NOTICE OF MEETING

Meeting:	**Cabinet**
Date and Time:	**Thursday, 4 February 2016 at 7pm**
Place:	**Council Chamber, Civic Offices, Fleet**
Telephone Enquiries to:	**01252 774141 (Mrs G Chapman)** **gill.chapman@hart.gov.uk**
Members:	**Burchfield, Crampton, Crookes, Forster, Gorys, Kennett, Morris, Parker (Chairman)**

Joint Chief Executive

CIVIC OFFICES, HARLINGTON WAY
FLEET, HAMPSHIRE GU51 4AE

AGENDA
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1 MINUTES OF PREVIOUS MEETING

The Minutes of the meeting of 21 January 2016 are attached to be confirmed and signed as a correct record. **Paper A**

2 APOLOGIES FOR ABSENCE

3 CHAIRMAN'S ANNOUNCEMENTS

4 DECLARATIONS OF INTEREST

To declare disclosable pecuniary or any other interests.

5 PUBLIC PARTICIPATION (ITEMS PERTAINING TO THE AGENDA)

6 MANAGEMENT OF THE JOINT WASTE CONTRACT 2018 ONWARDS

To seek approval to retender the joint Basingstoke and Deane/Hart Waste Contract in October 2018, and to allocate initial funding for the retendering work. **Paper B**

RECOMMENDATION

1 That work is commenced on retendering the joint waste contract, and that this proceeds in accordance with the outline programme attached at appendix B, subject to the council not receiving (prior to July 2016) much improved terms for extension of the existing contract.

2 That £50k is allocated in the 16/17 waste budget to provide initial match funding for the procurement process with Basingstoke and Deane Borough Council.

7 DRAFT TREASURY MANAGEMENT STRATEGY STATEMENT AND ANNUAL INVESTMENT STRATEGY

To present the draft Treasury Management Strategy Statement for 2016/17 which incorporates the Annual Investment Strategy and Prudential and Treasury Indicators. **Paper C**

RECOMMENDATION

That the Treasury Management Strategy Statement for 2016/17 be approved.

8 BUDGET 2016/17

To provide a summary of the revenue and capital budget proposals for 2016/17 to enable the Cabinet to forward its recommendations on the budget and Council Tax levels to Council on 25 February 2016. The report also includes the statutory statement of the Head of Finance (Section 151 Officer) to Council on the robustness of the estimates and adequacy of reserves. **Paper D**

RECOMMENDATIONS to Council

1 That the growth and savings set out in Appendix A be approved.

2 That the level of Council Tax for 2016/17 be increased by 1.99% and set at £154.86.

3 That the summary revenue budget for 2016/17 as set out (in Paragraph 12 of the report) be approved.

4 That the revised capital programme for 2015/16 and 2016/17 as detailed in Appendix B be approved.

5 That the proposals on Fleet Car parking charges be considered.

6 That the Council reconsider its decision not to implement the Council Tax Reduction Scheme.

7 That the current 365 card subsidy available to staff and members be considered by the Staffing Committee.

8 That the Section 151 Officer's statutory report regarding the robustness of the estimates and the adequacy of reserves detailed in paragraph 13 be noted.

9 CABINET WORK PROGRAMME

The Cabinet Work Programme is attached for consideration and amendment.
Paper E

Date of Despatch: 26 January 2016

CABINET

Date and Time: Thursday, 21 January 2016 at 7pm

Place: Council Chamber, Civic Offices, Fleet

Present:

COUNCILLORS

Burchfield, Crookes, Forster, Gorys, Kennett, Morris, Parker (Chairman)

In attendance: Bailey, Collett, Cockarill, Crisp, Radley JE

Officers:

Patricia Hughes	Joint Chief Executive
Gill Chapman	Committee Services

98 MINUTES OF THE PREVIOUS MEETING

The Minutes of the meeting of 7 January 2016 were confirmed and signed as a correct record.

99 APOLOGIES FOR ABSENCE

Apologies had been received from Councillor Crampton.

100 CHAIRMAN'S ANNOUNCEMENTS

The Chairman announced that errors had been found in the local plan consultation documents and the decision had been made to stop the consultation. The Leader and Officers were considering how best to move forward, with the intention to get the consultation going again as soon as possible, hopefully next week. Members would be kept informed.

101 DECLARATIONS OF INTEREST

None declared.

102 PUBLIC PARTICIPATION (ITEMS PERTAINING TO THE AGENDA)

Mr Geoff Hislop, Civil Enforcement Manager (Parking), made a statement, pointing out his concerns, and particularly what would be lost if the planned joint procurement project went ahead. He questioned whether all areas of work would be covered in the contract, and how some areas could be controlled remotely. He stated that whilst he and his team wanted to provide the best services, he did not think it was in the best interest of the Council to outsource the parking services.

103 JOINT PROCUREMENT OF SERVICES

Cabinet considered the recommendation to Council regarding the commissioning of a range of services, including both 'soft services' such as revenues and benefits and a range of 'back office services' and 'hard services' such as Facilities Management, Property and Car Parks.

Whilst some appendices to the report were marked as Confidential, Members agreed to keep the discussions open and not exclude the public.

The Joint Chief Executive introduced the item, summarising the benefits, and any disadvantages. This had been a large piece of work, resulting in a complex contract covering multiple services across five councils. The report detailed the minimum guaranteed savings, but savings were expected to be more with the client team driving towards maximum savings.

Members congratulated the Joint Chief Executive on the hard work put into the project and its potential savings. Members considered the following issues:

- It was noted that the minimum savings identified were guaranteed
- Economies of scale meant Hart was in a much better negotiating position
- Client Team costs were proportionate to the Hart part of the contract
- Emergency Planning and Elections were supported by staff across the Council - there was no reason why staff on the premises, but not employed by Hart, should not take a part in this support
- The IT contract had flexibility enabling councils to plug in modules depending on their technology needs
- Contractors would be required to suggest improvements to a service that might reduce demand and therefore their own profit
- Concern was raised on the lower number of FTE's in parking would still be able to keep service standards and deliver savings
- The recommendations included delegated authority terms. If there were any significant changes on costings/savings at the preferred bidder stage a view would be taken as to whether to bring those back to Cabinet
- Could assurances be given that an aggressive approach to serving PCNs would not happen in Hart now and in the future. The Joint Chief Executive reported that any income would go directly to the authority, and therefore there would be no perverse motivation for the contractor to follow that course.
- Dispute resolution - Members discussed this extensively, particularly third party resolution, arbitration, collaborative working, proportionality of benefits and the impact on each of the five councils being unable to find their own solutions.
- If, at some future point, circumstances changed and there were overwhelming reasons and a strong business case for withdrawing from a service and/or the existing arrangements, there was the flexibility in the contract to do so. Any penalty clauses would have to be weighed against potential opportunity. Conversely, there was also the flexibility to opt in to a service Hart was not at present contracted to.
- There was a sixth council proposing to join who were already sharing services with one of the five.

- If any other councils wished to be included in the future, the proposals would be considered on an individual basis, and the Joint Committee would have a right of veto.
- More councils in the group may result in better savings for Hart.

Members asked that the Joint Chief Executive liaise with Mr Hislop on the issues he had raised and ensure that these were covered with the preferred bidder.

The Overview and Scrutiny Committee had put forward the view that members on the Scrutiny Joint Committee should be made up from members of the Hart Overview and Scrutiny Committee. Members agreed that this would be considered with the Cabinet recommendation at the full Council meeting (28 January 2016)

A vote was taken and it was unanimously:

RESOLVED

That Cabinet agree to the outsourcing of Lot 1 and Lot 2 services on the following basis:

A. Designates Capita as the preferred bidder for Lot 1 of the 5 Councils new joint corporate services contract commencing 1 October 2017 with delegated authority to the Joint Chief Executive in consultation with the Portfolio Holder, to implement services earlier as set out in 5.6

B. Designates Vinci as the preferred bidder for Lot 2 of the 5 Councils new joint corporate services contract commencing 1 October 2017 with delegated authority to the Joint Chief Executive in consultation with the Portfolio Holder for Corporate Services, to implement services earlier as set out in 6.6

C. Authorises the Joint Chief Executive in consultation with the Portfolio Holder for Corporate Services, to agree final terms to enter into the contracts referred to in A and B and authorises the Solicitor to the Council to, following this, enter into contracts and make any other necessary agreements.

D. Agrees to enter into an Inter Authority Agreement (IAA) with the four partner councils substantially in the form attached (Appendix 1) and delegates to the Joint Chief Executive authority to finalise the terms of the agreement and to enter into the agreement

E. Agrees to the establishment of a joint client team, based on the principles established (Appendix 2), and to delegate authority to the Joint Chief Executive, in consultation with the Portfolio Holder for Corporate Services, to seek any minor changes to the client team arrangements as necessary .

RECOMMENDATIONS to Council

F. The establishment of a Joint Committee in accordance with the details outlined in Appendix 3 and to delegate authority to the Joint Chief Executive, in consultation with the Portfolio Holder for Corporate Services, to be authorised to seek any minor changes to the Joint Committee terms of reference as necessary and be delegated to sign this agreement on behalf of the Council.

G. The establishment of a Joint Overview and Scrutiny Committee with details outlined in Appendix 4 and to delegate authority to the Joint Chief Executive, in consultation with the Portfolio Holder for Corporate Services, be authorised to seek any minor changes to the Joint Overview and Scrutiny Committee terms of reference as necessary and be delegated to sign the agreement on behalf of the Council

H The Monitoring Officer in consultation with the Chairman of Standards Committee and the Three Group Leaders be delegated to amend the constitution accordingly

104 CABINET WORK PROGRAMME

The Cabinet Work Programme was considered.

The meeting closed at 8.15 pm

PAPER B

CABINET

DATE OF MEETING: **4 FEBRUARY 2016**

TITLE OF REPORT: **MANAGEMENT OF THE JOINT WASTE CONTRACT 2018 ONWARDS**

Report of: **Head of Environment and Technical Services**

Cabinet member: **Councillor Steve Forster, Environment and Technical Services**

1 PURPOSE OF REPORT

1.1 This report seeks approval to retender the joint Basingstoke and Deane/Hart Waste Contract in October 2018, and to allocate initial funding for the retendering work.

2 OFFICER RECOMMENDATION

2.1 That work is commenced on retendering the joint waste contract, and that this proceeds in accordance with the outline programme attached at appendix B, subject to the council not receiving (prior to July 2016) much improved terms for extension of the existing contract.

2.2 That £50k is allocated in the 16/17 waste budget to provide initial match funding for the procurement process with Basingstoke and Deane Borough Council.

3 BACKGROUND

3.1 In October 2011, following an EU procurement process, a joint waste contract was let to Veolia to serve both Basingstoke and Deane and Hart. The joint contract delivered significant savings for both authorities and included the outsourcing of Hart's waste service. As part of the joint service it was agreed that Hart would be the administering authority for the contract and a joint client team was set up to manage the contract.

3.2 The contract term was 7 years with the option of extending for a further 7 years subject to the agreement of all parties, the initial 7 year term expires on 2nd October 2018

3.3 Strategic performance of the joint waste service is monitored by the Joint Governance Group (JGG). Membership comprises the relevant Portfolio Holder (or their nominated deputy) and a Corporate Director (now Hart Joint Chief Exec) from each authority, the Head of Technical Services & Environmental Maintenance and the Waste & Recycling Manager (as required). The meetings are also regularly attended by the Procurement and Contracts Team Leader and Senior Lawyer from Shared Legal Services. The JGG meets at least quarterly.

3.4 With the exception of approximately 12 months of poor performance in Hart during 2013/14, service performance in both areas has been good. When contract options at the end of the current 7 year term were initially considered by the JGG group it was agreed, (subject to Veolia's agreement) that extension for a further 7 years would be preferred to retendering.

3.5 In April 2015 the JGG agreed that officers should commence negotiations with Veolia to seek agreement on the terms for a contract extension.

3.6 However, Veolia had previously stated that they were losing money on the contract, and would only agree to an extension to the contract if it could be made financially viable. This comprised a significant 'top up payment' for the remaining years of the existing contract and then a revised contract sum for the extension.

3.7 It was therefore agreed that the first stage of the negotiations would be for the Council to seek to understand Veolia's accounts. Whilst Veolia provided details of the contract costs, despite numerous requests for additional information and a high level meeting between the Councils and Veolia executives, it has not been possible for the joint management team to fully verify that the alleged cost of the contract are accurate.

3.8 As the distribution of costs across the contract could not be verified, waste consultants, White, Young, Green, were commissioned to prepare a shadow bid. This bid was then used to compare Veolia's operational costs with the estimated market value of the contract.

3.9 The table attached at confidential Appendix 1 compares the amount both authorities pay for the joint waste contract, with the costings provided by Veolia, and the estimated market value of the contract from the shadow bid.

3.10 As can be seen from the table at confidential Appendix 1, the estimated market value of the contract is broadly in line with the sum currently being paid, whilst the amount that the contract is costing Veolia to operate is significantly higher. A brief summary of the possible reasons for this is provided in Appendix 1.

3.11 Veolia were offered the opportunity to provide additional costing information and invited to provide an initial price for the extension but declined to do so without confirmation that the top-up payment would be made. It was made clear to Veolia executives that this was not an option that either council would consider.

3.12 As it has not been possible to verify Veolia's contract costs, and as the consultants are confident that the market value of the contract is broadly in line with the amount currently being paid, it is recommended that work is commenced on retendering the joint waste contract. A draft programme of the proposed procurement process is attached at Appendix 2.

3.13 The only caveat to this approach is if Veolia reconsider their position and come back to the table with a much improved financial offer. In order to avoid abortive work on the tender documents this would have to be received by July 2016. Should such an approach be made and the cost be equivalent or less of the shadow bid, a further report will be brought to Cabinet to agree whether to progress with the extension or continue with the tender process.

3.14 Whilst developing the shadow bid consultants reviewed the benefits that a joint waste contract provides, these include:

- A greater opportunity for cross boundary working, and potential savings in management costs for the contractor plus a saving in the number of spare vehicles which the contractor holds.
- The opportunity for the contract to be managed with a smaller client team resource.
- Having consulted with potential suppliers they are clear that a joint contract is far more attractive for bidders, resulting in increased competition and hence lower prices than would otherwise be the case.

It is therefore proposed that the joint management arrangements continue.

3.15 Although there are resource implications in retendering the contract, this also provides an opportunity to review and identify opportunities for service improvement and consider possible changes to service delivery over the next contract term.

3.16 This report was considered by the Overview and Scrutiny Committee at its January 2016 meeting. The committee agreed that Cabinet should consider the following when agreeing future arrangements for management of the waste contract.

- that there may be wider economies of scale if we were to work with other local authorities.
- that the Council may wish to consider the opportunities with regard to the existing depot, if this were to be excluded from the specification moving forward.

4 CONSIDERATIONS

4.1 There is a risk that the consultant's estimate of the current market value is incorrect and that any tenders received could be more in line with Veolia's current operational costs. Whilst this is a risk, the consultants have significant experience of tendering local authority waste contracts and are confident that their estimate is an accurate reflection of the current market value.

4.2 The Transfer of Undertakings (Protection of Employment) Regulations 2006 (TUPE) will apply to any staff employed on the current waste collection contract.

4.3 The proposals outlined in this report comply with the terms of the Basingstoke and Deane and Hart joint waste contract, and the proposed procurement process will comply with the requirements of the Public Contracts Regulations 2015, and the Official Journal of the European Commission.

5 FINANCIAL IMPLICATIONS

5.1 Depending on the chosen procurement route, and excluding officer time, it is estimated that retendering of the joint waste contract will cost between £60k and £120k. It is proposed that this cost should be split equally between Hart and Basingstoke and Deane. This report therefore recommends that each council initially allocates £50k to provide funding for the procurement process.

6 ACTION

6.1 Subject to the approval of this reports recommendations Veolia will be notified of the Council's decision to retender the waste service and a detailed programme of the procurement process will be agreed with the JGG. After July 2016 (provided an improved offer is not received from Veolia) work will commence on procurement of a new waste contract.

Contact Details: John Elson, Head of Technical and Environmental Services, extension 4491, john.elson@hart.gov.uk

APPENDICES / CONFIDENTIAL APPENDICES

Confidential Appendix 1 – Comparison of current contract costs with operational costs and the estimated market value.
Appendix 2 – Draft procurement programme for tendering of the Basingstoke/Hart joint waste contract.

BACKGROUND PAPERS:

- Notes of Joint Governance Group meetings between October 2011 and present.
- OPPORTUNITIES FOR INCREASING HART'S RECYCLING RATE – Cabinet Report – December 2014
- JOINT WORKING ON WASTE WITH BASINGSTOKE AND DEANE BOROUGH COUNCIL – CONTRACT AWARD REPORT – Cabinet Report - April 2011

Appendix B

Draft procurement programme for tendering of the Basingstoke/Hart joint waste contract.

DATE	**ACTION**
Prior to July	Consider outline service specification for the contract and agree membership of the procurement team.
	Consultation with members on the future specification for the waste service.
July 2016	Obtain consultants quote for supporting the procurement process.
September 2016	Appoint consultants.
September 2016 – April 2017	Prepare tender documents and process for evaluating tender returns.
April 2017	Pre Qualification Questionnaire (PQQ) to be sent out.
July 2017	Invitation to tender issued.
September 2017	Tenders to be returned
October 2017	Tender evaluation
January 2018	Cabinets in Hart and Basingstoke to agree tender acceptance.
April 2018	Contract award
3rd October 2018	New contract start date

PAPER C

CABINET

DATE OF MEETING:	**4 FEBRUARY 2016**
TITLE OF REPORT:	**DRAFT TREASURY MANAGEMENT STRATEGY STATEMENT AND ANNUAL INVESTMENT STRATEGY**
Report of:	**Head of Finance**
Cabinet member:	**Councillor Ken Crookes, Economic Development and Corporate Finance**

1 PURPOSE OF REPORT

1.1 This report presents the draft Treasury Management Strategy Statement for 2016/17 which incorporates the Annual Investment Strategy and Prudential and Treasury Indicators.

2 OFFICER RECOMMENDATION

2.1 That the Treasury Management Strategy Statement for 2016/17 be approved.

3 BACKGROUND

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

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

3.3 The Treasury Management Strategy Statement and Annual Investment Strategy is attached as Annex A. There are no significant differences from the 2015/16 strategy as the economic background remains similar.

4 MANAGEMENT OF RISK

4.1 The Treasury Management Strategy contains a risk assessment in Section 8.

CONTACT: Tony Higgins, Head of Finance, x4207, tony.higgins@hart.gov.uk

APPENDICES

Annex A – Treasury Management Strategy Statement and Annual Investment Strategy

Hart District Council

DRAFT TREASURY MANAGEMENT STRATEGY STATEMENT

Incorporating the Annual Investment Strategy

And

Minimum Revenue Provision Policy Statement

Contents

1. Background Information

Background

The Council is required to operate a balanced budget, which broadly means that cash raised during the year will meet cash expenditure. Part of the treasury management operation is to ensure that this cash flow is adequately planned, with cash being available when it is needed. Surplus monies are invested in low risk counterparties or instruments commensurate with the Council's low risk appetite, providing adequate liquidity initially before considering investment return.

The second main function of the treasury management service is the funding of the Council's capital plans. These capital plans provide a guide to the borrowing need of the Council, essentially the longer term cash flow planning to ensure that the Council can meet its capital spending obligations. This management of longer term cash may involve arranging long or short term loans, or using longer term cash flow surpluses. On occasion any debt previously drawn may be restructured to meet Council risk or cost objectives.

CIPFA defines treasury management as:

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

Reporting requirements

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

Prudential and treasury indicators and treasury strategy (this report) **-** The first, and most important report covers:

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

A mid year treasury management report – This will update members with the progress of the capital position, amending prudential indicators as necessary, and whether any policies require revision.

An annual treasury report – This provides details of a selection of actual prudential and treasury indicators and actual treasury operations compared to the estimates within the strategy.

Scrutiny

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

Treasury Management Strategy for 2016/17

The strategy covers two main areas; Capital Issues and Treasury Management Issues.

Capital issues

- the capital plans and the prudential indicators(Appendix 6);
- the minimum revenue provision (MRP) strategy (Appendix 5).

Treasury management issues

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

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

Training

The CIPFA Code requires the responsible officer to ensure that members with responsibility for treasury management receive adequate training in treasury management. This especially applies to members responsibe for scrutiny.

The training needs of treasury management officers are periodically reviewed.

Treasury Management Consultants

The Council uses Capita Asset Services as its external treasury management advisors.

The Council recognises that responsibility for treasury management decisions remains with the organisation at all times and will ensure that undue reliance is not placed upon our external service providers.

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

2. Treasury Management Policy Objectives

The overriding policy objectives of the Treasury Management Strategy are:

- To invest prudently having regard to the security of investments.
- To maintain liquidity in the investment portfolio to meet the council's spending plans.

The supplementary policy objectives of the Treasury Management Strategy are:

- To aim to achieve the optimum return on investments commensurate with the proper levels of security and liquidity.
- To minimise the cost of any temporary borrowing (which may be required for day to day cash flow reasons).

3. Outlook for Interest Rates

The Council has appointed Capita Asset Services as its treasury advisor and part of their service is to assist the Council to formulate a view on interest rates. The table on Annex A (Appendices) provides their view of future interest rates.

4. The Investment Portfolio

The Council's Balance Sheet as at 31 March 2015 shows short term cash investments of £15m.

The council is forecast to generate £80,150 of interest income in 2016/17.

The council's existing investment portfolio reflects the effect of previous treasury management strategies. Investments have been made for a combination of short and long term periods using different investment instruments.

The maturity structure of the investment portfolio as at 31 December 2015 is summarised below:

Investment Maturity Structure	**£m**	**%**
<1Month	13.0	56
1-3 Months	8.0	34
3-6 Months	2.0	8
	23.0	100

As at 31 December 2015, 95% of the investments were with Banks, with £1m being invested with Money Market Funds.

5. <u>Annual Investment Strategy 2016/17</u>

5.1 Investiment policy

The Council's investment policy has regard to the CLG's Guidance on Local Government Investments ("the Guidance") and the revised CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes ("the CIPFA TM Code"). The Council's investment priorities will be security first, liquidity second, then return.

In accordance with the above guidance from the CLG and CIPFA, and in order to minimise the risk to investments, the Council applies minimum acceptable credit criteria in order to generate a list of highly creditworthy counterparties which also enables diversification and thus avoidance of concentration risk. The key ratings used to monitor counterparties are the Short Term and Long Term ratings.

Ratings will not be the sole determinant of the quality of an institution; it is important to continually assess and monitor the financial sector on both a micro and macro basis and in relation to the economic and political environments in which institutions operate. The assessment will also take account of information that reflects the opinion of the markets. To this end the Council will engage with its advisors to maintain a monitor on market pricing such as "credit default swaps" and overlay that information on top of the credit ratings.

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

Investment instruments identified for use in the financial year are listed in appendix 4 under the 'specified' and 'non-specified' investments categories. Counterparty limits will be as set through the Council's treasury management practices – schedules.

5.2 Creditworthiness policy

For 2016/17 Hart District Council will apply the creditworthiness service provided by Capita Asset Services. This service employs a sophisticated modelling approach utilising credit ratings from the three main credit rating agencies - Fitch, Moody's and Standard and Poor's. The credit ratings of counterparties are supplemented with the following overlays:

- credit watches and credit outlooks from credit rating agencies;
- CDS spreads to give early warning of likely changes in credit ratings;
- sovereign ratings to select counterparties from only the most creditworthy countries.

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

- Yellow 5 years
- Dark pink 5 years for Enhanced money market funds (EMMFs) with a credit score of 1.25
- Light pink 5 years for Enhanced money market funds (EMMFs) with a credit score of 1.5
- Purple 2 years
- Blue 1 year (only applies to nationalised or semi nationalised UK Banks)
- Orange 1 year
- Red 6 months
- Green 100 days

The Capita Asset Services creditworthiness service uses a wider array of information than just primary ratings and by using a risk weighted scoring system, does not give undue preponderance to just one agency's ratings.

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

All credit ratings will be monitored monthly, but updated weekly when Capita Asset Services publish their credit ratings. The Council is alerted to changes to ratings of all three agencies through its use of the Capita Asset Services creditworthiness service.

- if a downgrade results in the counterparty / investment scheme no longer meeting the Council's minimum criteria, its further use as a new investment will be withdrawn immediately. Capita Asset Services will advise whether current holdings with a counterparty that no longer meets minimum criteria should remain.
- in addition to the use of credit ratings the Council will be advised of information in movements in credit default swap spreads against the iTraxx benchmark and other market data on a weekly basis. Extreme market movements may result in downgrade of an institution or removal from the Council's lending list.

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

5.3 Country limits

The Council has determined that it will only use approved counterparties from countries with a minimum sovereign credit rating of AA- from Fitch.

5.4 Time and monetary limits applying to investments.

Time and monetary limits applying to investments for specified and non-specified investments are detailed in Appendix 4

5.5 Counterparty Limits

The counterparty limits for 2016/17 will be:

i) Banks / Building societies £5m per institution or group

ii) Money Market Funds £5m per fund

iii) Gilts / multilateral / supranational bonds up to 35% of investments

iv) Corporate Bonds up to 35% of investments

5.6 Investment Strategy

In-house funds. Investments will be made with reference to the core balance and cash flow requirements and the outlook for short-term interest rates (i.e. rates for investments up to 12 months).

The Council has the following investments maturing in 2016/17:

	Amount (£)	Maturity	Rate (%)
Sumitomo Mitsui Banking Corporation Europe	4,000,000	15-Apr-16	0.62
Bank of Scotland	1,000,000	03-May-16	1.00
Standard Chartered	1,000,000	03-Jun-16	0.76

The suggested budgeted investment earnings rates for returns on investments placed for periods up to 100 days during each financial year for the next eight years are as follows:

2016/17 0.90%
2017/18 1.50%
2018/19 2.00%
2019/20 2.25%
2020/21 2.50%
2021/22 3.00%
2022/23 3.00%
Later years 3.00%

The overall balance of risks to these forecasts is currently to the downside (i.e. start of increases in Bank Rate occurs later). However, should the pace of growth quicken and / or forecasts for increases in inflation rise, there could be an upside risk.

Investment treasury indicator and limit - total principal funds invested for greater than 364 days. These limits are set with regard to the Council's liquidity requirements and to reduce the need for early sale of an investment, and are based on the availability of funds after each year-end.

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

Maximum principal sums invested > 364 days			
£m	**2016/17**	**2017/18**	**2018/19**
Principal sums invested > 364 days	£5m	£5m	£5m

5.7 End of year investment report

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

5.8 External fund managers

External fund managers are not used by the Council. However, the administration is outsourced to Capita plc.

5.9 Policy on the use of external service providers

The Council uses Capita Asset Services as its external treasury management advisers.

The Council recognises that responsibility for treasury management decisions remains with the organisation at all times and will ensure that undue reliance is not placed upon our external service providers.

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

5.10 Scheme of delegation

The bodies responsible for various functions are as follows:

Council

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

Cabinet

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

Scrutiny Committee

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

5.10 Role of the section 151 officer

The S151 (responsible) officer is responsible for:

- recommending clauses, treasury management policy/practices for approval, reviewing the same regularly, and monitoring compliance
- submitting regular treasury management policy reports
- submitting budgets and budget variations
- receiving and reviewing management information reports
- reviewing the performance of the treasury management function
- ensuring the adequacy of treasury management resources and skills, and the effective division of responsibilities within the treasury management function
- ensuring the adequacy of internal audit, and liaising with external audit
- recommending the appointment of external service providers.

6. Borrowing Requirement and Minimum Revenue Requirement (MRP)

6.1 The council's underlying need to borrow for capital purposes is measured by reference to its Capital Financing Requirement. Councils with a borrowing requirement are required to make provision within their revenue budgets for the redemption of their debts. This provision is called the Minimum Revenue Provision. The MRP for 2016/17 is estimated to be £11k.

6.2 Occasionally it may be necessary to borrow on a short term basis (i.e. for less than 365 days) for cash flow reasons. This borrowing will take the form of an overdraft or a short-term loan.

6.3 If longer term borrowing were needed, possible sources of funds could include, but not be limited to; Public Works Loans Board (PWLB), Bond issuance, LGA Bond Agency, internal borrowing, other Local Authorities and leasing.

6.4 The council is currently completing the build of a new Leisure Centre and this will require some new external loan finance during 2016/17. The amount of any new loans will be based on cash flow requirements which may be impacted by future capital receipts and minimum revenue provision (MRP) policy.

6.5 The Council's policy on borrowing in advance of need is as follows;

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

6.6 In determining whether borrowing will be undertaken in advance of need the Council will;

- ensure that there is a clear link between the capital programme and maturity profile of the existing debt portfolio which supports the need to take funding in advance of need
- ensure the ongoing revenue liabilities created, and the implications for the future plans and budgets have been considered
- evaluate the economic and market factors that might influence the manner and timing of any decision to borrow
- consider the merits and demerits of alternative forms of funding
- consider the alternative interest rate bases available, the most appropriate periods to fund and repayment profiles to use
- consider the impact of borrowing in advance on temporarily (until required to finance capital expenditure) increasing investment cash balances and the consequent increase in exposure to counterparty risk and other risks and the level of such risks given the controls in place to minimise them

7. Prudential Indicators

7.1 It is a statutory requirement under Section 33 of the Local Government Finance Act 1992, for the Council to produce a balanced budget. In particular, Section 32 requires a local authority to calculate its budget requirement for each financial year to include the revenue costs that flow from capital financing decisions.

7.2 The Council's capital expenditure plans are estimated to be met from its own resources and contributions with no requirement to borrow.

7.3 The prudential Indicators are attached as Appendix 6

8. Risk Assessment

8.1 The main risks associated with treasury management are as follows:

Credit and counterparty risk (risk to capital) – the risk that a third party will fail to meet its contractual investment obligation resulting in a loss of the council's capital investment or the risk that there will be a permanent reduction in the capital value of the investment.

Liquidity risk – the risk that the council will commit too much of its investments in fixed term investments and might have to recall investments prematurely resulting in possible additional costs.

Market or interest rate risk – the risk that fluctuating interest rate levels will have an adverse impact on the council's budgeted investment income.

Other risks – this includes risks associated with cash management, legal requirements and fraud.

These risks are managed as follows:

Credit and Counterparty Risk (risk to capital) The council's exposure to this risk is controlled by limiting the maximum sum invested in any one counterparty and by restricting investments to only those counterparties considered to be of high credit quality,

Liquidity Risk This risk is managed by maintaining a minimum proportion of investments in the short term for cash flow purposes and by setting a maximum amount that can be invested long term (more than 364 days).The council does also have the option to borrow short term funds in order to meet its commitments if necessary.

Market or Interest Rate Risk The Treasury Management Strategy attempts to control interest rate risk by spreading investments across different financial instruments and for different time periods.

Other Risks These risks are managed through the council's adoption of standard Treasury Management Practices (TMPs) which are reviewed annually. These cover all aspects of treasury management procedures including cash flow forecasting, documentation, monitoring, reporting and division of duties.

All treasury management procedures and transactions are subject to annual inspections by both internal and external auditors. The council also employs external financial advisors to provide information on market trends, credit rating alerts, lending criteria advice and investment opportunities.

The council will ensure that all staff tasked with treasury management responsibilities will receive appropriate training relevant to their needs and understand fully their roles and responsibilities.

9. Investment Performance Monitoring and Reporting

9.1 The treasury management function has been outsourced to Capita who operate in accordance with the contract requirements and who must comply with the Council's Treasury Management Strategy, investment policies, Treasury Management Practices and counterparty mandates and limits. Credit rating and other investment advice is provided by Capita Asset Services.

9.2 Performance of the council's investments will continue to be monitored monthly and will be reported quarterly to Cabinet along with budget monitoring information. Specific half year and outturn reports on treasury management activities and performance will also be prepared for the Cabinet.

Interest Rate Forecasts

Capita Asset Services Interest Rate View														
	Dec-15	Mar-16	Jun-16	Sep-16	Dec-16	Mar-17	Jun-17	Sep-17	Dec-17	Mar-18	Jun-18	Sep-18	Dec-18	Mar-19
Bank Rate View	0.50%	0.50%	0.75%	0.75%	1.00%	1.00%	1.25%	1.50%	1.50%	1.75%	1.75%	2.00%	2.00%	2.00%
3 Month LIBID	0.60%	0.70%	0.80%	0.90%	1.10%	1.30%	1.40%	1.50%	1.80%	1.90%	1.90%	2.00%	2.00%	2.10%
6 Month LIBID	0.80%	0.90%	1.00%	1.10%	1.30%	1.50%	1.60%	1.70%	2.00%	2.10%	2.10%	2.20%	2.20%	2.30%
12 Month LIBID	1.10%	1.20%	1.30%	1.40%	1.60%	1.80%	1.90%	2.00%	2.30%	2.40%	2.40%	2.50%	2.50%	2.70%
5yr PWLB Rate	2.30%	2.40%	2.60%	2.70%	2.80%	2.80%	2.90%	3.00%	3.20%	3.30%	3.40%	3.50%	3.50%	3.60%
10yr PWLB Rate	2.90%	3.00%	3.10%	3.20%	3.30%	3.40%	3.50%	3.60%	3.70%	3.80%	3.90%	4.00%	4.10%	4.10%
25yr PWLB Rate	3.60%	3.70%	3.80%	3.90%	4.00%	4.10%	4.10%	4.20%	4.30%	4.30%	4.40%	4.40%	4.40%	4.50%
50yr PWLB Rate	3.50%	3.60%	3.70%	3.80%	3.90%	4.00%	4.00%	4.10%	4.20%	4.20%	4.30%	4.30%	4.30%	4.40%
Bank Rate														
Capita Asset Services	0.50%	0.50%	0.75%	0.75%	1.00%	1.00%	1.25%	1.50%	1.50%	1.75%	1.75%	2.00%	2.00%	2.00%
Capital Economics	0.50%	0.50%	0.75%	0.75%	1.00%	1.00%	1.25%	1.25%	1.50%	-	-	-	-	-
5yr PWLB Rate														
Capita Asset Services	2.30%	2.40%	2.60%	2.70%	2.80%	2.80%	2.90%	3.00%	3.20%	3.30%	3.40%	3.50%	3.50%	3.60%
Capital Economics	2.40%	2.60%	2.70%	2.80%	3.00%	3.10%	3.20%	3.30%	3.50%	-	-	-	-	-
10yr PWLB Rate														
Capita Asset Services	2.90%	3.00%	3.10%	3.20%	3.30%	3.40%	3.50%	3.60%	3.70%	3.80%	3.90%	4.00%	4.10%	4.10%
Capital Economics	3.35%	3.35%	3.45%	3.45%	3.55%	3.65%	3.75%	3.85%	3.95%	-	-	-	-	-
25yr PWLB Rate														
Capita Asset Services	3.60%	3.70%	3.80%	3.90%	4.00%	4.10%	4.10%	4.20%	4.30%	4.30%	4.40%	4.40%	4.40%	4.50%
Capital Economics	3.35%	3.35%	3.45%	3.45%	3.55%	3.65%	3.75%	3.85%	3.95%	-	-	-	-	-
50yr PWLB Rate														
Capita Asset Services	3.50%	3.60%	3.70%	3.80%	3.90%	4.00%	4.00%	4.10%	4.20%	4.20%	4.30%	4.30%	4.30%	4.40%
Capital Economics	3.40%	3.40%	3.50%	3.50%	3.60%	3.70%	3.80%	3.90%	4.00%	-	-	-	-	-

Economic Background

UK. UK GDP growth rates in of 2.2% in 2013 and 2.9% in 2014 were the strongest growth rates of any G7 country; the 2014 growth rate was also the strongest UK rate since 2006 and the 2015 growth rate is likely to be a leading rate in the G7 again. However, quarter 1 of 2015 was weak at +0.4%, although there was a short lived rebound in quarter 2 to +0.7% before it subsided again to +0.5% (+2.3% y/y) in quarter 3. The Bank of England's November Inflation Report included a forecast for growth to remain around 2.5% – 2.7% over the next three years. For this recovery, however, to become more balanced and sustainable in the longer term, it still needs to move away from dependence on consumer expenditure and the housing market to manufacturing and investment expenditure. The strong growth since 2012 has resulted in unemployment falling quickly to a current level of 5.2%.

The MPC has been particularly concerned that the squeeze on the disposable incomes of consumers should be reversed by wage inflation rising back above the level of CPI inflation in order to underpin a sustainable recovery. It has, therefore, been encouraging in 2015 to see wage inflation rising significantly above CPI inflation which has been around zero since February. However, it is unlikely that the MPC would start raising rates until wage inflation was expected to consistently stay over 3%, as a labour productivity growth rate of around 2% would mean that net labour unit costs would still only be rising by about 1% y/y. The Inflation Report was notably subdued in respect of the forecasts for CPI inflation; this was expected to barely get back up to the 2% target within the 2-3 year time horizon. The increase in the forecast for inflation at the three year horizon was the biggest in a decade and at the two year horizon it was the biggest since February 2013. However, the first round of falls in oil, gas and food prices in late 2014 and in the first half 2015, will fall out of the 12 month calculation of CPI during late 2015 / early 2016 but only to be followed by a second, more recent, round of falls in fuel prices which will now delay a significant tick up in inflation from around zero. CPI inflation is now expected to get back to around 1% in the second half of 2016 and not get near to 2% until 2017, though the forecasts in the Report itself were for an even slower rate of increase.

There is, therefore, considerable uncertainty around how quickly pay and CPI inflation will rise in the next few years and this makes it difficult to forecast when the MPC will decide to make a start on increasing Bank Rate. There are also concerns around the fact that the central banks of the UK and US currently have few monetary policy options left to them given that central rates are near to zero and huge QE is already in place. There are, accordingly, arguments that they need to raise rates sooner, rather than later, so as to have some options available for use if there was another major financial crisis in the near future. But it is unlikely that either would raise rates until they are sure that growth was securely embedded and 'noflation' was not a significant threat.

The forecast for the first increase in Bank Rate has, therefore, been pushed back progressively during 2015 from Q4 2015 to Q2 2016. Increases after that are also likely to be at a much slower pace, and to much lower final levels than prevailed before 2008, as increases in Bank Rate will have a much bigger effect on heavily indebted consumers and householders than they did before 2008.

The Government's revised Budget in July eased the pace of cut backs from achieving a budget surplus in 2018/19 to achieving that in 2019/20 and this timetable was maintained in the November Budget.

USA. GDP growth in 2014 of 2.4% was followed by Q1 2015 growth, which was depressed by exceptionally bad winter weather, at only +0.6% (annualised). However, growth rebounded remarkably strongly in Q2 to 3.9% (annualised) before falling back to +2.1% in Q3.

Until the turmoil in financial markets in August, caused by fears about the slowdown in Chinese growth, it had been strongly expected that the Fed. would start to increase rates in September. The Fed pulled back from that first increase due to global risks which might depress US growth and put downward pressure on inflation, as well as a 20% appreciation of the dollar which has caused the Fed. to lower its growth forecasts. Although the non-farm payrolls figures for growth in employment in August and September were disappointingly weak, the October figure was stunningly strong while November was also reasonably strong; this, therefore, opened up the way for the Fed. to embark on its first increase in rates of 0.25% at its December meeting. However, the accompanying message with this first increase was that further increases will be at a much slower rate, and to a much lower ultimate ceiling, than in previous business cycles, mirroring comments by our own MPC.

EZ. In the Eurozone, the ECB fired its big bazooka in January 2015 in unleashing a massive €1.1 trillion programme of quantitative easing to buy up high credit quality government and other debt of selected EZ countries. This programme of €60bn of monthly purchases started in March 2015 and it is intended to run initially to September 2016. This appears to have had a positive effect in helping a recovery in consumer and business confidence and a start to an improvement in economic growth. GDP growth rose to 0.5% in quarter 1 2015 (1.0% y/y) but came in at +0.4% (+1.5% y/y) in quarter 2 and +0.3% in quarter 3. However, this more recent lacklustre progress, combined with the recent downbeat Chinese and emerging markets news, has prompted comments by the ECB that it stands ready to strengthen this programme of QE by extending its time frame and / or increasing its size in order to get inflation up from the current level of around zero towards its target of 2%. The ECB will also aim to help boost the rate of growth in the EZ.

Greece. During July, Greece finally capitulated to EU demands to implement a major programme of austerity. An €86bn third bailout package has since been agreed although it did nothing to address the unsupportable size of total debt compared to GDP. However, huge damage has been done to the Greek banking system and economy by the initial resistance of the Syriza Government, elected in January, to EU demands. The surprise general election in September gave the Syriza government a mandate to stay in power to implement austerity measures. However, there are major doubts as to whether the size of cuts and degree of reforms required can be fully implemented and so a Greek exit from the euro may only have been delayed by this latest bailout.

Portugal and Spain. The general elections in September and December respectively have opened up new areas of political risk where the previous right wing reform-focused pro-austerity mainstream political parties have lost power. A left wing / communist coalition has taken power in Portugal which is heading towards unravelling previous pro austerity reforms. This outcome could be replicated in Spain. This has created nervousness in bond and equity markets for these countries which has the potential to spill over and impact on the whole Eurozone project.

China and Japan. Japan is causing considerable concern as the increase in sales tax in April 2014 suppressed consumer expenditure and growth. In Q2 2015 quarterly growth shrank by -0.2% after a short burst of strong growth of 1.1% during Q1, but then came back to +0.3% in Q3 after the first estimate had indicated that Japan had fallen back into recession; this would have been the fourth recession in five years. Japan has been hit hard by the downturn in China during 2015 and there are continuing concerns as to how effective efforts by the Abe government to stimulate growth, and increase the rate of inflation from near zero, are likely to prove when it has already fired the first two of its 'arrows' of reform but has dithered about firing the third, deregulation of protected and inefficient areas of the economy.

As for China, the Government has been very active during 2015 in implementing several stimulus measures to try to ensure the economy hits the growth target of 7% for the current year and to bring some stability after the major fall in the onshore Chinese stock market during the summer. Many commentators are concerned that recent growth figures could have been massaged to hide a downturn to a lower growth figure. There are also major concerns as to the creditworthiness of much of the bank lending to corporates and local government during the post 2008 credit expansion period. Overall, China is still expected to achieve a growth figure that the EU would be envious of. Nevertheless, concerns about whether the Chinese economy could be heading for a hard landing, and the volatility of the Chinese stock market, which was the precursor to falls in world financial markets in August and September, remain a concern.

Emerging countries. There are also considerable concerns about the vulnerability of some emerging countries and their corporates which are getting caught in a perfect storm. Having borrowed massively in dollar denominated debt since the financial crisis (as investors searched for yield by channelling investment cash away from western economies with dismal growth, depressed bond yields and near zero interest rates into emerging countries) there is now a strong flow back to those western economies with strong growth and an imminent rise in interest rates and bond yields.

This change in investors' strategy, and the massive reverse cash flow, has depressed emerging country currencies and, together with a rise in expectations of a start to central interest rate increases in the US, has helped to cause the dollar to appreciate significantly. In turn, this has made it much more costly for emerging countries to service their dollar denominated debt at a time when their earnings from commodities are depressed. There are also likely to be major issues when previously borrowed debt comes to maturity and requires refinancing at much more expensive rates.

Corporates (worldwide) heavily involved in mineral extraction and / or the commodities market may also be at risk and this could also cause volatility in equities and safe haven flows to bonds. Financial markets may also be buffeted by the sovereign wealth funds of those countries that are highly exposed to falls in commodity prices and which, therefore, may have to liquidate investments in order to cover national budget deficits.

Forward View

Economic forecasting remains difficult with so many external influences weighing on the UK. Our Bank Rate forecasts, (and also MPC decisions), will be liable to further amendment depending on how economic data evolves over time. Capita Asset Services undertook its last review of interest rate forecasts on 9 November 2015 shortly after the publication of the quarterly Bank of England Inflation Report. There is much volatility in rates and bond yields as news ebbs and flows in negative or positive ways. This latest forecast includes a first increase in Bank Rate in quarter 2 of 2016.

The overall trend in the longer term will be for gilt yields and PWLB rates to rise when economic recovery is firmly established accompanied by rising inflation and consequent increases in Bank Rate, and the eventual unwinding of QE. Increasing investor confidence in eventual world economic recovery is also likely to compound this effect as recovery will encourage investors to switch from bonds to equities.

The overall balance of risks to economic recovery in the UK is currently evenly balanced. Only time will tell just how long this current period of strong economic growth will last; it also remains exposed to vulnerabilities in a number of key areas.

However, the overall balance of risks to our Bank Rate forecast is probably to the downside, i.e. the first increase, and subsequent increases, may be delayed further if recovery in GDP growth, and forecasts for inflation increases, are lower than currently expected. Market expectations in November, (based on short sterling), for the first Bank Rate increase are currently around mid-year 2016.

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

- Geopolitical risks in Eastern Europe, the Middle East and Asia, increasing safe haven flows.
- UK economic growth turns significantly weaker than we currently anticipate.
- Weak growth or recession in the UK's main trading partners - the EU, US and China.
- A resurgence of the Eurozone sovereign debt crisis.
- Recapitalisation of European banks requiring more government financial support.
- Emerging country economies, currencies and corporates destabilised by falling commodity prices and / or the start of Fed. rate increases, causing a flight to safe havens

The potential for upside risks to current forecasts for UK gilt yields and PWLB rates, especially for longer term PWLB rates include: -

- Uncertainty around the risk of a UK exit from the EU.
- The commencement by the US Federal Reserve of increases in the Fed. funds rate causing a fundamental reassessment by investors of the relative risks of holding bonds as opposed to equities and leading to a major flight from bonds to equities.
- UK inflation returning to significantly higher levels than in the wider EU and US, causing an increase in the inflation premium inherent to gilt yields.

Non Specified Investment Characteristics

Investment Type	Why use it?	Associated risks?
Fixed deposits with credit rated deposit takers (banks and building societies) with maturities greater than 1 year	• Certainty of rate of return over period invested which aids forward planning. • No movement in capital value of deposit despite changes in interest rate environment.	• Credit risk: potential for default and potential for greater deterioration in credit quality over longer period. • Illiquid: cannot be traded or repaid prior to maturity. • Return will be lower if interest rates rise after making the investment.
Certificates of Deposit or **Corporate Bonds** with credit rated deposit takers (banks and building societies) with maturities greater than 1 year	• Liquid : can be traded on the open market prior to maturity • No movement in capital value of deposit despite changes in interest rate environment.	• Credit risk: potential for default and potential for greater deterioration in credit quality over longer period. • Lack of certainty of rate of return over period invested. This could hinder forward planning. • Return will be lower if interest rates rise after making the investment.
Gilts (sovereign bonds)	• Liquid, unlike fixed deposits which are illiquid. • Most secure asset class. • If traded, potential for capital gain through appreciation in value (i.e. sold before maturity).	• 'Market or interest rate risk': Yield subject to movement during life of bond which could negatively impact on price of the bond.
Supranational Bonds Custodial arrangement required prior to purchase	• Excellent credit quality. • Relatively liquid (although not as liquid as gilts). • If held to maturity, known yield (rate of return) per annum, which would be higher than that on comparable gilt. Aids forward planning. • If traded, potential for capital gain through appreciation in value (i.e. sold before maturity).	• 'Market or interest rate risk': Yield subject to movement during life of bond which could negatively impact on price of the bond i.e. potential for capital loss. • The price of these bonds is more volatile than gilts. .

Credit and Counterparty Risk Management

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

NON-SPECIFIED INVESTMENTS: These are any investments which do not meet the specified investment criteria. A maximum of 35% will be held in aggregate in non-specified investment

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

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

	Minimum credit criteria / colour band	**** Max % of total investments/ £ limit per institution**	**Max. maturity period**
DMADF – UK Government	N/A	100%	6 months
UK Government gilts	UK sovereign rating		10 years
UK Government Treasury blls	UK sovereign rating		5 years
Bonds issued by multilateral development banks	AAA (or state your criteria if different)		6 months
Money market funds	AAA	100%	Liquid
Enhanced money market funds with a credit score of 1.25	AAA	100%	Liquid
Enhanced money market funds with a credit score of 1.5	AAA	100%	Liquid
Local authorities	N/A	100%	5 years
Term deposits with banks and building societies	Yellow Purple Blue Orange Red Green No Colour		Up to 5 years Up to 2 years Up to 1 year Up to 1 year Up to 6 Months Up to 100 days Not for use
CDs or corporate bonds with banks and building societies	Yellow Purple Blue Orange Red Green No Colour		Up to 5 years Up to 2 years Up to 1 year Up to 1 year Up to 6 Months Up to 100 days Not for use

Annual Minimum Revenue Provision Policy Statement 2016/17

The Authority creates a capital debt liability whenever it incurs capital expenditure that is not financed from available resources, such as capital receipts or capital grants. This debt liability is charged to revenue over a period that is considered to be broadly commensurate with the life of assets to which the debt liability is chosen to relate.

The charge for each financial year is termed the Minimum Revenue Provision MRP), the amount of which is to be the level determined by the Council to be prudent, after it has had regard to Guidance issued by the Secretary of State. The MRP for 2016/17 is estimated to be £11k.

The manner in which the Full Council is to determine the MRP for each year must be contained within a Policy Statement, which should be approved before the start of each year. The Policy Statement may also be varied during the current year, if required

The Council is recommended to approve the following MRP policy for the financial year commencing 1 April 2016, in accordance with the following:

- Asset Life Method is to be used to calculate the MRP in relation to increased capital debt liability. The MRP for new capital expenditure incurred wholly or partly by unsupported (Prudential) borrowing is to be determined by reference to the expected life of the asset on an Equal Instalment of Principal (EIP) / Annuity basis.
- The asset life is deemed to begin once the asset becomes operational. Minimum revenue provision will commence from the financial year following the one in which the asset becomes operational.
- Minimum revenue provision in respect of Finance Leases and on balance sheet Private Finance Initiative (PFI) contracts will be charged in accordance with the expected life of the assets on an annuity basis in the same way as unsupported (Prudential) borrowing.
- Minimum revenue provision in respect of unsupported (Prudential) borrowing taken to meet expenditure, which is treated as capital expenditure by virtue of either a capitalisation direction or regulations, will be determined in accordance with the asset life method as recommended by the statutory guidance.
- The Council retains the right to make additional voluntary payments to reduce debt if deemed prudent.

The Council has started the major capital development of Edenbrook Leisure Centre which will be completed by 2017/18.

The Council expects to partially fund the capital expenditure from capital receipts to be received over the next 3 years, and external borrowing. The Capital Financing Requirement (CFR) will increase by the amount of capital expenditure incurred. The capital receipts once received will off-set against the CFR, which will reduce accordingly. There may be a requirement to borrow funds temporarily to manage the cashflow of the development costs, and the terms are still being considered, therefore the Authority will set aside a prudent provision to repay any debt liability in the interim period.

Prudential and Treasury Indicators

Prudential indicators	2014/15	2015/16	2016/17
Extract from budget and rent setting reports	**Actual**	**Estimate**	**Estimate**
	£000	£000	£000
Capital Expenditure			
TOTAL	2,204	10,045	15,615
Ratio of financing costs to net revenue stream			
TOTAL	-1.49%	-1.44%	-0.79%
Net borrowing requirement			
Brought forward 1 April	113	214	6,200
Carried forward 31 March	214	6,200	21,506
In year borrowing requirement	101	5,986	15,306
In year Capital Financing Requirement			
TOTAL	2,204	10,045	15,615
Capital Financing Requirement as at 31 March			
TOTAL	214	6,200	21,506
Incremental impact of capital investment decisions	%	%	%
Increase in Council Tax (band D) per annum	0.27	1.33	2.06

Treasury Management indicators	2014/15	2015/16	2016/17
	Actual	**Estimate**	**Estimate**
	£000	£000	£000
Authorised Limit for external debt -			
borrowing	7,000	7,000	30,000
other long term liabilities	0	0	0
TOTAL	7,000	7,000	30,000
Operational Boundary for external debt -			
borrowing	5,000	5,000	25,000
other long term liabilities	0	0	0
TOTAL	5,000	5,000	25,000
Actual external debt	42	42	42
Upper limit for fixed interest rate exposure			
Net principal re fixed rate borrowing / investments	100%	100%	100%
Upper limit for variable rate exposure			
Net principal re variable rate borrowing / investments	100%	100%	100%
Upper limit for total principal sums invested for over 364 days	50%	50%	50%
(per maturity date)			

Maturity structure of fixed interest rate borrowing 2016/17		
	Lower	**Upper**
Under 12 months	XX	XX
12 months to 2 years	XX	XX
2 years to 5 years	XX	XX
5 years to 10 years	XX	XX
10 years to 20 years	XX	XX
20 years to 30 years	XX	XX
30 years to 40 years	XX	XX
40 years to 50 years	XX	XX
Maturity structure of variable interest rate borrowing 2016/17		
	Lower	**Upper**
Under 12 months	XX	XX
12 months to 2 years	XX	XX
2 years to 5 years	XX	XX
5 years to 10 years	XX	XX
10 years to 20 years	XX	XX
20 years to 30 years	XX	XX
30 years to 40 years	XX	XX
40 years to 50 years	XX	XX

Prudential Indicators and Treasury Limits Definitions

The total **capital expenditure** indicator is taken from the proposed capital programme

The capital financing requirement indicator is a measure of the council's underlying need to borrow for a capital purpose taken from the balance sheet. The Council is debt free and this indicator is therefore nil. The proposed future capital programme will be financed without borrowing and therefore this indicator does not change.

The estimate of **the incremental impact of the new capital investment decisions** on the council tax indicator shows the revenue impact of the new schemes added to the proposed capital programme. The impact is measured on a band D council tax payer. For this Council it represents the loss of investment income by spending available resources rather than the costs of any borrowing.

The **ratio of financing costs to net revenue stream indicator** is used to show the change over time in the level of debt financing costs (net of investment income) compared to the council's net income from council tax payers and government grant. For this council the ratio is negative as investment income exceeds the financing costs associated with temporary cash flow borrowing.

The Authorised Limit – This represents the limit beyond which borrowing is prohibited, and must be set by Members. The limit reflects the level of borrowing which, while not desired, could be afforded in the short term, but is not sustainable. This is a statutory limit determined under section 3(1) of the Local Government Act 2003.

The Operational Boundary – This indicator is not a limit and actual borrowing could exceed this boundary for short times during the year. It should act as an indicator to ensure the authorised limit is not breached.

The Council funds its capital programme from its own resources and therefore any borrowing would be for short term cash flow reasons only.

Upper limits on variable rate exposure – this indicator identifies a maximum limit for the level of debt/investments taken out at variable rates of interest.

Upper limits on fixed rate exposure – this covers the maximum limit on the level of debt taken out at fixed rates of interest.

Upper limit for total principal sums invested for over 364 days – This limit sets the maximum amount of the Council's investments that can be invested for beyond one year to ensure liquidity of resources.

Treasury Management Practices

TMP1 Risk Management

The Head of Finance will design, implement and monitor all arrangements for the identification, management and control of treasury management risk, will report at least annually on the adequacy/suitability thereof, and will report, as a matter of urgency, the circumstances of any actual or likely difficulty in achieving the organisation's objectives in this respect, all in accordance with the procedures set out in TMP6 Reporting requirements and management information arrangements. In respect of each of the following risks, the arrangements which seek to ensure compliance with these objectives can be seen in Appendix 4 of this document.

1.1 Credit and Counterparty Risk Management

Credit and counter-party risk is the risk of failure by a counterparty to meet its contractual obligations to the organisation under an investment, borrowing, capital project or partnership financing, particularly as a result of the counterparty's diminished creditworthiness, and the resulting detrimental effect on the organisation's capital or current (revenue) resources.

This organisation regards a key objective of its treasury management activities to be the security of the principal sums it invests. Accordingly, it will ensure that its counterparty lists and limits reflect a prudent attitude towards organisations with whom funds may be deposited, and will limit its investment activities to the instruments, methods and techniques referred to in TMP4 Approved Instruments Methods And Techniques and listed in the schedule to this document. It also recognises the need to have, and will therefore maintain, a formal counterparty policy in respect of those organisations from which it may borrow, or with whom it may enter into other financing arrangements.

1.1.1 Policy on the use of credit risk analysis techniques

1. The Council will use credit criteria in order to select creditworthy counterparties for placing investments with.
2. Credit ratings will be used as supplied from all three rating agencies - Fitch, Moodys and Standard & Poors.
3. Treasury Management Consultants will provide regular updates of changes to all ratings relevant to the council.
4. The responsible officer will formulate suitable criteria for assessing and monitoring the credit risk of investment counterparties and shall construct a lending list comprising maturity periods, type, group, Capita Asset Services, country and counterparty limits.

This Council will use the Capita Asset Services creditworthiness service based on using colours determined by minimum combinations of ratings to derive maturity limits as follows:

- Yellow 5 years
- Dark pink 5 years for enhanced money market funds with a score of 1.25
- Light pink 5 years for enhanced money market funds with a score of 1.5
- Purple 2 years
- Blue 1 year (only applies to nationalised or semi nationalised UK Banks)
- Orange 1 year
- Red 6 months
- Green 3 months
- No Colour not to be used

In addition a credit default swap overlay is used as a further safeguard to give early warning of potential creditworthiness problems which may only belatedly lead to actual changes in credit ratings.

As this methodology is complex, readers are referred to the document produced by Capita Asset Services "Guide to Establishing Credit Policies April 2009" for a full explanation.

Credit ratings for individual counterparties can change at any time. The treasury management officers are responsible for applying approved credit rating criteria for selecting approved counterparties. They will add or delete counterparties to/from the approved counterparty list in line with the policy on criteria for selection of counterparties.

This organisation will not rely solely on credit ratings in order to select and monitor the creditworthiness of counterparties. In addition to credit ratings it will therefore use other sources of information including quality financial press and market data.

The maximum maturity periods and amounts to be placed in different types of investment instrument can be seen in appendix 4 of this document, Specified and Non-specified Investments.

Diversification: the council will avoid concentrations of lending and borrowing by adopting a policy of diversification. It will therefore use the following:

- Maximum amount to be placed with any one institution is £5m.
- Country limits – a minimum sovereign rating of AA- is required for an institution to be placed on our approved lending list.

Investments will not be made with counterparties that do not have a credit rating in their own right.

The definition of **'high credit quality'** in order to determine what are specified investments as opposed to non specified investments which do not have high credit ratings are set out in appendix 4 of this document. This schedule also sets out the categories of investment instruments which fall into the specified investments category as they entail **minimum procedural formalities** in terms of the placing of those investments by the treasury management team. Minimal procedural formalities means that the team is well experienced and knowledgeable in using these types of instruments and they pose minimal risk in their use.

The Council's external fund manager will adhere to the counterparty credit criteria and maximum individual limits set by the Council; however it is understood that the fund manager may use a subset of the counterparty list so derived.

1.2 Liquidity Risk Management

This is the risk that cash will not be available when it is needed, that ineffective management of liquidity creates additional unbudgeted costs, and that the organisation's business/service objectives will be thereby compromised.

This organisation will ensure it has adequate though not excessive cash resources, borrowing arrangements, overdraft or standby facilities to enable it at all times to have the level of funds available to it which are necessary for the achievement of its business/service objectives. This organisation will only borrow in advance of need where there is a clear business case for doing so and will only do so for the current capital programme or to finance future debt maturities.

1.2.1. Amounts of approved minimum cash balances and short-term investments

The Treasury Management team shall seek to minimise the balance held in the Council's main interest non bearing bank accounts at the close of each working day. Transfers to the Councils FIBCA account, borrowing or lending shall be arranged in order to achieve this aim.

1.2.2. Details of:

- Standby facilities - at the end of each financial day any surplus funds are transferred to the FIBCA account which is available from the Council's main bank. The balance on this account is instantly accessible if the group bank account becomes overdrawn.

- Short-term borrowing facilities - the Council accesses temporary loans through approved brokers on the London money market.

- Insurance/guarantee facilities - there are no specific insurance or guarantee facilities as the above arrangements are regarded as being adequate to cover all unforeseen occurrences.

1.3 Interest Rate Risk Management

The risk that fluctuations in the levels of interest rates create an unexpected or unbudgeted burden on the organisation's finances, against which the organisation has failed to protect itself adequately.

This organisation will manage its exposure to fluctuations in interest rates with a view to containing its interest costs, or securing its interest revenues, in accordance with the amounts provided in its budgetary arrangements as amended in accordance with TMP6 Reporting requirements and management information arrangements.

It will achieve this by the prudent use of its approved financing and investment instruments, methods and techniques, primarily to create stability and certainty of costs and revenues, but at the same time retaining a sufficient degree of flexibility to take advantage of unexpected, potentially advantageous changes in the level or structure of interest rates.

This should be the subject to the consideration and, if required, approval of any policy or budgetary implications.

1.4 Exchange Rate Risk Management

The risk that fluctuations in foreign exchange rates create an unexpected or unbudgeted burden on the organisation's finances, against which the organisation has failed to protect itself adequately.

It will manage its exposure to fluctuations in exchange rates so as to minimise any detrimental impact on its budgeted income/expenditure levels.

This Council has adopted a policy of only trading in Sterling.

1.5 Refinancing Risk Management

The risk that maturing borrowings, capital, project or partnership financings cannot be refinanced on terms that reflect the provisions made by the organisation for those refinancing, both capital and current (revenue), and/or that the terms are inconsistent with prevailing market conditions at the time.

This organisation will ensure that its borrowing, private financing and partnership arrangements are negotiated, structured and documented, and the maturity profile of the monies so raised are managed, with a view to obtaining offer terms for renewal or refinancing, if required, which are competitive and as favourable to the organisation as can reasonably be achieved in the light of market conditions prevailing at the time.

It will actively manage its relationships with its counterparties in these transactions in such a manner as to secure this objective, and will avoid overreliance on any one source of funding if this might jeopardise achievement of the above.

1.5.1 Debt/Other Capital Financing, Maturity Profiling, Policies and Practices

The Council will establish through its Prudential and Treasury Indicators the amount of debt maturing in any year/period.

Any debt rescheduling will be considered when the difference between the refinancing rate and the redemption rate is most advantageous and the situation will be continually monitored in order to take advantage of any perceived anomalies in the yield curve. The reasons for any rescheduling to take place will include:

a) the generation of cash savings at minimum risk;
b) to reduce the average interest rate;
c) to amend the maturity profile and /or the balance of volatility of the debt portfolio.

1.5.1. Projected Capital Investment Requirements

The Head of Finance will prepare a three year plan for capital expenditure for the Council. The capital plan will be used to prepare a three year revenue budget for all forms of financing charges.

Under the new capital financing system, the definition of capital expenditure and long term liabilities used in the Code will follow recommended accounting practice (the Code).

1.5.2. Policy Concerning Limits on Affordability and Revenue Consequences of Capital Financing

In considering the affordability of its capital plans, the Council will consider all the resources currently available/estimated for the future together with the totality of its capital plans, revenue income and revenue expenditure forecasts for the forthcoming year and the two following years and the impact these will have on council tax. It will also take into account affordability in the longer term beyond this three year period.

The Council will use the definitions provided in the Prudential Code for borrowing (64), capital expenditure (65), capital financing requirement (67), debt (67), financing costs (68), investments (69), net borrowing (70), net revenue stream (71), other long term liabilities (72).

1.6 Legal and Regulatory Risk Management

The risk that the Council itself, or an organisation with which it is dealing in its treasury management activities, fails to act in accordance with its legal powers or regulatory requirements, and that the organisation suffers losses accordingly.

This Council will ensure that all of its treasury management activities comply with its statutory powers and regulatory requirements. It will demonstrate such compliance, if required to do so, to all parties with whom it deals in such activities. In framing its credit and counterparty policy under TMP1[1] credit and counterparty risk management, it will ensure that there is evidence of counterparties' powers, authority and compliance in respect of the transactions they may effect with the organisation, particularly with regard to duty of care and fees charged.

This Council recognises that future legislative or regulatory changes may impact on its treasury management activities and, so far as it is reasonably able to do so, will seek to minimise the risk of these impacting adversely on the organisation.

1.6.1. References to Relevant Statutes and Regulations

The treasury management activities of the Council shall comply fully with legal statute, guidance, Codes of Practice and the regulations of the Council. These are:

- Local Government Act 2003
- S.I. 2003 No.2938 Local Government Act 2003 (Commencement No.1 and Transitional Provisions and Savings) Order 2003 13.11.03
- S.I. 2003 No.3146 Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 and associated commentary 10.12.03
- S.I. 2004 No.533 Local Authorities (Capital Finance) (Consequential, Transitional and Savings Provisions) Order 2004 8.3.04
- S.I. 2004 No.534 Local Authorities (Capital Finance and Accounting) (Amendment) (England) Regulations 2004 8.3.04
- Guidance on Investments ODPM 12.3.2004 (revised 1.4.10)

- Local Authorities (Capital Finance and Accounting) (Amendment) (England) Regulations 2006 Statutory Instrument No. 521
- S.I. 2007 no. 573 Local Authorities (Capital Finance and Accounting) (Amendment) (England) Regulations 2007
- Local Government and Public Involvement in Health Act 2007 s238(2) – power to issue guidance; to be used re: MRP
- S.I. 2008 no. 414 (Capital Finance and Accounting) (Amendment) (England) Regulations 2008
- S.I. 2009 no. 321 (Capital Finance and Accounting) (Amendment) (England) Regulations 2009
- S.I. 2009 no. 2272 The Local Authorities (Capital Finance And Accounting) (England) (Amendment) (No.2) Regulations 2009
- S.I. 2009 no. 3093 The Local Government Pension Fund Scheme (Management and Investment of Funds) Regulations 2009
- S.I. 2010 no. 454 (Capital Finance and Accounting) (Amendment) (England) Regulations 2010
- Revised Guidance on Investments DCLG 1.4.2010
- Requirement to set a balanced budget - Local Government Finance Act 1992 section 32 for billing authorities and section 43 for major precepting authorities.
- Local Government Finance Act 1988 section 114 – duty on the responsible officer to issue a report if the Council is likely to get into a financially unviable position.
- CIPFA's Treasury Management Codes of Practice and Guidance Notes 2013,
- CIPFA Prudential Code for Capital Finance in Local Authorities revised 2013
- CIPFA Guide for Chief Financial Officers on Treasury Management in Local Authorities 1996
- CIPFA Standard of Professional Practice on Treasury Management 2013
- CIPFA Standard of Professional Practice on Continuous professional Development 2005
- CIPFA Standard of Professional Practice on Ethics 2006
- The Good Governance Standard for Public Services 2004
- LAAP Bulletins
- Code of Practice on Local Authority Accounting in the United Kingdom: A Statement of recommended Practice
- PWLB circulars on Lending Policy
- The Non Investment Products Code (NIPS) - (formerly known as The London Code of Conduct) for principals and broking firms in the wholesale markets.
- Financial Services Authority's Code of Market Conduct
- The Council's Standing Orders relating to Contracts
- The Council's Financial Regulations
- The Council's Scheme of Delegated Functions

1.6.2 Procedures for Evidencing the Council's Powers/Authorities to Counterparties

The Council's powers to borrow and invest are contained in legislation.

England and Wales
Investing: Local Government Act 2003, section 12
Borrowing: Local Government Act 2003, section 1

Required Information on Counterparties
Lending shall only be made to counterparties on the Approved Lending list. This list has been compiled using advice from the Council's treasury advisers based upon credit ratings supplied by Fitch, Moodys and Standard & Poors.

1.6.3 Statement on the Council's Political Risks and Management of Same

The Head of Finance shall take appropriate action with the Council, the Chief Executive and the Leader of the Council to respond to and manage appropriately political risks such as change of majority group, leadership in the Council, change of Government etc.

1.6.4 Monitoring Officer

The Monitoring Officer at the Council is Daryl Phillips, Joint Chief Executive. The duty of this officer is to ensure that the treasury management activities of the Council are lawful.

1.6.5. Chief Financial Officer

Part of the Chief Financial Officer's duties are to ensure that the financial affairs of the Council are conducted in a prudent manner and to make a report to the Council if he has concerns as to the financial prudence of its actions or its expected financial position.

1.7 Fraud, Error and Corruption, and Contingency Management

The risk that an organisation fails to identify the circumstances in which it may be exposed to the risk of loss through fraud, error, corruption or other eventualities in its treasury management dealings, and fails to employ suitable systems and procedures and maintain effective contingency management arrangements to these ends. It includes the area of risk commonly referred to as operational risk.

This organisation will ensure that it has identified the circumstances which may expose it to the risk of loss through fraud, error, corruption or other eventualities in its treasury management dealings. Accordingly, it will employ suitable systems and procedures, and will maintain effective contingency management arrangements, to these ends.

The Council will therefore:

a) Seek to ensure an adequate division of responsibilities and maintenance at all times of an adequate level of internal check which minimises such risks.
b) Fully document all its treasury management activities so that there can be no possible confusion as to what proper procedures are.
c) Staff will not be allowed to take up treasury management activities until they have had proper training in procedures and are then subject to an adequate and appropriate level of supervision.

d) Records will be maintained of all treasury management transactions so that there is a full audit trail and evidence of the appropriate checks being carried out.

1.7.1. Details of Systems and Procedures to be followed

Authority

- The Scheme of Delegation to Officers sets out the delegation of duties to officers.
- All loans and investments are negotiated by the Treasury Management staff.
- Loan procedures are defined in the Council's Financial Regulations.

Procedures

- The Council has a comprehensive set of daily banking procedures which are followed by all treasury staff. These procedures have been approved by our internal audit team and a set can be viewed in the O Drive if required.

Investment and borrowing transactions

- A detailed register of all loans and investments is maintained on the O Drive
- A written acknowledgement of each deal is sent promptly to the lending or borrowing institution where transactions are done directly with the organisation.
- Written confirmation is received and checked against the dealer's records for the transaction.
- Any discrepancies are immediately reported to the bank for resolution.
- All transactions placed through brokers are confirmed by a broker note showing details of the loan arranged. Written confirmation is received and checked against the dealer's records for the transaction. Any discrepancies are immediately reported back to the broker for resolution.
- Contract notes for transactions carried out by the external fund manager will be received monthly and maintained.

Regularity and security

- Lending is only made to institutions on the Approved List of Counterparties.
- All loans raised and repayments made go directly to and from the bank account of approved counterparties.
- Counterparty limits are set for every institution that the Council invests with.
- Brokers have a list of named officials authorised to agree deals.
- There is a separation of duties in the section between dealers and the checking and authorisation of all deals.
- The Council's bank holds a list of Council officials who are authorised signatories for treasury management transactions.
- No member of the treasury management team is an authorised signatory.
- Payments can only be authorised in a formal letter by an authorised signatory, the list of signatories having previously been agreed with the current provider of our banking services.
- There is adequate insurance cover for employees involved in loans management and accounting.

Checks

- The bank reconciliation is carried out monthly from the bank statement to the financial ledger.
- The bank balances are proved to the balance sheet ledger codes at the end of each month and at the financial year end.
- A debt charge/investment income listing is produced every month when a review is undertaken against the budget for interest earnings and debt costs.
- We have complied with the requirements of the Code and will account for the fund as Fair Value through Profit or Loss. As a result, all gains and losses and interest (accrued and received) will be taken to the Income and Expenditure Account

Calculations

- The calculation of repayment of principal and interest notified by the lender or borrower is checked for accuracy against the amount calculated.

1.7.2. Insurance Cover Details

Fidelity Insurance

The Council has 'Fidelity' insurance cover with Zurich Municipal. This covers the loss of cash by fraud or dishonesty of employees. This cover is limited to £2m with an excess of £5,000 on each claim.

Professional Indemnity Insurance

The Council also has an 'Officials' Indemnity' insurance policy with QBE Insurance via Risk Management Partners Ltd, which covers loss to the Council from the actions and advice of its officers which are negligent and without due care. This cover is limited to £5mil in the aggregate during the period of insurance, with £5,000 excess.

Business Interruption

The Council also has a 'Business Interruption' cover as part of its property insurance with cover as follows:
£3.1mil Increased cost of working over a 24 month period
£5.8mil Loss of Revenue over 36 months- Hart Leisure Centre
£2.5mil Loss of Revenue over 36 months- Frogmore Leisure Centre

1.8 Market Risk Management

The risk that, through adverse market fluctuations in the value of the principal sums an organisation borrows and invests, its stated treasury management policies and objectives are compromised, against which effects it has failed to protect itself adequately.

This organisation will seek to ensure that its stated treasury management policies and objectives will not be compromised by adverse market fluctuations in the value of the principal sums it invests, and will accordingly seek to protect itself from the effects of such fluctuations.

1.8.1. Details of Approved Procedures and Limits for Controlling Exposure to Investments whose Capital Value May Fluctuate (Gilts, CDs, Etc.)

These are controlled through setting limits on investment instruments where the principal value can fluctuate. The limits are determined and set through the Annual Investment Strategy (which now forms part of the Annual Treasury Management Strategy Statement).

TMP 2 PERFORMANCE MEASUREMENT

2.1 Evaluation and Review of Treasury Management Decisions

The Council has a number of approaches to evaluating treasury management decisions:

- Monthly reviews carried out by the treasury management team
- reviews with our treasury management consultants
- annual review after the end of the year as reported to full council
- half yearly and other monitoring reports to committee / full council
- comparative reviews
- strategic, scrutiny and efficiency value for money reviews

2.1.2 Reviews with our treasury management consultants

The treasury management team holds reviews with Capita Asset Services periodically to review the performance of the investment and debt portfolios.

2.1.3 Annual Review after the end of the financial year

An Annual Treasury Report is submitted to the Council each year after the close of the financial year which reviews the performance of the investment portfolios. This report contains the following:

- total debt and investments at the beginning and close of the financial year and average interest rates
- borrowing strategy for the year compared to actual strategy
- investment strategy for the year compared to actual strategy
- explanations for variance between original strategies and actual
- debt rescheduling done in the year
- actual borrowing and investment rates available through the year
- comparison of return on investments to the investment benchmark
- compliance with Prudential and Treasury Indicators
- other

2.1.4 Comparative reviews

When data becomes available, comparative reviews are undertaken to see how the performance of the authority on debt and investments compares to other authorities with similar size portfolios (but allowing for the fact that Prudential and Treasury Indicators are locally set). Data used will be sourced from:

- CIPFA Treasury Management statistics published each year for the last complete financial year

- CIPFA Benchmarking Club
- other

2.2 Policy Concerning Methods for Testing Value for money in Treasury Management

2.2.1 Banking services

The Council's banking arrangements are to be subject to competitive tender every 5 years unless it is considered that there will be changes in the volume of transactions in the foreseeable future which renders a shorter period appropriate. If tendering is not considered appropriate a specialist banking company must be appointed to ensure that the terms offered represent value for money. The Council went through such a review in October 2015 and this is due for reconsideration before October 2018.

2.2.2 Money-broking services

The Council will use money broking services in order to make deposits or to borrow, and will establish charges for all services prior to using them. An approved list of brokers will be established which takes account of both prices and quality of services.

TMP 3 DECISION-MAKING AND ANALYSIS

3.1 Funding, Borrowing, Lending, and New Instruments/Techniques:

3.1.1 Records to be kept

The Treasury section has a Excel spreadsheets in which all investment and loan transactions are recorded. Full details of the system are covered in the user manual. The following records will be retained*:*

- Daily cash balance forecasts
- Brokers' confirmations for investment and temporary borrowing transactions (where received)
- Confirmations from borrowing /lending institutions where deals are done directly (where received)
- Certificates for market loans, local bonds and other loans (where received)
- Contract notes received from fund manager
- Fund manager valuation statements

3.1.2 Processes to be pursued

- Cash flow analysis.
- Debt and investment maturity analysis
- Ledger reconciliation
- Review of borrowing requirement to finance capital expenditure (and other forms of financing where those offer value for money)
- Performance information (e.g. monitoring of actuals against budget for debt charges, interest earned, debt management; also monitoring of average pool rate, investment returns, etc).

3.1.3 Issues to be addressed.

3.1.3.1. In respect of every treasury management decision made the Council will:

a) Above all be clear about the nature and extent of the risks to which the Council may become exposed
b) Be certain about the legality of the decision reached and the nature of the transaction, and that all authorities to proceed have been obtained
c) Be content that the documentation is adequate both to deliver the Council's objectives and protect the Council's interests, and to deliver good housekeeping
d) Ensure that third parties are judged satisfactory in the context of the Council's creditworthiness policies, and that limits have not been exceeded
e) Be content that the terms of any transactions have been fully checked against the market, and have been found to be competitive.

3.1.3.2 In respect of borrowing and other funding decisions, the Council will:

a) consider the ongoing revenue liabilities created, and the implications for the organisation's future plans and budgets
b) evaluate the economic and market factors that might influence the manner and timing of any decision to fund
c) consider the merits and demerits of alternative forms of funding, including funding from revenue, leasing and private partnerships
d) consider the alternative interest rate bases available, the most appropriate periods to fund and repayment profiles to use and, if relevant, the opportunities for foreign currency funding.

3.1.3.3 In respect of investment decisions, the Council will:

a) Consider the optimum period, in the light of cash flow availability and prevailing market conditions;
b) Consider the alternative investment products and techniques available, especially the implications of using any which may expose the Council to changes in the value of its capital;

TMP 4 APPROVED INSTRUMENTS, METHODS AND TECHNIQUES

4.1 Approved Activities of the Treasury Management Operation

- borrowing;
- lending;
- debt repayment and rescheduling;
- consideration, approval and use of new financial instruments and treasury management techniques;
- managing the underlying risk associated with the Council's capital financing and surplus funds activities;
- managing cash flow;
- banking activities;
- the use of external fund managers (other than Pension Fund)
- leasing.

4.2 Approved Techniques

- Forward dealing
- LOBOs – lenders option, borrower's option borrowing instrument
- The use of structured products such as callable deposits

4.3 Approved Methods and Sources of Raising Capital Finance

Finance will only be raised in accordance with the Local Government Act 2003 and within this limit the Council has a number of approved methods and sources of raising capital finance.

These are:

On Balance Sheet	**Fixed**	**Variable**
PWLB	●	●
EIB	●	●
Market (long-term)	●	●
Market (temporary)	●	●
Market (LOBOs)	●	●
Stock issues	●	●
Local temporary	●	●
Local Bonds	●	
Overdraft		●
Negotiable Bonds	●	●
Internal (capital receipts & revenue balances)	●	●
Commercial Paper	●	
Medium Term Notes	●	
Leasing (not operating leases)	●	●
Deferred Purchase	●	●

Other Methods of Financing

Government and EC Capital Grants
Lottery monies
PFI/PPP
Operating leases

Borrowing will only be done in Sterling. All forms of funding will be considered dependent on the prevailing economic climate, regulations and local considerations. The Head of Finance has delegated powers in accordance with Financial Regulations, Standing Orders, the Scheme of Delegation to Officers Policy and the Treasury Management Strategy to take the most appropriate form of borrowing from the approved sources.

4.4 Investment Limits

The Annual Investment Strategy sets out the limits and the guidelines for use of each type of investment instrument.

4.5 Borrowing Limits

See the Treasury Management Strategy Statement and Prudential and Treasury Indicators.

TMP 5 Organisation, Clarity and Segregation of Responsibilities, and Dealing Arrangements

5.1 Allocation of responsibilities

(i) Full Council

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

(ii) Cabinet

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

(iii) Scrutiny Committees

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

5.2 Principles and Practices Concerning Segregation of Duties

5.2.1 The following duties must be undertaken by separate officers: -

Dealing	Negotiation and approval of deal.
	Receipt and checking of brokers confirmation note against loans diary.
	Reconciliation of cash control account.
	Bank reconciliation
Accounting Entry	Production of transfer note.
	Processing of accounting entry
Authorisation/Payment of Deal	Entry onto system.
	Approval and payment.

Treasury Management Organisation Chart

Head of Finance

I

Corporate Business Improvement and Client Officer

I

Financial Accountant ______________ Financial Accounting Team Leader ___________ Management Accountant

5.3 Statement of the treasury management duties/responsibilities of each treasury post

5.3.1 The responsible officer

The responsible officer is the person charged with professional responsibility for the treasury management function and in this Council is the Head of Finance. This person will carry out the following duties:

- recommending clauses, treasury management policy/practices for approval, reviewing the same regularly, and monitoring compliance
- submitting regular treasury management policy reports
- submitting budgets and budget variations
- receiving and reviewing management information reports
- reviewing the performance of the treasury management function
- ensuring the adequacy of treasury management resources and skills, and the effective division of responsibilities within the treasury management function
- ensuring the adequacy of internal audit, and liaising with external audit
- recommending the appointment of external service providers.
- The responsible officer has delegated powers through this policy to take the most appropriate form of borrowing from the approved sources, and to make the most appropriate form of investments in approved instruments.
- The responsible officer may delegate his power to borrow and invest to members of his staff.
- The responsible officer will ensure that Treasury Management Policy is adhered to, and if not will bring the matter to the attention of elected members as soon as possible.
- Prior to entering into any capital financing, lending or investment transaction, it is the responsibility of the responsible officer to be satisfied, by reference to the Council's legal department and external advisors as appropriate, that the proposed transaction does not breach any statute, external regulation or the Council's Financial Regulations
- It is also the responsibility of the responsible officer to ensure that the Council complies with the requirements of The Non Investment Products Code (formerly known as The London Code of Conduct) for principals and broking firms in the wholesale markets.

5.3.2 Treasury Management Team

The responsibilities of this post will be:

- execution of transactions
- adherence to agreed policies and practices on a day-to-day basis
- maintaining relationships with counterparties and external service providers
- supervising treasury management staff
- monitoring performance on a day-to-day basis
- submitting management information reports to the responsible officer
- identifying and recommending
- opportunities for improved practices

5.3.3 The Head of the Paid Service – the Chief Executive

The responsibilities of this post will be:

- Ensuring that the system is specified and implemented
- Ensuring that the responsible officer reports regularly to the full Council and Cabinet on treasury policy, activity and performance.

5.3.4 The Monitoring Officer – the Head of Legal Services

The responsibilities of this post will be:

- Ensuring compliance by the responsible officer with the treasury management policy statement and treasury management practices and that they comply with the law.
- Being satisfied that any proposal to vary treasury policy or practice complies with law or any code of practice.
- Giving advice to the responsible officer when advice is sought.

5.3.5 Internal Audit

The responsibilities of Internal Audit will be:

- Reviewing compliance with approved policy and treasury management practices.
- Reviewing division of duties and operational practice.
- Assessing value for money from treasury activities.
- Undertaking probity audit of treasury function.

5.4 List of Approved Brokers

A list of approved brokers is maintained within the Treasury Team and a record of all transactions recorded against them. See TMP 11.1.2.

5.5 Policy on Brokers' Services

It is this Council's policy to rotate business between brokers.

5.6 Policy on Taping of Conversations

It is not this Council's policy to tape brokers conversations

5.7 Direct Dealing Practices

The Council will consider dealing direct with counterparties if it is appropriate and the Council believes that better terms will be available. At present, most deals are arranged directly. There are certain types of accounts and facilities, however, where direct dealing is required, as follows;

- Business Reserve Accounts:
- Call Accounts

5.8 Documentation Requirements

For each deal undertaken a record should be prepared giving details of dealer, amount, period, counterparty, interest rate, dealing date, payment date(s), broker.

TMP 6 Reporting Requirements and Management Information Arrangements

6.1 Annual programme of reporting

- Annual reporting requirements before the start of the year:
  - review of the organisation's approved clauses, treasury management policy statement and practices
  - strategy report on proposed treasury management activities for the year comprising of the Treasury management strategy statement, Annual Investment Strategy and Minimum Revenue Provision Policy Statement
- Mid-year review
- Annual review report after the end of the year

6.2 Annual Treasury Management Strategy Statement

1. The Treasury Management Strategy Statement sets out the specific expected treasury activities for the forthcoming financial year. This strategy will be submitted to the Cabinet and then to the full Council for approval before the commencement of each financial year.

2. The formulation of the annual Treasury Management Strategy Statement involves determining the appropriate borrowing and investment decisions in the light of the anticipated movement in both fixed and shorter -term variable interest rates. For instance, this Council may decide to postpone borrowing if fixed interest rates are expected to fall, or borrow early if fixed interest rates are expected to rise.

3. The Treasury Management Strategy Statement is concerned with the following elements:
   a) Prudential and Treasury Indicators
   b) current Treasury portfolio position
   c) borrowing requirement
   d) prospects for interest rates
   e) borrowing strategy
   f) policy on borrowing in advance of need
   g) investment strategy
   h) creditworthiness policy

i) policy on the use of external service providers
j) any extraordinary treasury issue
k) the MRP strategy

4. The Treasury Management Strategy Statement will establish the expected move in interest rates against alternatives (using all available information such as published interest rate forecasts where applicable), and highlight sensitivities to different scenarios.

6.3 The Annual Investment Strategy Statement

At the same time as the Council receives the Treasury Management Strategy Statement it will also receive a report on the Annual Investment Strategy which will set out the following:

- The Council's risk appetite in respect of security, liquidity and optimum performance
- The definition of high credit quality to determine what are specified investments as distinct from non specified investments
- Which specified and non specified instruments the Council will use
- Whether they will be used by the in house team, external managers or both
- The Council's policy on the use of credit ratings and other credit risk analysis techniques to determine creditworthy counterparties for its approved lending list
- Which credit rating agencies the Council will use
- How the Council will deal with changes in ratings, rating watches and rating outlooks
- Limits for individual counterparties and group limits
- Country limits
- Levels of cash balances
- Interest rate outlook
- Budget for investment earnings
- Use of a cash fund manager
- Policy on the use of external service providers

6.4 The Annual Minimum Revenue Provision Statement

This statement will set out how the Council will make revenue provision for repayment of its borrowing using the four options for so doing and will be submitted at the same time as the Annual Treasury Management Strategy Statement.

6.5 Policy on Prudential and Treasury Indicators

1. The Council approves before the beginning of each financial year a number of treasury limits which are set through Prudential and Treasury Indicators.
2. The responsible officer is responsible for incorporating these limits into the Annual Treasury Management Strategy Statement, and for ensuring compliance with the limits. Should it prove necessary to amend these limits, the responsible officer shall submit the changes for approval to the full Council

6.6 Mid year review

The Council will review its treasury management activities and strategy on a six monthly basis. This review will consider the following:

a) activities undertaken
b) variations (if any) from agreed policies/practices
c) interim performance report
d) regular monitoring
e) monitoring of treasury management indicators for local authorities.

6.7 Annual Review Report on Treasury Management Activity

An annual report will be presented to the Cabinet and then to the full Council at the earliest practicable meeting after the end of the financial year, but in any case by the end of September. This report will include the following:

- transactions executed and their revenue (current) effects
- report on risk implications of decisions taken and transactions executed
- compliance report on agreed policies and practices, and on statutory/regulatory requirements
- performance report
- report on compliance with CIPFA Code recommendations
- monitoring of treasury management indicators

6.8 Management Information Reports

Management information reports will be prepared every month by Finance and can be accessed on the O drive for the further review.

These reports will contain the following information: -

- a summary of transactions executed and their revenue (current effects);
- measurements of performance including effect on loan charges/investment income;
- degree of compliance with original strategy and explanation of variances.
- any non compliance with Prudential limits or other treasury management limits.

TMP 7 BUDGETING, ACCOUNTING AND AUDIT ARRANGEMENTS

7.1 Statutory/Regulatory Requirements

The accounts are drawn up in accordance with the Code of Practice on Local Authority Accounting in Great Britain that is recognised by statute as representing proper accounting practices. The Council has also adopted in full the principles set out in CIPFA's 'Treasury Management in the Public Services - Code of Practice' (the 'CIPFA Code'), together with those of its specific recommendations that are relevant to this Council's treasury management activities.

7.2 Accounting Practices and Standards

Due regard is given to the Statements of Recommended Practice and Accounting Standards as they apply to Local Authorities in Great Britain.

7.3 Sample Budgets / Accounts / Prudential and Treasury Indicators

The Council will prepare a three year medium term financial plan with Prudential and Treasury Indicators for treasury management which will incorporate the budget for the forthcoming year and provisional estimates for the following two years. This will bring together all the costs involved in running the function, together with associated income. The Council will exercise effective controls over this budget and monitoring of performance against Prudential and Treasury Indicators, and will report upon and recommend any changes required in accordance with TMP6.

7.4 List of Information Requirements of External Auditors.

- Reconciliation of loans outstanding in the financial ledger to Treasury Management records
- Maturity analysis of loans outstanding
- Certificates for new long term loans taken out in the year
- Reconciliation of loan interest, discounts received and premiums paid to financial ledger by loan type
- Calculation of loans fund interest and debt management expenses
- Details of interest rates applied to internal investments
- Calculation of interest on working balances
- Interest accrual calculation
- Principal and interest charges reports from the Access Database
- Analysis of any deferred charges
- Calculation of loans fund creditors and debtors
- Annual Treasury Report
- Treasury Management Strategy Statement and Prudential and Treasury Indicators
- Review of observance of limits set by Prudential and Treasury Indicators
- Calculation of the Minimum Revenue Provision
- External fund manager valuations including investment income schedules and movement in capital values.

TMP 8 Cash and Cash Flow Management

8.1 Arrangements for Preparing/Submitting Cash Flow Statements

Cash flow projections are prepared annually, monthly and daily. The annual and monthly cash flow projections are prepared from the previous years' cash flow records, adjusted for known changes in levels of income and expenditure and also changes in payments and receipts dates. These details are supplemented on an ongoing basis by information received of new or revised amounts to be paid or received as and when they are known.

8.2 Bank Statements Procedures

The Council receives daily bank statements and a daily download of data from its bank. All amounts on the statement are checked to source data from Payroll, Creditors etc. A formal bank reconciliation is undertaken on a monthly basis by the Finance Department.

8.3 Payment Scheduling and Agreed Terms of Trade With Creditors

Our policy is to pay creditors within 28 days of the invoice date and this effectively schedules the payments. Certificated payments to sub-contractors must be paid within 14 days. Local suppliers must be paid within 10days.

8.4 Procedures for Banking of Funds

All money received by an officer on behalf of the Council will without unreasonable delay be passed to the cashiers to deposit in the Council's banking accounts. The cashiers will notify the treasury manager each morning of large cash and cheques banked the previous day so that the figures can be taken into account in the daily cash flow.

TMP 9 Money Laundering

9.1 Proceeds of Crime Act 2002

Money laundering has the objective of concealing the origin of money generated through criminal activity. Legislation has given a higher profile to the need to report suspicions of money laundering. The Proceeds of Crime Act (POCA) 2002 established the main offences relating to money laundering. In summary, these are:

- concealing, disguising, converting, transferring or removing criminal property from England and Wales, from Scotland or from Northern Ireland
- being concerned in an arrangement which a person knows or suspects facilitates the acquisition, retention, use or control of criminal property
- acquiring, using or possessing criminal property.

These apply to all persons in the UK in a personal and professional capacity. Any person involved in any known or suspected money-laundering activity in the UK risks a criminal conviction. Other offences under the POCA include:

- failure to disclose money-laundering offences
- tipping off a suspect, either directly or indirectly
- doing something that might prejudice an investigation – for example, falsifying a document.

9.2 The Terrorism Act 2000

This act made it an offence of money laundering to become concerned in an arrangement relating to the retention or control of property likely to be used for the purposes of terrorism, or resulting from acts of terrorism. All individuals and businesses in the UK have an obligation to report knowledge, reasonable grounds for belief or suspicion about the proceeds from, or finance likely to be used for, terrorism or its laundering, where it relates to information that comes to them in the course of their business or employment

9.3 The Money Laundering Regulations 2007

Organisations pursuing relevant business (especially those in the financial services industry regulated by the FSA) are required to appoint a nominated officer and implement internal reporting procedures; train relevant staff in the subject; establish internal procedures with respect to money laundering; obtain, verify and maintain evidence and records of the identity of new clients and transactions undertaken and report their suspicions. In December 2007 the UK Government published the Money Laundering Regulations 2007, which replaced the Money Laundering Regulations 2003.

9.4 Local authorities

Public service organisations and their staff are subject to the full provisions of the Terrorism Act 2000 and may commit most of the principal offences under the POCA, but are not legally obliged to apply the provisions of the Money Laundering Regulations 2007. However, as responsible public bodies, they should employ policies and procedures which reflect the essence of the UK's anti-terrorist financing, and anti-money laundering, regimes. Accordingly this Council will do the following:

- evaluate the prospect of laundered monies being handled by them
- determine the appropriate safeguards to be put in place

- require every person engaged in treasury management to make themselves aware of their personal and legal responsibilities for money laundering awareness
- make all its staff aware of their responsibilities under POCA
- appoint a member of staff to whom they can report any suspicions.
- in order to ensure compliance is appropriately managed, this Council will require senior management to give appropriate oversight, analysis and assessment of the risks of clients and work/product types, systems for monitoring compliance with procedures and methods of communicating procedures and other information to personnel.
- The officer responsible for the creation and monitoring the implementation of a corporate anti money laundering policy and procedures is Donna Nolan, Corporate Manager - Governance, Assets and Public Spaces and Monitoring Officer and it shall be a requirement that all services and departments implement this corporate policy and procedures.

9.5 Procedures for Establishing Identity / Authenticity of Lenders

It is not a requirement under POCA for local authorities to require identification from every person or organisation it deals with. However, in respect of treasury management transactions, there is a need for due diligence and this will be effected by following the procedures below.

The Council does not accept loans from individuals.

All loans are obtained from the PWLB, other local authorities or from authorised institutions under the Financial Services and Markets Act 2000. This register can be accessed through the FSA website on www.fsa.gov.uk.

When repaying loans, the procedures in 9.6 will be followed to check the bank details of the recipient.

9.6 Methodologies for Identifying Deposit Takers

In the course of its Treasury activities, the Council will only lend money to or invest with those counterparties that are on its approved lending list. These will be local authorities, the PWLB, Bank of England and authorised deposit takers under the Financial Services and Markets Act 2000. The FSA register can be accessed through their website on www.fsa.gov.uk).

TMP 10 Training and Qualifications

The Council recognises that relevant individuals will need appropriate levels of training in treasury management due to its increasing complexity. There are two categories of relevant individuals:

a) Treasury management staff employed by the Council
b) Members charged with governance of the treasury management function

All treasury management staff should receive appropriate training relevant to the requirements of their duties at the appropriate time. The Council operates a Professional

Development Review system which identifies the training requirements of individual members of staff engaged on treasury related activities.

Additionally, training may also be provided on the job and it will be the responsibility of the Chief Accountant to ensure that all staff under his / her authority receive the level of training appropriate to their duties. This will also apply to those staff who from time to time cover for absences from the treasury management team.

10.1 Details of Approved Training Courses

Treasury management staff and members will go on courses provided by our treasury management consultants, CIPFA, money brokers etc.

10.2 Records of Training Received by Treasury Staff

The treasury management staff line managers will maintain records on all staff and the training they receive

10.3 Statement of Professional Practice (SOPP)

1. Where the Chief Financial Officer is a member of CIPFA, there is a professional need for the CFO to be seen to be committed to professional responsibilities through both personal compliance and by ensuring that relevant staff are appropriately trained.

2. Other staff involved in treasury management activities who are members of CIPFA must also comply with the Code.

10.4 Member training records

Records will be kept of all training in treasury management provided to members.

10.5 Members charged with governance

Members charged with diligence also have a personal responsibility to ensure that they have the appropriate skills and training for their role.

<u>TMP 11 Use of External Service Providers</u>

11.1 Details of Contracts with Service Providers, Including Bankers, Brokers, Consultants, Advisers

This Council will employ the services of other organisations to assist it in the field of treasury management. In particular, it will use external consultants to provide specialist advice in this ever more complex area. However, it will ensure that it fully understands what services are being provided and that they meet the needs of this organisation, especially in terms of being objective and free from conflicts of interest.

It will also ensure that the skills of the in house treasury management team are maintained to a high enough level whereby they can provide appropriate challenge to external advice and can avoid undue reliance on such advice.

Treasury management staff and their senior management will therefore be required to allocate appropriate levels of time to using the following sources of information so that they are able to develop suitable levels of understanding to carry out their duties, especially in challenge and avoiding undue reliance.

- The quality financial press
- Market data
- Information on government support for banks an
- The credit ratings of that government support

11.1.1 Banking Services

a) Name of supplier of service is the Barclays Bank.

b) Regulatory status – banking institution authorised to undertake banking activities by the FSA

c) The branch address is:
2nd Floor
Ranger House
Walnut Tree Close
Guildford
Surrey
GU1 4UL

d) The contract has recently been renewed and is next due for review before October 2018.

11.1.2 Money-Broking Services

The Council will use money brokers for temporary borrowing and investment and long term borrowing. It will seek to give an even spread of business amongst the approved brokers. The performance of brokers is reviewed by the Head of Finance every year to see if any should be taken off the approved list and replaced by another choice and will make appropriate recommendations to change the approved brokers list.

The Council currently employs two brokers:

1.BGC
1 Churchill Place
Canary Wharf
London
E14 5RD

2.King and Shaxson
Candlewick House
120 Cannon Street
London
EC4N 6AS

11.1.3 Consultants'/Advisers' Services

Treasury Consultancy Services
The Council will seek to take expert advice on interest rate forecasts, annual treasury management strategy, timing for borrowing and lending, debt rescheduling, use of various borrowing and investment instruments, how to select credit worthy counterparties to put on its approved lending list etc. The performance of consultants will be reviewed by the Head of Finance every year to check whether performance has met expectations.

a) Name of supplier of service is Capita Asset Services, Treasury Services Limited. Their address is: 17 Rochester Row, London, SW1P 1QT
Tel: 0871 664 6800
b) Regulatory status: investment adviser authorised by the FSA
c) Contract renewed until 1st July 2017
d) Cost of service is £7,000 per year.

Other Consultancy services may be employed on short term contracts as and when required.

11.1.4 Credit Rating Agency

The Council receives a credit rating service through its treasury management consultants, the costs of which is included in the consultant's annual fee.

11.2 Procedures and Frequency for Tendering Services

See TMP2

<u>TMP 12 Corporate Governance</u>

12.1.1 List of Documents to be Made Available for Public Inspection

a. The Council is committed to the principle of openness and transparency in its treasury management function and in all of its functions.

b. It has adopted the CIPFA Code of Practice on Treasury management and implemented key recommendations on developing Treasury Management Practices, formulating a Treasury Management Policy Statement and implementing the other principles of the Code.

c. The following documents are available for public inspection: -

Treasury Management Policy Statement
Treasury Management Strategy Statement
Annual Investment Strategy
Minimum Revenue provision policy statement
Annual Treasury Review Report
Treasury Management monitoring reports (e.g. half yearly, quarterly)
Annual accounts and financial instruments disclosure notes
Annual budget
3 Year Capital Plan
Minutes of Council / Cabinet / committee meetings

Schedule of all external funds managed by the Council on behalf of others and the basis of attributing interest earned and costs of these investments.

PAPER D

CABINET

DATE OF MEETING: **4 FEBRUARY 2016**

TITLE OF REPORT: **BUDGET 2016/17**

Report of: **Head of Finance**

Cabinet Member: **Councillor Ken Crookes, Economic Development and Corporate Finance**

1. PURPOSE OF REPORT

1.1 This report provides a summary of the revenue and capital budget proposals for 2016/17 to enable the Cabinet to forward its recommendations on the budget and Council Tax levels to Council on 25 February 2016. The report also includes the statutory statement of the Head of Finance (Section 151 Officer) to Council on the robustness of the estimates and adequacy of reserves.

1.2 The Overview & Scrutiny Committee considered this report at their meeting on 19 January 2016 and resolved to recommend to Cabinet that:

1. That the growth and savings set out in Appendix A is approved subject to clarification which Members will raise on any individual budget lines directly with the Head of Finance.

2. That Overview and Scrutiny supports the principle that Cabinet consider an increase in the Council Tax for 2016/17 and that should it do so, the Council ensures effective communication with residents of Hart to explain that most of any other increases are applied by other precepting authorities.

3. That the summary revenue budget for 2016/17 as set out (in Paragraph 12 of this report) be approved subject to clarification which Members will raise on any individual budget lines directly with the Head of Finance.

4. That the revised capital programme for 2015/16 and 2016/17 as detailed in Appendix B be approved.

5. That the Council could investigate its decision not to implement the Council Tax Reduction Scheme.

6. That the Section 151 Officer's statutory report regarding the robustness of the estimates and the adequacy of reserves detailed in paragraph 13 is noted.

2 OFFICER RECOMMENDATIONS

RECOMMENDATIONS to Council

2.1 That the growth and savings set out in Appendix A be approved.

2.2 That the level of Council Tax for 2016/17 be increased by 1.99% and set at £154.86.

2.3 That the summary revenue budget for 2016/17 as set out (in Paragraph 12 of this report) be approved.

2.4 That the revised capital programme for 2015/16 and 2016/17 as detailed in Appendix B be approved.

2.5 That the proposals on Fleet Car parking charges be considered.

2.6 That the Council reconsider its decision not to implement the Council Tax Reduction Scheme.

2.7 That the current 365 card subsidy available to staff and members be considered by the Staffing Committee.

2.8 That the Section 151 Officer's statutory report regarding the robustness of the estimates and the adequacy of reserves detailed in paragraph 13 be noted.

3 BACKGROUND INFORMATION

3.1 The period of austerity for local government continues based on the financial settlement the Council has received following the Chancellor's Comprehensive Spending Review. It is clear the government has faced a challenge in financing the costs of adult social care and it has tackled this largely by two measures:

3.1.1 Allowing authorities with social care responsibilities (Counties, Unitaries and Metropolitan Districts) to raise 2% on Council Tax specifically to help fund social care budgets. This is in addition to their ability to raise up to 1.99% on Council Tax to fund general expenditure without recourse to a referendum.

3.1.2 Move resources away from District Councils to social care authorities. This has meant a significant reduction in grant to Districts, particularly those in the South East. This is illustrated by looking at the change in funding for each category of local authority for the years 2015/16 to 2019/20. Whilst all have suffered a reduction, Shire Districts have fared worst.

Inner London Boroughs and City	-24.6%
Outer London Boroughs	-33.4%
Metropolitan Districts	-28.0%
Shire Unitaries	-32.9%
Shire Counties	-42.4%
Shire Districts	-44.3%
England	-31.8%

3.1.3 For Hart, the comparable reduction is **-64.8%**.

3.1.4 A briefing paper elsewhere on this agenda provides further detailed background to the overall local government financial settlement

4 GOVERNMENT GRANT FOR HART IN 2016/17 AND BEYOND

4.1 The government has asked councils if they wish to agree the 4 year settlement announced by the Chancellor although it is unclear what advantages there are to this and further details are awaited. Currently the suggested settlement for Hart is:

	2015/16 £m	2016/17 £m	2017/18 £m	2018/19 £m	2019/20 £m
Revenue Support Grant (RSG)	1.115	0.56	0.08	-0.2	-0.51
Business Rate Baseline Funding	1.254	1.265	1.290	1.33	1.37

4.2 The grant figures above show a negative figure for RSG in the last two years. Even though the government previously stated they would not change the amount of tariff that a council pays (the amount of business rates collected in excess of the amount the government thinks each local authority needs to retain), the figures above suggest otherwise as the negative RSG will be offset by a matching reduction in the Business Rate Baseline Funding paid to the Council. The government assumes Councils can make up the deficit by increasing Council Tax each year on a higher tax base as more houses are built in line with government estimates.

4.3 Members will be aware that from 2020 onwards the Chancellor intends to localise business rates and it is not known how this will affect the amount of business rates Hart is allowed to retain.

4.4 Clearly the settlement announced by the government is lower than had been anticipated although the New Homes Bonus has been protected for 2016/17 and the government is out to consultation on how this should change (see paragraph below).

5 COUNCIL TAX

5.1 As stated it is clear from the figures provided to local government that the government assumes some of the funding shortfall will be met by increases in Council Tax. This is a significant change in approach as previously councils were encouraged to freeze Council Tax levels and specific grants were provided to partly cover the cost to councils of not increasing the tax.

5.2 Freeze grants are no longer available and consequently the budget proposals included in this report assume a 1.99% increase in 2016/17 and 2017/18. Any figure above this will require the council to seek residents' approval through a referendum. The financial effect of this increase is to add approximately £117k per annum to income and this will increase each year if Council Tax increases are approved annually.

5.3 Interestingly, those authorities in the lower quartile of Council Tax charges will be able to increase their Council Tax by the higher of 2% or £5. Consequently councils such as Basingstoke will fall into this category because their Band D tax is lower than that at Hart.

6 NEW HOMES BONUS

6.1 New Homes Bonus remains a crucial part of the Council's budget and £2.07m will be received in 2016/17 and wholly used to support the revenue account. Whilst this is more than predicted in the Medium Term Financial Outlook (£1.7m), the risk is that future year's levels cannot be guaranteed. As mentioned earlier in the report, the government are consulting on changes to the scheme and comments are required by March 2016. A report will be provided to a future Overview & Scrutiny Committee and Cabinet so that Members have an opportunity to express their views on the proposals which include a number of options, for example:

- Overall reduction in the amount available for New Homes Bonus nationally (presumably to make more funds available for upper tier authorities to meet social care obligations).
- To reduce payments to 4 years, instead of the current 6 (government's preferred option).
- Reduce payments to 2-3 years (government's alternative option).
- Potential of a transitional year in 2017/18 of 5 years to give councils effected time to plan their finances.
- Withholding payment where there is no Local Plan (government's preferred option).
- Reducing payments for homes built on appeal.

6.2 It is also intended that the scheme carries on indefinitely even though localisation of business rates is planned for 2020. How these two schemes will complement each other is unclear and a consultation paper of business rates is due this year.

6.3 This matter is of great concern because any reductions in this grant will have an adverse effect on financial projections and jeopardise the chances of making proper financial plans for the future.

6.4 At the extreme the Council would be is serious financial straits if no Local Plan meant the loss of all New Homes Bonus.

7 COUNCIL TAX REDUCTION SCHEME

7.1 The introduction of this scheme in 2013 meant that Council Tax benefits would be replaced by a Council Tax discount scheme and the government reduced funding to 90% of the cost of discounts. Councils had either to reduce the discount paid to working age claimants or find income to make up the reduction. In the event this Council agreed not to reduce the discount (benefits) paid to such claimants but to fund the cost from the revenue account.

7.2 The Council faces difficult financial challenges in the future and Members are asked whether they wish to reconsider this decision. No changes could be made until the 2017/18 budget as a period of statutory consultation is required but it would probably save the Council around £40k per annum, although it will depend on the number of claimants at that time.

8 FEES AND CHARGES

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

- Green Waste - inflationary increase
- Car Parking * - no increase generally but possible reduction in Fleet charges
- Housing - no increase
- Leisure - N/A
- Planning - no increase
- Building Control - nominal increase to bring in line with Rushmoor fees
- Licensing - no increase

* The possible changes to car parking charges in Fleet would reduce income by an estimated £90k per annum. This cost has been shown separately in the draft budget summary in Paragraph 12. Details of the proposed changes in tariffs can be found on the Council's website www.hart.gov.uk

9 GROWTH AND SAVINGS INCLUDED IN BUDGET

9.1 Officers have again adopted a zero based approach to the budget as well as identifying areas for further savings, as well as any opportunities to secure new sources of income. Naturally, given the current financial climate, few discretionary growth items have been included.

9.2 Members need to be aware that no provision has been made for projects included in the draft Corporate Plan, currently out for consultation.

9.3 Staff and Members of Hart can access the Leisure 365 card at a discount rate of £10 a month and around 40 currently take advantage of this subsidy. This allows them access to facilities at the two centres. Everyone Active take over the management of the centres from 1 February 2016 and they have offered a corporate discount of 20% on the cost of the 365 card. This means a cost of £40 a month will be payable to Everyone Active for each of the officers and members of Hart who wish to continue to use this facility. The budget for 2016/17 includes a subsidy of £12,000 on the assumption the Council will pick up the difference of £30 per month for each user. In the event that more staff and Members wish to take advantage of this subsidy in future the costs could rise considerably and it is recommended that the Staffing Committee be asked to look at this benefit and any changes it might want to recommend.

9.4 Appendix A attached shows the movement of budgets between 2015/16 and 2016/17.

10 OUTTURN BUDGET FOR 2015/16

10.1 The expected deficit for the current year is expected to be £97K, higher than originally anticipated for the reasons reported to Cabinet in December.

11 CAPITAL PROGRAMME

11.1 The Capital Programme is attached as Appendix B. No new schemes have been added at this stage and the most significant items are the building of the new leisure centre and the refurbishment at Frogmore Leisure Centre.

12 DRAFT BUDGET 2016/17 AND INITIAL PROJECTION 2017/18

12.1 The table below summarises the draft budget for 2016/17, showing a use of resources of £67k, and an initial projection for 2017/18.

	2016/17 Draft Budget	**2017/18**
Cost of Services	9,796	10,302
Leisure Centre Residual Costs	138	116
Leisure Management Fee from Everyone Active	-36	-247
Local Plan	200	60
Car Parking Possible Reduction in Fee Income	90	90
Net Cost of Services	**10,188**	**10,321**
Less		
Interest on Balances	-51	-51
New Homes Bonus	-2,076	-2,076
Net Budget Requirement	**8,061**	**8,194**
Financed By		
Government Grant		
- Business Rates Retained	-1,265	-1,290
- Revenue Support Grant	-562	-80
Collection Fund (Surplus) / Deficit	-37	-50
Council Tax Income	-5,844	-5,869
2% Increase in Council Tax	-117	-235
S106 Receipts	-41	-41
SANG Receipts/Loan Repayments	-139	-142
Minimum Revenue Provision / Loan Repayments	11	855
Transfer (to) from Reserves to balance Revenue Account	**67**	**1,342**
General Fund Balance as at 1 April	4,629	4,465
Less Estimated Overspend in 2015/16	-97	
Transfer to (from) Reserves	-67	-1,342
General Fund Balance at 31 March	**4,465**	**3,123**

12.2 However, there are currently a number of inherent difficulties in looking beyond 2016/17 with any degree of certainty. The major issues are:

- The results of the consultation of the New Homes Bonus scheme will not be known until later in the year (consultation ends in March).

- Any savings from the joint procurement exercises will not be known until after this report is finalised but can be included in the final budget report to be considered by Cabinet and Council in February.

- The Leader, along with colleagues from the District Council Network, has recently met with the Secretary of State for Communities and Local Government to express concern, along with other council leaders, about some aspects of the financial settlement. The Secretary of State agreed to come back on a couple of issues although it is unlikely the settlement figures will change.

- No financing costs of borrowing for constructing the new leisure centre have been included in the revenue budget for next year. This is because officers are trying to delay borrowing until it is absolutely necessary so that such costs are not borne until as close as possible to the positive income stream guaranteed from the new contract. Currently the Council is using internal balances to pay invoices but these will clearly have to be refreshed at some stage. The Head of Finance is currently in discussions with consultants about when to borrow and any such decisions are delegated to him in conjunction with the Cabinet Member for Economic Development and Corporate Finance. It is likely borrowing will take place in 2016 and there will be a period when the cost of such borrowing will have to be met from reserves until they are wholly covered by the fee from the management company, Everyone Active. It is anticipated this will be in the year 2018/19. Until such borrowing decisions are made it is difficult to project the impact on the Council's revenue reserves.

12.3 A number of factors will change in 2018/19 (higher leisure fee but almost certainly less NHB) so there is nothing at this stage to suggest 2018/19 will not present further challenges.

12.4 As a consequence of the above it is intended to bring an updated Medium Term Financial Outlook to Committee when the impact of the above factors are known.

13 ROBUSTNESS OF ESTIMATES AND ADEQUACY OF RESERVES

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

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

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

13.4 The Council has limited reserves available to it. A summary of the estimated movement on the General Fund balance is shown in paragraph 12.

13.5 The S151 Officer considers that the projected General Fund balance is adequate to help manage the 2016/17 budget risks. While the use of the General Fund balance is for financing unplanned one-off costs and does not underwrite on-going expenditure, the level of the General Fund balance does provide a buffer against the uncertainty of future central government funding. As this report makes clear there is considerable uncertainty around future resources available to the Council and further reports on the Medium Term Financial Outlook will be needed during the year.

14 COMMENTS OF THE MONITORING OFFICER

14.1 This report recommends the adoption of a lawful budget and the level of Council Tax for 2016/17. It also outlines the Council's current and anticipated financial circumstances, including matters relating to capital expenditure and resources.

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

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

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

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

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

CONTACT: Tony Higgins, Head of Finance, x4207, email: tony.higgins@hart.gov.uk

APPENDICES:
Appendix A - Comparison of Original Budget 2015/16 to Draft Budget 2016/17
Appendix B - Current Available Budget

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Appendix A

Comparison of Original Budget 2015/16 to Draft Budget 2016/17

Cost Centre	2015/16 Original Budget £	2016/17 Revised Total Budget £	Notes
Community Safety - Shared Serv	235,050	235,050	
Community Safety	**235,050**	**235,050**	
Civic Function & Chairman	20,300	20,300	
Corporate - Apprentices	59,050	24,865	Staff Vacancies Freeze £38k
Corporate Communication	55,230	130,110	One off Budget £65k for Website Development
Leadership Team	573,720	562,295	Staffing budget re-alignments from Business Support £33k, 5 Council's consultants £25k. Transfers to Hart Development (82k)
Corporate Performance Team	56,500	61,765	
External Audit	93,400	66,660	Saving Ernest External Audit Fee
Non Distributed Costs	468,300	167,900	Pension Deficit allocated to services £330K
Climate Change	13,300	12,300	
Business Support Unit	605,530	313,760	Supplies & Services transferred to Corporate Support Non Staff. Saving in Staffing Business Change Manager Post (£22K), Building Control (£38k)
Admin Bldgs - R & M	343,785	381,755	
Hart Development	0	133,650	New Cost Centre includes Economic Development. £82k transfer from Leadership Team, additional Contractors and Consultants £11k, New post Strategy & Policy £40k
Corporate Support - Non Staff	0	150,000	Supplies and Services from Business Support Unit. reduction in Microfilming (£10k)
Customer Services Contract	285,820	296,693	Increase in Xmas Opening Hours
IT Contract	413,400	297,810	IT Contract saving (£117k)
HR Contract	105,120	105,615	
Customer Services Client	38,400	50,560	Increase postage and Machine rental £10k
IT Client	383,871	314,530	Savings in Consultants (£20k) and Telephone costs (£30K)
HR Client	68,810	59,660	Professional Days saving (£8k)
Print Room & Photocopying	39,750	40,500	
Internal Audit	93,170	93,830	
Legal Services	226,960	233,660	
Local Land Charges	-73,360	-79,915	Increased search fee Income
Planning Policy	451,957	428,470	
Corporate Services	**4,323,013**	**3,866,773**	
Rechargeable Elections	0	0	
Register Of Electors	108,023	98,587	
Election Expenses	156,691	200,279	
Support To Elected Bodies	232,975	290,189	
Democratic Services	**497,689**	**589,055**	
Housing Act & Housing Ass. Adv	0	0	
Bank Charges	48,500	58,000	Bank Charges increased volumns
Finance Client	76,440	85,980	
Finance Contract	470,740	465,750	
Revs & Bens Contractor Costs	1,206,120	1,211,785	
Revenues & Benefits Client	-318,563	-269,170	Reduction in court costs recovered (£20k), increased Licence fees £16k
Housing/Council Tax Benefits	-2,000	95,000	Reduction in rent allowance subsidy £100k
Meals On Wheels	8,000	8,000	
Finance	**1,489,237**	**1,655,345**	
Private Sector Housing	164,750	183,840	Staffing Budget Re-alignments
Strategic Housing Services	106,240	118,890	Staffing Budget Re-alignments
Housing Needs Service	476,004	541,314	Staffing Re-alignments £27k, Lower recovery of rent deposits £8k,
Help for Single Homelessness	0	0	100% Grant Funded
Domestic Abuse	0	0	100% Grant Funded
Housing	**746,994**	**844,044**	
Land Repossessions	4,480	4,480	
Leisure Centre Maintenance	90,000	20,000	Saving in Maintenance
Leisure Strategy	106,320	50,660	Staff Saving (£36k) Other Leisure Centre budgets (£21k)
Fleet Pond	54,070	66,776	
Commons	41,820	63,900	
Odiham Common	36,930	56,335	

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Appendix A

Comparison of Original Budget 2015/16 to Draft Budget 2016/17

Cost Centre	2015/16 Original Budget £	2016/17 Revised Total Budget £	Notes
Elvetham Heath Nature Reserve	43,610	48,400	
Hart Leisure Centre (Client)	-177,910	46,715	Transfers of Leisure Centre to Everyone Active
Frogmore LC (Client)	16,640	50,905	Transfers of Leisure Centre to Everyone Active
Parks/Play Areas Outside Fleet	50,580	50,580	
Edenbrook Country Park	102,060	65,520	
QE II Fields	25,700	9,930	
Biodiversity	28,100	28,355	
Landscape & Conservation	51,600	60,990	
Tree Preservation Orders	82,670	93,730	
Environmental Promotion - Stra	139,711	135,470	
Leisure & Env Promotion	**696,381**	**852,746**	
Building Control - Fee Earning	-153,838	-116,640	Change in apportionment of Fee and Non Fee Services
Building Control - Non-Fee	105,710	78,400	Change in apportionment of Fee and Non Fee Services
Planning Development	15,160	-97,875	Additional S106 Fee Income (£100k)
Street Naming & Numbering	0	10	
Planning	**-32,968**	**-136,105**	
Churchyards	7,000	7,000	
Licences	-20,070	-8,940	Reduction in Gaming Permits
Hackney Carriages	-20,750	-26,120	Additional licence income
Dog Warden	57,120	60,295	
Pest Control	2,620	3,040	
Env Health Pollution	0	0	
Env Health Commercial	130,420	145,620	
Environmental Protection	209,380	203,110	
Health and Policy	0	47,800	New Service Area
Env Health Public	0	0	
Out Of Hours Noise Service	25,610	26,700	
Health & Safety	35,180	31,000	
Environmental Services	**426,510**	**489,505**	
Flood repairs & Maint work	0	0	
Estates/Asset Management	52,050	53,170	
Corporate Building Maintenance	0	0	
CCTV	165,910	165,600	
Street Furniture	8,100	8,340	
Highways Traffic Management	37,000	40,110	
Highways Agency - Development	-14,200	-25,220	Development Agency Income
Off Street Enforcement	-401,710	-425,650	Increased Fee Income
On Street Enforcement	69,020	101,250	Reduction in Penalty notice income £9k, White Lining Contractors £6k
Waste Client Team	-705,305	-672,400	£50k procurement Consultancy. £8k Direct Debit set up fee. Additional Garden Waste Income £52k
Waste Contract	1,715,440	1,579,960	Reduction to reflect reduced inflation on Veolia Contract
Grounds Mtn Contract	356,920	352,410	
Street Cleaning	500,970	494,730	
Clinical and Bulky	-6,340	-6,410	
Basingstoke Waste Contract	0	0	
Emergency Planning	36,160	41,160	
Hart Drainage	59,445	84,490	£30k additional budget for Riparian Ditches
Technical Services	**1,873,460**	**1,791,540**	
Grand Total Excluding Acc	**10,255,366**	**10,187,953**	

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Appendix B

	Current Available Budget 2015/16	Budget Requirement 2016/17
Capital resources available as at 1st April 2015		
Receipts in year		
Corporate Services	382	0
Housing & Customer Services	1,215	560
Leisure & Environmental Promotion	24,454	0
Technical Services	517	0
TOTAL CAPITAL PROGRAMME	**26,568**	**560**
Capital Resources available as at 1st April 2015		

Service Area	Scheme	Current Available Budget	Budget Requirement 2016/17
Corporate Services	CCTV-Rushmoor	176	0
	Telephony System	70	0
	Contact Centre	0	0
	Civic Office Refurbishment	59	0
	Rural Broadband	0	0
	Upgrade to IT infrastucture	58	0
	Door Entry System	19	0
		382	**0**
Housing & Customer Services	Private Sector Renewal - Minor Works Grants(Home trust Loar	60	60
	Existing Satisfactory Purchase	200	0
	Grant for 13x 4 bed dwellings.	455	0
	Disabled Facilities Grants	500	500
		1,215	**560**
Leisure and Environmental promotion	Fleet Pond Project-Restoration	44	0
	Broadoak Common (District) (S106)	13	0
	Edenbrook Country Park (S106)	30	0
	Fleet pond Nature Reserve Visitor Strategy (S106)	40	0
	Odiham Common (S106)	27	0
	Fleet Area Football (S106)	180	0
	Leisure Centre SCAPE project appraisal	90	0
	Strategic Leisure	26	0
	Leisure Centre Pre Construction Stage	609	0
	Hook Football Pitch Drainage Improvements (S106)	29	0
	Countryside Service Vehicles (S106)	50	0
	Cricket Hill Pond (Yateley) (S106)	41	0
	Boiler Replacements - Frogmoor LC	41	0
	Odiham Signs	5	0
	Hook Meadow	6	0
	S106 Leisure Parish Funded Projects	75	0
	Frogmore leisure	1,500	0
	Leisure Centre Construction	21,550	0
	Leisure Centre Consultants & Fees	98	0
		24,454	**0**
Technical Services	Fernhill Road, Pedestrian Facilities (S106)	70	0
	Church Road (Victoria Road) Car Park - Pay on Foot	247	0
	Phoenix Green, Hartley Wintney	0	0
	Mill Corner, North Warnborough	0	0
	Parking Enforcement Vehicles	0	0
	S106 NEHTS parish	0	0
	S106 NEHTS Fleet Station Contributions	200	0
		517	**0**
	TOTAL CAPITAL PROGRAMME	**26,568**	**560**

CABINET

KEY DECISIONS/ WORK PROGRAMME AND EXECUTIVE DECISIONS MADE

February 2016

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	Ref (Note 1)	Outline/Reason for Report/Comments	Original Due Date	Revised Due Date	Key Decision Y?	Cabinet Member (Note 2)	Service (Note 3)
Consideration of the extension or reprocurement of the Waste Collection Services		For approval – decision on whether to seek to extend the existing contract or reprocure.	Feb 16		Y	SF	TS&EM
Treasury Management Strategy	Annual	Update	Feb 16			KC	F
2016/17 Revenue Budget, Capital Programme and Council Tax Proposals	Annual	Approval. Recommendation to Council.	Feb 16			KC	F
Parking Concessions and on-street Parking	Dec 15	Review of current on- and off- street parking strategy	Feb 16	Mar 16		MM	TS&EM
Installation of Electric vehicle charging points	Nov 15	Consideration of installing charging points in car parks	Feb 16	Mar 16		SF	TS&EM
Corporate Plan	Dec 15	Consultation results and implementation plan.	Feb 16	Mar 16		L	CX
Car Parking Maintenance Review	Dec 15	Overview of how we are maintaining our car parks and how we effectively make use of our resources	Mar 16			MM	TS&EM
Fleet Car Park Charges and Pay on Exit parking	May 15	Report from Task and Finish Group with recommendations.	July 15	Mar 16	Y	MM	TS&EM
Budget Monitoring	Quarterly	Quarterly Budget Monitoring	Mar 16 Dec 16			KC	F
Service Plans	Annual	Service Plans 2016/17	April 16			BB	All

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Report Title	Ref (Note 1)	Outline/Reason for Report/Comments	Original Due Date	Revised Due Date	Key Decision Y?	Cabinet Member (Note 2)	Service (Note 3)
Revenue and Capital Outturn 2014/15	Annual	Report on outturn	July 16			KC	F
Treasury Management Outturn	Annual	Report on outturn	July 16			KC	F
Ecology and Countryside Capital Works Programme 2016-2019	Oct 16	For approval	Jan 16	TBC	Y	AC	L&EP
Establishment of a Local Housing Company	Oct 15	Update on the formation of a local housing company.	Feb 16	TBC		SG	H
SANG: Identifying Provision and Priorities	Dec 15	Report for consideration	Feb 16	TBC		SP	PP
Odiham Neighbourhood Plan	Nov 15	Response to submission documents	TBC			SP	PP

Notes:

1 Date added to Programme

2 Cabinet Members

L – Leader & Planning Policy (SP)		BB	Corporate Services	AC	Community Welbeing	SF	Environment
KC	Economic Development	SG	Housing	JK	Regulatory Services	MM	Town Regeneration

3 Service:

JCX	Joint Chief Executive	HS	Housing Services	RS	Regulatory Services
CS	Community Safety	CCS	Corporate & Customer Services	L&EP	Leisure and Environmental Promotion
F	Finance	PP	Planning Policy	TS &EM	Technical Services and Environmental Maintenance
SLS	Shared Legal Services	MO	Monitoring Officer		

EXECUTIVE DECISIONS

None

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CABINET

Date and Time: Thursday, 4 February 2016 at 7pm

Place: Council Chamber, Civic Offices, Fleet

Present:

COUNCILLORS

Burchfield, Crampton, Crookes, Forster, Gorys, Kennett, Morris, Parker (Chairman)

In attendance: Axam (7.40 pm), Neighbour

Officers:

Daryl Phillips	Joint Chief Executive
Tony Higgins	Head of Finance
John Elson	Head of Environmental and Technical Services

105 MINUTES OF THE PREVIOUS MEETING

The Minutes of the meeting of 21 January 2016 were confirmed and signed as a correct record.

106 APOLOGIES FOR ABSENCE

None.

107 CHAIRMAN'S ANNOUNCEMENTS

The Chairman announced that the Local Plan consultation had gone live.

108 DECLARATIONS OF INTEREST

Councillor Crampton declared an interest in Paper D, Budget 2016/17, as she was a member of the 365 Card scheme. Councillor Crampton left the room when this particular aspect of the budget was discussed, and took no part in the discussion or the voting thereon.

Councillor Kennett declared that he had a current 365 card, but was not intending to renew it from 1 April 2016. The Joint Chief Executive advised that this was not a personal prejudicial interest with regard to 2016/17 budget setting. Councillor Kennett stayed for the item and the vote.

109 PUBLIC PARTICIPATION (ITEMS PERTAINING TO THE AGENDA)

None.

110 MANAGEMENT OF THE JOINT WASTE CONTRACT 2018 ONWARDS

Cabinet considered the retender of the joint Basingstoke and Deane/Hart Waste Contract in October 2018, and whether to allocate initial funding for the retendering work.

RESOLVED

1 That work be commenced on retendering the joint waste contract, and that this proceeds in accordance with the outline programme (attached at Appendix B), subject to the Council not receiving (prior to July 2016) much improved terms for extension of the existing contract.

2 That £50k be allocated in the 16/17 waste budget to provide initial match funding for the procurement process with Basingstoke and Deane Borough Council.

111 DRAFT TREASURY MANAGEMENT STRATEGY STATEMENT AND ANNUAL INVESTMENT STRATEGY

Cabinet considered the draft Treasury Management Strategy Statement for 2016/17 which incorporated the Annual Investment Strategy and Prudential and Treasury Indicators.

RESOLVED

That the Treasury Management Strategy Statement for 2016/17 be approved.

112 BUDGET 2016/17

Cabinet received a summary of the revenue and capital budget proposals for 2016/17 to enable it to forward its recommendations on the budget and Council Tax levels to Council on 25 February 2016.

Members discussed the budget implications, in particular the future of 365 cards, the Council Tax Reduction Scheme and Fleet car parking charges. The view of members was that the 365 Card scheme should be referred to Staffing Committee to carry out a review of its future, and in the short term to consider whether it should remain open to new entrants.

The Council Tax Reduction Scheme would require a further report to Cabinet to consider possible options to consult with the local community and interest groups about whether there should be any changes to the current scheme. A report should be presented to Cabinet in August on possible options for consultation, which would then inform the 2017/18 budget setting process. Members noted the implications of the changes in the Fleet car parking charges but decided to make no further adjustments to the budge proposals.

Members also discussed the potential of the government agreeing that Councils could allow council tax to rise by £5 per Band D property. However, it was not clear whether the government would allow this to happen. If the position was clarified and the opportunity presented itself to raise Council tax by £5 per Band D property, then this may be an amendment that would be put forward to Council.

RESOLVED

1 That the current 365 card subsidy be considered by Staffing Committee.

2 That a report on the implementation of the Council Tax Reduction scheme be brought to Cabinet in August 2016.

RECOMMENDATION to Council

1 That the growth and savings set out in Appendix A be approved.

2 That the level of Council Tax for 2016/17 be increased by 1.99% and set at £154.86 for Band D properties.

3 That the summary revenue budget for 2016/17 (as set out in paragraph 12 of the report) be approved.

4 That the revised capital programme for 2015/16 and 2016/17 (as detailed in Appendix B) be approved.

8 That the Section 151 Officer's statutory report regarding the robustness of the estimates and the adequacy of reserves detailed in paragraph 13 be noted.

113 CABINET WORK PROGRAMME

The Cabinet Work Programme was considered and amended.

The meeting closed at 8.30 pm