved above 4.5% and affordability has been squeezed despite proposed Stamp Duty cuts remaining in place.
- xi. As for equity markets, the FTSE 100 started 2023 strongly, rising to a record high of 8,014 on 20<sup>th</sup> February, as resilient data and falling inflation boosted earnings. But global equities fell sharply after concerns over the health of the global banking system emerged early in March. The fall in the FTSE 100 was bigger than the drop in the US S&P 500. Indeed, at around 7,600 now, the FTSE is 5.2% below its record high on 20<sup>th</sup> February, while the S&P 500 is only 1.9% lower over the same period. That’s despite UK banks having been less exposed and equity prices in the UK’s financial sector not falling as far. It may be due to the smaller decline in UK interest rate expectations and bond yields, which raise the discounted value of future earnings, compared to the US.
- xii. **USA.** The flurry of comments from Fed officials over recent months suggest there is still an underlying hawkish theme to their outlook for interest rates.

Markets are pricing in a further interest rate increases of 25-50bps, on top of the current interest rate range of 4.75% - 5%.

- xiii. In addition, the Fed is expected to continue to run down its balance sheet once the on-going concerns about some elements of niche banking provision are in the rear-view mirror.
- xiv. As for inflation, it is currently at c6% but with the economy expected to weaken during 2023, and wage data already falling back, there is the prospect that should the economy slide into a recession of any kind there will be scope for rates to be cut at the backend of 2023 or shortly after.
- xv. **EU.** Although the Euro-zone inflation rate has fallen below 7%, the ECB will still be mindful that it has further work to do to dampen inflation expectations and it seems destined to raise rates to 4% in order to do so. Like the UK, growth has remained more robust than anticipated but a recession in 2023 is still seen as likely by most commentators.

## **CABINET**

**3 AUGUST 2023**

### **INITIAL REVIEW OF FINANCIAL RESERVES**

**Report of: Director of Corporate Services**

**Key Decision: Yes**

**Confidentiality: Non-Exempt**

### **PURPOSE OF REPORT**

1. This report presents the outcome of the S151 Officer's initial review of the Council's financial reserves, as requested by Full Council in February 2023, including funds held for Suitable Alternative Natural Greenspaces (SANGs). The report is intended to inform members of the balances and purpose of reserves held and present proposals to better align them with priority service needs and emerging risks. A further review will be undertaken later in the year alongside the budget process and update of the Medium-Term Financial Strategy (MTFS).

### **RECOMMENDATION**

2. Cabinet is requested to:
  - i. Note the findings of the initial review of reserves and request that the second stage of the review is undertaken as part of the update of the Medium-Term Financial Strategy and once the government funding position is more certain.
  - ii. Approve the proposed actions in relation to SANG finances as set out in paragraph 14 and ask officers to report back to Cabinet in the budget setting report.
  - iii. Approve the proposed actions in relation to capital reserves as set out in paragraph 16 and ask officers to develop a programme of projects to utilise S106 funds and include these in the budget setting report.  
and recommend to Council:
  - iv. To approve the proposed prudent minimum balance on the General Fund Working Balance of £6m, to be reviewed as part of the updated Medium-Term Financial Strategy
  - v. To approve the earmarking of the 2022/23 underspend to meet the known future cost pressures as detailed in paragraph 8.
  - vi. To approve the changes to earmarked reserves highlighted in Appendix 2

### **BACKGROUND**

3. In the budget report approved in February 2023, Council requested that a detailed review of reserves is carried out once the outturn for 2022/23 is complete, noting the following specific considerations:
  - review the purpose, approved use and amount held for each reserve to ensure that the earmarking of resources is still justified and that the balances are prudent and provide sufficient flexibility to the Council.

- given the continued uncertain inflation forecasts and economic volatility, including post-Covid recovery of some key income streams, it is important that the Council makes sufficient allowance to cushion the impact on services and the annual budget.
  - It was reported in the 2022/23 budget report that the General Fund working balance needs reviewing. This has not yet been done.
  - review of the residual risk and prudent level necessary for the Business rates smoothing reserve taking account of the need to mitigate the impact of reductions in rateable value across the borough, increases in appeals and reductions in retained business rate core funding.
  - report on the findings of the initial review of earmarked SANG reserves. These reserves must provide sufficient resource to maintain and manage the SANG sites in perpetuity (80 years), therefore forecasting income and expenditure and capital investment as accurately as possible is essential.
  - The need to continue to provide upfront investment to ‘invest to save’ projects to generate long-term revenue budget savings, subject to business case and payback.
  - the need to make sufficient resources available to deliver the capital programme and other important community and corporate projects.
4. Holding reserves is a normal part of prudent financial management for a local authority and this is set within a legal framework with guidance issued by the Chartered Institute of Public Finance and Accountancy (CIPFA). A summary of this is included at Appendix 1 for information and context.
5. Spending from earmarked reserves will still be subject to a proper case being made and will require Cabinet approval, or Council approval if part of the annual capital programme.

## REVIEW OF THE COUNCIL’S RESERVES

6. Hart’s reserves are summarised in the table below, the figures being taken from the pre-audit 2022/23 published accounts.

Usable Reserves	31 March 2022 £000	31 March 2023 £000
General fund working balance	6,968	8,290
Earmarked reserves	10,510	6,512
SANG reserves	15,580	16,920
Capital reserves	13,214	15,218
Total	46,272	46,940

This table forms the scope of this review, and each item is addressed below.

### **General Fund Working Balance**

7. In the February 2022 budget report to Council, the S151 Officer identified that the amount held in the general fund working balance was significantly above



what she considered to be a prudent minimum level and I agree with this view. As set out in Appendix 1, there is no set regulatory requirement or guidance on what a prudent minimum level is, it is a judgement made by the S151 officer taking a range of factors into account including risk, the net annual budget and the level of other reserves held. I consider at this stage that a general working balance of 50% of the total net services budget (£12.1m) would provide a prudent working balance, which equates to £6m (rounded). The current balance held is £8.3m which includes £1.3m transferred from the 2022/23 outturn underspend.

8. As detailed in the outturn report, the main underspend items relate to one-off income and cost underspends in specific areas. Where these have arisen in areas that are expected to have significant costs in the medium term, the **proposed action** is to create an earmarked reserve for this purpose to cushion the impact on the Council's budget. The specific items are as follows:
- Waste additional income 22/23 – earmark £500k for the cost of assessing the impact of the Environment Act, HCC's disposal changes and for preparing for the end of the current contract in 2026 including options appraisals and tendering costs.
  - Car park income above budget 22/23 – earmark £120k in new reserve for car park maintenance.
  - IT cost underspend 22/23 (non-Capita budgets) – earmark £110k for any one-off costs associated with the end of the IT contract.
  - Capita Contract (all services) underspend against budget 22/23 – earmark £110k for preparing for the end of the current contract in 2025 including options appraisals, system procurement and tendering costs.
  - Net interest on treasury above budget in 22/23 - transfer £350k into future budget pressures earmarked reserve.
9. If the above earmarking of 22/23 underspends is approved by Cabinet, this leaves headroom of some £1m in the general fund working balance (£8.3m-£1.3-£6m). The **proposed action** is to hold this in place until the emerging MTFS position is known in the Autumn when we should have more certainty about government funding, the cost of delivering the Climate Change Action Plan, the potential cost of the Local Plan review and other capital needs. At that stage, further recommendations will be made to Cabinet.

### ***Review of Earmarked Reserves – Review approach and desired outcomes***

10. The review has considered the points listed in the background section above and taken account of the following specific factors covering the medium term:
- Emerging risks and financial pressures impacting on the MTFS.
  - Capital and service projects, including major contract changes and renewals.
  - Service demands pressures including new legislation.
  - Uncertainty over government funding and other income budgets
  - Continued volatility in economic conditions including inflation and interest rates.
  - The need to consolidate and repurpose small, general reserve amounts.

11. In terms of earmarked reserves, the specific medium term service demands, corporate plan priority areas, risks and financial pressures reflected in the proposals are as follows:
- Review of outsourced and shared services, the timing and impact of major contract end dates including waste, Capita contract and other shared services.
  - The revised Climate Change action plan, still to be fully costed but will require significant financial resource to deliver the Council's objectives.
  - Additional financial and staff resource for the delivery of significant projects including the UK Shared Prosperity Fund etc.
  - Sufficient provision for the Local Plan review to alleviate the budget pressure in any particular financial year.
  - Continued investment in the IT provision and digital projects to improve service delivery and accessibility.
  - Strengthened plan for the maintenance of the Council's service assets and equipment, including CCTV, car parks and car park machines.
  - Adequate provision for the management of the Council's current and future property holding, including landlord obligations on leased buildings, void rent loss on investment buildings (good practice) and securing new property opportunities.
  - Up-front costs of efficiency and invest-to-save projects to benefit the revenue budget in the medium to long term.
  - Continuing to support the Hart district with community recovery, hardship assistance and an effective approach to homelessness.
  - Smoothing budget impact of financial pressures and economic volatility
  - Help cushion the impact of expected future reductions in funding including the New Homes Bonus, retained business rates and general grants.
12. Appendix 2 sets out the detailed breakdown of current earmarked reserves and highlights the **proposed actions** arising from this review.

### **SANG Reserves**

13. Hart has SANG reserves which hold the accumulated funds paid by developers for the provision and ongoing maintenance of SANG sites. The balance held at 31 March 2023 was £16,920k. Cabinet considered an update on SANG at its meeting on 1 December 2022.
14. Hart has a mix of owned and non-owned SANG and there are other sites in the pipeline. There is currently a standard developer tariff in place that applies across the main SANG sites. In terms of the financial arrangements, it is important that SANG reserves plus forecast future receipts are sufficient to maintain the SANG sites in perpetuity (80 years from each SANG becoming operational) and that there is no subsidy from the Council's general budgets. The financial arrangements are complex, and a range of long-term assumptions have to be made including maintenance and replacement costs, inflation, interest rates and cashflow timings. Initial forecasts undertaken as part of this reserves review give confidence that there is sufficient resource in the medium term to meet the required maintenance costs. However, there are

a number of **proposed actions** to bring further clarity to the position and improve the accounting and transparency of SANG finances:

- Improve financial analysis for each individual SANG site.
- Review the effectiveness and level of the standard tariff.
- Identify long term spending plans and lifecycle cost and create a sinking fund to smooth the impact of large expenditure items and increase the accuracy of cashflow forecasts.
- Improve clarity about the distinction between maintenance (SANG funded) and enhancement.
- Identify where external funding, including leisure S106, would be appropriate for site enhancements.
- Set criteria for evaluating new SANG opportunities, including financial, to inform a case-by-case assessment to inform Cabinet decision making.

15 A further report for Cabinet will be prepared once this work has been completed including whether any further measures are necessary to ensure the long-term financial sustainability of Hart's SANGs.

### **Capital Reserves**

Capital Reserves	31 March 2023 £000
Disabled Facilities Grants (DFG)	351
Capital receipts other	99
Leisure S106	2,973
Housing S106 and capital receipts, including Right to Buy	11,628
EA Flood grants	105
Other small specific balances	62
<b>Total</b>	<b>15,218</b>

16. The following are **proposed actions** for the capital reserves:

- The DFG balance has restricted use and will be gradually drawn down to fund grants when demand rises above the annual allowance.
- The capital receipts other amount will be used to fund equipment replacements through the capital programme.
- Leisure and Housing S106 funds - Officers will work on developing a programme of projects over the medium term to utilise these resources in line with corporate priorities, for example investment in the Heathlands sheltered scheme and the potential acquisition of more key worker housing. The review has identified that there is a repayment condition applying to three amounts of housing S106 but this a relatively small proportion of the overall funding and the earliest date is 2029 so this has been assessed as being a manageable risk.
- EA flood grants are site specific, and reports will be coming to Cabinet later in 2023.

## **ALTERNATIVE OPTIONS CONSIDERED AND REJECTED**

17. The alternative of doing nothing, and not reviewing reserves, was considered and rejected because with limited resources and competing priorities, improving alignment of reserves to risk and need is a vital part of sound financial management. This is set in the context of a projected MTFs budget shortfall, continued economic uncertainty and further pressure on income and government funding.

## **CORPORATE GOVERNANCE CONSIDERATIONS**

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

18. The holding of reserves supports all the Corporate Plan objectives and the Hart Vision by ensuring that sufficient resource is available to deliver services and withstand financial shocks to the budget. This report is at the heart of the cross-cutting objective in the Corporate Plan of having a financially sustainable Council.

### **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?  
n/a

### **Financial and Resource Implications**

19. This report sets out a key area of the Council's finances and makes proposals to bring clarity to why reserves are kept and greater justification for the amount held in them. This report supports the Medium-Term Financial Plan and future capital and revenue budget setting. Reserves by their nature are finite and the Council must continue to balance its ongoing budget through new and increased income, cost savings where possible, efficiency gains and invest to save projects - underpinned by robust cost control.

### **Risk Management**

20. As explained in Appendix 1, reserves are often held by local authorities to address risk. The corporate risk register should help inform the approach to reserves, particularly the reasons for holding them and the balance held. This is judgement at a point in time and should be periodically reviewed.

## **EQUALITIES**

21. The proposed changes set out in this paper are not considered to impact on equalities directly, however, directing financial resources to service priorities will indirectly support the delivery of equality policies.

## **CLIMATE CHANGE IMPLICATIONS**

22. The proposals included in this report support the delivery of the Council's climate change action plan and recognise the importance of providing sufficient resource to deliver this key Corporate Plan objective.

## **OVERVIEW AND SCRUTINY COMMITTEE**

23. The O&S Committee reviewed the report at its meeting on 18 July. One comment was recorded to pass to the cabinet which was a request for risk assessment to be undertaken in the review of SANG finances.

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## **Appendices**

Appendix 1 – Reserves legislative/regulatory framework.

Appendix 2 – Schedule of earmarked reserves and proposed actions

## **Background Papers:**

There are no unpublished background papers

## RESERVES

### ***Legislative/regulatory framework and guidance***

The requirement for financial reserves is acknowledged in statute. Sections 31A, 32, 42A and 43 of the Local Government Finance Act 1992 require billing and precepting authorities in England and Wales to have regard to the level of reserves needed for meeting estimated future expenditure when calculating the budget requirement.

There are also a range of safeguards in place that help to prevent local authorities over-committing themselves financially. These include:

- the balanced budget (or in England calculation of council tax) requirement
- chief finance officers' duty to report on robustness of estimates and adequacy of reserves (under Section 25 of the Local Government Act 2003) when the authority is considering its budget requirement.
- the legislative requirement for each local authority to make arrangements for the proper administration of their financial affairs and that the chief finance officer/proper officer has responsibility for the administration of those affairs,
- the requirements of the Prudential Code

These requirements are reinforced by Section 114 of the Local Government Finance Act 1988 which requires the chief finance officer in England and Wales to report to all the authority's councillors if there is or is likely to be unlawful expenditure or an unbalanced budget. This would include situations where reserves have become seriously depleted, and it is forecast that the authority will not have the resources to meet its expenditure in a particular financial year.

CIPFA's Prudential Code requires chief finance officers in local authorities to have full regard to affordability when making recommendations about the local authority's future capital programme. Such consideration includes the level of long-term revenue commitments. Indeed, in considering the affordability of its capital plans, the authority is required to consider all the resources available to it estimated for the future, together with the totality of its capital plans and revenue forecasts for the forthcoming year and the following two years.

### ***Role of the chief finance officer***

Within the existing statutory and regulatory framework, it is the responsibility of chief finance officers to advise local authorities about the level of reserves that they should hold and to ensure that there are clear protocols for their establishment and use. Reserves should not be raised without a clear purpose.

Local authorities should establish reserves and determine the level of those reserves based on the advice of their chief finance officers. Authorities should make their own judgements on such matters taking into account all the relevant local circumstances. Such circumstances vary. A well-managed authority, for example, with a prudent approach to budgeting should be able to operate with a level of general reserves appropriate for the risks (both internal and external) to which it is exposed. In assessing the appropriate level of reserves, a well-managed authority will ensure that the reserves are not only adequate but are also necessary.

## ***Types of reserve***

For statutory purposes, there is a single revenue reserve, the General Fund Balance. When reviewing their medium-term financial plans and preparing their annual budgets local authorities should consider the establishment of sub reserves (known as earmarked reserves) and maintenance of general reserves. These can be held for three main purposes:

- a working balance to help cushion the impact of uneven cash flows and avoid unnecessary temporary borrowing – this forms part of general reserves.
- a contingency to cushion the impact of unexpected events or emergencies – this also forms part of general reserves.
- a means of building up funds, often referred to as earmarked reserves.

## ***Principles to assess the adequacy of reserves***

In order to assess the adequacy of unallocated general reserves when setting the budget, chief finance officers should take account of the strategic, operational and financial risks facing the authority.

The many factors involved when considering appropriate levels of reserves can only be assessed properly at a local level. A considerable degree of professional judgement is required. The chief finance officer may choose to express advice on the level of balances in cash and/or as a percentage of budget (to aid understanding) so long as that advice is tailored to the circumstances of the authority. also acknowledges that adding to reserves competes with service needs.

The advice should be set in the context of the authority's risk register and medium-term plans and should not focus exclusively on short-term considerations. Balancing the annual budget by drawing on general reserves may be viewed as a legitimate short-term option. However, it is not normally prudent for reserves to be deployed to finance recurrent expenditure.

In addition, authorities will hold the following two usable reserves:

- a capital receipts reserve – this reserve holds the proceeds from the sale of assets and can only be used for those purposes specified in the capital finance and accounting regulations.
- a capital grants unapplied account - this reserve will hold capital resources (from capital grants) that have been recognised as income and not yet applied to capital expenditure.

The statutory reporting regime described earlier, and effective financial management underpin the need for clear, transparent reporting arrangements for reserves. For each reserve there should be a clear protocol setting out:

- the reason for/purpose of the reserve
- how and when the reserve can be used
- procedures for the reserve's management and control, and
- a process and timescale for review of the reserve to ensure continuing relevance and adequacy.

Description	Balance at 31/3/2023	Further commitment from 22/23	Transfer in/out 23/24	Estimated available balance	Proposed Actions (In bold) - in line with review outcomes
	£000	£000	£000	£000	
Workplace Wellbeing	8			8	Maintain as HR wellbeing fund
Transparency Grant	14			14	<b>Transfer to 'Efficiency and Budget Pressures' earmarked reserve</b>
Sport England Grant	2			2	Keep as is for intended purpose
Housing Initiatives	8		8	-	Used to fund housing projects officer
PRSF Access Fund	65			65	Keep as is for intended purpose
Local Welfare Funding unused	6		6	-	Used to fund housing projects officer
Lettings Agents Transparency Grants	2			2	Keep as is for intended purpose
Covid Hardship Fund Reserve	319			319	<b>Transfer to new 'Hardship reserve'</b>
MCHLG - New Burdens S31 Grant - Homelessness	12		12	-	Used to fund housing projects officer
MCHLG - Overhauling Data S31 Grant - Homelessness	20		20	-	Used to fund housing projects officer
Help for Single Homeless Fund	9		9	-	Used to fund housing projects officer
Scanning Business Support Asst.	18		18	-	Used to fund data officer
Local Plan	98		65	33	£65k committed to settlement capacity study - needs assessment of costs in medium term
Swan Inn Commercialisation	25		25	-	-
Self Build & Custom House Build Register	36			36	Keep as is for intended purpose
New Burdens - Custom Build Grant	15			15	<b>Transfer to Local Plan reserve</b>
Neighbourhood Planning Grant	59			59	Keep as is and ensure fund used for all cost incurred
NNDR Deficit Smoothing Account	2,928			2,928	<b>GC Review final Covid business rates support transfer in 23/24 then broaden purpose to 'General govt. funding risk reserve'</b>
Website Development	42		42	-	-
2022/2023 Pressures smoothing	144			144	<b>Transfer to 'Efficiency and Budget Pressures' earmarked reserve</b>
Management fee on S106	41			41	To be used for S106 admin costs
VAT Repayment income for sporting services	-			-	-
Capita Contract and Client Team	87			87	<b>Transfer to Capita contract fund</b>
Commercialisation at Hart	344			344	<b>Repurpose to property income void, landlord costs and opportunity fund</b>
New burdens	115			115	<b>Transfer to 'Efficiency and Budget Pressures' earmarked reserve</b>
Discretionary Housing payments	19			19	<b>Transfer to new 'Hardship reserve'</b>
Homelessness Trailblazer Grant	50		50	-	Used to fund housing projects officer
Flexible Homelessness Support Grant April 2018	-			-	-
Flexible Homelessness Support Grant April 2019	95		95	-	Part of Tier 1 budget contribution approved by Council Feb 22
Flexible Homelessness Support Grant April 2020	190		190	-	Part of Tier 1 budget contribution approved by Council Feb 22
Community Housing Fund	3		3	-	Used to fund housing projects officer
New Burdens Terrorism Prevention Duty	10			10	Keep as is for intended purpose
Roundabout Sponsorship	157			157	<b>Commercial income from advertising on our land - develop policy with agreed criteria for spend</b>
3 Floor Maintenance	50		50	-	-
Council Chamber Audio, AV and Streaming	15		15	-	-
Dog Warden Van Underspend to fund new vehicle	7	7		-	-
Hartley Wintney Commons Rural Payments Agency	4			4	Keep as is for intended purpose
Elvetham Heath Rural Payments Agency	3			3	Keep as is for intended purpose
Odiham Common Rural Payments Agency	14			14	Keep as is for intended purpose
Fleet Pond Rural Payments Agency	7			7	Keep as is for intended purpose
Digital Transformation reserve	377	160	42	175	Keep as IT/Digital reserve and develop programme of work from digital strategy
LA Discretionary Grant Fund	130		32	98	<b>Transfer to new 'Hardship reserve'</b>
HCC Emergency Assistance Grant	76			76	<b>Transfer to new 'Post-covid community recovery fund'</b>
MHCLG Covid 19 Changes reserve	120			120	<b>Transfer to new 'Post-covid community recovery fund'</b>
New Burdens Grant	58			58	<b>Transfer to new 'Post-covid community recovery fund'</b>
Self Isolation Grant	80			80	<b>Transfer to new 'Post-covid community recovery fund'</b>
IT Cyber Security Grant	150		150	-	-
Solar Panels	17		17	-	-
Building Control Index	19		19	-	Will be spent on business support one-off costs in 23/24
Ukraine	214		214	-	To be spent as per agreed programme
Climate change fund - balance of revenue budget	229	229	200	200	To be allocated to projects by Cabinet Aug 23
<b>Total</b>	<b>6,512</b>			<b>5,234</b>	



## CABINET

### KEY DECISIONS / WORK PROGRAMME AND EXECUTIVE DECISIONS MADE

August 2023

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

Report Title	Outline/Reason for Report/Comments	Due Date	Original Due Date	Key Decision Y? (Note 1)	Cabinet Member (Note 2)	Service (Note 3)	*This item may contain Exempt information
Revenue, Capital and Treasury Outturn 2022/23	To report the final position against budget and agree capital carry forward requests.  To summarise the treasury activity for the year against the approved policy	3 Aug 2023		No	JR	CS	
Review of Reserves including Suitable Alternative Natural Green Space (SANGS) Funding	To review and agree actions relating to the Council's Reserves, including funding allocated to SANGS, and make recommendations to Council on proposed changes	3 Aug 2023		No	JR	CS	
Climate Change - request for allocation from the Climate Change reserve/budget	Cabinet to consider allocation of funds to climate change projects aligning to the Action Plan, within the £200,000 overall budget already approved	3 Aug 2023		No	RQ	CS	
Review and Project Plan Flood Schemes	Review and project plan the flood schemes at Kingsway, Blackwater Mill Corner, North Warnborough	7 Sep 2023		No	GC	PL	

Report Title	Outline/Reason for Report/Comments	Due Date	Original Due Date	Key Decision Y? (Note 1)	Cabinet Member (Note 2)	Service (Note 3)	*This item may contain Exempt information
	Phoenix Green, Hartley Wintney.  A full review of the current schemes, new project plans, project management, resources and timeframes						
Q1 Budget monitoring report and forecast outturn for 2023/24	Report to Cabinet the latest projections of expenditure and income, including capital, for 2023/24 for review and approval of any action necessary	7 Sep 2023		No	JR	CS	
Corporate Risk Register (Half Yearly Review)	Cabinet to review the Corporate Risk Register and pass any comments to officers.	5 Oct 2023  4 Apr 2024		No	RQ	CS	
UK Shared Prosperity Fund (UKSPF) resources and programme update	To consider proposals for the necessary resources to deliver the UKSPF programme, as approved in the Investment Plan, and to note the updated timetable	5 Oct 2023		No	DN	CS	
Winchfield Neighbourhood Plan 2022-2037	To receive Inspector's report and consider whether to proceed to referendum.	5 Oct 2023		No	GC	PL	
Medium Term Financial Strategy (MTFS) Mid-Year Review and Headline	To note emerging pressures on the Council's finances and agree a budget strategy for the coming year	2 Nov 2023		No	JR	CS	

Report Title	Outline/Reason for Report/Comments	Due Date	Original Due Date	Key Decision Y? (Note 1)	Cabinet Member (Note 2)	Service (Note 3)	*This item may contain Exempt information
Budget Strategy for 2024/25	and consider changes to the MTFS						
Q2 Budget monitoring report and forecast outturn for 2023/24 - incorporating treasury activity	Report to Cabinet the latest projections of expenditure and income, including capital, for 2023/24 for review and approval of any action necessary. Report to include treasury activity and adherence to approved policy.	2 Nov 2023		No	JR	CS	
Supplementary Planning Document - Cycle and Car Parking in New Developments	Following public consultation, Cabinet to consider adopting the Supplementary Planning Document on Cycle and Car Parking in New Developments	2 Nov 2023		No	GC	PL	
Supplementary Planning Document - Viability Appraisals for New Developments	Following public consultation, Cabinet to consider adopting the Supplementary Planning Document on Viability Appraisals for New Developments	2 Nov 2023		No	GC	PL	
Settlement Capacity and Intensification Study	To consider the Settlement Capacity & Intensification Study produced by consultants. The study was commissioned to review the potential capacity within the district's settlements to accommodate future growth	7 Dec 2023		No	GC	PL	
Planning Local Enforcement Plan	To consider and adopt an updated Planning Local Enforcement Plan.	7 Dec 2023		No	GC	PL	

Report Title	Outline/Reason for Report/Comments	Due Date	Original Due Date	Key Decision Y? (Note 1)	Cabinet Member (Note 2)	Service (Note 3)	*This item may contain Exempt information
Page 61	<p>The current Planning Local Enforcement Plan was adopted in January 2016, and this review is to ensure it reflects current best practice and to bring it up to date.</p> <p>[The Planning Local Enforcement Plan provides guidance to officers, businesses and members of the public, setting out the principles and the standards the service will work to in enforcing breaches of planning control. It sets out what we can and can't do in terms of planning enforcement. It also explains how complaints are investigated, how we prioritise and what tools we have available where enforcement action is considered necessary.]</p>						
Adoption of Local Cycling and Walking Infrastructure Plan (LCWIP)	Following the end of the consultation period, to consider adopting the updated LCWIP.	7 Dec 2023		No	GC	PL	
Review of CCTV Service	To review the CCTV service, including any requirement for additional funding for replacement cameras/additional maintenance as required	4 Jan 2024		No	AO	COM	
Draft Budget 2024/25	To consider and recommend to	1 Feb		No	JR	CS	

Report Title	Outline/Reason for Report/Comments	Due Date	Original Due Date	Key Decision Y? (Note 1)	Cabinet Member (Note 2)	Service (Note 3)	*This item may contain Exempt information
	Council, the revenue and capital budget for 2024/25 including revised Medium Term Financial Strategy and any proposed changes to council tax discretions.	2024					
Climate Change Update	Cabinet to receive an update on progress against the Climate Change Action Plan	4 Jan 2024		No	JR	CS	
Q3 Budget monitoring report and forecast outturn for 2023/24	Report to Cabinet the latest projections of expenditure and income, including capital, for 2023/24 for review and approval of any action necessary.	1 Feb 2024		No	JR	CS	
Treasury Management Policy and Capital Strategy annual statutory review	To consider and recommend to Council the revised Treasury Management Policy including Investment Strategy, prudential indicators and Capita Strategy, having regard to O&S comments	1 Feb 2024		No	JR	CS	
Draft Service Plans 2024/25	Cabinet to review and approve draft service plans for 2024/25 having regard to O&S comments and the approved budget.	7 Mar 2024		No		ALL	

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

Climate Change updated and request for funding allocations for projects to deliver Action Plan	To update Cabinet on progress against Hart's Climate Change Action Plan, and request release of funding	Various dates during 2023/24		No	RQ	CS	
Asset decisions required regarding council owned land and property	To seek Cabinet approval for specific property transactions including lease renewals and variations and property investment opportunities	Various dates during 2023/24		No	DN/RQ	CS	

### Executive Decisions

	<b>None this month</b>	

### 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.

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

**Cabinet Members**

D Neighbour	Leader and Strategic Partnerships
J Radley	Deputy Leader and Finance
A Oliver	Development Management and Community Safety
T Clarke	Digital and Communications
T Collins	Regulatory
TR Quarterman	Climate Change and Corporate
CS Bailey	Community
PG Cockarill	Planning Policy and Place

**Note 3**

**Service:**

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

**Note 4**

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