



Notice is hereby given that a **MEETING** of the **COUNCIL OF THE BOROUGH OF GOSPORT** will be held in the **TOWN HALL, GOSPORT** on **WEDNESDAY** the **THIRTIETH DAY** of **SEPTEMBER 2009** at **6.00pm** AND ALL MEMBERS OF THE COUNCIL ARE HEREBY SUMMONED TO ATTEND TO CONSIDER AND RESOLVE THE FOLLOWING BUSINESS –

1. To receive apologies from Members for their inability to attend the Meeting.
2. To confirm the Minutes of the Ordinary and Extraordinary Meetings of the Council held on 22 July 2009 (copies herewith).
3. To consider any Mayor's Communications.
4. To receive Deputations in accordance with Standing Order No 3.5 and to answer Public Questions pursuant to Standing Order No 3.6, such questions to be answered orally during a time not exceeding 15 minutes.

(**NOTE:** Standing Order No 3.5 requires that notice of a Deputation should be received by the Borough Solicitor **NOT LATER THAN 12 O'CLOCK NOON ON MONDAY, 28 SEPTEMBER 2009** and likewise Standing Order No 3.6 requires that notice of a Public Question should be received by the Borough Solicitor **NOT LATER THAN 12 O'CLOCK NOON ON MONDAY, 28 SEPTEMBER 2009**).

5. Questions (if any) pursuant to Standing Order No 3.4.

(**NOTE:** Members are reminded that Standing Order No 3.4 requires that Notice of Question pursuant to that Standing Order must be received by the Borough Solicitor **NOT LATER THAN 12 O'CLOCK NOON ON TUESDAY, 29 SEPTEMBER 2009**).

6. Consideration of recommendations by the Boards of the Council:-

BOARD

DATE

Policy & Organisation Board

16 September 2009

7. To receive the following Part II minutes of the Boards of the Council:

- Policy and Organisation Board: 16 September 2009
- Community and Environment Board: 07 September 2009

8. Regulatory Board Nominated Deputies 2009/10

To approve Councillor Mrs Mitchell-Smith's addition to the Liberal Democrat Group's Regulatory Board Nominated Deputies for the 2009/10 Municipal Year

9. Homestart – Gosport & Fareham Management Committee

There is currently a vacancy for a Council representative on Homestart. Councillor Mrs Mitchell-Smith has volunteered herself for nomination to this body. Therefore Council is recommended to approve Councillor Mrs Mitchell-Smith's nomination to Homstart for the 2009/10 Municipal Year.

**IAN LYCETT
CHIEF EXECUTIVE**

**TOWN HALL
GOSPORT**

22 September 2009

FIRE PRECAUTIONS

(To be read from the Chair if members of the public are present)

In the event of the fire alarm (single continuous sound) being activated, please leave the Council Chamber and Public Gallery immediately. Proceed downstairs by way of the main stairs or as directed by GBC staff, follow any of the emergency exit signs. People with disability or mobility issues please identify yourself to GBC staff who will assist in your evacuation of the building.

MEMBERS ARE REQUESTED TO NOTE THAT:

(1) IF THE COUNCIL WISHES TO CONTINUE ITS BUSINESS BEYOND 9.30PM THEN THE MAYOR MUST MOVE SUCH A PROPOSITION IN ACCORDANCE WITH STANDING ORDER 4.11.18

(2) MOBILE PHONES SHOULD BE SWITCHED OFF FOR THE DURATION OF THE MEETING

AGENDA ITEM NO. 6 (i)

REPORT TO: COUNCIL

DATE OF MEETING: 30 SEPTEMBER 2009

**REPORT BY: COUNCILLOR HOOK (CHAIRMAN OF THE POLICY AND
ORGANISATION BOARD)**

At its meeting on 16 September 2009, the Policy and Organisation Board considered a report on the following item and made the following recommendation to Full Council.

AMENDMENTS TO THE CONSITUTION (APPENDIX PO1)

RECOMMENDATION: That:

- a) the delegations to officers set out in Appendix 1 to the joint report of the Borough Solicitor and Borough Treasurer be approved; and
- b) the Borough Solicitor be authorised to make all necessary amendments to the Constitution to give effect to the above.

APPENDIX: PO1

Board/Committee:	POLICY AND ORGANISATION BOARD
Date of meeting:	16th SEPTEMBER 2009
Title:	AMENDMENTS TO THE CONSTITUTION
Author:	BOROUGH SOLICITOR AND BOROUGH TREASURER
Status:	FOR RECOMMENDATION TO COUNCIL

Purpose

To seek Board approval to amendments to the Constitution to enable effective delegation of Community Partnership and Community Safety responsibilities.

Recommendation

That the Board recommends to Council that:

1. The Delegations to officers set out in Appendix 1 be approved.
2. The Borough Solicitor be authorised to make all necessary amendments to the Constitution to give effect to the above.

Background

- 1.1 Recent advances in Community Partnership and Community Safety programmes have led to a number of Agreements being proposed with other Local Authorities or with third parties for the commissioning of specialised services.
- 1.2 These initiatives were not considered at the time that the Council's Constitution was compiled, and so it does not reflect the delegations to Officers necessary to permit such to be progressed, without reference to Policy and Organisation Board or to full Council.
- 1.3 The responsibility for such initiatives falls within the terms of reference of the Deputy Chief Executive.

2. Report

- 2.1 Gosport Borough Council receives funds, usually on an annual basis, to help to develop, support and give effect to Gosport Community Safety

Partnership's Community Safety Plan (copy of which is available on the Council's website). These funds include Area Based Grant from Hampshire County Council, Basic Command Unit funds from Hampshire Constabulary and other 'one-off' funds from the Government.

- 2.2 In the past, these funds have often been used to employ staff within the Borough Council to undertake specialist work in support of the plan. To an extent this continues, but the Partnership, like the Council, has increasingly sought to achieve better value for money, improve risk management and ensure greater sustainability, by adopting a more 'enabling' role as opposed to that of 'provider'. This has meant that the Partnership has increasingly sought to 'contract-out' services to specialist providers and this is done through formal contractual agreements.
- 2.3 Examples of the work which is being commissioned in this way include the delivery of Acceptable Behaviour Contracts and the associated support and challenge for youngsters on these contracts, by 'Motiv8'. Another is the provision of engagement, challenge and specialist support for our most prolific and priority offenders (by Hampshire Probation) – who are in the community but who are not under any form of Court mandated supervision. A further example is the provision of mediation services by a 'not-for-profit' organisation who are specialists in the peaceful settlement of neighbour disputes.
- 2.4 These examples are just some of the services which have been identified by the Community Safety Partnership as necessary for the delivery of the Community Safety Plan and for which the Partnership has allocated funds. In order to facilitate the commissioning of this area of work and efficiently manage the resulting contracts it is necessary to specifically delegate this to an appropriate officer of the Council. In this case it would be the Deputy Chief Executive as the officer specified in the Council's constitution with "Service and Management responsibility for Community Safety"

3. Risk Assessment

- 3.1 There are reputational risks for both the Council and the Community Safety Partnership if business is not transacted efficiently and appropriate contractual arrangements arranged with third parties for the delivery of services.
- 3.2 There is a small financial risk to existing agreements if payments are not promptly processed.

Financial Services comments:	None
Legal Implications:	Contained in the report
Service Improvement Plan implications:	No implications for Legal and Democratic Services
Corporate Plan	Helping to reduce crime and anti social behaviour
Risk Assessment	See section 3 of the Report
Background papers:	None
Appendices/Enclosures:	Appendix 1
Report author/Lead Officer:	Peter Wilson, Linda Edwards, Jamie O'Reilly

APPENDIX 1

PROPOSED AMENDMENTS TO OFFICE DELEGATIONS PART 3- SCHEDULE 10

Change Section 5 - Delegations - Borough Treasurer.

Add to Section 5 -

“5.8. Authority to enter into Agreements with other Local Authorities or third parties to deal with matters relating to community safety, crime and disorder and crime reduction”

AGENDA ITEM NO. 6 (ii)

REPORT TO: COUNCIL

DATE OF MEETING: 30 SEPTEMBER 2009

REPORT BY: COUNCILLOR HOOK (CHAIRMAN OF THE POLICY AND ORGANISATION BOARD)

At its meeting on 16 September 2009, the Policy and Organisation Board considered a report on the following item and made the following recommendation to Full Council.

TREASURY MANAGEMENT ANNUAL REVIEW 2008/09, PROGRESS REPORT 2009/10 AND PRUENTIAL INDICATORS (APPENDIX PO2)

RECOMMENDATION: That:

- a) the report of the Borough Treasurer be noted and the 2008/09 prudential indicators approved; and
- b) the updated investment strategy at paragraph 3.3 of the report of the Borough Treasurer be approved.

APPENDIX: PO2

Board / Committee	POLICY AND ORGANISATION BOARD
Date of meeting:	16th SEPTEMBER 2009
Title:	TREASURY MANAGEMENT ANNUAL REVIEW 2008/09, PROGRESS REPORT 2009/10, & PRUDENTIAL INDICATORS
Author:	DEPUTY CHIEF EXECUTIVE & BOROUGH TREASURER
Status:	FOR APPROVAL AND RECOMMENDATION TO COUNCIL

Purpose

The annual treasury report is a requirement of the Council's reporting procedures and covers the treasury activity for 2008/09 together with a review of 2009/10 to date. The report also covers the actual Prudential Indicators for 2008/09 in accordance with the requirements of the Prudential Code.

Recommendations

The Board is recommended to

1. Note this report and approve the 2008/09 prudential indicators, and
2. Approve the updated investment strategy at 3.3.

1.0 BACKGROUND

1.1 Purpose of Report

- 1.1 The Council's treasury management activities are regulated by a variety of professional codes, statutes and guidance. These are summarised in Appendix A.

The Council has adopted the CIPFA Code of Practice for Treasury Management in the Public Sector and operates its treasury management service in compliance with this Code and the requirements set out in Appendix A. These require that the prime objective of the treasury management activity is the effective management of risk, and that its borrowing activities are undertaken on a prudent, affordable and sustainable basis.

The Code requires as a minimum the regular reporting of treasury management activities to:

- forecast the likely activity for the forthcoming year (in the Annual Treasury Strategy Report); and
- review actual activity for the preceding year (this report).

1.2 Prudential Indicators

The purpose of the indicators is to provide a framework for capital expenditure decision-making. The indicators highlight the level of capital expenditure, the impact on borrowing and investment levels and the overall controls in place to ensure the activity remains affordable, prudent and sustainable. The report also contains treasury prudential indicators.

1.3 Money Laundering

Anti money laundering is now a key issue for all organisations that deal with large amounts of money and although Councils fall outside the scope of the Money Laundering Regulations 2003 they are not immune to the risks surrounding money laundering. The Council has accepted the CIPFA Treasury Management Code of Practice, which includes TMP9. TMP9 states that the Council is alert to the possibility that it may become the subject of an attempt to involve it in a transaction involving the laundering of money. The Council has a very restricted list of counter parties for treasury activities who are contacted mainly through the approved brokers. Knowing who is being dealt with reduces the risk of crime. The Head of Audit and Risk Management is the Council's Money Laundering Reporting Officer to whom officers may report any suspicious transactions.

2.0 ANNUAL REVIEW 2008/09

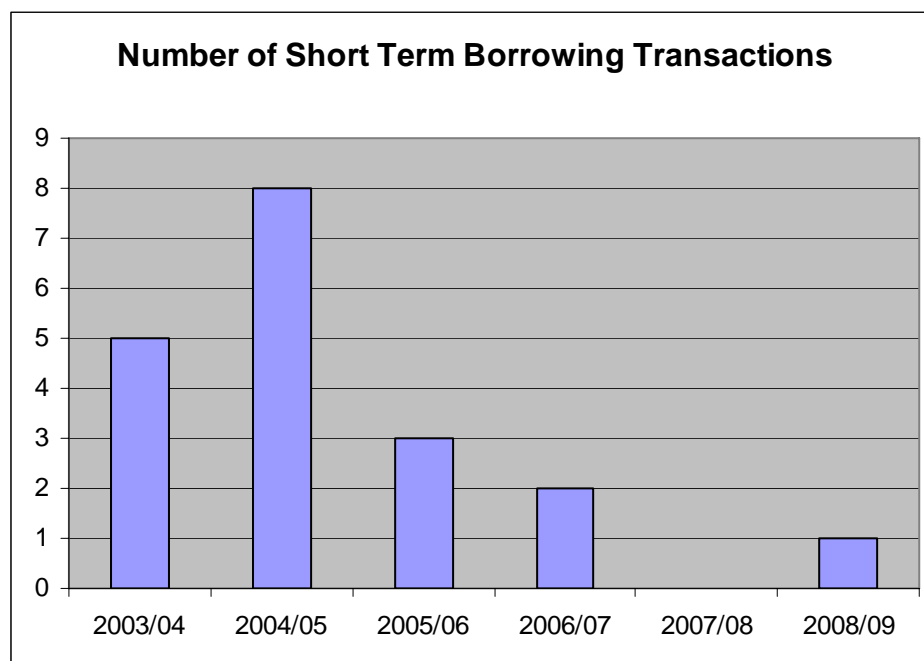
2.1 Treasury Management

2.1.1 Treasury management activities are defined as the management of the Council's 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. Activities are strictly regulated by statutory requirements and the CIPFA code of practice. It is an important part of the overall financial management of the Council's affairs. Its importance has increased as a result of the freedoms provided by the Prudential Code

2.1.2 Short Term Borrowing

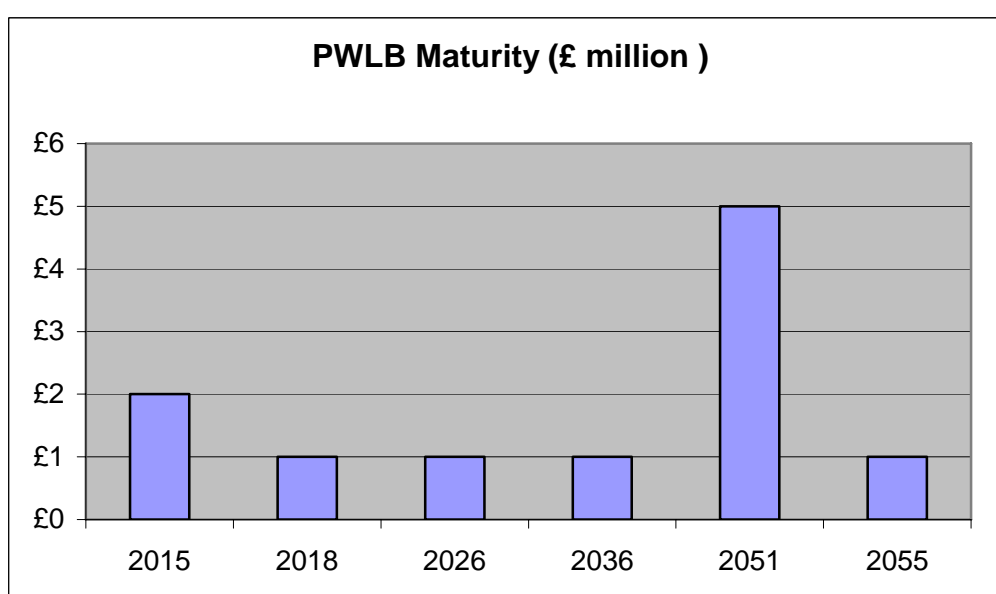
There was one short term borrowing transaction during 2008/09 and no short term debt outstanding at 31st March 2009. This single transaction was for a 6 day duration and was financially beneficial as it avoided a more costly overdraft charge; it did mean, however, that the authorised limit was

temporarily exceeded. The chart below shows a comparison of the number of short term borrowing transactions over the past five years.



2.1.3 Long Term Borrowing

At 31st March 2009, long term borrowing was £11 million including an additional £3 million that was taken from the PWLB at favourable rates of interest in October in line with policy and the need to fund the Council's future capital programme. The profile of when the loans fall due for repayment is shown below.

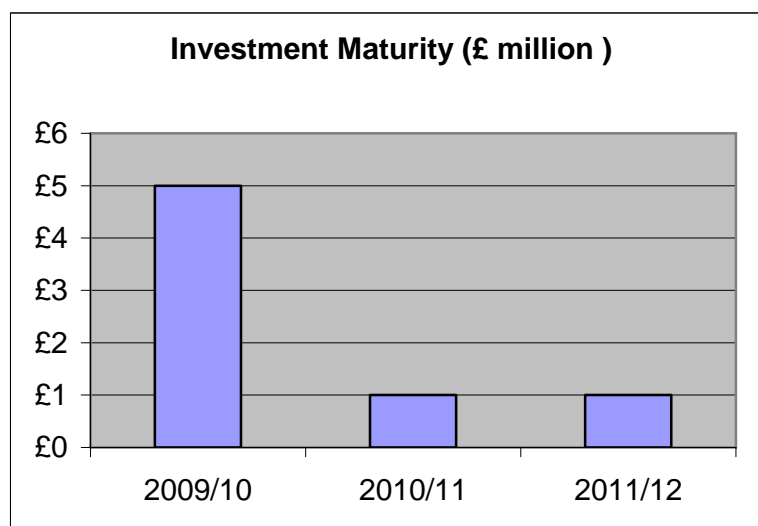


2.1.4 Investments

The Council maintains two broad types of investments.

- Funds that do not warrant by size or need to be invested in short or long term investments are generally placed in either the Global Treasury Fund (a money market fund operated by the Royal Bank of Scotland) or the Corporate Deposit Account (a high interest account operated by the Bank of Scotland). Money Market Fund interest rates may vary daily with both the amount placed and economic conditions. These liquid accounts offer immediate deposit and withdrawal facilities.
- Investments placed with counterparties in accordance with the criteria contained in the Treasury Management policy (approved by P&O Board in January & September 2008) and have fixed interest rates. Eight new investments totalling £10 million were placed in 2008/09 and nine investments totalling £11 million were repaid in 2008/09. The Council maintained an average investment balance of £9.3m and received an average return of 5.88%. A comparable indicator is the average 3 month LIBID rate of 4.50%.

Total investments at 31st March 2009 were £7 million, maturing (becoming repayable to the Council) as shown below.



2.1.5 The Treasury Position at the Year End

The treasury position at 31 March 2009 compared with the previous year was:

	31-Mar-08		31-Mar-09	
	Principal	Equated Annual	Principal	Equated Annual
	£m	%	£m	%
Short Term	-	-	-	-
Long Term	8.000	3.89%	11.000	3.97%
Total Borrowing	8.000	3.89%	11.000	3.97%
Fixed Interest	(8.000)	(5.54%)	(7.000)	(5.88%)
Variable Interest	(1.823)	(6.01%)	(1.739)	(4.26%)
Total Investments	(9.823)	(5.61%)	(8.739)	(5.51%)

At 31st March 2009, the Council had investments of £8.7 million, including £7 million invested with banks and building societies and £1.7 million short term investments placed through the Council's Global Treasury Fund and Corporate Deposit Account.

The Council was therefore in a net borrowing position of £2.3 million at the end of the financial year.

It should be noted that the accounting practice required to be followed by the Council (the SORP), changed from the 2007/08 accounts, and required financial instruments in the accounts (debt and investments etc.) to be measured in a method compliant with national Financial Reporting Standards. The figures in this report are based on the amounts borrowed and invested and so may differ from those in the final accounts by items such as accrued interest

2.2 Prudential Indicators

2.2.1 Treasury Position and Prudential Indicators

The Council is required by the Prudential Code to report the estimated and actual prudential indicators after the year-end. Appendix B provides a schedule of all the mandatory prudential indicators.

Certain of these indicators provide either an overview or a limit on treasury activity, and these are shown below:

2.2.2 Net External Borrowing

	2007/08 Actual £'000	2008/09 Revised £'000	2008/09 Actual £'000
Net borrowing position	(1,823.0)	2,434.7	2,261.0
Capital Financing Requirement	6,379.3	9,728.6	8,605.3

The Capital Financing Requirement (CFR) shows the Council's underlying need to borrow for a capital purpose, and this is an indication for the Council's net borrowing position shown above

In order to ensure that over the medium term borrowing net of investments will only be for a capital purpose, net borrowing should not, except in the short term, exceed the total CFR in the preceeding year plus estimates of any additional CFR for the current and next two financial years.

The table above shows that the Council has complied with this requirement.

2.2.3 Borrowing Limits

	2008/09 Actual £'000
Original Indicator – Authorised Limit	12,500.00
Original Indicator – Operational Boundary	11,700.00
Maximum gross borrowing position during the year	13,000.00
Minimum gross borrowing position during the year	13,000.00

The Authorised Limit is the “Affordable Borrowing Limit” required by s3 of the Local Government Act 2003. One short term borrowing transaction for a six day period during 2008/09 caused the authorised limit to be exceeded by £500,000. This transaction was financially beneficial to the Council as it avoided a more costly overdraft charge.

The Operational Boundary is not a limit but it is an indicator of probable external debt during the year. Actual borrowing may vary above or below this boundary for short periods of time providing the Authorised Limit is not breached.

2.3 Economic Background for 2008/09 (largely derived from ICAP)

The 2008/09 financial year has featured one of the most testing and difficult economic and investment environments since the 1930s. It has featured a number of very significant changes in the performance of the UK as well as global economy. And beneath all of this has been the undercurrent of

uncertainty and mistrust in the financial markets. This was not an easy backdrop in which to manage an investment portfolio.

The year opened on an uncertain note. The ongoing effects of the “credit crunch” which had started in 2007, prompted a bout of monetary policy easing in early April when the Bank of England cut its Bank Rate by 0.25% to 5%.

But inflation was rising sharply, courtesy of the strength of global commodity and food prices and the very steep rise in oil prices. The CPI inflation measure breached the 3% upper limit of the Governments’ target range in April. The Bank was concerned that these external cost pressures could eventually transform into a domestic wage/price spiral and kick start a bout of damaging inflation.

Rates were left on hold through the summer months and there seemed to be some signs of a gradual return to slightly more normal conditions in the money markets. But this was not to last. Mid-September saw a “sea change” in financial markets and economic policies. The collapse of US investment bank, Lehman Brothers, dealt a devastating blow to the markets. Liquidity dried up almost completely making it extremely difficult for banks to function normally. These developments culminated in the failure of the entire Icelandic banking system in early October.

The failure of the Icelandic banking system had a major impact on local authority investments. A number of local authorities (not Gosport) had deposits with Icelandic institutions and these investments are still at risk.

The crisis in the financial markets deepened and threatened a complete ‘melt-down’ of the world financial system. This, together with evidence that economies had entered recession prompted a number of significant policy changes. In the UK these featured the following:

- a major rescue package totalling as much as £400bn to recapitalise the banking system
- a series of interest rate cuts down to 2% in early December
- a fiscal expansion package, including a 2.5% cut in VAT.

The New Year failed to herald a change in the fortunes of the banking sector. Central banks continued to ease monetary policies in an attempt to reduce borrowing rates and hence alleviate some of the cost pressures being experienced by financial institutions and, more to the point, the corporate and household sectors.

With official interest rates in the US already at close to zero at end-2008, the Bank of England was at the forefront of policy easing. Bank Rate was cut in successive monthly moves from 2% at the outset of the year to the historically low level of 0.5% in March. Thereafter, the Bank resorted to the quantitative easing of monetary policy via a mechanism of buying securities from investment institutions in exchange for cash. This commenced in early March and currently could rise to £175bn.

Aside from Bank of England assistance, the central government launched the second phase of its support operations for the banking industry during the second half of January. This failed to allay fears that even more aid might have to be extended to the banking industry before the crisis is over. During the course of the quarter, two major banks, RBS and Lloyds Group, needed

substantial cash injections; action that led the public sector to assume near-full ownership. In addition to this, the Dunfermline Building Society was rescued from bankruptcy.

The problems of the financial markets since late 2007 had clearly spread to other parts of the economy. Economic data confirmed that the UK was in deep recession and the latest Bank of England Inflation Report (published in mid-February) registered a marked change in official forecasts for 2009 and 2010. Economic activity was expected to decline sharply (GDP was forecast to contract by more than 4% in 2009) and inflation was projected to fall into negative territory

The generally uncertain backdrop to the UK and the financial markets prevented a marked easing in overall money market liquidity. While the situation did show some signs of improving as the financial year drew to a close, the margin between official interest rates and those quoted in the inter-bank market for periods longer than 1-month remained very wide

3.0 TREASURY MANAGEMENT IN 2009/10

- 3.1 The table below summarises the Council's treasury position at 1st August as compared to the end of the previous financial year.

	31-Mar-09		01-Aug-09	
	Principal £m	Equated Annual %	Principal £m	Equated Annual %
Short Term	-	-	-	-
Long Term	11.000	3.97%	11.000	4.03%
Total Borrowing	11.000	3.97%	11.000	4.03%
Fixed Interest	(7.000)	(5.88%)	(7.000)	(5.32%)
Variable Interest	(1.739)	(4.26%)	(3.204)	(0.74%)
Total Investments	(8.739)	(5.51%)	(10.204)	(3.16%)

The Council's present net debt position is expected to continue as funding is required for the capital programme.

The deteriorating economic situation is detrimentally affecting interest earnings on both the re-investment of maturing investments that are not yet required for capital funding and also the necessary investment of daily surplus funds. The negative impact of this on the Council's revenue budget is being reported through budget monitors and will be included in the Revised Budget 2009/10 and Budget 2010/11.

The Bank of England base rate remains at 0.5% which it has been since 5th March. At 31st March 2008 it was 5.25%.

- 3.2 As part of the 2010/11 budget process, the capital programme will include revised projections of funding implications and these will be integrated into the Treasury Management & Prudential Indicator Report in January 2010.
- 3.3 The current investment strategy for 2009/10, as approved by P&O Board in February 2009, has been reviewed in the light of both the Council's cash flow requirements and also the changing economic situation. The investment limit with the Council's bank is not now subject to the same limit as that for other external bodies as it is too restrictive when including both fixed and variable rate investments and Irish banks have been removed from the approved list in view of their reduced sovereign credit rating.

An updated strategy is set out below for approval.

Investment Strategy 2009/10 – 2011/12

- o In order to limit interest rate exposure all investments are to be fixed rate transactions
- o No Investments to exceed 364 days
- o New investments to be placed with
 - The top three building societies (currently Nationwide, Coventry and Yorkshire)
 - The Council's bank
 - The major British banks and their wholly owned subsidiaries (Royal Bank of Scotland, HSBC, Lloyds/HBOS, Barclays and Co-op)
- o Short term surplus funds are to be invested in money market funds or deposit accounts as operated by the Royal Bank of Scotland and the Bank of Scotland. These offer immediate deposit and withdrawal facilities but still at advantageous rates of interest.
- o A £3m limit applies with any single group other than the Council's bank
- o The main principles governing the Council's investment criteria are the security (as advised by the Council's broker) and liquidity of its investments, although the yield or return on the investment will be a consideration, subject to adequate security and liquidity.

4.0 Minimum Revenue Provision

- 4.1 The Minimum Revenue Provision (MRP) is the amount which local authorities must charge to their revenue accounts to repay general fund capital debt. The calculation is prescribed by statute.
- 4.2 With effect from 1 April 2008 the Department for Communities & Local Government (CLG) introduced new MRP guidance which requires an MRP

Policy to be approved by Members. The policy for 2009/10 was approved as part of the Treasury Management & Prudential Indicators Report 2009/10 by P&O Board on 4th February 2009. The 2010/11 policy will be submitted to members in January 2010.

5.0 RISK AND PERFORMANCE

- 5.1 The Council has complied with the relevant statutory and regulatory requirements, which limit the levels of risk associated with its treasury management activities. In particular its adoption and implementation of both the Prudential Code and the Code of Practice for Treasury Management means both that its capital expenditure is prudent, affordable and sustainable, and its treasury practices demonstrate a low risk approach.
- 5.2 The Council is aware of the risks of passive management of the treasury portfolio and, with the support of Butlers, the Council's advisers, has proactively managed the debt and investments over the year.
- 5.3 Shorter-term variable rates and likely future movements in these rates predominantly determine the Council's investment return. These returns can therefore be volatile and, while the risk of loss of principal is minimised through the annual investment strategy, accurately forecasting future returns can be difficult.
- 5.4 The economic climate and low interest rates have significantly reduced the Council's revenue investment income stream and will continue to do so in the short to medium term. It is anticipated that most of the current investments will be applied to the capital programme over the next 12 months which will therefore reduce the exposure to low interest rate returns.

Financial implications:	As contained in the report.
Legal implications:	It is a legal requirement that an annual Treasury Management report is considered by a representative body of the Council.
Service Improvement Plan implications:	This report is required in order that to fulfil statutory requirements associated with the achievement of both service improvement plan and corporate plan targets.
Corporate Plan	
Risk Assessment	As contained in the report
Background papers:	Budget and Final Accounts working papers
Appendices/Enclosures:	<p>Appendix A – Treasury Management Codes & Guidance</p> <p>Appendix B – Estimated and Actual Treasury position and Prudential Indicators</p>
Report Author / Lead Officer	John Norman

Treasury Management - codes and guidance

- The Local Government Act 2003, which provides the powers to borrow and invest as well as providing controls and limits on this activity;
- The Act permits the Secretary of State to set limits either on the Council or nationally on all local authorities restricting the amount of borrowing, which may be undertaken.
- Statutory Instrument (SI) 3146 2003, as amended, develops the controls and powers within the Act;
- The SI requires the Council to undertake any borrowing activity with regard to the CIPFA Prudential Code for Capital Finance in Local Authorities;
- The SI also requires the Council to operate the overall treasury function with regard to the CIPFA Code of Practice for Treasury Management in the Public Sector;
- Under the Act the ODPM has issued Investment Guidance to structure and regulate the Council's investment activities.

Appendix B

		2007/08 Actual £'000	2008/09 Revised £'000	2008/09 Actual £'000
1	Capital Expenditure	7,235.0	7,745.3	6,860.7
	Financed by:			
	Capital receipts	719.7	123.0	282.5
	Capital grants	2,365.6	2,450.0	2,449.0
	Other contributions	923.3	1,737.6	1,502.3
	Revenue	0.0	0.0	0.0
	Total financing	4,008.6	4,310.6	4,233.8
	Net financing need	3,226.4	3,434.7	2,626.9
2	Capital Financing Requirement (CFR) at 31st March			
	Housing	2,371.3	3,887.3	4,010.3
	Non - Housing	4,008.0	5,841.3	4,595.0
	Total	6,379.3	9,728.6	8,605.3
3	Treasury Position at 31st March			
	Borrowing	8,000.0	11,434.7	11,000.0
	Other long term liabilities	0.0	0.0	0.0
	Total debt	8,000.0	11,434.7	11,000.0
	Investments	(9,823.0)	(9,000.0)	(8,739.0)
	Net borrowing (investments)	(1,823.0)	2,434.7	2,261.0
4	Authorised Limit (against maximum position)	8,000.0	12,500.0	13,000.0
5	Operational Boundary	8,000.0	11,700.0	13,000.0
6	Ratio of financing costs to net revenue stream			
	Non - Housing	-3.4%	-2.9%	-2.4%
	Housing	0.1%	1.1%	0.8%

Appendix B

		2007/08 Actual		2008/09 Actual	
8	Limits on Activity	Upper		Upper	
		Investments	Borrowing	Investments	Borrowing
		£'000	£'000	£'000	£'000
	Limits on fixed interest rates	(11,500.0)	8,000.0	(12,000.0)	11,000.0
	Limits on variable interest rates	(5,699.0)	0.0	(6,327.0)	2,000.0
9	Maturity Structure (limits & actual) of fixed borrowing	Lower	Upper	Lower	Upper
		%	%	%	%
	Under 12 months	0%	0%	0%	0%
	12 months to 2 years	0%	0%	0%	0%
	2 years to 5 years	0%	0%	0%	0%
	5 years to 10 years	0%	0%	0%	27%
	10 years and above	0%	100%	0%	73%
10	Maximum percentage of principal sums invested for over 364 days	31%		23%	
11	Compliance with CIPFA Code of Practice for Treasury Management in the Public Services	Yes		Yes	

AGENDA ITEM NO. 6 (iii)

REPORT TO: COUNCIL

DATE OF MEETING: 30 SEPTEMBER 2009

REPORT BY: COUNCILLOR HOOK (CHAIRMAN OF THE POLICY AND ORGANISATION BOARD)

At its meeting on 16 September 2009, the Policy and Organisation Board considered a report on the following item and made the following recommendation to Full Council.

BUDGET STRATEGY 2010 - 2011 (APPENDIX PO3)

RECOMMENDATION: That the following budget strategy principles for 2010-2011, as set out in sections 2 and 3 of the Borough Treasurer's report be approved:

- a) budget preparation will incorporate, as far as possible, requirements resulting from Council priorities identified in Capital Strategies, the Community Strategy and the Corporate Plan;
- b) budget preparation will initially be in accordance with previous policy i.e. "zero-based" wherever possible and new bids will be minimised. Maintenance proposals will be in accordance with Asset Management Plan requirements;
- c) capital projects within the Capital Programme will be considered in terms of priority and affordability;
- d) fees & charges will therefore generally increase in line with previous practice and within any statutory parameters;
- e) as the Council has already externalised many areas of work, efficiency opportunities will be sought through the review of contract terms and specifications, either in partnership with existing contractors or when contracts fall due for renewal;
- f) future service reviews will attempt to assess the value for money achieved in delivering individual services (mainly through benchmarking) and seek to identify improvements;
- g) the Council will continue to seek opportunities to deliver services more efficiently through outsourcing, partnership and joint working;
- h) the Council will seek to identify areas of council business where savings can be made and additional income generated. In some cases it may be recommended that discretionary services are no longer provided or that a radically different approach to service delivery is adopted. Essential and statutory services will be protected as far as possible;
- i) it is now appropriate that the balance of these grants available for revenue funding is credited to revenue accounts as received. Uncommitted surpluses will then be

gathered in to the revenue financing reserve, primarily for use on spend-to-save initiatives to reduce future tax requirements; and

- j) the Council will continue to monitor progress in achieving efficiencies through established budgetary control processes.

GOSPORT BOROUGH COUNCIL

REPORT TO THE:	POLICY & ORGANISATION BOARD
MEETING DATE:	16 SEPTEMBER 2009
TITLE:	BUDGET STRATEGY 2010-2011
AUTHOR:	BOROUGH TREASURER
STATUS:	FOR DECISION

PURPOSE OF REPORT

To consider the strategy for preparation of the General Fund budget for the next financial year in the light of the Medium Term Financial Strategy approved by the Board in March 2009.

RECOMMENDATION

That the budget strategy principles for 2010-2011 set out in bold type in sections 2 and 3 of this report be considered and approved.

1.0 BACKGROUND

- 1.1 The Council has to prepare a budget for General Fund services in order to ascertain the amount required to be raised from Council Tax.
- 1.2 The Council's Medium Term Financial Strategy considered by the Board in March indicates that action needs to be taken to avoid substantial Council Tax increases in 2010/11 and beyond that would exceed the level that would risk capping by the Government. Council tax capping is likely to be considered at a threshold below 5% for next financial year.
- 1.3 Substantial reductions are therefore required in forecast budget requirements. It is not realistic to expect efficiencies to meet the level of savings required. However, as in previous years, savings from efficiencies, increased fees & charges and potential service cuts all have a part to play in addressing the problem. Whilst compulsory redundancies are not currently considered necessary at Gosport, it should be noted that it has been widely reported that many local authorities are now undertaking such a programme.

2.0 BUDGET STRATEGY 2010-2011

2.1 **Budget preparation will incorporate, as far as possible, requirements resulting from Council priorities identified in Capital Strategies, the Community Strategy and the Corporate Plan.**

2.2 There is a statutory requirement to produce a balanced budget and maintain adequate reserve levels. However, this will be increasingly difficult as income streams are now significantly depleted as a result of the recession but expenditure on statutory, demand-led services is expected to continue increasing.

2.3 **Budget preparation will initially be in accordance with previous policy i.e. “zero-based” wherever possible and new bids will be minimised. Maintenance proposals will be in accordance with Asset Management Plan requirements.** There will be further centralisation of control over supplies & services budgets in order to facilitate better value for money, minimising the number of contingencies held.

2.4 Inflation is expected to be rising through 2% during 2010/11, although it should be noted that many areas of the Council’s expenditure e.g. contracts, are subject to inflationary pressures that can substantially exceed general inflation.

2.5 **Capital projects within the Capital Programme will be considered in terms of priority and affordability.** In any case, some additional long term borrowing will be necessary over the next few years in order to fund the capital programme.

2.6 In order to minimise any Council Tax increase required for 2010/11 and beyond, it is important that the proportion of underlying subsidy to service users from local taxpayers is not significantly increased. **Fees & charges will therefore generally increase in line with previous practice and within any statutory parameters.**

3.0 SAVINGS & EFFICIENCIES

3.1 It is clear that government funding for the public sector will have to be significantly reduced in coming years. Funding priority is likely to continue to be given to Health and Education. District councils are likely to experience severe real terms reductions in Exchequer support. Government will continue to assume that annual efficiency savings can be achieved and will continue to monitor this.

3.2 **As the Council has already externalised many areas of work, efficiency opportunities will be sought through the review of contract terms and specifications, either in partnership with existing contractors or when contracts fall due for renewal.** The overriding immediate need is for savings and/or additional income. Nonetheless, economies achieved through efficiency gains will be an important element of the drive for the high level of cash savings required. Efficiencies will be separately identified within the savings achieved during budget preparation.

3.3 Future service reviews will attempt to assess the value for money achieved in delivering individual services (mainly through benchmarking) and seek to identify improvements.

3.4 Gosport has a track record of innovation and partnership working; many examples of joint working already exist and others are being explored. The Council will continue to seek opportunities to deliver services more efficiently through outsourcing, partnership and joint working.

3.5 The Council will seek to identify areas of council business where savings can be made and additional income generated. In some cases it may be recommended that discretionary services are no longer provided or that a radically different approach to service delivery is adopted. Essential and statutory services will be protected as far as possible. The Council's priorities identified in the Corporate Plan will guide this process.

3.6 Spend-to-save initiatives are an essential tool in managing future commitments down. Housing & Planning Delivery Grant and other non ringfenced grants already have their capital elements used for general funding of the Council's capital programme. Whilst it may be possible to draw on one-off windfall grant gains for a year or two, this will only postpone the point at which funds will be insufficient to maintain service levels unless these funds are used proactively. It is now appropriate that the balance of these grants available for revenue funding is credited to revenue accounts as received. Uncommitted surpluses will then be gathered in to the revenue financing reserve, primarily for use on spend-to-save initiatives to reduce future tax requirements.

3.7 Efficiencies sought as part of our strategy will include:

1. Carbon reduction (L)
2. Debt restructuring (M)
3. Collaboration/partnership working (M)
4. Procurement of goods & services (H)
5. Staffing reviews linked to succession plans, natural turnover and voluntary redundancies/retirements. (H)
6. Reduction of administration and support service costs (linked to 3, 4, 5 and improved business systems). (M)
7. Rationalisation of asset use e.g. raising capital receipts to offset the impact of new capital investment. (H)

(Risk assessment impact criteria have been used to indicate potential annual savings (H/M/L), where High = over £100,000; Medium = £50 – 100,000; Low = less than £50,000).

3.8 The Council will continue to monitor progress in achieving efficiencies through established budgetary control processes.

4.0 CONCLUSION

4.1 Preparation of the General Fund budget for 2010/11 is going to be extremely challenging given the financial issues facing the Council. This report indicates

the process and key underlying principles that will be adopted in order to prepare the draft budget.

SUPPORTING INFORMATION

Financial Implications:	See Report
Legal Implications:	Set out in the report
Service Improvement Plan implications:	No direct implications
Corporate Plan:	-
Risk Assessment:	There is a risk of intervention by way of budget capping and/or prescription of reserve levels if forecast budget deficits are not addressed.
Background papers:	Medium Term Financial Strategy
Appendices/Enclosures:	-
Report Author/Lead Officer	Peter Wilson

**A MEETING OF THE POLICY AND ORGANISATION BOARD
WAS HELD ON 16 SEPTEMBER 2009**

The Mayor (Councillor Mrs Searle) (ex-officio); Councillors Burgess (P), Carter (P), Chegwyn (P), Cully (P), Gill (P), Hicks (P), Hook (Chairman) (P), Langdon (P), Philpott (P) and Wright (P).

PART II

31. APPROVAL OF STATEMENT OF ACCOUNTS

Members were advised that no issues had been raised at the Standards and Governance Committee meeting on 10 September which would have required a report to be submitted to the Policy and Organisation Board on this matter and consequently this item was withdrawn.

32. SALE OF LAND ADJACENT TO 59, HANBIDGE CRESCENT, GOSPORT

Consideration was given to a cross reference from the Community and Environment Board meeting on 7 September 2009 related to the proposed sale of land adjacent to 59, Hanbidge Crescent, Gosport.

RESOLVED: That the sale of the freehold interest of the land adjacent to 59, Hanbidge Crescent, Gosport for the consideration of £2800 be approved.

The meeting ended at 6.14 p.m.

A MEETING OF THE COMMUNITY AND ENVIRONMENT BOARD WAS HELD ON 7 SEPTEMBER 2009

The Mayor (Councillor Mrs Searle); Chairman of the Policy and Organisation Board (Councillor Hook) (ex-officio) (P); Councillors Beavis (P), Burgess (Chairman) (P), Cully (P), Edgar (P), Mrs Forder (P), Forder (P), Kimber (P), Mrs Mitchell-Smith (P), Murphy (P) and Wright (P).

PART II

24. BROCKHURST ALLOTMENTS

Consideration was given to a report Leisure and Cultural Services Manager which sought approval for the use of £8750 from the funds received by the Council for the sale of land at Camden Allotments to remove and dispose of surplus ground work material, address a problem with vermin and, subsequently, to create further allotment plots.

Members acknowledged the importance of the allotments to the Borough and recognised that the demand for them was increasing.

It was hoped that long term planning for the provision of and funding for allotments could be undertaken.

RESOLVED: That the use of £8750 from the funds received by the Council for the sale of land at Camden Allotments to remove and dispose of surplus ground work material be approved.

25. PRESENTATION – COASTAL PARTNERSHIP

A presentation was given by Lyall Cairns Coastal Defence Partnership Manager.

Members were advised of the role of the Combined Coastal Partnership and the work that they had undertaken.

In answer to a Member's question, the Board were advised that the Environment Agency and neighbouring authorities were consulted when planning permission was sought for a development and that the work of the Coastal Partnership helped to inform these responses. It did not supersede any planning permission granted.

Members were advised that the Environment Agency assessed areas for the risk of flooding. If an area was determined as being at a high risk of flooding, it would not be recommended to build high risk properties, i.e. residential, on that site.

Members were advised that sequential testing took place to ensure that any developments were suitable for the area in which they were planned. It considered factors such as raising living accommodation and electrical fittings within the property, in high risk areas. In addition it considered whether there was sufficient egress in the event of flooding.

The Coastal Partnership had undertaken strategic flood risk assessments and had secured Government funding to undertake coastal improvements. The Coastal Partnership was able to use a number of different methods to identify trends in shingle movement and erosion patterns.

The Board were advised that private land owners were responsible for the flood and erosion defence of their own land.

26. NORTH SOLENT SHORELINE MANAGEMENT PLAN

Consideration was given to a report of Leisure and Cultural Services Manager which sought approval in principle of the North Solent Shoreline Management Plan.

Bret Davis of the Coastal Partnership gave a presentation to the Board detailing the North Shoreline Management Plan for the coastline of Gosport.

Members were advised that the plan was a non-statutory document that assessed the long term risks associated with coastal processes and aimed to reduce risks to people, and the developed and the natural environment.

Each section of the coastline was assessed using a multi-criteria analysis scoring system to compare non-monetary impacts for each policy area.

The plan was supported by the statutory planning process and used to identify and recommend a sustainable strategic coastal defence policy.

Members expressed concern about the recommendation of the plan, which stated “no active intervention” on the section of Gosport’s coastline between Gilkicker Point and Lee on the Solent, and felt that this would be irresponsible.

Members debated whether there would be a large number of properties at risk should there be no intervention. There was concern that areas in Gosport that had previously flooded would be put at risk.

Members were advised that the draft policy had been compiled in association with DEFRA and the Coastal Steering Group and that it was now scheduled to be put forward for public consultation.

Members proposed amendments to the recommendations which would read as follows:

i) the Board approve in principle policies 5B03, 5B01, 5A25 and 5A24 prior to public consultation and oppose policy 5B02 on the grounds that localised coast protection work will be required in order to protect the road infrastructure at Stokes Bay, from No. 2 Battery to Gilkicker

ii) officers inform and report to this Board on Final SMP policies following public consultation

iii) officers make representations to the Environment Agency to request that the compensatory habitat requirements identified in the Appropriate Assessment be

secured and delivered through the Regional Habitat Creation Programme.

RESOLVED: That:

- i) the Board approve in principle policies 5B03, 5B01, 5A25 and 5A24 prior to public consultation and oppose policy 5B02 on the grounds that localised coast protection work will be required in order to protect the road infrastructure at Stokes Bay, from No. 2 Battery to Gilkicker;
- ii) officers inform and report to this Board on Final SMP policies following public consultation; and
- iii) officers make representations to the Environment Agency to request that the compensatory habitat requirements identified in the Appropriate Assessment be secured and delivered through the Regional Habitat Creation Programme.

27. SALE OF LAND ADJACENT TO 59 HANBIDGE CRESCENT

Consideration was given to a report of the Development Services Manager which sought approval for the sale of the freehold interest of the land shown in the report, to the owner of 59 Hanbidge Crescent, for the consideration of £2800. The Constitution of the Council requires that where the value of the land exceeds £2000, or where that land is a part of a piece of land worth in excess of £2000, such requests be approved by the Board and referred to the Policy and Organisation Board for final approval.

In answer to a Member's question the Board were advised that no objections to the proposal had been received.

Members queried whether the land had originally been identified for use in any plans for future widening of the A32. The Board were advised that, as planning permission had been granted, the Highway Authority had been consulted with regard to the proposed sale.

Members acknowledged that a covenant was placed on the sale of such land to prevent the erection of any further development on the purchased land but queried how this was enforced as the planning process did not check for such covenants. Officers advised that it would be difficult to overturn any covenant to prevent the erection of additional developments on the site.

RESOLVED: That the sale of freehold interest of the land adjacent to 59 Hanbidge Crescent for the consideration of £2800 be approved, and that the matter be referred to the Policy and Organisation Board.

28. IMPROVEMENTS TO PRIVETT PARK ENCLOSURE / GOSPORT BOROUGH FOOTBALL CLUB

Note: Councillors Hook and Edgar declared personal and prejudicial interests in this item, left the room and took no part in the voting or discussion thereon.

Consideration was given to a report of the Leisure and Cultural Services

Manager which sought approval for the use of £98,000 of Capital funds towards the estimated cost of £150,000 for improvements to the Privett Park Enclosure/ Gosport Borough Football Club.

In answer to a Member's question, the Board were advised that discussions had taken place with the Football Stadia Improvement Fund (FSIP) and that they had confirmed that the proposed improvements constituted the type of work they supported.

Members welcomed investment in sporting facilities as it would improve opportunities for healthy living within the Borough. It was also recognised that a large number of volunteers helped to maintain the existing facilities.

Members requested a breakdown of the proposed improvements with detailed costings of the work.

A Member questioned the viability of postponing the proposed development as more funding could be available should the club be promoted.

Members debated the proposed funding allocated from the capital budget. Previous improvements, supported by such funding, had been undertaken at Gosport and Fareham Rugby Club, Gosport Hockey Club and Gosport Cricket Club.

In answer to a Member's question, the Board were advised that the proposed improvements to the entrance were essential and that the other improvements would bring the facility up to a modern day standard.

Clarification was given that the funds would only be awarded if the application to the Football Stadia Improvement Fund was successful. Should any grant awarded by the FSIP be less than anticipated, any shortfall would not be met by Gosport Borough Council.

Members were also advised that, in line with previous schemes, the funds would be held by the Council and the proposed work would be put out to tender. The Football Club would not directly receive the funds.

Members requested confirmation that there was currently no outstanding rent to be paid by the Football Club.

Members agreed to the recommendations contained in the report subject to the following:

- i. Confirmation be sought from the Borough Treasurer that the Football Club has no outstanding debts with Gosport Borough Council
- ii. Detailed costings be provided for each proposed improvement
- iii. In recognition of the improved facility, a review of the rent paid by the Football Club be undertaken at the next rent review, and
- iv. Gosport Borough Council capital funds only be released when the funding from the Football Stadia Improvement Fund has been confirmed.

RESOLVED: That the use of £98,000 of capital funds towards the estimated

cost of £150,000 of implementing the proposed ground improvements be approved, subject to the following conditions.

That:

- i. Confirmation be sought from the Borough Treasurer that the Football Club has no outstanding debts with Gosport Borough Council;
- ii. Detailed costings be provided for each proposed improvement;
- iii. In recognition of the improved facility, a review of the rent paid by the Football Club be undertaken at the next rent review; and
- iv. Gosport Borough Council capital funds only be released when the funding from the Football Stadia Improvement Fund has been confirmed.

The meeting commenced at 6.00 pm and concluded at 8.16 pm