NOTICE OF MEETING

Meeting:	**Overview and Scrutiny Committee**
Date and Time:	**Tuesday, 17 January 2017 at 7.00 pm**
Place:	**Committee Room 1, Civic Offices, Fleet**
Telephone Enquiries to:	**01252 774141 (Mrs G Chapman)** **gill.chapman@hart.gov.uk**
Members:	**Axam, Bailey (Chairman), Clarke, Crisp, Dickens, Gray, Harward, Leeson, Makepeace-Browne, Renshaw, Wheale**

Joint Chief Executive

CIVIC OFFICES, HARLINGTON WAY
FLEET, HAMPSHIRE GU51 4AE

AGENDA

COPIES OF THIS AGENDA ARE AVAILABLE IN LARGE PRINT AND BRAILLE ON REQUEST

1 MINUTES

The minutes of the meeting of 13 December 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, and any other, interests.

5 PUBLIC PARTICIPATION (ITEMS PERTAINING TO THE AGENDA)

Anyone wishing to put a question or statement to the Committee should contact the Committee Services Officer by phone or email (see front page of this Agenda) at least two clear working days prior to the meeting. Further information can be found at https://www.hart.gov.uk/sites/default/files/4_The_Council/Council_meetings/Public%20Participation%20leaflet%202016%20A4.pdf

6 FEEDBACK FROM SERVICE BOARDS

7 REGULATION OF INVESTIGATORY POWERS (RIPA) – QUARTERLY UPDATE

There has been no further use of the RIPA provisions (Covert Surveillance Policy) since the report to Overview and Scrutiny in April 2013.

8 SPECIFICATION OUTCOMES OF MEMBERS PANEL ON WASTE CONTRACT TENDER

To seek approval for the specification proposals agreed by the Overview and Scrutiny Committee's Members Panel. **Paper B**

RECOMMENDATION

That the specification items as detailed in Appendix 1 are recommended to Cabinet for approval.

9 LITTER AND DOG FOULING ENFORCEMENT PROPOSAL

To seek Overview and Scrutiny's views on the proposal to trial the issuing of Fixed Penalty Notices (FPNs) for littering and dog fouling prior to the proposal being considered by Cabinet. **Paper C**

RECOMMENDATION

That this Committee agrees a response on the proposals contained in this report for Cabinet to consider.

10 DRAFT TREASURY MANAGEMENT STRATEGY STATEMENT AND ANNUAL INVESTMENT STRATEGY

To present the draft Treasury Management Strategy Statement for 2017/18 which incorporates the Annual Investment Strategy and Prudential and Treasury Indicators. **Paper D**

RECOMMENDATION

That the Committee consider any recommendations it wishes to make to Cabinet in respect of Treasury Management.

11 DRAFT BUDGET 2017-18

To provide a summary of the revenue and capital budget proposals for 2017/18 to enable the Overview and Scrutiny Committee to forward its recommendations on the budget and Council Tax levels to Cabinet on 2 February 2017. The report also includes the statutory statement of the Head of Corporate Services (Section 151 Officer) to Council on the robustness of the estimates and adequacy of reserves. **Paper E**

RECOMMENDATION

That the Committee:

1 Note that there is currently a small surplus in the draft revenue budget for 2017/18.

2 Note the likely loss of New Homes Bonus funding should the Council fail to adopt a Local Plan by March 2018.

3 Recommend savings and income generation proposals that the Cabinet should consider to make up future shortfalls in the budget from 2018/19 onwards, and whether any of these proposals should be adopted in 2017/18 to strengthen reserves.

4 Recommend that Cabinet approves the level of Council Tax for 2017/18 be increased by £5 (3.19%) and set at £161.84.

5 Recommend to Cabinet that the summary revenue budget for 2017/18 as set out (in Paragraph 12 of this report) be approved.

6 Recommend that cabinet approve the revised capital programme for 2016/17 and 2017/18 as detailed in Appendix C.

7 Note the Section 151 Officer's statutory report regarding the robustness of the estimates and the adequacy of reserves detailed in paragraph 13.

12 CABINET WORK PROGRAMME

The Cabinet Work Programme is attached for information. **Paper F**

13 OVERVIEW AND SCRUTINY WORK PROGRAMME

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

Date of Despatch: 10 January 2017

OVERVIEW AND SCRUTINY COMMITTEE

Date and Time: 20 December 2016 at 7pm

Place: Committee Room 1, Civic Offices, Fleet

Present:

COUNCILLORS

Bailey (Chairman)

Clarke, Crisp, Dickens, Gray, Leeson, Renshaw

In attendance:

Officers:

Daryl Phillips	Joint Chief Executive
Phil Turner	Head of Community Services
Andrew Vallance	Head of Corporate Services
Susanna Hope	Flood Risk Infrastructure Engineer
Philip Sheppard	Infrastructure Team Manager

52 MINUTES

The minutes of the meeting of 18 October 2016 were confirmed and signed as a correct record.

53 APOLOGIES FOR ABSENCE

Apologies had been received from Councillors Axam, Makepeace-Browne and Wheale.

54 CHAIRMAN'S ANNOUNCEMENTS

The draft Policy for the consideration of applications from good causes to benefit from the proposed Hart Lottery was circulated to Members and the Chairman invited Members to feedback comments to him by 3 January 2017.

The Chairman invited the Head of Community Services to update Members on a draft Cabinet report relating to the proposed Hart Trading Company. Members gave some informal feedback but were invited to reflect on the draft report and to pass comments to the Head of Community Services by 4 January 2017 so that they can be reported to Cabinet. This was all without prejudice to Committee's prerogative to 'call in' any Cabinet decision in the event that it were to be felt necessary.

55 DECLARATIONS OF INTEREST

None declared.

56 PUBLIC PARTICIPATION (ITEMS PERTAINING TO THE AGENDA)

None.

57 REGULATION OF INVESTIGATORY POWERS (RIPA) – QUARTERLY UPDATE AND FEEDBACK FROM OFFICE OF SURVEILLANCE COMMISSIONERS

Members received an update that there had been no use of the RIPA provisions in the last quarter.

Members further heard that the Council had received positive feedback following a review carried out by the Office of Surveillance Commissioners and that some minor adjustments were need to the Council's RIPA policy and procedure and that this would be carried out.

58 FEEDBACK FROM SERVICE BOARDS

Environment & Technical Services – None

Housing – None

Community Wellbeing – Councillor Renshaw fed back a positive review of the recent Service Board and complemented the work of Adam Green and his work on SANGs. It was agreed to invite Adam to a future meeting of Committee to do a presentation briefing Members on his work.

Regulatory Services – Councillor Clarke reported back on a recent Service Board where the budget was discussed and possible saving opportunities reviewed. The Service Board had also reviewed planning performance.

Corporate Services – None.

59 UPDATE ON ACTIONS FROM THE SEPTEMBER 2016 MULTI AGENCY FLOODING MEETING

Members received an update on progress in relation to the agreed actions arising from the Multi Agency Flooding Meeting of 19 September 2016. It was agreed the minutes of the September meeting would be circulated to Members present.

60 COUNCIL TAX SUPPORT SCHEME 2017/18

Members considered the report. In principle, Members agreed that the savings in one of the most affluent areas of the country did justify the adverse impact it would have on those most in need.

If Cabinet were to proceed to support the scheme it was recommended that Cabinet should put in place an appropriate hardship fund although there was a view that there could be alternative less bureaucratic approaches.

RECOMMENDATION to Cabinet

Cabinet be advised not to proceed with the scheme.

61 QUARTER 2 CORPORATE PERFORMANCE INFORMATION – 2016/17

Members were updated on the Council's key performance indicator results for the final quarter of 2016/17 (1 July 2016 – 30 September 2016). Members discussed the underlying reasons behind the missed targets relating to the Audit Plan (intervening work associated with 5 Councils initiative) and Planning Performance (number of major planning applications received and staff resources).

DECISION

The report was noted

62 REVIEW OF SERVICE BOARDS

The Chairman advised Committee that he was still deliberating on this matter and would make a further report back to Committee in February 2017.

63 CABINET WORK PROGRAMME

The Cabinet Work Programme was considered.

64 OVERVIEW AND SCRUTINY WORK PROGRAMME

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

- Adam Green be invited to Committee to present his work on SANGs.
- At an appropriate time a review should be carried out to assess whether the current arrangements for delivering the Local Plan are the most appropriate and efficient so that lessons can be learnt for the future, particularly when any adopted Plan is reviewed. There was also a need to put in place proper monitoring and review procedures to assess performance against Local Plan delivery requirements.

The meeting closed at 8.20pm

PAPER B

OVERVIEW AND SCRUTINY COMMITTEE

DATE OF MEETING: 17 JANUARY 2017

TITLE OF REPORT: SPECIFICATION OUTCOMES OF MEMBERS PANEL ON WASTE CONTRACT TENDER

Report of: Waste & Recycling Manager

Cabinet member: Councillor Steve Forster, Enivronment and Technical Services

1 PURPOSE OF REPORT

1.1 To seek approval for the specification proposals agreed by the Overview and Scrutiny Committee's Members Panel.

2 OFFICER RECOMMENDATION

2.1 That the specification items as detailed in Appendix 1 are recommended to Cabinet for approval.

3 BACKGROUND

3.1 Hart District Council, as part of a Joint Contract with Basingstoke and Deane Borough Council, are entering into the tender process for the waste collection service.

3.2 As part of this work we convened a members' panel from the Overview and Scrutiny committee which was made up of the following members:-

- Cllr Stuart Bailey
- Cllr Wendy Makepeace-Browne (Chair of the Members Panel)
- Cllr Sharyn Wheale
- Cllr Chris Axam [1st meeting]

3.3 The panel met on four occasions during September and October to discuss the waste contract in detail.

3.4 At the first meeting members were given a presentation on the waste contract and tender process with a question and answer session from John Elson and Sarah Robinson to understand what this tender process entails.

3.5 From this discussion the panel chose to consider the following aspects in more detail following areas of the contract:

a) Vehicles (Age and specification)
b) Glass collections – frequency of collections (fortnightly or monthly), - HCC contract?
c) Garden waste collections – type of container – move to wheeled bins only and level of charging, garden waste clubs?
d) Working week & contract term – hours and days of operation
e) Collection of other materials (Textiles, Electrical items)

f) Innovation
g) Style and size of bins/ bin lids.
h) Collection Points

3.6 The outcomes of the discussions at the following three meetings are detailed in Appendix 1.

3.7 At the same time as Hart's panel was going ahead one was also being undertaken at Basingstoke and Deane, and similar areas of the contract were discussed and the outcomes from these meetings are also detailed in Appendix 1.

4 ACTION

4.1 That the committee agree and recommend the items detailed in Appendix 1 to be approved by Cabinet for inclusion in the Joint Waste Contract Tender.

Contact Details: Sarah Robinson, Waste & Recycling Manager, extension 4426, sarah.robinson@hart.gov.uk

John Elson, Head of Technical Services, extension 4491, john.elson@hart.gov.uk

APPENDICES
Appendix 1 – Member Panel Recommendations for Waste Specification

PAPER B

Appendix 1

OUTLINE SPECIFICATION FOR THE JOINT WASTE SERVICE 2018 ONWARDS

The following are the Member Panels and Joint Governance Group (JGG) recommendations to Cabinet for the outline specification for the joint waste service. Subject to Cabinet approval these recommendations will be used as the basis for development of the detailed specification.

VEHICLES (Age and specification)

The Member Advisory Panel (MAP) view was that they would like to see new vehicles from day one.
Also include a clause stipulating that the vehicles need to be of a good standard and are kept clean.
Livery to be agreed for all vehicles.

JGG Recommendation: New vehicles from start if possible whilst accepting this may not be possible until October 2019 in Basingstoke and Deane if Alternate Weekly Collections (AWC) are agreed.

FREQUENCY OF COLLECTIONS

RESIDUAL WASTE AND DRY MIXED RECYCLING COLLECTIONS.

JGG Recommendation:-

BDBC – Lot 1 - Weekly Residual and Fortnightly Dry Mixed Recycling (DMR) – as is service.

BDBC – Lot 2 – AWC providing residual collections one week and DMR collections the next.

HDC – AWC for residual and DMR collections – as is service.

GLASS COLLECTIONS

Basingstoke and Deane – MAP view – did not object to considering four weekly collections as part of the tender evaluation.

Hart – MAP view - did not object to considering four weekly collections but feel contractor should be asked to price for both and show which they feel is the most economical frequency.

JGG Recommendation:

BDBC – Lot 1 – Include options for both fortnightly and four-weekly glass collections.
BDBC – Lot 2 – Will only include option for fortnightly glass collections.

HDC – Include options for both fortnightly and four-weekly glass collections.

CONTRACT TERM

The current contract is for 7 years plus a 7 year extension. Soft market testing identified that this could be increased to up to 10 years plus a 10 year extension.

Basingstoke and Deane Members have discussed this and would like a shorter timescale but did not object to 8 years plus an 8 year extension.

Hart - Members would like to see a slightly reduced term but would not object to 10 years if everyone agrees.

JGG Recommendation: 8 years plus an 8 year extension. With further consideration being given to aligning the contract end date with other authorities to provide greater opportunity for extension of the partnership in future.

HARD TO REACH PROPERTIES

MAP view - require clauses to ensure collection points remain as is, unless there are Health and Safety concerns.

Hart - Members would like to see all current collection points retained unless there are Health and Safety concerns.

JGG Recommendation: Existing collection points to be retained. Reviewed only if there is a significant Health & Safety Issue.

WORKING WEEK

4 day, 5 day or 6 day options were discussed at the member panels in both Basingstoke & Deane and Hart.

MAP view - 6 day working was not supported as an option, but did not object to leaving the option open to the contractors to propose either 4 or 5 day working weeks. No collections before 7am.

Hart - 6 day working was not supported as an option, but did not object to leaving the option open to the contractors to propose either 4 or 5 day working weeks. No collections before 6:30 am.

JGG Recommendation: Contractor to price for 4 or 5 day working and to provide method statements. Basingstoke and Deane start time to be 7am, Contractor to be given the option of 6:30 or 7am in Hart.

BINS

MAP view – Did not object to replacing with existing coloured bins with standardised bin with different lid colours for different material streams.

Costings to be reviewed before final decision is taken.

Hart – Would support the most cost effective solution.

JGG Recommendation: Most cost effective solution to be implemented subject to JGG approval.

GARDEN WASTE

MAP view – Did not object to changing the current system including rolling year, 50 week collection service, increase in price and direct debits to also be considered, as well as the introduction of wheeled bins.

Hart – Supported moving to bins only for new customers (with an exception policy for those who feel that sacks are only practical for them) existing customers will be allowed to continue to use sacks. Full promotional exercise to be undertaken and a reduced price on bins for a limited period. This will be implemented before the contract start date.

JGG Recommendation:

Basingstoke and Deane – Specification to include wheeled bins as well as sacks.

Hart - to be moved to wheeled bins with some households still retaining sacks. Aim to implement before the start of the new contract.

GARDEN WASTE CLUBS

Neither member group supported this option as they felt that they would lose control of fees and charges. Support for both councils to retain control of the income.

GARDEN WASTE CLUBS – Contractors can provide prices and details for this but would need to include a method statement as to how this would work and if the council would keep the income.

OTHER MATERIALS

Proposals for the following materials to be included are:-

- Textiles
- Batteries
- WEEE (Waste Electrical and Electronic Equipment)

MAP view - would like to see textiles included in the new contract but not to include WEEE or Batteries as there are facilities already for these to be collected at bring sites and due to there being no recycling credit or income for either of these materials.
Hart - Would like to see textiles included in the new contract but not to include WEEE or batteries as there are facilities already for these to be collected at bring sites and due to there being no recycling credit or income for either of these materials.

JGG Recommendation: to include textiles as an additional kerbside collection but work with charities and contractor on split for funding.

CARBON REDUCTION PLAN

JGG Recommendation – Contractors should be encouraged to use hybrid vehicles and take measures to reduce carbon emissions. This will be scored highly in the evaluation. Work on this more with both council's teams to produce a plan. JGG would like a specific KPI for this and possibly a financial penalty for not meeting these.

PAPER C

OVERVIEW AND SCRUTINY

DATE OF MEETING:	**17 JANUARY 2017**
TITLE OF REPORT:	**LITTER AND DOG FOULING ENFORCEMENT PROPOSAL**
Report of:	**Head of Technical and Environmental Services**
Cabinet member:	**Councillor Steve Forster, Environment and Technical Services**

1 PURPOSE OF REPORT

1.1 To seek this Committee's views on the attached proposal to trial the issuing of Fixed Penalty Notices (FPNs) for littering and dog fouling prior to the proposal being considered by Cabinet.

2 OFFICER RECOMMENDATION

2.1 That this Committee agrees a response on the proposals contained in this report for Cabinet to consider.

3 BACKGROUND

3.1 Hart District Council currently investigates and takes enforcement action against incidents of fly tipping but does not carry out any enforcement for general littering. Fly tipping enforcement is provided by Basingstoke and Deane as part of the shared service arrangement for street cleaning.

3.2 Hart currently spends approximately £500k per annum on cleaning Hart's highways and public spaces, this includes fly tip clearance, street sweeping, litter bin emptying and litter picking. Any initiative which helps support the Council priority of improving the cleanliness of Hart's streets without increasing council costs is therefore a benefit.

3.3 The Hart Dog Fouling Order 2001 requires all dog owners to clear up after their dogs in all areas of the district. On conviction in the Magistrates Court, fines for failure to clear up after a dog under the Order are up to £1000. Whilst Hart maintains a policy of prosecuting offenders where there is sufficient evidence, officers have not been in a position to take action due to a lack of evidence for several years.

3.4 Many authorities now issue fixed penalty notices for littering, neighbouring authorities which do so include East Hampshire, Basingstoke and Deane, Rushmoor and Surrey Heath.

3.5 East Hampshire District Council have recently submitted the proposal attached at Appendix 1, in which they offer to provide litter and dog fouling enforcement in Hart. It is proposed that this service shall be operated on a 12 month trial basis commencing in March 2017, and will be at no cost to Hart, on the understanding that East Hampshire will keep any FPN income. This assumes that the level of charges applied in Hart are the same as those currently applied in East Hampshire and other neighbouring authorities, i.e. £75 for littering and £50 for dog fouling.

3.6 The Cabinet member and Head of Environment and Technical Services recently visited East Hampshire to discuss the details of the proposal with service managers and spent some time shadowing the enforcement officers. This provided reassurance that enforcement would be carried out in a professional and efficient manner, and that the focus for enforcement will be to reduce litter and not generate income.

3.7 The proposal outlined in this report will help support the following Corporate Plan priorities:

- Continue to provide good quality great value services.
- Keep Hart a clean and attractive place to live and work.

4 CONSIDERATIONS

4.1 Subject to Cabinet agreeing the enforcement trial, the Cabinet Member and Head of Environment and Technical Services will agree with East Hampshire details for operation of the service, and arrangements for accepting payment for any FPNs issued.

4.2 Litter Enforcement Officers (LEOs) use body worn cameras (BWC) which are turned on and used to gather evidence when issuing a FPN. This method of use does not comply with Hart's existing policy which only allows cameras to be used when the officer feels threatened. To ensure that the LEOs are able to undertake their work effectively it will therefore be necessary to, either, amend Hart's existing BWC policy or agree that the LEOs operate in Hart in accordance with East Hampshire's policy a copy of which is attached at Appendix 2.

4.3 If implemented an approach for issuing FPNs to young persons will need to be agreed. In law a local authority FPN can be issued to anyone over the age of 10. Parents and guardians are not responsible in law for paying fixed penalties issued to young offenders (in this respect FPNs differ from police issued penalty notices for disorder). However, a court before which a young person appears can order the parent/guardian to pay any fine it may impose.

4.4 In East Hampshire the decision has been taken not to issue FPNs to anyone under the age of 18 years unless there are special circumstances that have been approved by the Cabinet Member. It is recommended that the same policy should be adopted in Hart.

4.5 If implemented, it is proposed that LEOs will be given the freedom to enforce all public highway and Hart owned land within the district (including public car parks and countryside sites). In addition Parish Councils and local businesses will be consulted to see if they would wish the LEOs to enforce land within their ownership.

4.6 FPNs could be issued on people dumping rubbish at recycling bank locations where they are located on council owned land, (and with the land owners permission on private land) once a policy approach has been agreed.

4.7 Littering includes the dropping of cigarette butts and chewing gum.

4.8 East Hampshire do not intend to increase staff resources for the purposes of the trial, it is therefore proposed that enforcement will be targeted on those areas where the most littering occurs.

4.9 Prior to any enforcement being carried out, it is proposed that a publicity campaign will be run to raise public awareness and that any enforcement will carried out in conjunction with an ongoing education campaign.

4.10 It has been agreed that there will be no financial penalties should either party decide to terminate the trial before the end of 12 months.

4.11 The number of litter and dog fouling FPNs issued will be monitored and reported as a performance indicator in the Environment and Technical Services service plan.

4.12 Initial discussions with Basingstoke and Deane Borough Council have suggested that they may be able to provide litter and dog fouling enforcement in Hart. This would, however, be operated in a different way to that proposed by East Hampshire using their team of PCSOs for which Hart would be charged. The option of working with Basingstoke will be evaluated before the end of the 12 month trial so that this can be considered further should the trial be unsuccessful.

5 FINANCIAL IMPLICATIONS

5.1 The proposal put forward by East Hants is a "no cost solution" there are no financial implications associated with this report for Hart.

6 ACTION

6.1 If the attached proposal is agreed by Cabinet, then the Cabinet member and Head of Environment and Technical Services will jointly agree terms for operation of the service with East Hampshire, and work with the Media and Communications Manager to plan a publicity campaign.

Contact Details: John Elson – Head of Environment and Technical Services / Extension: 4491 / e-mail: john.elson@hart.gov.uk

APPENDICES

Appendix 1 - Proposal for Trialling Litter and Dog Fouling Enforcement in Hart.
Appendix 2 – Copy of East Hampshire District Council's Policy for using body worn cameras.

BACKGROUND PAPERS:

None

Proposal for Trialling Litter and Dog Fouling Enforcement in Hart.

1 Background

All Councils are under pressure to meet increasing community demands with fewer resources. Yet often the simplest low-level partnering approaches can produce some of the quickest most effective solutions.

We recognise that one of Hart District Council's environmental priorities states the need to "Keep Hart a clean and attractive place to live and work". A policy reinforced this year by the Council's active support for the "Clean for the Queen" campaign. East Hampshire District Council has a similar priority and ambition.

Litter is the biggest countryside concern in Hampshire (CPRE Survey Jun 15)

Litter is the biggest countryside concern in Hampshire according to the CPRE 2015 survey. About 2.25 million pieces of litter are dropped on the streets of the UK every day. Thirty million tons of rubbish are collected from England's streets each year. That's enough to fill Wembley Stadium four times over.

2 The Challenge

The challenge for both Councils is, "How do we improve and maintaining our Districts as clean and attractive places to live and work without increasing the cost?"

3 No Cost Service

No cost solution with any surplus returned to the public purse

Aimed at providing a "no cost" service to the council, returning any surplus back to the public purse, not into the pockets of shareholders, East Hampshire District Council has been running a litter enforcement trial.

The trial has been running successfully now for six months. During this period, we have learnt that as community behaviours change for the better, we need to expand the reach of the trial for it to be able to deliver the desired results.

At no cost to Hart District Council, the Council are invited to join this low risk litter enforcement service trial.

4 Benefits

The benefits of joining the trial include:

- No cost to Hart District Council
- Low risk approach
- Tangible evidence of delivery on Council priorities
- A cleaner and more pleasant environment for communities

- Potential for a low level of sustainable income
- No cost or time spent on procurement
- Jointly agreed trial success criteria
- Transparent approach
- Public sector values and ethos

5 Easy to Join

Joining the trial is quick, simple and carries no cost. Utilising the Discharge of Functions by Other Authorities powers granted under Section 101 of the Local Government Act 1997.

It is proposed that the trial would commence on 6th March 2017 and run for a period of 12 months after which, working together and based on the results of the trial, the Councils could decide how they wish to proceed.

6 End-to-End Service Delivery

Delivered by fully trained staff with the latest technology

Using an experienced and fully qualified team, the trial service is delivered through EH Commercial Services Ltd, an EHDC wholly owned Teckal trading company.

Hart District Council will have a direct line of communication with Operations Manager, Michelle Green.

Working together with Michelle, Hart District Council will maintain oversight of all operations. The team will use shared intelligence to inform geographical targeting and schedule patrols across the week.

Ex-police trainers have trained all of the operatives. Training includes, evidence gathering, interview techniques and legislation including PACE.

The team have an average 87% payment rate and a 99% success rate for prosecutions. Income from the FPN's funds the trial.

Recognising that court prosecutions may be of interest to the media and therefore Councillors, the decision to prosecute will remain with Hart District Council. This is a small number of cases and the cost of prosecution is covered by claiming costs from the court and the FPN. However, in the unlikely event that numbers of prosecutions rise significantly, the cost may need to be covered by Hart District Council. In these rare cases, costs will be discussed on a case by case basis and the decision to proceed will remain with Hart District Council.

Working together, with oversight and direct communications to operations

Using the latest handheld technology and body worn cameras, with system driven escalation process, reminders and reports, the team will provide an end-to-end Fixed Penalty Notice (FPN) service for litter enforcement to include:

- Uniform and plain clothes street patrols
- Issuance of Fixed Penalty Notice
- Complaints management
- Payment collection
- Prosecution of non-payment (as directed)

Transparency and control through weekly reporting

The Operations Manager, Michelle Green, will provide a weekly report detailing:

- Hours patrolled
- Geographical areas
- Number of FPN's issued
- Trends
- Cases taken to court
- Complaints

Summary

Joining is quick and simple

All Councils are under pressure to deliver with fewer resources. The Litter Enforcement trial offers a no cost, low risk opportunity for Hart District Council to try a new way of working and deliver a strategic priority for its community. Well-equipped, experienced professionals will deliver the service, with Council oversight maintained through transparency, working together, direct communications and weekly reporting. Joining is quick and simple and after 12 months, the Council will be able to review its approach.

PROCEDURES AND GUIDELINES for BODY WORN VIDEO (BWV)

Introduction

The purpose of this document is to bring together all the elements required for effective use of Body Worn Video technology, and to enable employees to comply with legislation surrounding video recording. It also outlines the associated benefits to Environmental Enforcement Officers and the general public.

It documents the best practice procedures that should be followed in terms of the integrity of data/images/video as well as its security and use.

Body Worn Video technologies have a number of benefits and our aim is to help:

- establish training requirements for Environmental Enforcement Officers (EEOs);
- Using recordings can also impact on the professionalism of EEOs and on their professional development. Officers and supervisors can utilise the equipment to review and improve how incidents and littering contraventions are dealt with and recorded.
- Improve the quality of communication to littering offenders and the general public; provide more details/evidence of littering offences and conversations with the public, which will assure fairness, transparency and accountability in the representation process and in dealing with complaints;
- provide evidence of assaults on officers.

However, it is crucial that the use of video recordings of littering offences should not take primacy over other types of evidence, such as written notes taken by EEOs. It is also important that if there is an absence of a video recording of a littering offence FPN being issued that this will not in any way weaken the strength of contravention.

Best practice and daily use of the body worn camera

All Officers will be trained and made aware of the Company's CCTV policy that this applies to shoulder mounted CCTV.

General Principles

Recordings should commence at the start of issuing a FPN and should continue uninterrupted until the contravention has been fully recorded and a Penalty Charge Notice (FPN) served or stop once it is obvious that a FPN will not be served.

Recording should not be made of general patrolling duties. Unless entering a location with known issues. All recordings must be securely held in accordance with existing CCTV procedures. Access to recordings must be controlled and only persons having operational needs to view specific incidents may view.

Officers should, when engaging into non routine or potentially controversial conversations, where practicable, announce to the subject that video and audio recording is taking place.

Assignment of the BWV and SD card

Start of shift

I am (EEO number & name)". "(date & time).

"I am on duty at (Location/area). I am using a (camera/serial no.)".

Stop recording.

After the FPN has been served

A good practice is to state "The time is (time) and (name of road/location), I am leaving the location and I am stopping recording".

End of Shift

- Return of units.
- All units to be handed and signed back in at the end of each shift.

Storage of data/video

- All footage recorded by the EEO will be retained for.
- Evidential footage, i.e. assaults or abuse as detailed, should be brought to a manager's attention immediately and retained for a period until all investigations have been completed or prosecution has taken place.

Health and Safety Assessment

Hazard	Specific Risk	Risk Level	Control Measures
Assault	Wearer becomes target for assault through overt use of video camera	Low	Ensure that BWV is used at all times by all EEOs Avoid confrontation in accordance with training Colleagues or Non-BWV users also present

			to be aware that the BWV user may be targeted and to assist where necessary
Injury	Electric shock from equipment if damaged	Low	Equipment to be inspected prior to deployment, any faults to be reported to a supervisor and equipment not to be used if damaged. If damage occurs during deployment, stop using the unit and return to control room
Injury	Camera becomes warm during use	Low	Heat from the camera is considered to be low; if the unit does become hot, the user should remove it and allow it to cool or return it to the control room

ANNEX C

SHOULDER MOUNTED CCTV SYSTEM FOR CEO's

INTRODUCTION

To provide information specific to the operation of shoulder mounted CCTV by Environmental Enforcement Officers in support of the CCTV Policy

PERSONNEL

The Parking and Traffic Management Team Leader
Authorised users of the system are

i) Parking Supervisor (Enforcement)
ii) Civil Enforcement Officers
iii) Environmental Enforcement Officers
iv) Other HBC/EHDC staff authorised in writing by a member of the Joint Management Team

GROUNDS FOR RECORDING PERSONAL INFORMATION

The general principle is that the CCTV **must be switched on** when an FPN is being completed under the Data Protection Act 29(1)(c) or where there is an identified risk to a staff member. The CCTV is a visible and overt deterrent to any potentially aggressive person, making a clear statement that their actions will be recorded, and so will the actions of the officer, thereby reducing the scope for false allegations. These issues are particularly relevant to staff lone working. The Shared Parking Service shall ensure that the use of the shoulder mounted CCTV system is both proportionate and necessary. As such the following principles underpin its effective and lawful use:

Practical day-to-day use

i) That such use is overt and conveyed to such persons whose data maybe captured;
ii) That such use is displayed in a prominent and visible manner on the Officer's uniform;
iii) That such use is also conveyed in an audible manner where possible to those whose data maybe captured.

Subsequent Data Management

iv) All Officers and Supervisors are trained in data-handling and management to the standard required in this policy;
v) That the necessary equipment and infrastructure for effective data management and handling is in place and installed at all times.

OPERATING PROTOCOL

I) CCTV hardware will be signed out by the operator daily
II) EEOs using the equipment will displayed this badge which should be attached to the lanyard of the BWV device at all times.
III) Once a recording has been made an officer should mark this as evidential or if in an instance they do not, the officer must alert a team leader to do so through the back office
IV) Once a recording has been made it MUST be retained and downloaded prior to finishing duty.
V) Customers should be informed verbally that a recording is taking place stating EEO number and the reason for the recording i.e. "Under Section 87 – Environmental Protection Act 1990"
VI) All recordings will be stored in an access controlled area of the system with access limited to the Parking and Traffic Management Team Leader, Parking Supervisor (Enforcement) and the IRMO
VII) No CCTV recordings or images should be tampered with as this could lead to disciplinary action. Please note that the system provides a good audit trail from recording to deletion.
VIII) Viewing of images shall be limited to:-
    - Parking and Enforcement Manager, Parking Supervisor (Enforcement), Parking Supervisor (Appeals), Senior Civil Enforcement Officer, Environmental Enforcement Supervisor, Environmental Enforcement Office Supervisor and the Information and Records Management Officer (IRMO)
    - Police Officers, for operational reasons, as authorised by the Police Duty Officer;
    - Any other persons or organisations shall only be allowed to view the system with the authorisation of the Parking and Enforcement Manager, Parking Supervisor (Enforcement), Parking Supervisor (Appeals), Senior Civil Enforcement Officer, Environmental Enforcement Supervisor, Environmental Enforcement Office

Supervisor and the Information and Records Management Officer (IRMO)

- o Images shall be retained for – not sure how many with evidential? days then automatically deleted unless they form part of an ongoing investigation

REQUESTS FOR INFORMATION

Details of recorded information shall only be released with the permission of the Parking and Traffic Management Team Leader or the IRMO.

Requests for information by the Police shall require the authorisation of the Police Duty Officer. This authorisation should be requested by DP2 to the Parking and Traffic Management Team Leader and passed to the IRMO once approved.

Covert surveillance will be in accordance with 7.14 of the CCTV Policy

LOGS

The Parking and Enforcement Manager shall be responsible for ensuring that the following records are maintained and audited in accordance with the CCTV Policy

v) Incident Log;
vi) Media Copy log
vii) Viewing Log;
viii) Video Stills Log;
ix) U\shared\CCTV-Logs

PAPER D

OVERVIEW AND SCRUTINY COMMITTEE

DATE OF MEETING: **17 JANUARY 2017**

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

Report of: **Head of Corporate Services**

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

1 PURPOSE OF REPORT

1.1 To present the draft Treasury Management Strategy Statement for 2017/18 which incorporates the Annual Investment Strategy and Prudential and Treasury Indicators.

2 OFFICER RECOMMENDATION

2.1 That the Committee consider any recommendations it wishes to make to Cabinet in respect of Treasury Management.

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 2016/17 strategy as the economic background remains similar.

3.4 This report takes no account of any borrowing that may be required to on-lend to any new trading company set up by the Council. It will be necessary to amend the strategy once firm plans for investment in such a company are known.

4 MANAGEMENT OF RISK

4.1 The Treasury Management Strategy contains a risk assessment in appendix 5.5.

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APPENDICES

Appendix 1 – Draft 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

1.1 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."

1.2 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 Overview & Scrutiny Committee.

1.3 Treasury Management Strategy for 2017/18

The strategy covers two main areas:

Capital issues

- the minimum revenue provision (MRP) strategy (Appendix 5.1);
- the capital plans and the prudential indicators(Appendix 5.2).

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.

1.4 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.

1.5 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. <u>The Capital Prudential Indicators 2017/18 – 2019/20</u>

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

2.1 Capital Expenditure

This prudential indicator is a summary of the Council's capital expenditure plans, both those agreed previously, and those forming part of this budget cycle. Members are asked to approve the capital expenditure forecasts:

Capital expenditure £k	2015/16 Actual	2016/17 Estimate	2017/18 Estimate	2018/19 Estimate	2019/20 Estimate
Total	8,895	18,254	11,185	658	560

The above financing need excludes other long term liabilities, such as PFI and leasing arrangements which already include borrowing instruments.

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

Financing of capital expenditure £k	2015/16 Actual	2016/17 Estimate	2017/18 Estimate	2018/19 Estimate	2019/20 Estimate
Capital receipts	4,688	0	0	0	0
Capital grants	363	659	5,832	512	500
Capital reserves	2,975	686	630	86	0
Revenue	0	0	0	0	0
Net financing need for the year	**869**	**16,909**	**4,723**	**60**	**60**

2.2 The Council's Borrowing Need (Capital Financing Requirement)

The second prudential indicator is the Council's Capital Financing Requirement (CFR). The CFR is simply the total historic outstanding capital expenditure which has not yet been paid for from either revenue or capital resources. It is essentially a measure of the Council's underlying borrowing need. Any capital expenditure above, which has not immediately been paid for, will increase the CFR. The CFR does not increase indefinitely, as the minimum revenue provision (MRP) is a statutory annual revenue charge which broadly reduces the borrowing need in line with each asset's life.

The CFR includes any other long term liabilities (e.g. PFI schemes, finance leases). Whilst these increase the CFR, and therefore the Council's borrowing requirement, these types of scheme include a borrowing facility and so the Council is not required to separately borrow for these schemes. The Council currently has £36,000 of such schemes within the CFR.

The Council is asked to approve the CFR projections below:

£k	2015/16 Actual	2016/17 Estimate	2017/18 Estimate	2018/19 Estimate	2019/20 Estimate
Capital Financing Requirement					
Total CFR	904	17,784	22,325	21,495	20,659
Movement in CFR represented by					
Net financing need for the year (above)	869	16,909	4,723	60	60
Less MRP and other financing movements	89	29	182	890	896
Movement in CFR	**781**	**16,880**	**4,541**	**-830**	**-836**

3 <u>Borrowing</u>

The capital expenditure plans set out in Section 2 provide details of the service activity of the Council. The treasury management function ensures that the Council's cash is organised in accordance with the the relevant professional codes, so that sufficient cash is available to meet this service activity. This will involve both the organisation of the cash flow and, where capital plans require, the organisation of appropriate borrowing facilities. The strategy covers the relevant treasury / prudential indicators, the current and projected debt positions and the annual investment strategy.

3.1 Current Portfolio Position

The Council's treasury portfolio position at 31 March 2016, with forward projections, is summarised below. The table shows the actual external debt (the treasury management operations), against the underlying capital borrowing need (the Capital Financing Requirement - CFR), highlighting any over or under borrowing.

£k	2015/16 Actual	2016/17 Estimate	2017/18 Estimate	2018/19 Estimate	2019/20 Estimate
External Debt					
Debt at 1 April	0	0	**9,849**	**9,541**	**9,227**
Expected change in Debt	0	9,849	-308	-314	-321
Other long-term liabilities (OLTL)	0	0	0	0	0
Actual gross debt at 31 March	**0**	**9,849**	**9,541**	**9,227**	**8,906**
The Capital Financing Requirement	904	17,784	22,325	21,495	20,659
Under / (over) borrowing	**904**	**7,935**	**12,784**	**12,268**	**11,573**

Within the prudential indicators there are a number of key indicators to ensure that the Council operates its activities within well-defined limits. One of these is that the Council needs to ensure that its gross debt does not, except in the short term, exceed the total of the CFR in the preceding year plus the estimates of any additional CFR for 2017/18 and the following two financial years. This allows some flexibility for limited early borrowing for future years, but ensures that borrowing is not undertaken for revenue purposes.

The Head of Corporate Services and Section 151 Officer reports that the Council complied with this prudential indicator in the current year and does not envisage difficulties for the future. This view takes into account current commitments, existing plans, and the proposals in this budget report.

3.2 Treasury Indicators: Limits to Borrowing Activity

The operational boundary: This is the limit which external debt is not normally expected to exceed. In most cases, this would be a similar figure to the CFR, but may be lower or higher depending on the levels of actual debt.

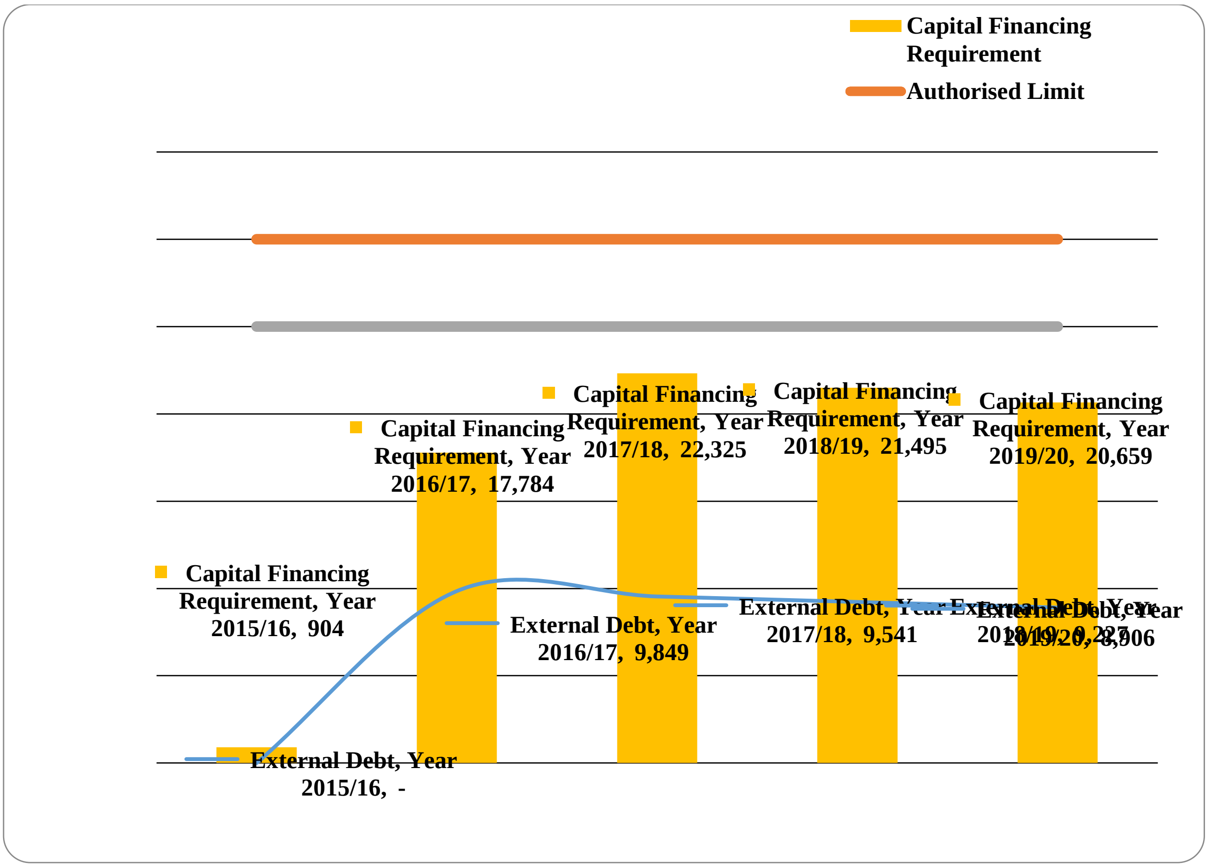
Operational boundary £k	2016/17 Estimate	2017/18 Estimate	2018/19 Estimate	2019/20 Estimate
Debt	25,000	25,000	25,000	25,000
Other long term liabilities	0	0	0	0
Total	25,000	25,000	25,000	25,000

The authorised limit for external debt: A further key prudential indicator represents a control on the maximum level of borrowing. This represents a limit beyond which external debt is prohibited, and this limit needs to be set or revised by the full Council. It reflects the level of external debt which, while not desired, could be afforded in the short term, but is not sustainable in the longer term.

1. This is the statutory limit determined under section 3 (1) of the Local Government Act 2003. The Government retains an option to control either the total of all councils' plans, or those of a specific council, although this power has not yet been exercised.

2. The Council is asked to approve the following authorised limit:

Authorised limit £k	2016/17 Estimate	2017/18 Estimate	2018/19 Estimate	2019/20 Estimate
Debt	30,000	30,000	30,000	30,000
Other long term liabilities	0	0	0	0
Total	30,000	30,000	30,000	30,000



3.3 Prospects 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 following table gives their central view.

	Dec-16	Mar-17	Jun-17	Sep-17	Dec-17	Mar-18	Jun-18	Sep-18	Dec-18	Mar-19	Jun-19	Sep-19	Dec-19	Mar-20
Bank rate	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.50%	0.50%	0.75%	0.75%
5yr PWLB rate	1.60%	1.60%	1.60%	1.60%	1.60%	1.70%	1.70%	1.70%	1.80%	1.80%	1.90%	1.90%	2.00%	2.00%
10yr PWLB rate	2.30%	2.30%	2.30%	2.30%	2.30%	2.30%	2.40%	2.40%	2.40%	2.50%	2.50%	2.60%	2.60%	2.70%
25yr PWLB rate	2.90%	2.90%	2.90%	2.90%	3.00%	3.00%	3.00%	3.10%	3.10%	3.20%	3.20%	3.30%	3.30%	3.40%
50yr PWLB rate	2.70%	2.70%	2.70%	2.70%	2.80%	2.80%	2.80%	2.90%	2.90%	3.00%	3.00%	3.10%	3.10%	3.20%

The Monetary Policy Committee, (MPC), cut Bank Rate from 0.50% to 0.25% on 4th August in order to counteract what it forecast was going to be a sharp slowdown in growth in the second half of 2016. It also gave a strong steer that it was likely to cut Bank Rate again by the end of the year. However, economic data since August has indicated much stronger growth in the second half of 2016 than that forecast; also, inflation forecasts have risen substantially as a result of a continuation of the sharp fall in the value of sterling since early August. Consequently, Bank Rate was not cut again in November or December and, on current trends, it now appears unlikely that there will be another cut, although that cannot be completely ruled out if there was a significant dip downwards in economic growth. During the two-year period 2017 – 2019, when the UK is negotiating the terms for withdrawal from the EU, it is likely that the MPC will do nothing to dampen growth prospects, (i.e. by raising Bank Rate), which will already be adversely impacted by the uncertainties of what form Brexit will eventually take. Accordingly, a first increase to 0.50% is not tentatively pencilled in, as in the table above, until quarter 2 2019, after those negotiations have been concluded, (though the period for negotiations could be extended). However, if strong domestically generated inflation, (e.g. from wage increases within the UK), were to emerge, then the pace and timing of increases in Bank Rate could be brought forward.

Economic and interest rate forecasting remains difficult with so many external influences weighing on the UK. The above forecasts, (and MPC decisions), will be liable to further amendment depending on how economic data and developments in financial markets transpire over the next year. Geopolitical developments, especially in the EU, could also have a major impact. Forecasts for average investment earnings beyond the three-year time horizon will be heavily dependent on economic and political developments.

The overall longer run trend is for gilt yields and PWLB rates to rise, albeit gently. It has long been expected that at some point, there would be a start to a switch back from bonds to equities after a historic long term trend over about the last twenty five years of falling bond yields. The action of central banks since the financial crash of 2008, in implementing substantial quantitative easing purchases of bonds, added further impetus to this downward trend in bond yields and rising prices of bonds. The opposite side of this coin has been a rise in equity values as investors searched for higher returns and took on riskier assets. The sharp rise in bond yields since the US Presidential election, has called into question whether, or when, this trend has, or may, reverse, especially when America is likely to lead the way in reversing monetary policy. Until 2015, monetary policy was focused on providing stimulus to economic growth but has since started to refocus on countering the threat of rising inflationary pressures as strong economic growth becomes more firmly established. The expected substantial rise in the Fed. rate over the next few years may make holding US bonds much less attractive and cause their prices to fall, and therefore bond yields to rise. Rising bond yields in the US would be likely to exert some upward pressure on bond yields in other developed countries but the degree of that upward pressure is likely to be dampened by how strong, or weak, the prospects for economic growth and rising inflation are in each country, and on the degree of progress in the reversal of monetary policy away from quantitative easing and other credit stimulus measures.

PWLB rates and gilt yields have been experiencing exceptional levels of volatility that have been highly correlated to geo-political, sovereign debt crisis and emerging market developments. It is likely that these exceptional levels of volatility could continue to occur for the foreseeable future.

The overall balance of risks to economic recovery in the UK is to the downside, particularly in view of the current uncertainty over the final terms of Brexit and the timetable for its implementation.

Apart from the above uncertainties, **downside risks to current forecasts** for UK gilt yields and PWLB rates currently include:

- Monetary policy action by the central banks of major economies reaching its limit of effectiveness and failing to stimulate significant sustainable growth, combat the threat of deflation and reduce high levels of debt in some countries, combined with a lack of adequate action from national governments to promote growth through structural reforms, fiscal policy and investment expenditure.

- Major national polls:
  - Italian constitutional referendum 4.12.16 resulted in a 'No' vote which led to the resignation of Prime Minister Renzi. This means that Italy needs to appoint a new government.
  - Spain has a minority government with only 137 seats out of 350 after already having had two inconclusive general elections in 2015 and 2016. This is potentially highly unstable.
  - Dutch general election 15.3.17;
  - French presidential election April/May 2017;
  - French National Assembly election June 2017;
  - German Federal election August – October 2017.
- A resurgence of the Eurozone sovereign debt crisis, with Greece being a particular problem, and stress arising from disagreement between EU countries on free movement of people and how to handle a huge influx of immigrants and terrorist threats
- Weak capitalisation of some European banks, especially Italian.
- Geopolitical risks in Europe, the Middle East and Asia, causing a significant increase in safe haven flows.
- UK economic growth and increases in inflation are weaker than we currently anticipate.
- Weak growth or recession in the UK's main trading partners - the EU and US.

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

- UK inflation rising to significantly higher levels than in the wider EU and in the US, causing an increase in the inflation premium in gilt yields.
- A rise in US Treasury yields as a result of Fed. funds rate increases and rising inflation expectations in the USA, dragging UK gilt yields upwards.
- The pace and timing 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.
- A downward revision to the UK's sovereign credit rating undermining investor confidence in holding sovereign debt (gilts).

Investment and borrowing rates

- Investment returns are likely to remain low during 2017/18 and beyond;
- Borrowing interest rates have been on a generally downward trend during most of 2016 up to mid-August; they fell sharply to historically phenomenally low levels after the referendum and then even further after the MPC meeting of 4th August when a new package of quantitative easing purchasing of gilts was announced. Gilt yields have since risen sharply due to a rise in concerns around a 'hard Brexit', the fall in the value of sterling, and an increase in inflation expectations. The policy of avoiding new borrowing by running down spare cash balances, has served well over the last few years. However, this needs to be carefully reviewed to avoid incurring higher borrowing costs in later times when authorities will not be able to avoid new borrowing to finance capital expenditure and/or to refinance maturing debt;

- There will remain a cost of carry to any new long-term borrowing that causes a temporary increase in cash balances as this position will, most likely, incur a revenue cost – the difference between borrowing costs and investment returns.

3.4 Borrowing Strategy

The Council is currently maintaining an under-borrowed position. This means that the capital borrowing need (the Capital Financing Requirement), has not been fully funded with loan debt as cash supporting the Council's reserves, balances and cash flow has been used as a temporary measure. This strategy is prudent as investment returns are low and counterparty risk is still an issue that needs to be considered.

Against this background and the risks within the economic forecast, caution will be adopted with the 2017/18 treasury operations. The Head of Corporate Services will monitor interest rates in financial markets and adopt a pragmatic approach to changing circumstances.

Any decisions will be reported to the appropriate decision making body at the next available opportunity.

3.5 Policy on borrowing in advance of need

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

Risks associated with any borrowing in advance activity will be subject to prior appraisal and subsequent reporting through the mid-year or annual reporting mechanism.

3.6 Debt rescheduling

As short term borrowing rates will be considerably cheaper than longer term fixed interest rates, there may be potential opportunities to generate savings by switching from long term debt to short term debt. However, these savings will need to be considered in the light of the current treasury position and the size of the cost of debt repayment (premiums incurred).

The reasons for any rescheduling to take place will include:

- the generation of cash savings and / or discounted cash flow savings;
- helping to fulfil the treasury strategy;
- enhance the balance of the portfolio (amend the maturity profile and/or the balance of volatility).

Consideration will also be given to identify if there is any residual potential for making savings by running down investment balances to repay debt prematurely as short term rates on investments are likely to be lower than rates paid on current debt.

All rescheduling will be reported to the Cabinet at the earliest meeting following its action.

4 Annual Investment Strategy 2016/17

4.1 Investment 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.

4.2 Creditworthiness policy

Hart District Council applies 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

	Colour (and long term rating where applicable)	**Money Limit**	**Time Limit**
Banks *	Yellow	£5m	5yrs
Banks	purple	£5m	2 yrs
Banks	orange	£5m	1 yr
Banks – part nationalised	blue	£5m	1 yr
Banks	red	£5m	6 mths
Banks	green	£5m	100 days
Other institutions limit	-	£5m	1yr
DMADF	AAA	unlimited	6 months
Local authorities	n/a	£5m	1yr
	Fund rating	**Money Limit**	**Time Limit**
Money market funds	AAA	£5m	liquid
Enhanced money market funds with a credit score of 1.25	Dark pink / AAA	£5m	liquid
Enhanced money market funds with a credit score of 1.5	Light pink / AAA	£5m	liquid

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 weekly. 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.
- 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 daily basis via its Passport website, provided exclusively to it by Capita Asset Services. 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.

4.3 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. The list of countries that qualify using this credit criteria as at the date of this report are shown in Appendix 5.6. This list will be added to, or deducted from, by officers should ratings change in accordance with this policy.

4.4 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).

Investment returns expectations. Bank Rate is forecast to stay flat at 0.25% until quarter 2 2019 and not to rise above 0.75% by quarter 1 2020. Bank Rate forecasts for financial year ends (March) are:

- 2016/17 0.25%
- 2017/18 0.25%
- 2018/19 0.25%
- 2019/20 0.50%

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

	Now
2016/17	0.25%
2017/18	0.25%
2018/19	0.25%
2019/20	0.50%
2020/21	0.75%
2021/22	1.00%
2022/23	1.50%
2023/24	1.75%
Later years	2.75%

The overall balance of risks to these forecasts is currently probably slightly skewed to the downside in view of the uncertainty over the final terms of Brexit. If growth expectations disappoint and inflationary pressures are minimal, the start of increases in Bank Rate could be pushed back. On the other hand, should the pace of growth quicken and / or forecasts for increases in inflation rise, there could be an upside risk i.e. Bank Rate increases occur earlier and / or at a quicker pace.

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

Maximum principal sums invested > 364 days			
£m	**2017/18**	**2018/19**	**2019/20**
Principal sums invested > 364 days	£5m	£5m	£5m

For its cash flow generated balances, the Council will seek to utilise its business reserve instant access, money market funds and short-dated deposits (overnight to 100 days), in order to benefit from the compounding of interest.

4.5 Investment risk benchmaarking

This Council will use an investment benchmark to assess the investment performance of its investment portfolio of 3 month LIBID compounded.

4.6 Annual 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 APPENDICES

5.1 MRP Statement

5.2 Prudential and treasury indicators

5.3 Interest rate forecasts

5.4 Economic background

5.5 Treasury management practice 1 – Risk management

5.6 Approved countries for investments

5.7 Treasury management scheme of delegation

5.8 The treasury management role of the section 151 officer

5.1 MRP Statement

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

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

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

- **Asset life method** – MRP will be based on the estimated life of the assets, in accordance with the regulations

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

In the case of a new asset, it is recognised that MRP should begin in the financial year following the one in which the asset becomes operational. This is known as an "MRP holiday" and could be up to 2 or 3 years in major projects or even longer for sufficiently complex schemes. Therefore, allocating prudential borrowing to uncompleted schemes can provide a short-term benefit in terms of the MRP charge.

There may be scope for the Council to construct an argument that the Council's medium term financial strategy expects to realise capital receipts and anticipate a reduction in Capital Financing Requirement within a certain timeframe.

As a result the Council could defer MRP. This approach would need to demonstrate that assets are actively marketed for sale and the Council would have to consider the potential risks of delays in receiving the expected capital receipt and the risk of actual non-receipt of funds within this process to determine whether the approach they are taking remains prudent. To ensure a prudent approach is adopted, the Council would need to have a high level of certainty about the likelihood of any capital receipts.

5.2 The Capital Prudential and Treasury Indicators 2017/18 – 2019/20

5.2.1 Affordability Prudential Indicators

The previous sections cover the overall capital and control of borrowing prudential indicators, but within this framework prudential indicators are required to assess the affordability of the capital investment plans. These provide an indication of the impact of the capital investment plans on the Council's overall finances. The Council is asked to approve the following indicators:

a. Ratio of financing costs to net revenue stream

This indicator identifies the trend in the cost of capital (borrowing and other long term obligation costs net of investment income) against the net revenue stream.

%	2015/16 Actual	2016/17 Estimate	2017/18 Estimate	2018/19 Estimate	2019/20 Estimate
Ratio	-0.61	0.58	2.45	8.05	8.27

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

b. Incremental impact of capital investment decisions on Band D council tax

This indicator identifies the revenue costs associated with proposed changes to the three year capital programme recommended in this budget report compared to the Council's existing approved commitments and current plans. The assumptions are based on the budget, but will invariably include some estimates, such as the level of Government support, which are not published over a three year period.

£	2015/16 Actual	2016/17 Estimate	2017/18 Estimate	2018/19 Estimate	2019/20 Estimate
Council tax - band D	2.37	1.58	-9.03	-1.91	-4.18

5.2.2 Treasury indicators for debt

There are three debt related treasury activity limits. The purpose of these are to restrain the activity of the treasury function within certain limits, thereby managing risk and reducing the impact of any adverse movement in interest rates. However, if these are set to be too restrictive they will impair the opportunities to reduce costs / improve performance. The indicators are:

- Upper limits on variable interest rate exposure. This identifies a maximum limit for variable interest rates based upon the debt position net of investments

- Upper limits on fixed interest rate exposure. This is similar to the previous indicator and covers a maximum limit on fixed interest rates;
- Maturity structure of borrowing. These gross limits are set to reduce the Council's exposure to large fixed rate sums falling due for refinancing, and are required for upper and lower limits.

The Council is asked to approve the following treasury indicators and limits:

%	2017/18	2018/19	2019/20
Interest rate exposures			
	Upper	**Upper**	**Upper**
Limits on fixed interest rates based on net debt	100%	100%	100%
Limits on variable interest rates based on net debt	50%	50%	50%
Maturity structure of fixed interest rate borrowing 2017/18			
		Lower	**Upper**
Under 12 months		0%	50%
12 months to 2 years		0%	50%
2 years to 5 years		0%	50%
5 years to 10 years		0%	100%
10 years to 20 years		0%	100%
20 years to 30 years		0%	100%
30 years to 40 years		0%	100%
40 years to 50 years		0%	100%
Maturity structure of variable interest rate borrowing 2017/18			
		Lower	**Upper**
Under 12 months		0%	50%
12 months to 2 years		0%	50%
2 years to 5 years		0%	50%
5 years to 10 years		0%	100%
10 years to 20 years		0%	100%
20 years to 30 years		0%	100%
30 years to 40 years		0%	100%
40 years to 50 years		0%	100%

5.3 Interest rate Forecasts 2017-2020

PWLB rates and forecast shown below have taken into account the 20 basis point certainty rate reduction effective as of the 1st November 2012.

Capita Asset Services Interest Rate View	Mar-17	Jun-17	Sep-17	Dec-17	Mar-18	Jun-18	Sep-18	Dec-18	Mar-19	Jun-19	Sep-19	Dec-19	Mar-20
Bank Rate View	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.50%	0.50%	0.75%	0.75%
3 Month LIBID	0.30%	0.30%	0.30%	0.30%	0.30%	0.30%	0.30%	0.40%	0.50%	0.60%	0.70%	0.80%	0.90%
6 Month LIBID	0.40%	0.40%	0.40%	0.40%	0.40%	0.40%	0.40%	0.50%	0.60%	0.70%	0.80%	0.90%	1.00%
12 Month LIBID	0.70%	0.70%	0.70%	0.70%	0.70%	0.80%	0.80%	0.90%	1.00%	1.10%	1.20%	1.30%	1.40%
5yr PWLB Rate	1.60%	1.60%	1.60%	1.60%	1.70%	1.70%	1.70%	1.80%	1.80%	1.90%	1.90%	2.00%	2.00%
10yr PWLB Rate	2.30%	2.30%	2.30%	2.30%	2.30%	2.40%	2.40%	2.40%	2.50%	2.50%	2.60%	2.60%	2.70%
25yr PWLB Rate	2.90%	2.90%	2.90%	3.00%	3.00%	3.00%	3.10%	3.10%	3.20%	3.20%	3.30%	3.30%	3.40%
50yr PWLB Rate	2.70%	2.70%	2.70%	2.80%	2.80%	2.80%	2.90%	2.90%	3.00%	3.00%	3.10%	3.10%	3.20%
Bank Rate													
Capita Asset Services	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.50%	0.50%	0.75%	0.75%
Capital Economics	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.50%	0.50%	0.50%
5yr PWLB Rate													
Capita Asset Services	1.60%	1.60%	1.60%	1.60%	1.70%	1.70%	1.70%	1.80%	1.80%	1.90%	1.90%	2.00%	2.00%
Capital Economics	1.60%	1.70%	1.90%	2.00%	2.10%	2.20%	2.30%	2.40%	2.50%	2.70%	2.80%	2.90%	3.00%
10yr PWLB Rate													
Capita Asset Services	2.30%	2.30%	2.30%	2.30%	2.30%	2.40%	2.40%	2.40%	2.50%	2.50%	2.60%	2.60%	2.70%
Capital Economics	2.40%	2.40%	2.50%	2.60%	2.60%	2.70%	2.70%	2.80%	2.90%	3.10%	3.20%	3.30%	3.40%
25yr PWLB Rate													
Capita Asset Services	2.90%	2.90%	2.90%	3.00%	3.00%	3.00%	3.10%	3.10%	3.20%	3.20%	3.30%	3.30%	3.40%
Capital Economics	2.95%	3.05%	3.05%	3.15%	3.25%	3.25%	3.35%	3.45%	3.55%	3.65%	3.75%	3.95%	4.05%
50yr PWLB Rate													
Capita Asset Services	2.70%	2.70%	2.70%	2.80%	2.80%	2.80%	2.90%	2.90%	3.00%	3.00%	3.10%	3.10%	3.20%
Capital Economics	2.80%	2.90%	3.00%	3.10%	3.10%	3.20%	3.20%	3.30%	3.40%	3.60%	3.70%	3.80%	3.90%

5.4 Economic Background

UK. **GDP growth rates** in 2013, 2014 and 2015 of 2.2%, 2.9% and 1.8% were some of the strongest rates among the G7 countries. Growth is expected to have strengthened in 2016 with the first three quarters coming in respectively at +0.4%, +0.7% and +0.5%. The latest Bank of England forecast for growth in 2016 as a whole is +2.2%. The figure for quarter 3 was a pleasant surprise which confounded the downbeat forecast by the Bank of England in August of only +0.1%, (subsequently revised up in September, but only to +0.2%). During most of 2015 and the first half of 2016, the economy had faced headwinds for exporters from the appreciation of sterling against the Euro, and weak growth in the EU, China and emerging markets, and from the dampening effect of the Government's continuing austerity programme.

The **referendum vote for Brexit** in June 2016 delivered an immediate shock fall in confidence indicators and business surveys at the beginning of August, which were interpreted by the Bank of England in its August Inflation Report as pointing to an impending sharp slowdown in the economy. However, the following monthly surveys in September showed an equally sharp recovery in confidence and business surveys so that it is generally expected that the economy will post reasonably strong growth numbers through the second half of 2016 and also in 2017, albeit at a slower pace than in the first half of 2016.

The **Monetary Policy Committee, (MPC), meeting of 4th August** was therefore dominated by countering this expected sharp slowdown and resulted in a package of measures that included a cut in Bank Rate from 0.50% to 0.25%, a renewal of quantitative easing, with £70bn made available for purchases of gilts and corporate bonds, and a £100bn tranche of cheap borrowing being made available for banks to use to lend to businesses and individuals.

The **MPC meeting of 3 November** left Bank Rate unchanged at 0.25% and other monetary policy measures also remained unchanged. This was in line with market expectations, but a major change from the previous quarterly Inflation Report MPC meeting of 4 August, which had given a strong steer, in its forward guidance, that it was likely to cut Bank Rate again, probably by the end of the year if economic data turned out as forecast by the Bank. The MPC meeting of 15 December also left Bank Rate and other measures unchanged.

The latest MPC decision included a forward view that **Bank Rate** could go either up or down depending on how economic data evolves in the coming months. Our central view remains that Bank Rate will remain unchanged at 0.25% until the first increase to 0.50% in quarter 2 2019 (unchanged from our previous forecast). However, we would not, as yet, discount the risk of a cut in Bank Rate if economic growth were to take a significant dip downwards, though we think this is unlikely. We would also point out that forecasting as far ahead as mid 2019 is highly fraught as there are many potential economic headwinds which could blow the UK economy one way or the other as well as political developments in the UK, (especially over the terms of Brexit), EU, US and beyond, which could have a major impact on our forecasts.

The pace of Bank Rate increases in our forecasts has been slightly increased beyond the three year time horizon to reflect higher inflation expectations.

The August quarterly Inflation Report was based on a pessimistic forecast of near to zero GDP growth in quarter 3 i.e. a sharp slowdown in growth from +0.7% in quarter 2, in reaction to the shock of the result of the referendum in June. However, **consumers** have very much stayed in a 'business as usual' mode and there has been no sharp downturn in spending; it is consumer expenditure that underpins the services sector which comprises about 75% of UK GDP. After a fairly flat three months leading up to October, retail sales in October surged at the strongest rate since September 2015 and were again strong in November. In addition, the GfK consumer confidence index recovered quite strongly to -3 in October after an initial sharp plunge in July to -12 in reaction to the referendum result. However, in November it fell to -8 indicating a return to pessimism about future prospects among consumers, probably based mainly around concerns about rising inflation eroding purchasing power.

Bank of England GDP forecasts in the November quarterly Inflation Report were as follows, (August forecasts in brackets) - 2016 +2.2%, (+2.0%); 2017 1.4%, (+0.8%); 2018 +1.5%, (+1.8%). There has, therefore, been a sharp increase in the forecast for 2017, a marginal increase in 2016 and a small decline in growth, now being delayed until 2018, as a result of the impact of Brexit.

Capital Economics' GDP forecasts are as follows: 2016 +2.0%; 2017 +1.5%; 2018 +2.5%. They feel that pessimism is still being overdone by the Bank and Brexit will not have as big an effect as initially feared by some commentators.

The Chancellor has said he will do 'whatever is needed' i.e. to **promote growth**; there are two main options he can follow – fiscal policy e.g. cut taxes, increase investment allowances for businesses, and/or increase government expenditure on infrastructure, housing etc. This will mean that the PSBR deficit elimination timetable will need to slip further into the future as promoting growth, (and ultimately boosting tax revenues in the longer term), will be a more urgent priority. The Governor of the Bank of England, Mark Carney, had warned that a vote for Brexit would be likely to cause a slowing in growth, particularly from a reduction in business investment, due to the uncertainty of whether the UK would have continuing full access, (i.e. without tariffs), to the EU single market. He also warned that the Bank could not do all the heavy lifting to boost economic growth and suggested that the Government would need to help growth e.g. by increasing investment expenditure and by using fiscal policy tools. The newly appointed Chancellor, Phillip Hammond, announced, in the aftermath of the referendum result and the formation of a new Conservative cabinet, that the target of achieving a budget surplus in 2020 would be eased in the Autumn Statement on 23 November. This was duly confirmed in the Statement which also included some increases in infrastructure spending.

The other key factor in forecasts for Bank Rate is **inflation** where the MPC aims for a target for CPI of 2.0%. The November Inflation Report included an increase in the peak forecast for inflation from 2.3% to 2.7% during 2017; (Capital Economics are forecasting a peak of just under 3% in 2018). This increase was largely due to the effect of the sharp fall in the value of sterling since the referendum, although during November, sterling has recovered some of this fall to end up 15% down against the dollar, and 8% down against the euro (as at the MPC meeting date – 15.12.16).This depreciation will feed through into a sharp increase in the cost of imports and materials used in production in the UK. However, the MPC is expected to look through the acceleration in inflation caused by external, (outside of the UK), influences, although it has given a clear warning that if wage inflation were to rise significantly as a result of these cost pressures on consumers, then they would take action to raise Bank Rate.

What is clear is that **consumer disposable income** will come under pressure, as the latest employers' survey is forecasting median pay rises for the year ahead of only 1.1% at a time when inflation will be rising significantly higher than this. The CPI figure has been on an upward trend in 2016 and reached 1.2% in November. However, prices paid by factories for inputs rose to 13.2% though producer output prices were still lagging behind at 2.3% and core inflation was 1.4%, confirming the likely future upwards path.

Gilt yields, and consequently PWLB rates, have risen sharply since hitting a low point in mid-August. There has also been huge volatility during 2016 as a whole. The year started with 10 year gilt yields at 1.88%, fell to a low point of 0.53% on 12 August, and hit a new peak on the way up again of 1.55% on 15 November. The rebound since August reflects the initial combination of the yield-depressing effect of the MPC's new round of quantitative easing on 4 August, together with expectations of a sharp downturn in expectations for growth and inflation as per the pessimistic Bank of England Inflation Report forecast, followed by a sharp rise in growth expectations since August when subsequent business surveys, and GDP growth in quarter 3 at +0.5% q/q, confounded the pessimism. Inflation expectations also rose sharply as a result of the continuing fall in the value of sterling.

Employment had been growing steadily during 2016 but encountered a first fall in over a year, of 6,000, over the three months to October. The latest employment data in December, (for November), was distinctly weak with an increase in unemployment benefits claimants of 2,400 in November and of 13,300 in October. **House prices** have been rising during 2016 at a modest pace but the pace of increase has slowed since the referendum; a downturn in prices could dampen consumer confidence and expenditure.

USA. The American economy had a patchy 2015 with sharp swings in the quarterly **growth rate** leaving the overall growth for the year at 2.4%. Quarter 1 of 2016 at +0.8%, (on an annualised basis), and quarter 2 at 1.4% left average growth for the first half at a weak 1.1%. However, quarter 3 at 3.2% signalled a rebound to strong growth. The Fed. embarked on its long anticipated first increase in rates at its December 2015 meeting. At that point, confidence was high that there would then be four more increases to come in 2016. Since then, more downbeat news on the international scene, and then the Brexit vote, have caused a delay in the timing of the second increase of 0.25% which came, as expected, in December 2016 to a range of 0.50% to 0.75%. Overall, despite some data setbacks, the US is still, probably, the best positioned of the major world economies to make solid progress towards a combination of strong growth, full employment and rising inflation: this is going to require the central bank to take action to raise rates so as to make progress towards normalisation of monetary policy, albeit at lower central rates than prevailed before the 2008 crisis. The Fed. therefore also indicated that it expected three further increases of 0.25% in 2017 to deal with rising inflationary pressures.
The result of the **presidential election** in November is expected to lead to a strengthening of US growth if Trump's election promise of a major increase in expenditure on infrastructure is implemented. This policy is also likely to strengthen inflation pressures as the economy is already working at near full capacity. In addition, the unemployment rate is at a low point verging on what is normally classified as being full employment. However, the US does have a substantial amount of hidden unemployment in terms of an unusually large, (for a developed economy), percentage of the working population not actively seeking employment.

Trump's election has had a profound effect on the **bond market** and **bond yields** rose sharply in the week after his election. Time will tell if this is a reasonable assessment of his election promises to cut taxes at the same time as boosting expenditure. This could lead to a sharp rise in total debt issuance from the current level of around 72% of GDP towards 100% during his term in office. However, although the Republicans now have a monopoly of power for the first time since the 1920s, in having a President and a majority in both Congress and the Senate, there is by no means any certainty that the politicians and advisers he has been appointing to his team, and both houses, will implement the more extreme policies that Trump outlined during his election campaign. Indeed, Trump may even rein back on some of those policies himself.
In the first week since the US election, there was a major shift in **investor sentiment** away from bonds to equities, especially in the US. However, gilt yields in the UK and bond yields in the EU have also been dragged higher. Some commentators are saying that this rise has been an overreaction to the US election result which could be reversed. Other commentators take the view that this could well be the start of the long expected eventual unwinding of bond prices propelled upwards to unrealistically high levels, (and conversely bond yields pushed down), by the artificial and temporary power of quantitative easing.

EZ. In the Eurozone, **the ECB** commenced, in March 2015, its massive €1.1 trillion programme of quantitative easing to buy high credit quality government and other debt of selected EZ countries at a rate of €60bn per month. This was intended to run initially to September 2016 but was extended to March 2017 at its December 2015 meeting. At its December and March 2016 meetings it progressively cut its deposit facility rate to reach 0.4% and its main refinancing rate from 0.05% to zero. At its March meeting, it also increased its monthly asset purchases to €80bn. These measures have struggled to make a significant impact in boosting economic growth and in helping inflation to rise significantly from low levels towards the target of 2%. Consequently, at its December meeting it extended its asset purchases programme by continuing purchases at the current monthly pace of €80 billion until the end of March 2017, but then continuing at a pace of €60 billion until the end of December 2017, or beyond, if necessary, and in any case until the Governing Council sees a sustained adjustment in the path of inflation consistent with its inflation aim. It also stated that if, in the meantime, the outlook were to become less favourable or if financial conditions became inconsistent with further progress towards a sustained adjustment of the path of inflation, the Governing Council intended to increase the programme in terms of size and/or duration.

EZ GDP growth in the first three quarters of 2016 has been 0.5%, +0.3% and +0.3%, (+1.7% y/y). Forward indications are that economic growth in the EU is likely to continue at moderate levels. This has added to comments from many forecasters that those central banks in countries around the world which are currently struggling to combat low growth, are running out of ammunition to stimulate growth and to boost inflation. Central banks have also been stressing that national governments will need to do more by way of structural reforms, fiscal measures and direct investment expenditure to support demand and economic growth in their economies.
There are also significant specific political and other risks within the EZ: -

- **Greece** continues to cause major stress in the EU due to its tardiness and reluctance in implementing key reforms required by the EU to make the country more efficient and to make significant progress towards the country being able to pay its way – and before the EU is prepared to agree to release further bail out funds.

- **Spain** has had two inconclusive general elections in 2015 and 2016, both of which failed to produce a workable government with a majority of the 350 seats. At the eleventh hour on 31 October, before it would have become compulsory to call a third general election, the party with the biggest bloc of seats (137), was given a majority confidence vote to form a government. This is potentially a highly unstable situation, particularly given the need to deal with an EU demand for implementation of a package of austerity cuts which will be highly unpopular.
- The under capitalisation of **Italian banks** poses a major risk. Some **German banks** are also undercapitalised, especially Deutsche Bank, which is under threat of major financial penalties from regulatory authorities that will further weaken its capitalisation. What is clear is that national governments are forbidden by EU rules from providing state aid to bail out those banks that are at risk, while, at the same time, those banks are unable realistically to borrow additional capital in financial markets due to their vulnerable financial state. However, they are also 'too big, and too important to their national economies, to be allowed to fail'.
- **4 December Italian constitutional referendum** on reforming the Senate and reducing its powers; this was also a confidence vote on Prime Minister Renzi who has resigned on losing the referendum. However, there has been remarkably little fall out from this result which probably indicates that the financial markets had already fully priced it in. A rejection of these proposals is likely to inhibit significant progress in the near future to fundamental political and economic reform which is urgently needed to deal with Italy's core problems, especially low growth and a very high debt to GDP ratio of 135%. These reforms were also intended to give Italy more stable government as no western European country has had such a multiplicity of governments since the Second World War as Italy, due to the equal split of power between the two chambers of the Parliament which are both voted in by the Italian electorate but by using different voting systems. It is currently unclear what the political, and other, repercussions are from this result.
- **Dutch general election 15.3.17**; a far right party is currently polling neck and neck with the incumbent ruling party. In addition, anti-big business and anti-EU activists have already collected two thirds of the 300,000 signatures required to force a referendum to be taken on approving the EU – Canada free trade pact. This could delay the pact until a referendum in 2018 which would require unanimous approval by all EU governments before it can be finalised. In April 2016, Dutch voters rejected by 61.1% an EU – Ukraine cooperation pact under the same referendum law. Dutch activists are concerned by the lack of democracy in the institutions of the EU.
- **French presidential election;** first round 13 April; second round 7 May 2017.
- **French National Assembly election June 2017.**
- **German Federal election August – 22 October 2017.** This could be affected by significant shifts in voter intentions as a result of terrorist attacks, dealing with a huge influx of immigrants and a rise in anti EU sentiment.
- The core EU, (note, not just the Eurozone currency area), principle of **free movement of people** within the EU is a growing issue leading to major stress and tension between EU states, especially with the Visegrad bloc of former communist states.

Given the number and type of challenges the EU faces in the next eighteen months, there is an identifiable risk for the EU project to be called into fundamental question. The risk of an electoral revolt against the EU establishment has gained traction after the shock results of the UK referendum and the US Presidential election. But it remains to be seen whether any shift in sentiment will gain sufficient traction to produce any further shocks within the EU.

Asia. Economic growth in **China** has been slowing down and this, in turn, has been denting economic growth in emerging market countries dependent on exporting raw materials to China. Medium term risks have been increasing in China e.g. a dangerous build up in the level of credit compared to the size of GDP, plus there is a need to address a major over supply of housing and surplus industrial capacity, which both need to be eliminated. This needs to be combined with a rebalancing of the economy from investment expenditure to consumer spending. However, the central bank has a track record of supporting growth through various monetary policy measures, though these further stimulate the growth of credit risks and so increase the existing major imbalances within the economy.
Economic growth in **Japan** is still patchy, at best, and skirting with deflation, despite successive rounds of huge monetary stimulus and massive fiscal action to promote consumer spending. The government is also making little progress on fundamental reforms of the economy.

Emerging countries. There have been major concerns around the vulnerability of some emerging countries exposed to the downturn in demand for commodities from China or to competition from the increase in supply of American shale oil and gas reaching world markets. The ending of sanctions on Iran has also brought a further significant increase in oil supplies into the world markets. While these concerns have subsided during 2016, if interest rates in the USA do rise substantially over the next few years, (and this could also be accompanied by a rise in the value of the dollar in exchange markets), this could cause significant problems for those emerging countries with large amounts of debt denominated in dollars. The Bank of International Settlements has recently released a report that $340bn of emerging market corporate debt will fall due for repayment in the final two months of 2016 and in 2017 – a 40% increase on the figure for the last three years.

Financial markets could also be vulnerable to risks from those emerging countries with major sovereign wealth funds, that are highly exposed to the falls in commodity prices from the levels prevailing before 2015, especially oil, and which, therefore, may have to liquidate substantial amounts of investments in order to cover national budget deficits over the next few years if the price of oil does not return to pre-2015 levels.

Brexit timetable and process

- March 2017: UK government notifies the European Council of its intention to leave under the Treaty on European Union Article 50
- March 2019: two-year negotiation period on the terms of exit. This period can be extended with the agreement of all members i.e. not that likely.
- UK continues as an EU member during this two-year period with access to the single market and tariff free trade between the EU and UK.
- The UK and EU would attempt to negotiate, among other agreements, a bi-lateral trade agreement over that period.
- The UK would aim for a negotiated agreed withdrawal from the EU, although the UK may also exit without any such agreements.
- If the UK exits without an agreed deal with the EU, World Trade Organisation rules and tariffs could apply to trade between the UK and EU - but this is not certain.

- On exit from the EU: the UK parliament would repeal the 1972 European Communities Act.
- The UK will then no longer participate in matters reserved for EU members, such as changes to the EU's budget, voting allocations and policies.
- It is possible that some sort of agreement could be reached for a transitional time period for actually implementing Brexit after March 2019 so as to help exporters to adjust in both the EU and in the UK.

5.5 Treasury Management Practice 1 (TMP1) – 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	5m	12 months
UK Government Treasury bills	UK sovereign rating	5m	12 months
Bonds issued by multilateral development banks	AAA	5m	6 months
Money Market Funds	AAA	5m	Liquid
Enhanced Cash Funds with a credit score of 1.25	AAA	5m	Liquid
Enhanced Cash Funds with a credit score of 1.5	AAA	5m	Liquid
Local authorities	N/A	5m	12 months
Term deposits with banks and building societies	Blue Orange Red Green No Colour	5m	12 months 12 months 6 months 100 days Not for use
CDs or corporate bonds with banks and building societies	Blue Orange Red Green No Colour	5m	12 months 12 months 6 months 100 days Not for use
Gilt funds	UK sovereign rating	5m	

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

	Minimum 'High' Credit Criteria	**Use**
Debt Management Agency Deposit Facility	--	In-house
Term deposits – local authorities	--	In-house
Term deposits – banks and building societies	Green – 100 Days	In-house
Collateralised deposit	UK sovereign rating	In-house
UK Government Gilts	UK sovereign rating	In-house
Bonds issued by multilateral development banks	AAA	In-house
Bond issuance issued by a financial institution which is explicitly guaranteed by the UK Government e.g. National Rail	UK sovereign rating	In-house
Sovereign bond issues (other than the UK govt)	AAA	In-house
Treasury Bills	UK sovereign rating	In house
Collective Investment Schemes structured as Open Ended Investment Companies (OEICs): -		
1. Government Liquidity Funds	AAA	In-house
2. Money Market Funds	AAA	In-house
3. Enhanced Cash Funds with a credit score of 1.25	AAA	In-house
4. Enhanced Cash Funds with a credit score of 1.5	AAA	In-house
5. Bond Funds	AAA	In-house
6. Gilt Funds	AAA	In-house

Term deposits with nationalised banks and banks and building societies

	* Minimum Credit Criteria	Use	*** Max % of total investments	Max. maturity period
UK part nationalised banks	Green – 100 Days	In-house	100%	12 Months
Banks part nationalised by high credit rated (sovereign rating) countries – non UK	Sovereign rating AA-	In-house	100%	12 Months

Accounting treatment of investments. The accounting treatment may differ from the underlying cash transactions arising from investment decisions made by this Council. To ensure that the Council is protected from any adverse revenue impact, which may arise from these differences, we will review the accounting implications of new transactions before they are undertaken.

NON-SPECIFIED INVESTMENTS: A maximum of 35% will be held in aggregate in non-specified investment

1. Maturities of ANY period

	Minimum Credit Criteria	Use	Max % of total investments	Max. maturity period
Fixed term deposits with variable rate and variable maturities: - Structured deposits	Green – 100 Days	In-house	50%	12 Months
Certificates of deposit issued by banks and building societies	Green – 100 Days	In-house	50%	12 Months
Commercial paper other	Short-term AA-, Long-term AA-,	In-house	50%	12 Months
Corporate bonds	Short-term AA-, Long-term AA-,	In-house	50%	12 Months
Floating rate notes	Long-term AA-,	In house	50%	12 Months
Collective Investment Schemes structured as Open Ended Investment Companies (OEICs)				
Corporate bond fund	AA-	In house	50%	N/A
Property fund	AA-	In house	50%	N/A

5.6 Approved Countries for Investments

AAA

- Australia
- Canada
- Denmark
- Germany
- Luxembourg
- Netherlands
- Norway
- Singapore
- Sweden
- Switzerland

AA+

- Finland
- Hong Kong
- U.S.A.

AA

- Abu Dhabi (UAE)
- France
- Qatar
- U.K.

AA-

- Belgium

5.7 Scheme of Delegation

The bodies responsible for various functions are as follows:

Council

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

Cabinet

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

Overview and Scrutiny Committee

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

5.8 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.

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OVERVIEW AND SCRUTINY COMMITTEE

DATE OF MEETING: **17 JANUARY 2017**

TITLE OF REPORT: **DRAFT BUDGET 2017/18**

Report of: **Head of Corporate Services**

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 2017/18 to enable the Overview and Scrutiny Committee to forward its recommendations on the budget and Council Tax levels to Cabinet on 2 February 2017. The report also includes the statutory statement of the Head of Corporate Services (Section 151 Officer) to Council on the robustness of the estimates and adequacy of reserves.

2 OFFICER RECOMMENDATIONS

That the Committee:

2.1 Note that there is currently a small surplus in the draft revenue budget for 2017/18.

2.2 Note the likely loss of New Homes Bonus funding should the Council fail to adopt a Local Plan by March 2018.

2.3 Recommend savings and income generation proposals from the lists in Appendix 2 that the Cabinet should consider to make up future shortfalls in the budget from 2018/19 onwards, and whether any of these proposals should be adopted in 2017/18 to strengthen reserves.

2.4 Recommend that Cabinet approves the level of Council Tax for 2017/18 be increased by £5 (3.19%) and set at £161.84

2.5 Recommend to Cabinet that the summary revenue budget for 2017/18 as set out (in Paragraph 12 of this report) be approved.

2.6 Recommend that cabinet approve the revised capital programme for 2016/17 and 2017/18 as detailed in Appendix 3.

2.7 Note the Section 151 Officer's statutory report regarding the robustness of the estimates and the adequacy of reserves detailed in paragraph 13.

3 BACKGROUND INFORMATION

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

3.1.1 Allowing authorities with social care responsibilities (Counties, Unitaries and Metropolitan Districts) to raise 3% on Council Tax specifically to help fund social care budgets in 2017/18 and 2018/19. 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 Reducing New Homes Bonus funding (mainly paid to districts) to fund social care at county councils and other upper tier authorities.

4 GOVERNMENT GRANT FOR HART IN 2017/18 AND BEYOND

4.1 Hart was one of 10 authorities to reject the government's 4 year settlement offer announced in December 2015. The settlement figures are therefore only guaranteed for 2017/18:

	2016/17 £m	2017/18 £m	2018/19 £m	2019/20 £m
Revenue Support Grant (RSG)	0.562	0.082	0	-0.515
Business Rate Baseline Funding	1.265	1.291	1.332	1.380

4.2 The grant figures above show a negative figure for RSG in the last year. 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.

5 COUNCIL TAX

5.1 It is clear from the figures provided to local government that the government assumes some of the funding shortfall will continue to be met by increases in Council Tax. This continues the significant change in approach introduced in 2016/17 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. The Government is allowing shire districts to raise the Council Tax in 2017/18 by up to 1.99% or £5, whichever is the greater, and consequently the budget proposals included in this report assume a £5 increase in both 2017/18 and 2018/19. 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 £195k per annum to income and this will increase each year if Council Tax increases are approved annually.

6 NEW HOMES BONUS

6.1 New Homes Bonus remains a crucial part of the Council's budget and £2.27m 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 (£200k extra), the risk is that future year's levels cannot be guaranteed.

6.2 The government consulted on changes to the scheme and comments were required by March 2016. The following changes for 2017/18 were announced alongside the settlement:

- 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).
- Reduction of payments to 4 years, instead of the current 6
- Transitional year in 2017/18 of 5 years to give affected councils time to plan their finances.
- A threshold of 0.4% growth in housing, below which no NHB will be paid

6.3 In addition the following proposals were deferred until 2018/19, subject to further consultation:

- Withholding payment where no Local Plan has been adopted (government's preferred option).
- Reducing payments for homes built on appeal.

6.4 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.

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

6.6 This report sets out three future funding scenarios:

- Local Plan adopted by 31 March 2018
- Local Plan not adopted by 31 March 2018 and new NHB for 2018/19 is withheld
- Local Plan not adopted by 31 March 2018 and **all** NHB for 2018/19 is withheld

6.7 As the figures in paragraph 12.1 show, the loss of all New Homes Bonus in 2018/19 would reduce reserves by £2 million in one year. This is clearly not sustainable.

7 COUNCIL TAX SUPPORT 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 has consulted on changes to the scheme for 2017/18. All claimants would have to pay at least 20% of their Council Tax. The changes would save approximately £24,000 per annum.

7.3 Cabinet decided on 5th January 2017 not to progress with changes to the scheme.

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 - fee increase suggested as possible saving
- Housing - no increase
- Leisure - N/A
- Planning - no increase
- Building Control - 2% where allowed
- Licensing - no increase – under review by Basingstoke

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 Appendix 1 attached shows the movement of budgets between 2016/17 and 2017/18.

9.3 Savings proposals are attached as Appendix 2.

10 OUTTURN BUDGET FOR 2016/17

10.1 The expected surplus for the current year is expected to be £32K, lower than originally anticipated for the reasons reported to Cabinet in December.

11 CAPITAL PROGRAMME

11.1 The Capital Programme is attached as Appendix 3. The only new schemes added at this stage are SANGs.

12 DRAFT BUDGET 2017/18 AND INITIAL PROJECTION 2018/19

12.1 The table below summarises the draft budget for 2017/18, showing a use of reserves of £566k, and an initial projection for 2018/19.

	2017/18 Draft Budget	2018/19 Local Plan Adopted	2018/19 LP Not Adopted Lose new NHB	2018/19 LP Not Adopted Lose all NHB
Net Cost of Services	**9,933**	**9,500**	**9,500**	**9,500**
Less				
Debt Interest	111	150	150	150
New Homes Bonus	-2,273	-2,010	-1,510	0
Net Budget Requirement	**7,771**	**7,640**	**8,140**	**9,650**
Financed By				
Government Grant				
- Business Rates Retained	-1,193	-1,230	-1,230	-1,230
- Revenue Support Grant	-82	0	0	0
- Transitional Grant	-109	0	0	0
Collection Fund (Surplus) / Deficit	827	0	0	0
NNDR Reserve	-930	0	0	0
Council Tax Income	-6,186	-6,485	-6,485	-6,485
£5 Increase in Council Tax	-197	-195	-195	-195
S106 Receipts	-48	-45	-45	-45
SANG Receipts/Loan Repayments	-99	-205	-205	-205
Minimum Revenue Provision / Loan Repayments	180	520	520	520
Transfer (to) from Reserves to balance Revenue Account	**-66**	**0**	**500**	**2,010**
General Fund Balance as at 1 April	4,583	4,649	4,649	4,649
Transfer to (from) Reserves	66	0	-500	-2,010
General Fund Balance at 31 March	**4,649**	**4,649**	**4,149**	**2,639**

12.2 The major issue looking beyond 2017/18 is the impact of the further consultation on the New Homes Bonus scheme should the Council fail to adopt a Local Plan by March 2018.

12.3 In order to achieve potentially demanding savings in 2018/19 the Council must make decisions in this budget round to allow time for sufficient action to achieve full-year savings from April 2018. A year's notice is required to amend or terminate many contracts or agreements with third parties.

12.4 A number of factors will change in 2019/20 (higher leisure fee but almost certainly less NHB) so there is nothing at this stage to suggest 2018/19 will not present further challenges.

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 2017/18 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 2017/18. 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.

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APPENDICES:
Appendix 1 - Comparison of Original Budget 2016/17 to Draft Budget 2017/18
Appendix 2 – Proposed savings
Appendix 3 – Capital programme

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Appendix I

Comparison of Original Budget 2016/17 to Draft Budget 2017/18			
Cost Centre	2016/17 Current Year Original Budget	2017/18 Draft Budget Requirement	Notes
Total for - A421 - Community Safety - Shared Service	235,050	178,889	Saving on the SLA with Rushmoor
Community Safety	**235,050**	**178,889**	
Total for - C651 - Civic Function & Chairman	20,300	9,140	
Total for - C652 - Corporate - Apprentices	21,770	26,320	
Total for - C653 - Corporate Communication	130,320	176,810	
Total for - C654 - Leadership Team	560,780	573,975	
Total for - C655 - Corporate Performance Team	62,010	64,214	
Total for - C656 - External Audit	66,660	66,660	
Total for - C657 - Non Distributed Costs	167,900	160,000	
Total for - C659 - Climate Change	12,300	18,870	
Total for - C660 - Business Support Unit	313,900	278,680	Staffing Saving
Total for - C661 - Hart Development	135,390	112,180	
Total for - C663 - Neighbourhood Planning	0	0	
Total for - C662 - Corporate Support - Non Staff	150,000	219,860	
Total for - C680 - Customer Services Contract	296,700	248,675	Lot 1 Contract
Total for - C681 - IT Contract	297,810	151,885	Lot 1 Contract
Total for - C682 - HR Contract	105,620	8,978	Lot 1 Contract
Total for - C708 - Internal Audit	94,080	99,850	
Total for - C709 - Legal Services	233,710	291,920	Shortfall in Legal Income
Total for - C780 - Customer Services Client	50,560	40,330	5 Councils Client Costs
Total for - C781 - IT Client	314,780	172,270	Savings in IT Maintenance, Hardware and Consultants, 5 Councils Client
Total for - C782 - HR Client	59,660	31,200	5 Councils Client Costs
Total for - C800 - 5 Council Contract Lot 1	0	1,337,010	Lot 1 Contract, and Client Costs
Total for - C801 - 5 Council Contract Lot 2	0	292,428	Lot 2 Contract
Total for - D660 - Print Room & Photocopying	40,500	19,300	Lot 2 Contract
Total for - P113 - Local Land Charges	-79,600	-159,000	Lot 1 Contact
Total for - T702 - Admin Bldgs - R & M	382,180	315,479	Lot 2 Contract
Total for - P407 - Planning Policy	424,420	586,591	17/18 estimate for spend on the Local Plan
Total for - D110 - Rechargeable Elections	0	0	
Total for - D111 - Register Of Electors	98,770	121,203	
Total for - D112 - Election Expenses	200,620	99,848	Recharges for elections, one off in 2017/18
Total for - D650 - Support To Elected Bodies	289,190	302,955	
Total for - F105 - Revs & Bens Contractor Costs	1,211,790	309,000	Lot 1 Contract
Total for - F106 - Revenues & Benefits Client	-269,040	-273,660	
Total for - F600 - Housing/Council Tax Benefits	95,000	152,300	Discretionary Housing Payments and Housing/Council Tax Benefits
Total for - F614 - Meals On Wheels	8,000	0	Service now provided by HCC
Total for - F657 - Bank Charges	58,000	53,000	
Total for - F698 - Finance Client	86,300	122,385	New Staffing Establishment
Total for - F699 - Finance Contract	465,750	237,535	Lot 1 Contract
Corporate Services	**6,106,130**	**6,268,191**	
Total for - H220 - Private Sector Housing	184,440	213,320	Home Improvement Agency additional fee
Total for - H611 - Strategic Housing Services	119,340	117,938	
Total for - H612 - Housing Needs Service	542,900	548,990	
Total for - H613 - Help for Single Homelessness	0	0	
Total for - H614 - Domestic Abuse	0	0	
Housing	**846,680**	**880,248**	
Total for - L300 - Leisure Centre Maintenance	20,000	0	Leisure Centre Re-organisation
Total for - L301 - Leisure Strategy	49,340	0	Leisure Centre Re-organisation
Total for - L313 - Leisure Centres Contract	0	-334,000	EA Income from the Leisure Centre
Total for - L314 - Leisure Centres Client	0	64,456	
Total for - L308 - Hart Leisure Centre Building	45,775	228,400	Hart Leisure Centre Rates and Maintenance
Total for - L310 - Frogmore LC Building	50,165	3,200	
Total for - L312 - Leisure Centres (Re-Billing)	0	0	
Leisure	**165,280**	**-37,944**	
Total for - L208 - Land Repossessions	4,480	4,480	
Total for - L302 - Fleet Pond	68,510	68,370	
Total for - L303 - Commons	64,110	46,470	
Total for - L304 - Odiham Common	56,570	57,450	
Total for - L306 - Elvetham Heath Nature Reserve	50,580	53,190	
Total for - L320 - Parks/Play Areas Outside Fleet	0	0	
Total for - L325 - Edenbrook Country Park	65,670	65,430	
Total for - L326 - QE II Fields	9,900	8,580	
Total for - L327 - Biodiversity	28,360	27,113	
Total for - L328 - Bramshot Farm	0	50,910	New SANG
Total for - L406 - Landscape & Conservation	61,070	63,250	
Total for - L410 - Environmental Promotion - Strategy	148,640	145,595	
Total for - L407 - Tree Preservation Orders	131,120	140,340	
Environmental Promotion	**689,010**	**731,178**	
Total for - P210 - Dog Warden	60,490	49,140	Establishment saving
Total for - P211 - Pest Control	3,060	1,080	
Total for - P212 - Env Health Pollution	0	0	
Total for - P215 - Env Health Commercial	146,270	154,200	
Total for - P216 - Environmental Protection	203,950	179,700	Establishment saving
Total for - P218 - Churchyards	7,000	7,500	
Total for - P230 - Out Of Hours Noise Service	26,820	27,650	
Total for - P719 - Health & Safety	31,250	32,510	
Total for - A307 - Licences	-8,920	-8,830	
Total for - A418 - Hackney Carriages	-26,100	-21,460	

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Appendix I

Comparison of Original Budget 2016/17 to Draft Budget 2017/18			
Cost Centre	2016/17 Current Year Original Budget	2017/18 Draft Budget Requirement	Notes
Total for - P217 - Health and Policy	48,000	51,660	
Environmental Services	**491,820**	**473,150**	
Total for - P401 - Planning Development	-101,560	-193,760	Additional Fee Income
Total for - P403 - Building Control - Fee Earning	-116,600	-136,970	Additional Fee Income
Total for - P404 - Building Control - Non-Fee	78,440	79,410	
Total for - P410 - Street Naming & Numbering	40	-6,470	Additional Fee Income
Planning	**-139,680**	**-257,790**	
Total for - T116 - Emergency Planning	41,250	42,130	
Total for - T200 - Waste Client Team	-672,170	-733,230	New Garden Waste Clients less loss of income from Recycling and Glass
Total for - T201 - Waste Contract Split Orders	0	0	
Total for - T207 - Hart Drainage	84,710	88,040	
Total for - T208 - Waste Contract	1,579,960	1,682,209	Growth and Inflation Increase in the Waste Management Contract
Total for - T210 - Grounds Mtn Contract	352,430	326,290	Correction to overstated Budget
Total for - T211 - Street Cleaning	494,750	538,070	New Team included in the SLA
Total for - T212 - Clinical and Bulky	-6,410	-6,420	
Total for - T213 - Basingstoke Waste Contract	0	0	
Total for - T413 - Street Furniture	8,360	11,080	
Total for - T416 - Highways Traffic Management	40,390	56,080	Changes in the HCC Agency Agreement
Total for - T417 - Highways Agency - Development	-24,960	15,290	Changes in the HCC Agency Agreement
Total for - T423 - Estates/Asset Management	53,220	40,760	Lot 2 Contract
Total for - T501 - Off Street Enforcement	-425,170	-548,508	Adjustment for the Lot 2 Contract and Additional Fee Income
Total for - T502 - On Street Enforcement	101,710	14,043	Lot 2 Contract
Total for - A419 - CCTV	165,620	169,510	
Total for - T117 - Flood repairs & Maint work	0	0	
Total for - T214 - Fair Trade	0	2,000	
Technical Services	**1,793,690**	**1,697,344**	
Grand Total Cost of Services	**10,187,980**	**9,933,266**	

17/18 Budget Saving Options Hart

Service Change	Estimated Financial Impact	Comments
Waste		
Stop kerbside glass collections	£110k	Gross saving £250k, less loss of profit payment on contract and cost of increasing glass bank provision.
Increase garden waste charges by 10%	£50k	Inflationary charges are already proposed.
Increase waste bin charges by 10%	£10k	Inflationary charges are already proposed.
HCC Highway agencies		
Terminate grass cutting agency	£90k	HCC now not intending to reduce funding so saving estimate is based on current budget subsidy. Would now not be possible to implement this by 1st April 2017 so suggest work on 50% saving in 17/18
Terminate decriminalised parking enforcement	£100k	This is dependent on Indigo not imposing any penalties from removing this work from the contract.
Terminate weed control agency	£8k	
Terminate Traffic Management agency.	£38k	Figures assume transfer of all staff to HCC, saving will not be achieved if staff do not transfer.
Terminate Highways development control agency	£11k	Figures assume transfer of all staff to HCC, saving will not be achieved if staff do not transfer.
Grounds and Streets Service		
Reduce staff on grounds maintenance team by 1 FTE	£25k	Will reduce service's ability to deliver current level of service. Increased complaints could result in increased contact centre costs.
Parking		
Increase car park charges	£100k	£90k was removed from the budget in 16/17 to reflect a reduction in car park charges. This change could be reversed.
Reduce the number of parking concessions offered.	£20k	Reduce the number of parking concessions that Hart provide as per separate list.
CCTV		
Reduction in CCTV service provision	Up to £100k	Any savings would be subject to negotiation with with Rushmoor. The service is discretionary and could be withdrawn providing savings of up to

		£100k. One off penalty charges (which need to be confirmed) will be incurred. 5 Year break clause can be activated wef May 2018 but requires 12 months notice.
Technical - total potential savings	**£662k**	
Corporate Services		
Elections		
Elections Income	?	Income generation from selling services to other Authorities
Elections "All Out"	£55k	Changes to the timetable of elections meaning the entire council will be elected once every four years. Average saving PA is estimated to be £55k. (£110k 2 in 4 years)
Corporate		
Discretionary services	£72k	Non-statutory services.
Grants, Benefits, Concessions provided to voluntary and third sectors	£150k	Make savings from the attached lists subject to approval by Members
Council Tax Reduction Scheme	£25k	Residents that currently enjoy reduced payments for Council Tax would have to pay a minimum of 20% going forward
Total Corporate Services	**£302k**	
Regulatory Services		
Out of Hours		
Terminate Service	£10k	The service would only be able to respond to complaints the next working day and undertake out of hours visits by prior arrangement. No immediate response to loud parties/raves/alarms and breaches of planning.
Outsource Service	£40k	Reduced service levels. There is always a risk with outsourced services that unless the scope of the service is correctly defined there becomes an issue with workload being passed onto other retained services or they are simply not delivered.
Cease discretionary service.	£48k	Reliance on other staff to deliver elements of the service. Objectives would not be achieved.
Review of Planning Enforcement	?	A review of the Planning Enforcement function could be undertaken to consider how the service could be delivered with a reduction in staff or through a revised method of delivery
Review of Business Support		The Business Support Unit (BSU) was incorporated into Regulatory Services in August 2016 and provides administrative support to

		Regulatory Services and Housing. The service is managed by a Change Manager on a temporary contract which will not be renewed from April 2017 onwards resulting in a saving of around £23,000. The failure to renew this contract will cause issues in the day to day management and oversight of the service which will require further consideration.
Income Generation	?	Expansion of stray dog provision to outside of the district. The service is currently considering how it could support one of the neighbouring local authorities due to the closure of its kennelling facility which was used as a stray drop-off point. Whilst this would only recover the cost of providing the service, it has the opportunity to provide further resilience within the service.
Income Generation	?	Increasing pre-application fees for proposals incorporating a single dwelling or greater. This should be considered where the proposal is to construct single dwellings or more which would result in profit for the applicant from the creation of additional dwellings. The charges would need to be carefully considered but would provide proper cost recovery on pre-application advice.
Income Generation	?	Primary Authority Partnerships (PAP). Regulatory Services already has a successful PAP with British Car Auctions and an aspiration to take on more. The greatest restriction to entering in to further partnerships is the low level of staff resource with environmental health. The service is actively encouraging two other businesses to enter in to PAPs with Hart and whilst these cannot formally make money, they are permitted to cover the cost of the staffing resource needed to maintain the partnership agreement.
Total Regulatory Services	£98k	

Grants

Organisation	Grant Paid	Description
Hart Citizens Advice Bureau	£148,130	General grant to support the operation of the charity
Hart Citizens Advice Bureau – specific grant	£18,000	Financial support for the court desk and Money Advice services in support of those who are homeless or threatened with homelessness
Hart Voluntary Action	£40,000	
Inclusion Hampshire	£10,000	
Step by Step	£20,000	£15K towards the continuation of the Youth Aims project providing help and advice to young people in Hart, plus £5K towards peer education support in schools
Hampshire Alliance for Rural Supported housing (Community Action Hampshire)	£8,000	Provides support for the provision of rural housing supported by many district councils
Fleet Phoenix	£14,300	
Fleet Food Festival	£2000	
Fleet Christmas Festival	£2000	
Over 55's Forums	£1000	Small grants paid (up to £200) to support UK day for the older person which supports the social cohesion priority
Sport Hampshire and Isle of Wight Charitable Trust	£5,500	Provides county wide coordination of commercial, voluntary and local government sports and physical activities
Blackwater Valley Charitable Trust	£19,600	Manages the Blackwater Valley as a nature reserve, conservation area and partial SANG on behalf of two County Councils, and 7 riparian district councils
Basingstoke Canal Authority	£31,000	Manages the canal on behalf of 2 County Councils and six riparian district councils and a number of town and parish councils.
Royal Voluntary Service	£2,000	Previously the provider of meals on wheels, now provides luncheons for older residents and provides transport to those who need it.
TOTAL	**£321,530**	

Ad hoc 'one off' grants

Events waste collection	£10,000	Further to Cabinet approval in March 2016, budgeted sum for removal of waste from not for profit events/charitable events
Fleet Futures	£2000	

Sandhurst and District Corp of Drums (Remembrance Sunday Fleet)	£250	

Concessions

Discretionary Business Rate Relief in addition to Statutory Business Rate Relief, in accordance with the approved policy - here

Organisation	Concession Paid	Type of relief paid
1st Bramshill Rotherwick Scout Group		
1st Crookham (Odiham District) Scoutgroup		
2nd Odiham (Town) Scout Group		
3rd Bramshill (Yateley Green) Scoutgroup		
4th Bramshill (Hawley) Scout Group		
6th Bramshill (Hawley) Scout Group		
7th Bramshill (Hook) Scout Group		
8th Bramshill (Frogmore Green) Scoutgroup		
9th Bramshill (Yateley) Scout Group		
22nd and 26th Odiham (Fleet) Scoutgroup		
Friends Of Odiham Cottage Hospital		
The Abercorn Trust		
Avondale Lawn Tennis Club		
Blackwater & Hawley Town Council		
The Blue Cross		
British Heart Foundation		
Citizens Advice Bureau		
Cody Sports & Social Club		
Crondall Bowls & Pavilion Club		
Crondall Entertainers Comm Assoc		
Crondall Village Hall		
Crookham Village Womens Institute		
Crookham War Memorial Hall		
Cross Barn Steering Group		
Crown Taverners Cricket Club		
Darby Green & Frogmore Social Hall		
Debra		
Dogsmersfield & Crondall Scout Group		
Elizabeth Hall (Hon Treasurer)		
Elvetham Heath Scouts		
Eversley Village Hall		
Ewshot Village Hall Management Committee		
Fleet & District Carnival Ass		
Fleet Cricket Club		
Fleet Town Council		
Fleet Town Football & Social Club		
Footprints Playschool		
Friends Of All Saints Church Odiham		
Friends Of Odiham Cottage Hospital		

Frogmore Day Care Trust		
Girl Guides Association		
Greywell Village Hall Management		
Hanover Housing		
Hart Neighbourhood Centre		
Hart Voluntary Action Ltd		
Hartley Arts Group		
Hartley Wintney Football Club		
Hartley Wintney Womens Institute		
Hawley Almshouse & Relief in Need		
Hawley Equitation Centre		
Heckfield Memorial Hall		
Hook Bowling Club		
Hook Village Halls Charitable Assn		
Leonard Cheshire Disability		
Lions Club Of Fleet		
Long Sutton Village Hall		
Marfan Association Uk		
Marie Curie Cancer Care		
North Warnborough Village Hall		
Odiham Community Pre-School		
Odiham District Scout Fellowship		
The Odiham Society		
Parity for Disabilities		
Phyllis Tuckwell Hospice Shop		
Portsmouth R.C.Diocesan Trustees		
The Ridley Hall		
Rotary Club of Hart Trust		
Rotherwick Village Hall		
St John Ambulance		
St Michael's Hospice		
S L M Ltd		
Sue Ryder Care		
Surrey & Hants Canal Society Ltd		
Thames Hospicecare		
The Victoria Charity		
Wadhams Stores		
Winchester Board Of Finance		
Winchfield Village Hall Mangnt Commrs N		
Womens Royal Voluntary Service		
Yateley Bowling Club		
Yateley Cricket & Hockey Assoc.		
Yateley Industries for the Disabled		
Yateley Village Hall Management		
Yateley Womens Institute		
Total	**£86, 325**	

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Appendix 2

List of parking concessions - February 2016

Table A

Free parking concessions which the council will continue to fund.	**Location**	**Estimated value of concession**	**Basis of valuation**	**Notes/ reason**
Breast screening	Hook	£800	TBC	Promotion of Health and Wellbeing
Visitors to Fleet blood donor sessions	Fleet	£2,000	TBC	Promotion of Health and Wellbeing
Remembrance Parade	Various	£1,500	TBC	Support for community event
Church Permits Church Road	Fleet	£1,000	TBC	Previously agreed by Cabinet
WRVS	Fleet	£10,000	TBC	Cllr Morris to investigate – likely that we will continue to fund in future but the number of permits and area available will be restricted.
Total estimated value	**TOTAL**	**£15,300**		

Table B

Events where the parking charges will be waived provided funding is agreed.				
Hook School Permits	Hook	£7,000	£35/permit/ annum	Cllr Morris to investigate further
Fleet Carnival	Fleet	£3,500	TBC	No demonstrable benefit provided by free parking.
Odiham Parish Council Blues Weekend	Odiham	£300	TBC	No demonstrable benefit provided by free parking.
Village Pram race	Hartley Wintney	£200	TBC	No demonstrable benefit provided by free parking.
Christmas Markets	Various	£4,500	TBC	Commercial event
Fleet Lions Fireworks	Fleet	£3,000	TBC	No demonstrable benefit provided by free parking.
Fleet Pantomime	Fleet	£600	TBC	No demonstrable benefit provided by free parking.
Fleet Beer festival	Fleet	£120	TBC	No demonstrable benefit provided by free parking.
Odiham Parish Council open day	Odiham	£300	TBC	No demonstrable benefit provided by free parking.
Fleet Half Marathon	Fleet	£900	TBC	Cllr Morris to investigate further - No demonstrable benefit provided by free parking.
Fleet Lions Carol Concert	Fleet	£60	TBC	No demonstrable benefit provided by free parking.
Total estimated value	**TOTAL**	**£20,480**		

Benefits in kind

Organisation	value	Description
Fleet Pond Society	£1,000*	Notional value as space is shared with HDC
Hart Voluntary Action	£9447 inclusive of parking	Value based on the difference between the standing charges principle agreed by Cabinet in October 2013, and any payments currently made.
Inclusion Hampshire	£19,882 (incl. parking)	Value based on the difference between the standing charges principle agreed by Cabinet in October 2013, and any payments currently made.
Citizens Advice Bureau (Fleet)	£8665 (incl. parking)	Value based on the difference between the standing charges principle agreed by Cabinet in October 2013, and any payments currently made.
Citizens Advice Bureau (Yateley)	£12,040	Value based on the difference between the standing charges principle agreed by Cabinet in October 2013, and any payments currently made.
Total	£51,034	

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Appendix 3

	Capital Code	Current Available Budget 2016/17 £'000	Budget Requirement 2017/18 £'000
Corporate Services		100	523
Housing & Customer Services		980	560
Leisure		16,817	0
Environmental Promotion		801	5,286
Technical Services		588	1,422
TOTAL CAPITAL PROGRAMME		**19,286**	**7,791**

Service Area	Scheme		Current Available Budget	Carried Forward 2015/16
Corporate Services	CCTV-Rushmoor	YY16	50	0
	Rural Broadband	YL37	0	23
	Upgrade to IT infrastucture (5 Counsil's)	YT07	0	500
	Civic Office Refurbishment	YY04	50	0
	Door Entry System	YT16	0	0
	Trading Company		0	
			100	**523**
Housing & Customer Services	Private Sector Renewal - Minor Works Grants(Home trust Loans	YR03	60	60
	Grant for 13x 4 bed dwellings.	YR04	350	0
	Disabled Facilities Grants	YR05	570	500
			980	**560**
Leisure	Fleet Area Football (S106)	YL33	180	0
	Leisure Centre SCAPE project appraisal	YL34	0	0
	Strategic Leisure	YL35	0	0
	Leisure Centre Pre Construction Stage	YL47	168	0
	Frogmore leisure Re-Development	YL30	1,485	0
	Leisure Centre Construction	YL52	14,822	0
	Leisure Centre Consultants & Fees	YL53	162	0
			16,817	**0**
Environmental promotion	Fleet Pond Project-Restoration	YY00	0	0
	Edenbrook Country Park (S106 SANG)	YL28	30	0
	Fleet pond Nature Reserve Visitor Strategy (S106)	YL29	28	0
	Odiham Common (S106)	YL32	19	0
	Odiham Signs	YL04	5	0
	S106 Leisure Parish Funded Projects	YF09	43	0
	Fleet Pond Access Track	YL54	150	0
	Fleet Pond Visitor Enhancements	YL55	56	0
	Hazeley Heath Grazing Project	YL56	80	0
	Hazeley Heath Notice Boards	YL57	15	0
	Hazeley Heath Access Improvments	YL58	80	0
	HW Central Common Enhancement	YL59	36	0
	HW Central Common Access Improvements	YL60	80	0
	HW QEII Fields Improvements	YL61	35	0
	Edenbrook CP Play Tree	YL62	30	0
	Edenbrook CP History Walk	YL63	20	0
	Cricket Hill Pond Phase 2	YL64	10	0
	Service Vehicles	YL65	65	0
	Countryside Workshop	YL66	19	0
	Bramshot Farm	YT67	0	5,286
			801	**5,286**
Technical Services	Fernhill Road, Pedestrian Facilities (S106)	YT09	66	0
	S106 NEHTS Parish	YT14	12	0
	Frogmore Day Centre Roof Repairs	YT17	40	0
	Church Road (Victoria Road) Car Park - Pay on Foot	YL42	0	0
	Church Road Improvements	YT18	270	0
	Post Payment Parking	YT19	76	0
	Phoenix Green, Hartley Wintney	YT10	75	0
	Mill Corner, North Warnborough	YT11	50	0
	Kingsway Flood Alleviation Scheme		0	22
	Refuse Vehicles		0	1,400
			588	**1,422**
	TOTAL CAPITAL PROGRAMME		**19,286**	**7,791**
Financed By	Capital Receipts		0	0
	Capital Grants		695	5,808
	Capital Reserves		889	0
	Revenue		17,703	1,983
			19,286	**7,791**

CABINET

KEY DECISIONS/ WORK PROGRAMME AND EXECUTIVE DECISIONS MADE

February 2017

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)
Treasury Management Strategy	Annual	Update	Feb 17			KC	F
2017/18 Revenue Budget, Capital Programme and Council Tax Proposals	Annual	Approval. Recommendation to Council.	Feb 17			KC	F
Litter and Dog Fouling Enforcement	Jan 17	Approval for pilot scheme.	Feb 17			SF	TS&EM
Blue Badge	Feb 16	Report on issues of blue badge charging	July 16	Mar 17	Y	MM	TS&EM
Update on Local Trading Company	Aug 16	To seek approval for a new delivery model	Jan 17	Mar 17		SG	H
Budget Monitoring	Quarterly	Quarterly Budget Monitoring	Mar 17 Sept 17 Nov 17			KC	F
On Street Parking	Aug 16	Consideration of on-street parking issues	Jan 17	Mar 17	Y	SF	TS&EM
Waste Retender	Aug 16	Approval of the procurement	Feb 17	Mar 17	Y	SF	TS&EM

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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)
Making of Winchfield Neighbourhood Plan	April 16	Recommendation to Council	Dec 16	Mar 17		SP	PP
Cross Barn, Odiham	Jan 17	Consideration of a change to S52 agreement	March 17			KC	F
Hart Health and Wellbeing Action Plan 2017-2019	Jan 17	For approval	April 17				
Hart Leisure Centre	Jan 17	Update/seek approval on lease agreement (old) Hart Leisure Centre	April 17		Y		
Service Plans	Annual	Service Plans 2017/18	April 17			BB	All
S106 Funding for Education Provision	Jan 17	Protocol with Hampshire County Council for collection and distribution of S106 funding for education provision	April 17			KC	JCX
Food Safety Service Plan	Annual	For approval	June 17			JK	RS
Suitable Alternative Natural Green Space (Sang)	May 16	Annual Monitoring report	June 17			SP	PP
Outside Bodies	Annual	To confirm representatives on Outside Bodies	June 17			SP	JCX
Medium Term Financial Outlook	Annual	Review	Aug 17			KC	F
Revenue and Capital Outturn 2016/17	Annual	Report on outturn.	Aug 17			KC	F
Treasury Management 2016/17	Annual	Report on Treasury Management Activities 2016/17.	Aug 17			KC	F
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	TBC		MM	TS&EM

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)
Treasury Management Strategy	Nov 16	Half Year Review 2017/18	Dec 17			KC	CCS
Odiham Neighbourhood Plan	Nov 15	Response to submission documents	TBC			SP	PP
Local Plan Submission Plan	June 16	Consideration of Submission plan	TBC			SP	PP
Devolution	Mar 16	Hampshire Devolution - progress/ approval	TBC			SP	JCX
Swan Inn, North Warnborough	Dec 16	Update	TBC			KC	JCX

Notes:

1 Date added to Programme

2 Cabinet Members

SP	Leader & Planning Policy	BB	Corporate Services	AC	Community Wellbeing	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 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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OVERVIEW AND SCRUTINY COMMITTEE WORK PROGRAMME – January 2017					
Issue and Description of Topic	**Current Position Objective**	**Original Due Date**	**Revised Due Date**	**Resources Required**	**Contact**
Waste Contract	Task and Finish Group – Councillors Axam, Wheale and Makepeace-Browne to lead – to report back	Dec 16	Jan 17		Committee
Treasury Management Strategy	Report setting out the treasury management strategy for the council	Annual	Jan 17	Report	Head of Finance
Draft Budget 2017/18	Report	Annual	Jan 17	Report	Head of Finance
RIPA	Quarterly Update	Jan 17 April 17 July 17 Oct 17		Report	Monitoring Officer
Litter and Dog Fouling Enforcement Proposal	Consideration of proposal to trial enforcement	Jan 17		Report	Environment & Technical Services
On Street Parking	Consideration of badge parking	Nov 16	Feb 17	Report	Environment & Technical Services
Waste Retender	Consideration of Specification	Jan 17	Feb 17	Report	Environment & Technical Services
Parking Concessions	Consideration of establishment of parking concessions policy	Sept 16	Feb 17	Report	Environment & Technical Services
Blue Badge	Report on issues of blue badge charging	Jan 16	Feb 17	Report	Environment & Technical Services
Quarterly Budget Monitoring	Quarterly update	Feb 17 Aug 17 Oct 17		Report	Head of Finance
Trading Company	Progress update	Feb 17		Report	Head of Community Services

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OVERVIEW AND SCRUTINY COMMITTEE WORK PROGRAMME – January 2017					
Issue and Description of Topic	**Current Position Objective**	**Original Due Date**	**Revised Due Date**	**Resources Required**	**Contact**
Service Boards	Review of Service Boards	Feb 17		Report	Chairman
Performance Information	Quarterly highlight reports.	Feb 17 Aug 17 Dec 17		Report	Performance and Innovation Officer
Waste Retender	Contract Award	Mar 17		Report	Environment & Technical Services
Service Plans	Draft Service Plans 2017/18	Mar 17		Report	Joint Chief Executive
SANGS	Ecology and Countryside Manager to present	Mar 17		Presentation	Ecology & Countryside
Body Worn Video	Annual monitoring	April 17		Report	Environment & Technical Services
Outside Bodies	Reports from Representatives on Outside Bodies	April 17		Report	Joint Chief Executive
Annual Review	Preparation of Chairman's end of year report from Committee to full Council on the work of the Committee 2016/17	April 17		Discussion	Committee
Flooding	Notes from twice yearly meeting of Agencies	Oct 16 April 17		Minutes	Environmental and Technical Services
Nominations to Service Boards	Member nominations	June 17			Chairman O&S Committee
2016/17 Performance Information – Annual Outturn	Annual update	June 17		Report	Performance and Innovation Officer

OVERVIEW AND SCRUTINY COMMITTEE WORK PROGRAMME – January 2017					
Issue and Description of Topic	**Current Position Objective**	**Original Due Date**	**Revised Due Date**	**Resources Required**	**Contact**
Service Boards	Consideration of the role and function of Service Boards	July 17			Committee
Medium Term Financial Forecast	Annual forecast	July 17		Report	Head of Finance
Treasury Management Outturn	Report on outturn.	July 17		Report	Head of Finance
2015/16 Revenue and Capital Outturn	Annual	July 17		Report	Head of Finance
Markets Across Hart	Task and Finish Group - Councillors Makepeace-Browne and Wheale to lead.	TBC			Committee
Procurement Process	Report	TBC			Joint Chief Executive
Local Plan Process	Review: • To assess whether the current arrangements for delivering the Local Plan are the most appropriate and efficient so that lessons can be learnt for the future, particularly when any adopted Plan is reviewed. • To put in place proper monitoring and review procedures to assess performance against Local Plan delivery requirements.	TBC			Joint Chief Executive

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OVERVIEW AND SCRUTINY COMMITTEE

Date and Time: 17 January 2017 at 7pm

Place: Committee Room 1, Civic Offices, Fleet

Present:

COUNCILLORS

Bailey (Chairman)

Axam, Clarke, Crisp, Dickens, Gray, Leeson, Makepeace-Browne, Renshaw, Wheale

In attendance: Crookes, Forster, Morris, Woods

Officers:

Andrew Vallance	Head of Corporate Services
John Elson	Head of Environmental and Technical Services
Michelle Green	Operations Manager, East Hampshire Council

65 MINUTES

The minutes of the meeting of 13 December 2016 were confirmed and signed as a correct record with one amendment:

Item 60 Council Tax Support Scheme 2017/18 - The second sentence should state: "In principle, Members agreed that the savings in one of the most affluent areas of the country did **not** justify the adverse impact it would have on those most in need."

66 APOLOGIES FOR ABSENCE

No apologies had been received.

67 CHAIRMAN'S ANNOUNCEMENTS

None.

68 DECLARATIONS OF INTEREST

None declared.

69 PUBLIC PARTICIPATION (ITEMS PERTAINING TO THE AGENDA)

None.

70 FEEDBACK FROM SERVICE BOARDS

Environment & Technical Services – Councillors Axam, Gray and Morris reported that the service board had discussed the following issues of concern:

- Progress on the waste tender – more detail was required
- Outsourcing of parking – new contractor was not yet willing to provide clear plans on its proposed service, due to the long lead-in time to go-live in October
- The effectiveness of service boards - Feedback should be seen as a two way process and Overview and Scrutiny Committee should use this as an opportunity to raise any concerns
- Church Road Car Park re-design and re-surfacing delays
- Slow progress with delivery of post payment parking

71 REGULATION OF INVESTIGATORY POWERS (RIPA) – QUARTERLY UPDATE

There had been no further use of the RIPA provisions (Covert Surveillance Policy) in the last quarter.

72 SPECIFICATION OUTCOMES OF MEMBERS PANEL ON WASTE CONTRACT TENDER

Members considered the specification proposals agreed by the Overview and Scrutiny Committee's Members Panel.

DECISION

The specification items as detailed in Appendix 1 be recommended to Cabinet for approval.

73 LITTER AND DOG FOULING ENFORCEMENT PROPOSAL

Overview and Scrutiny's views were sought on the proposal to trial the issuing of Fixed Penalty Notices (FPNs) for littering and dog fouling prior to the proposal being considered by Cabinet.

DECISION

To support the implementation of the trial subject to:

- There being proactive dialogue with the Parish Councils
- That responsibility for data controls are claried in the joint Service Agrement
- That any costs for Hart are clarified, such as additional publicity
- That Overview and Scrutiny Committee receive a mid-trial report on performance.

74 DRAFT TREASURY MANAGEMENT STRATEGY STATEMENT AND ANNUAL INVESTMENT STRATEGY

Members received the draft Treasury Management Strategy Statement for 2017/18 which incorporates the Annual Investment Strategy and Prudential and Treasury Indicators.

DECISION

The Treasury Management Strategy Statement be noted.

75 DRAFT BUDGET 2017-18

Members received a summary of the revenue and capital budget proposals for 2017/18 to enable the Overview and Scrutiny Committee to forward its recommendations on the budget and Council Tax levels to Cabinet on 2 February 2017.

Members noted that the budget for 2017/18 now showed a small surplus due to savings from the 5 Councils contracts and revisions to the deficit on the NNDR collection fund.

Members considered and debated the potential implications of losing New Homes Bonus funding in 2018/19 should a Local Plan not be adopted by March 2018. It was noted that the result of a future government consultation on the issue was unlikely to be known until the next local government funding settlement in December 2017.

Members decided not to recommend any future savings at this meeting as a much more in depth exercise was required. It was noted that group leaders and their finance lead members were meeting on 24 January 2017 to discuss ways of preparing significant medium-term savings.

Members felt that they should play an active role in scrutinising any such proposals. It was agreed that the Head of Corporate Services should bring a paper to the next meeting of the Committee to allow a debate and decision on what role members of the Committee should fulfil.

DECISION

1 The current small surplus in the draft revenue budget for 2017/18 be noted.

2 The likely loss of New Homes Bonus funding should the Council fail to adopt a Local Plan by March 2018 be noted.

3 No recommendations on specific savings for 2018/19 at this time. The Head of Corporate Services to prepare a paper for the next meeting of the Overview & Scrutiny Committee to determine a role for its members in scrutinising savings proposals arising from any medium-term financial planning process agreed by group leaders and their finance lead members at their meeting on 24 January.

4 The level of Council Tax for 2017/18 be increased by £5 (3.19%) and set at £161.84 be recommended to Cabinet.

5 The summary revenue budget for 2017/18 as set out (in Paragraph 12 of this report) be approved by Cabinet.

6 The revised capital programme for 2016/17 and 2017/18 as detailed in Appendix C be approved by Cabinet.

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

76 CABINET WORK PROGRAMME

The Cabinet Work Programme was considered and amended as follows:

- Odiham neighbourhood plan should be added to the February 2017 meeting agenda
- Cabinet should consider the merit of commissioning a peer review from the LGA

77 OVERVIEW AND SCRUTINY WORK PROGRAMME

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

- The February meeting should receive a paper on how it could scrutinise savings proposals likely to be required from 2018/19 onwards.
- A 6 month review of the changes to litter and dog fouling enforcement in October 2017.
- The proposed review of the Local Plan Process should include a review of the process around the Annual Monitoring Review

The meeting closed at 9.22 pm