

# **GOSPORT BOROUGH COUNCIL MEETING AGENDA**

**Wednesday 7 February 2018  
6pm**



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 **SEVENTH DAY** of **FEBRUARY 2018** at **6PM**, 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 Meeting of the Council held on 13<sup>th</sup> December 2017 (copy herewith).
3. To consider any Mayor's Communications.
4. To receive Deputations in accordance with Standing Order No 3.4 and to answer Public Questions pursuant to Standing Order No 3.5, such questions to be answered orally during a time not exceeding 15 minutes.

(**NOTE:** Standing Order No 3.4 requires that notice of a Deputation should be received by the Borough Solicitor **NOT LATER THAN 12 O'CLOCK NOON ON MONDAY, 5 FEBRUARY 2018** 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, 5 FEBRUARY 2018**).

5. Questions (if any) pursuant to Standing Order No 3.3.

(**NOTE:** Members are reminded that Standing Order No 3.3 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, 6 FEBRUARY 2018**).

#### **PART I**

6. Consideration of recommendations by Boards of the Council:

#### **BOARD**

#### **DATE**

Community Board

24 January 2018

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

| <b>BOARD</b>                  | <b>DATE</b>     | <b>Minute No.</b> |
|-------------------------------|-----------------|-------------------|
| Extraordinary Community Board | 17 October 2017 | 15-20             |
| Community Board               | 24 January 2018 | 27-29             |
| Economic Development Board    | 31 January 2018 | To follow         |
| Policy and Organisation Board | 6 February 2018 | To follow         |

8. Council Budget 2018/19

To consider the report of the Borough Treasurer.

9. Treasury Management and Prudential Indicators 2018/19

This report outlines the Council's prudential indicators for 2018/19 to 2020/21, together with the expected treasury operations for this period. It fulfils a key legislative requirement.

10. Election of Mayor and Deputy Mayor 2018/19

In accordance with Standing Order No 2.4 the Borough Solicitor and Deputy Chief Executive has written to Group Leaders and Members of the Council inviting them to submit Member nominations for the selection of Mayor-Elect and Deputy Mayor-Elect for the next Municipal Year. One nomination has been received by the Borough Solicitor and Deputy Chief Executive, Councillor D H Furlong for Mayor-Elect and one nomination has been received by the Borough Solicitor and Deputy Chief Executive, Councillor P Bergin for Deputy-Mayor Elect for the 2018/2019 Municipal Year.

**DAVID WILLIAMS**  
**CHIEF EXECUTIVE**

**TOWN HALL**  
**GOSPORT**

30 January 2018

### **FIRE PRECAUTIONS**

(To be read by the Mayor if members of the public are present)

**In the event of the fire alarm 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.**

**This meeting may be filmed or otherwise recorded. By attending this meeting, you are consenting to any broadcast of your image and being recorded.**

**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 OR SWITCHED TO SILENT FOR THE DURATION OF THE MEETING**

**MINUTES OF THE MEETING OF THE COUNCIL  
HELD ON 13 DECEMBER 2017 AT 6.00pm**

Attendance:

The Mayor (Councillor Mrs Batty) (P) (in the Chair);

Councillors Allen (P) , Ms Ballard (P), Bateman (P), Beavis (P), Bergin (P) , Burgess (P), Carter (P) , Chegwyn (P), Mrs Cully (P), Ms Diffey (P) , Earle (P), Edgar (P) , Farr (P), Mrs Forder , Foster-Reed , Mrs Furlong (P) Hicks (P), Hook (P), Mrs Hook , Mrs Huggins (P), Hylands (P), Jessop (P), Mrs Jones (P), Miss Kelly (P), Mrs Morgan (P), Murphy (P), Philpott (P), Mrs Prickett (P), Raffaelli (P), Ronayne (P), Scard, and Wright (P).

**MINUTE'S SILENCE**

Members stood for a minute's silence in remembrance of former Councillor Colin Jacobs.

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**APOLOGIES**

Apologies for inability to attend the meeting were submitted on behalf of Councillors Foster-Reed, Mrs Forder, Mrs Hook and Scard.

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**MINUTES**

COUNCIL RESOLVED: That the Minutes of the meeting of the Council held on 11 October 2017 be confirmed and signed.

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**MAYOR'S COMMUNICATIONS**

The Mayor welcomed newly elected Councillor Hammond to the Council.

**DEPUTATIONS**

There were no deputations received.

**QUESTIONS PURSUANT TO STANDING ORDER 3.4**

There were none.

## **PART II MINUTES**

**COUNCIL RESOLVED:** That the following Part II Minutes be received.

- Economic Development Board: 15 November 2017

### **GOSPORT BOROUGH COUNCIL**

#### **RETURNING OFFICER'S REPORT ON THE BOROUGH COUNCIL**

#### **BY-ELECTION IN THE BRIDGEMARY NORTH WARD HELD ON**

**30 NOVEMBER 2017**

1. I have to report that one vacancy arose for the office of Councillor for the Bridgemary North Ward of the Borough by reason of the death of Councillor Jill Wright
2. Three candidates were validly nominated in the election of Councillors for the Bridgemary North Ward to fill the resulting vacancy. A Poll was taken on 30 November 2017 and the votes cast for the respective candidates were as follows:

| <b><u>Names of Candidates</u></b> | <b><u>Votes Given for Each Candidate</u></b> |
|-----------------------------------|--|
| Richard James DICKSON             | 212  |
| James Llewellyn FOX               | 255  |
| Stephen Geoffrey HAMMOND          | 644  |

3. The under-mentioned candidate who received the greatest number of votes was therefore elected Councillor for the Bridgemary North Ward to serve until May 2020.

Stephen Geoffrey HAMMOND

#### **REVIEW OF COUNCIL BOARDS AND COMMITTEES AND DETERMINATION OF ALLOCATION OF SEATS**

The Borough Solicitor and Deputy Chief Executive had submitted a report to advise the Council of the balance of the seats on the Council and the position with regard to Political Groups and to undertake a review in accordance with the "Proportionality Rules" of the balance of seats on the Boards and Committees of the Council.

**RECOMMENDED:** That the Council approve:

1. The allocation of seats on the Boards and Committee as set out in paragraph 3.1

### **TO APPOINT MEMBERS OF THE COMMUNITY AND REGULATORY BOARDS**

Councillor Hammond was nominated to the vacant positions on Community Board and Regulatory Board.

### **REVIEW OF POLLING PLACES FOR THE CHRISTCHURCH AND GRANGE ELECTORAL WARDS**

**RECOMMENDED:** That the Council approve

The proposed designation of Polling Places:

- The Queens Social Club as a Polling Place for the Christchurch Ward in place of Nicholson Hall; and
- The Youth, Arts and Media Centre of the Nimrod Community Centre as Polling Place for the Grange Ward in place of Siskin School.

- 2.2 The proposed re-allocation of seven streets from Grange GI2 to Grange GI1 to balance the number of electors between both Polling Districts.

### **LOCAL COUNCIL TAX SUPPORT SCHEME**

**RECOMMENDED:** That Council approve the Local Council Tax Support Scheme (LCTS) for Gosport at Appendix 1 of the report and notes the statutory scheme for Pension Age customers and that statutory changes to the Pension Age scheme will be released by Department for Communities and Local Government at the end of December 2017 and that these changes will be incorporated into the statutory scheme at that point.

The meeting concluded at 6.10pm

The Mayor.

## **COUNCIL – AGENDA ITEM 6**

**DATE OF MEETING: 7 FEBRUARY 2018**

**REPORT BY: COUNCILLOR BURGESS (CHAIRMAN OF THE COMMUNITY BOARD)**

At its meeting on 24 January 2018 the Community Board considered a joint report and addendum of the Borough Treasurer and Housing Services Manager on the following item and made the following recommendation to Full Council.

**BUSINESS PLAN UPDATE AND COUNCIL DWELLING RENTS 2018/2019 (ATTACHED AS APPENDIX 1)**

RECOMMENDATION:

That the Community Board recommend to Council that:

- The revised HRA Business Plan extract (Appendix A) and associated 2017/18 Revised Budget and 2018/19 Budget (Appendix B) is agreed.
- That Council Dwelling rents decrease by 1% (an average of £0.80 per week), continuing the four year reduction programme as detailed in the new national rent policy introduced in April 2016.
- The rent for older style garages is increased in line with inflation, as agreed in the Garage Renewal strategy and rent for non GBC tenants who have garages is increased by £1 per week.



**AGENDA ITEM NO.**

|                         |   |
|-------------------------|---|
| <b>Board/Committee:</b> | COMMUNITY BOARD   |
| <b>Date of Meeting:</b> | 24 <sup>th</sup> JANUARY 2018                             |
| <b>Title:</b>           | BUSINESS PLAN UPDATE AND COUNCIL DWELLING RENTS 2018/2019 |
| <b>Author:</b>          | BOROUGH TREASURER AND HOUSING SERVICES MANAGER            |
| <b>Status:</b>          | FOR RECOMMENDATION TO FULL COUNCIL                        |

**Purpose**

This report considers the Housing Revenue Account (HRA) Business Plan including the revised 2017/18 budget and the 2018/19 budget including recommendations on rent levels for next year.

It also provides updates for members on the latest information with regard to policy changes that impact directly on local authority housing finance services.

**Recommendation**

That the Community Board recommend to Council that:

- The revised HRA Business Plan extract (Appendix A) and associated 2017/18 Revised Budget and 2018/19 Budget (Appendix B) is agreed.
- That Council Dwelling rents decrease by 1% (an average of £0.80 per week), continuing the four year reduction programme as detailed in the new national rent policy introduced in April 2016.
- The rent for older style garages is increased in line with inflation, as agreed in the Garage Renewal strategy and rent for non GBC tenants who have garages is increased by £1 per week.

**1.0 Background**

- 1.1 The Prime Ministers key note conference speech in October 2017 provided updates on several key issues.
- 1.2 The Social rent policy of reducing rents for 4 years from April 2016 continues, but from 2020 the Council will be able to increase rents annually by CPI +1% for a period of 5 years. This will have a positive impact on the HRA Business Plan.
- 1.3 Additional funding of £2 billion is also to be made available nationally to deliver an additional 25,000 homes. This equates to

£80,000 subsidy per home with the remainder coming from HRA balances. While detailed guidance is to follow from the Government, it is probable that Councils will be required to bid for a share of the funding which will necessitate an examination of available resources and any borrowing headroom.

- 1.4 The High Value Voids Levy was not mentioned in the Housing key note speech in October giving hope that this has been postponed for a further year. The Government have said they are still committed to delivering Right to Buy (RTB) for Housing Associations, therefore provision for payment of the levy is included in the financial model from 2019/20.

## **2.0 Report**

- 2.1 An extract from the HRA Business Plan detailing the predicted income and expenditure levels for the next 5 years has been included for reference at appendix A. Items that warrant specific mention are detailed in Paragraphs 2.2 and 2.3.

- 2.2 The Revised HRA budget for 2017/18 shows an overall increase in expenditure of £327,000 and an increase in budgeted income of £362,000 leading to an increase in net income of £27,000. The following adjustments have been made to the 2017/18 budget :

1. Affordable rents income increase of £140,000
2. Leaseholder Service Chgs income increase of £130,000
3. Reduction in void loss – increased income of £80,000
4. An increase to the Housing Repairs Programme £266,000

- 2.3 Below is a summary of some of the major points extracted from the financial model.

- a) The postponement of the High Value Voids levy for 2018/19 has enabled investment in HRA stock to remain at a similar level to 2017/18 (£7.3m) and for a predicted surplus of £816,000 to transfer to the Major Repairs Reserve to provide funding for major repairs, new build and loan repayments. With smaller surpluses budgeted within the HRA for 2019/20 and 2020/21 and the requirement to fund 70% of our 1-4-1 receipts expenditure it is essential that balances are maintained within this reserve.

- b) The HRA Business Plan has loans of approximately £11m which are due for repayment between March 2018 and March 2022. Decisions on whether to repay or refinance maturing loans are taken as they fall due.
  - c) There is still an element of uncertainty surrounding the High Value Voids levy beyond the 2018/19 financial year and if this policy is implemented then it has the potential to have a significant negative impact on the HRA Business Plan.
  - d) The long term sustainability of the HRA Business Plan was helped by the commitment to return to the CPI +1% rent increase cap for 5 years from 2020.
- 2.4 2 properties have been purchased off the open market exercising delegated Authority under Paragraph 2.7 of Part 3, Schedule 10 of the Council's Constitution. Two 3 bedroom houses at 34 Prideaux Brune Avenue and 22 Kielder Grove totalling £350,000 were funded 30% by 1-4-1 retained receipts and 70% from reserves. Both properties were deemed as meeting our current Housing Needs.

### **3.0 Housing Revenue Account (HRA) (see Appendix B)**

- 3.1 The revised Repairs and Maintenance budget for 2017/18 is £4,654,000 an increase of £491,000 on the original budget. The Repairs and Maintenance budget for 2018/19 is £4,437,000.
- 3.2 It is anticipated that the HRA balance will remain at its current level of £991,000 for 2017/18, with an additional balance of £905,000 set aside to the Major Repairs Reserve/New Build/Loan Repayment Reserve.
- 3.3 It is anticipated that the HRA balance will continue to remain at £991,000 for 2018/19. A surplus of approximately £816,000 is budgeted to be transferred to the Major Repairs/New Build/Loan Repayment Reserve in 2018/19. The 1% rent reduction for the next 2 years coupled with the sale of high value assets initiative and the requirement to utilise our additional 1-4-1 receipts necessitates the need for reserve levels to be maintained.

### **4.0 HRA Capital Programme**

- 4.1 The revised HRA Capital Programme for improvements to housing stock in 2017/18 is £3,150,000 and is £3,300,000 for 2018/19.
- 4.2 The revised HRA Capital programme has also set aside £520,000 in 2017/18 for the purchase of properties and a further £830,000 in 2018/19.

### **5.0 Rent Level Proposals**

- 5.1 From April 2016 Social Housing rents have been set a target of an annual 1% reduction to last for 4 years. From April 2020 rents will start to increase again at the rate of CPI plus 1% (2.3d).
- 5.2 The average rent is currently at £80.41 per week(exc hostels) and this is set to reduce to £79.61 for 2018/19.  
An analysis of the numbers of different stock types and corresponding new rental levels is detailed in Appendix C.
- 5.3 Rents will decrease by 1% which equates to £0.80 a week on average. This will constitute an average saving of £41 per annum for the tenants of Gosport. It is proposed that service charges for tenants will continue to be determined at a level that enables the Council to recover the cost of the services provided.
- 5.4 It is proposed to increase rent levels for older style garages in line with inflation as previously agreed in the Garage Renewal strategy and to increase the charge for non GBC tenants by a further £1per week. New style garages will remain at their current rent level for GBC tenants.

## **6.0 Capital Improvements/Repairs and Maintenance**

- 6.1 A breakdown of the expenditure on capital improvements and repairs and maintenance is included at appendix D to this report.
- 6.2 The table included at appendix D splits the expenditure into its capital and revenue headings and details the main areas of expenditure under each heading. The work priorities have been identified by the stock condition surveys undertaken.

## **7.0 Risk Assessment**

- 7.1 Self financing means that much of the risk involved with the upkeep, maintenance and management of council housing has moved from Central Government to Local Authorities. Therefore the maintenance of the Major Repairs/New Build/Loan Repayment Reserve is considered essential.

This reserve provides for the future funding of HRA projects, including new build programmes, safeguarding non-insurable risks and allowing the Council to take the opportunity to carry out any special debt repayment (potentially leading to discounts) should the economic conditions favouring such measures arise; and is in addition to the HRA Working Balance.

7.2 The government's decision to reduce rents in social housing for 4 years from 2016/17 has had a significant impact on the budgeted reserve levels previously anticipated in the HRA Business Plan. Revenue account balances will continue to be maintained at their current levels but funds that had been budgeted to be transferred to the Major Repairs/New Build/Loan Repayment Reserve will be amended by the amounts as detailed in Appendix A.

7.3 A further risk mentioned in paragraph 2.3(e) is the sale of high value assets. As mentioned in previous reports, precise details of the nature of this scheme have yet to emerge but this could have a considerable detrimental impact on the HRA Business Plan. Adjustments to the financial model will be made as cost implications emerge.

## **8.0 Other Properties**

8.1 There is one other property (Park Lodge) where the rent level is assessed in line with HRA properties. The proposal is to decrease the rent of this property in line with HRA properties.

## **9.0 Conclusion**

9.1 This Report summarises the HRA budget for 2018/19 and the proposed rent decrease.

|   |   |
|---|---|
| <b>Financial Services comments:</b>           | As set out in the report  |
| <b>Legal Services comments:</b>               | The Council is under a duty to set a budget which prevents a debit balance arising on the Housing Revenue Account                       |
| <b>Crime and Disorder:</b>                    | Not applicable  |
| <b>Equality and Diversity:</b>                | No direct implications  |
| <b>Service Improvement Plan implications:</b> | The HRA Business Plan is a Service Improvement Plan item  |
| <b>Corporate Plan:</b>                        | More effective performance management, which includes making the best use of our assets, is a strategic priority in the Corporate Plan. |
| <b>Risk Assessment:</b>                       | As detailed in paragraph 7.   |
| <b>Background papers:</b>                     | Garage Strategy (June 2009) /HRA Business Plan 2012-2042(Jan 2012) Business Plan Update Council Dwelling Rents 2017/18.                 |
| <b>Appendices/Enclosures:</b>                 |   |
| Appendix A                                    | HRA 30 Year Business Plan extract   |
| Appendix B                                    | HRA Budget  |
| Appendix C                                    | Rent Analysis Extract   |
| Appendix D                                    | Repairs budget  |

|                                     |                                      |
|-------------------------------------|--------------------------------------|
| <b>Report author/ Lead Officer:</b> | Tim Hoskins Group Accountant Housing |
|-------------------------------------|--------------------------------------|

## APPENDIX A

| HRA 30 YEAR BUSINESS PLAN EXTRACT |            |            |            |            |            |            |
|-----------------------------------|------------|------------|------------|------------|------------|------------|
|                                   | 2017/18    | 2018/19    | 2019/20    | 2020/21    | 2021/22    | Totals     |
| <b>Rental income</b>              | 13,268,000 | 13,107,000 | 13,030,000 | 13,020,000 | 13,260,000 | 65,685,000 |
| <b>Other Income</b>               | 1,456,000  | 1,427,000  | 1,400,000  | 1,440,000  | 1,475,000  | 7,198,000  |
| <b>HVV Receipts</b>               | 0          | 0          | 775,000    | 775,000    | 775,000    | 2,325,000  |
| <b>RTB receipts</b>               | 0          | 0          | 338,000    | 339,000    | 346,000    | 1,023,000  |
| <b>Total Income</b>               | 14,724,000 | 14,534,000 | 15,543,000 | 15,574,000 | 15,856,000 | 76,231,000 |
| <b>General</b>                    | 1,986,000  | 1,931,000  | 2,009,000  | 2,140,000  | 2,190,000  | 10,256,000 |
| <b>Special</b>                    | 1,809,000  | 1,753,000  | 1,809,000  | 1,850,000  | 1,900,000  | 7,220,000  |
| <b>Repairs</b>                    | 4,654,000  | 4,437,000  | 4,290,000  | 4,312,000  | 4,405,000  | 22,097,000 |
| <b>Other Expenditure</b>          | 314,000    | 329,000    | 325,000    | 300,000    | 300,000    | 1,568,000  |
| <b>Total Expenditure</b>          | 8,763,000  | 8,450,000  | 8,433,000  | 8,602,000  | 8,795,000  | 41,141,000 |
| <b>Capital Expenditure</b>        | -3,150,000 | -3,300,000 | -2,500,000 | -2,500,000 | -2,500,000 | 13,950,000 |
| <b>Net Operating Income</b>       | 2,811,000  | 2,784,000  | 4,610,000  | 4,472,000  | 4,561,000  | 17,142,000 |
| <b>Loan Interest</b>              | 1,871,000  | 1,929,000  | 1,935,000  | 1,950,000  | 1,990,000  | 9,675,000  |
| <b>HVV Levy</b>                   | 0          | 0          | 2,104,000  | 2,089,000  | 2,087,000  | 6,280,000  |
| <b>Debt management</b>            | 37,000     | 39,000     | 40,000     | 40,000     | 40,000     | 196,000    |
| <b>MRR/New Build</b>              | 904,000    | 816,000    | 531,000    | 393,000    | 444,000    | 3,090,000  |
| <b>Total Appropriations</b>       | 2,811,000  | 2,784,000  | 4,610,000  | 4,472,000  | 4,561,000  | 17,141,000 |
| <b>Annual Cashflow</b>            | 0          | 0          | 0          | 0          | 0          |            |
| <b>Opening Balance</b>            | 991,000    | 991,000    | 991,000    | 991,000    | 991,000    |            |
| <b>Closing Balance</b>            | 991,000    | 991,000    | 991,000    | 991,000    | 991,000    |            |

# APPENDIX B

|   | COMMUNITY BOARD<br>BUDGET<br>2017/2018<br>£000 | REVISED<br>2017/2018<br>£000 | BUDGET<br>2018/19<br>£000 |
|---|--|------------------------------|---------------------------|
| <b>HOUSING REVENUE ACCOUNT</b>                |  |                              |                           |
| <b>Expenditure</b>                            |  |                              |                           |
| Repairs & Maintenance                         | 4,163  | 4,654                        | 4,437                     |
| Supervision & Management                      | 3,722  | 3,781                        | 3,678                     |
| Rents, Rates, Taxes and Other<br>Charges      | 325  | 314                          | 329                       |
| Depreciation, Impairment and<br>Revaluation   | 3,375  | 3,150                        | 3,300                     |
| Debt Management Costs                         | 38   | 37                           | 39                        |
| <b>Total Expenditure</b>                      | <b>11623</b>                                   | <b>11936</b>                 | <b>11,783</b>             |
| <b>Income</b>                                 |  |                              |                           |
| Dwelling Rents                                | (13,702)                                       | (13,947)                     | (13,793)                  |
| Non Dwelling Rents                            | (248)  | (248)                        | (248)                     |
| Charges For Services and<br>Facilities        | (390)  | (507)                        | (467)                     |
| <b>Total Income</b>                           | <b>(14,340)</b>                                | <b>(14,702)</b>              | <b>(14,508)</b>           |
| <b>Net Cost Of Services</b>                   | <b>(2,717)</b>                                 | <b>(2,766)</b>               | <b>(2,725)</b>            |
| Interest Payable & Similar<br>Charges         | 1,860  | 1,870                        | 1,929                     |
| Interest & Investment Income                  | (21)   | (23)                         | (26)                      |
| <b>NET HRA SURPLUS FOR YEAR</b>               | <b>(878)</b>                                   | <b>(919)</b>                 | <b>(822)</b>              |
| <b>HRA BALANCE</b>                            |  |                              |                           |
| Balance B/Fwd                                 | 991  | 991                          | 991                       |
| Transfer (to)or from HRA                      |  |                              |                           |
| Balance C/Fwd                                 | 991  | 991                          | 991                       |
| <b>MAJOR REPAIRS/NEW BUILD/DEBT REPAYMENT</b> |  |                              |                           |
| Balance B/Fwd                                 | 2,429  | 2,462                        | 3,017                     |
| Transfer (to)or from HRA                      | 878  | 919                          | 822                       |
| St Vincent and House Purchases                | (364)  | (364)                        | (581)                     |
| Balance C/Fwd                                 | 2943   | 3,017                        | 3,258                     |



## APPENDIX C

| Type                                  | Bedrooms |     |     |    |   |             |
|---------------------------------------|----------|-----|-----|----|---|-------------|
| Stock nos                             | 1        | 2   | 3   | 4  | 5 | Grand Total |
| Bedsit                                | 12       |     |     |    |   | 12          |
| Bungalow                              | 316      | 64  | 10  |    |   | 390         |
| Flat                                  | 935      | 58  | 17  |    |   | 1010        |
| House                                 | 10       | 302 | 854 | 79 | 1 | 1246        |
| House with Extra Ground Floor bedroom |          | 2   | 17  | 2  |   | 21          |
| Maisonette                            | 23       | 103 | 57  | 2  |   | 185         |
| Sheltered Bedsit                      | 13       |     |     |    |   | 13          |
| Sheltered Bungalow                    | 38       |     |     |    |   | 38          |
| Sheltered Flat                        | 125      | 6   |     |    |   | 131         |
| Grand Total                           | 1474     | 539 | 958 | 83 | 1 | 3046        |

Decrease Amount in Numbers

| Type                                  | Bedrooms | £1 and Under | £2 and Under | Grand Total |
|---------------------------------------|----------|--------------|--------------|-------------|
| Bedsit                                | 1        | 12           |              | 12          |
| Bungalow                              | 1        | 316          |              | 316         |
| Bungalow                              | 2        | 64           |              | 64          |
| Bungalow                              | 3        | 10           |              | 10          |
| Flat                                  | 1        | 938          |              | 938         |
| Flat                                  | 2        | 58           |              | 58          |
| Flat                                  | 3        | 17           |              | 17          |
| House                                 | 1        | 10           |              | 10          |
| House                                 | 2        | 299          | 5            | 304         |
| House                                 | 3        | 856          | 5            | 861         |
| House                                 | 4        | 51           | 30           | 81          |
| House                                 | 5        | 1            |              | 1           |
| House with Extra Ground Floor bedroom | 2        | 2            |              | 2           |
| House with Extra Ground Floor bedroom | 3        | 10           | 3            | 13          |
| Maisonette                            | 1        | 23           |              | 23          |
| Maisonette                            | 2        | 104          |              | 104         |
| Maisonette                            | 3        | 57           |              | 57          |
| Maisonette                            | 4        | 2            |              | 2           |
| Sheltered Bedsit                      | 1        | 13           |              | 13          |
| Sheltered Bungalow                    | 1        | 38           |              | 38          |
| Sheltered Flat                        | 1        | 125          |              | 125         |
| Sheltered Flat                        | 2        | 6            |              | 6           |
| Grand Total                           |          | 3003         | 43           | 3046        |

# Average Rent by Bedroom Size

| Type               | Bedrooms |       |       |       |       |             |
|--------------------|----------|-------|-------|-------|-------|-------------|
|                    | 1        | 2     | 3     | 4     | 5     | Grand Total |
| Bedsit             | 59.82    |       |       |       |       | 59.82       |
| Bungalow           | 75.05    | 83.44 | 90.90 |       |       | 83.13       |
| Flat               | 69.41    | 81.75 | 84.75 |       |       | 78.64       |
| House              | 75.53    | 83.81 | 91.36 | 97.64 | 96.07 | 88.88       |
| Maisonette         | 71.84    | 80.34 | 83.57 |       |       | 78.58       |
| Sheltered Bedsit   | 58.64    |       |       |       |       | 58.64       |
| Sheltered Bungalow | 70.87    |       |       |       |       | 70.87       |
| Sheltered Flat     | 63.12    |       |       |       |       | 63.12       |
| Grand Total        |          |       |       |       |       |             |

Stock Numbers Excludes Barclay and Agnew as at 30/11/2017

## APPENDIX D

| Ref | Revenue   | Budget<br>18/19 |
|-----|---|-----------------|
| 1   | Responsive Repairs (including Hostels and Major Responses)  | 2,045,000       |
| 2   | Voids   | 800,000         |
| 3   | Bulk Waste  | 60,000          |
| 4   | Structural (inc Garage & Misc Demolition)                   |                 |
| 5   | Estate Improvements (inc Tennant Led Fencing & OAP Redecs)  | 152,000         |
| 6   | Cyclical (inc Gas Servicing, Ext Painting, Compliance, PET) | 890,000         |
|     | <b>Total</b>  | 3,947,000       |
|     |   |                 |
| Ref | Capital   | Budget<br>18/19 |
| 7   | Asbestos (Survey & Removals)                                | 100,000         |
| 8   | Fire Risk Assessments ( inc Associated Work)                | 50,000          |
| 9   | Disabled Aids & Adaptions inc Major Repairs                 | 300,000         |
| 10  | Contingent Major Repairs (inc Professional Repairs)         | 825,000         |
| 11  | Energy Efficiency (inc External Wall Insulation)            | 5,000           |
| 12  | Estate Capital (Inc Additional Parking & Env Improvements   | 115,000         |
| 13  | Roof Works (inc Gutters & Fascias)                          | 0               |
| 14  | Window and Doors  | 55,000          |
| 15  | Kitchens and Bathrooms                                      | 1,000,000       |
| 16  | Electrical Upgrades   | 200,000         |
| 17  | Heating Upgrades  | 455,000         |
| 18  | Sheltered scheme Improvements                               | 150,000         |
|     | <b>Total</b>  | 3,255,000       |
|     |   |                 |
|     | <b>Total Budget</b>   | 7,202,000       |

## **Appendix 2 – Minute Extract – Community Board, 24<sup>th</sup> January 2018**

### **26. BUSINESS PLAN UPDATE AND COUNCIL DWELLING RENTS 2018/2019**

Consideration was given to a report of the Borough Treasurer and the Housing Services Manager seeking consideration of the Housing Revenue Account (HRA) Business Plan including the revised 2017/18 budget and the 2018/19 budget including recommendations on rent levels for next year.

The Board were updated that there was an addendum appendix B to the report as a result of the re-examination of administration costs after the agenda had been dispatched.

Members acknowledged that changes were imposed by the new national rent policy.

In answer to a Member's question, the Board was advised that there was provision in the major repairs budget for roofs, gutter and fascia repairs and that this would allow the work to be tendered.

**RESOLVED:** That the Community Board recommend to Council that:

- The revised HRA Business Plan extract (Appendix A) and associated 2017/18 Revised Budget and 2018/19 Budget (amended Appendix B) are agreed.
- That Council Dwelling rents decrease by 1% (an average of £0.80 per week), continuing the four year reduction programme as detailed in the new national rent policy introduced in April 2016.
- The rent for older style garages is increased in line with inflation, as agreed in the Garage Renewal strategy and rent for non GBC tenants who have garages is increased by £1 per week.

**AN EXTRAORDINARY MEETING OF THE COMMUNITY BOARD  
WAS HELD ON 17 OCTOBER 2017 AT 6PM**

The Mayor (Councillor Mrs Batty), (Councillor Hook (ex-officio) (P), Councillors Bateman, Burgess (P), Mrs Cully (P), Earle (P), Mrs Hook, Mrs Huggins (P), Hylands (P) Mrs Jones, Miss Kelly (P), Mrs Morgan (P), Murphy (P), Ronayne (P), Scard (P), Wright (P)

It was reported that in accordance with Standing Order 2.3.5, Councillors Mrs Philpott, Beavis and Allen had been nominated to replace Councillors, Mrs Hook, Bateman and Mrs Jones and respectively for this meeting.

**PART II**

**19. PUBLIC SPACE PROTECTION ORDER**

Consideration was given to a report of the Head of the Borough Solicitor and Deputy Chief Executive seeking Board approval to make a public spaces protection order (PSPO) for the locality of Gosport town centre where aggressive begging, and alcohol / drug related anti-social behaviour (ASB) are prevalent and have a detrimental effect on the quality of life of those who live and work in or visit the area.

Members welcomed the proposal, they recognised the difficulty faced by those that were homeless but acknowledged that Gosport Borough Council housing staff had made great efforts to offer help and support those residents, but that it was often refused.

Members felt that it was not acceptable that residents of Gosport and visitors to the Town should feel frightened and intimidated and scared to visit the High Street area.

Members recognised the importance of the order as the High Street had been subjected to people openly taking drugs and had temporarily lost use of the toilet facility as they had become a danger to both the public and cleansing operators.

Members felt the problems had been exasperated by the introduction of an order in Fareham, which had led to people relocating to Gosport.

Members expressed concern that the PSPO would relocate people to other areas of the Borough and requested that consideration be given to making the PSPO Borough wide. Members were advised that this order was to cover the High Street to allow the current issue with behaviour to be addressed as soon as possible and that investigations could be made to extending it Borough wide.

Members sought assurance that the staff that would be tasked to enforce the PSPO would be properly equipped and trained to do so for their own safety.

In answer to a Members question, the Board were advised that the order covered aggressive begging, including waiting by cash points and demanding

money from the public.

Members welcomed the order and agreed it should be implemented.

**RESOLVED:** That the a public spaces protection order (PSPO) for the locality of Gosport town centre where aggressive begging, and alcohol / drug related anti-social behaviour (ASB) are prevalent and have a detrimental effect on the quality of life of those who live and work in or visit this area be approved.

## **20. NOTIFICATION OF ACQUISITION OF HRA PROPERTIES**

Consideration was given to a noting report advising of the use of the Chief Executive's emergency delegated powers for the acquisition of 6no additional HRA properties.

**RESOLVED:** That the report be noted.

There was no other business

The meeting concluded at 18.19

CHAIRMAN

**A MEETING OF THE COMMUNITY BOARD  
WAS HELD ON 24 JANUARY 2018 AT 6PM**

The Mayor (Councillor Mrs Batty), (Councillor Hook (P), Councillors Bateman (P), Burgess (P), Earle (P), Mrs Hook (P), Mrs Huggins (P), Hylands (P) Mrs Jones (P), Miss Kelly (P), Mrs Morgan (P), Murphy, Ronayne (P), Scard, Wright (P)

It was reported that in accordance with Standing Order 2.3.5, Councillors Hook and Edgar had been nominated to replace Councillors Murphy and Scard respectively for this meeting.

**PART II**

**27. DELEGATION OF AUTHORITY TO ACQUIRE HRA PROPERTIES**

Consideration was given to a report of the Borough Solicitor and Deputy Chief Executive recommending that the Board delegate its power to purchase residential properties for use as housing to the Head of Housing where the purchase is funded by the use of retained Right to Buy receipts.

Members welcomed the proposal and felt that it was an appropriate use of delegated powers to officers and accepted that often property purchases were time critical, but expressed concern at the devaluing of Members decision making in other areas.

Members discussed the option of introducing a cap on the value of the properties purchased and it was felt that it may preclude the purchase of larger, much needed properties leading to the Council to missing out.

Members acknowledged that an independent valuation of the properties was carried out but requested that consultation be carried out with the Chairman of the Board and that Members be advised of any purchases undertaken.

**RESOLVED:** That the Community Board, agrees to delegate its power to purchase residential properties for use as housing to the Head of Housing, in consultation with the Chairman of Community Board, where the purchase is funded by the use of retained Right to Buy receipts.

**28. PETITION: PUBLIC SPACES PROTECTION ORDER FOR HARDWAY GREEN**

By reason of special circumstances, the Chairman determined that the following item be considered at this meeting notwithstanding the fact that the item had not been available for public inspection in accordance with the provisions of Section 100B(4)(a) of the Local Government (Access to Information) Act 1985.

The special circumstances were created as a there was an urgency to start the consultation period, if approved, to allow the order to be in place as soon as possible before the spring and summer.

Councillor Allen was invited to address the Board as ward councillor for Hardway and advised that the issue had escalated over the past 6 or 7 years.

He advised the Board that the lighter evenings had led to young people gathering at the site and that whilst the majority of young people were there to enjoy harmless fun, an element of them were causing havoc and damage to the area. This was unpleasant for the residents and had led to severe suffering, distress and worry for them.

He advised that some residents health had been affected as a result of the situation and that the young people involved had escalated the situation by inviting their friends from further afield to the location.

Councillor Allen advised that the reports received regarding the behaviour were all true and that he had seen first-hand the damage being caused. He advised that residents regularly called the Police but that there was little that they could do.

He advised that he was not keen to see young people banned from the area but the situation with a fraction of young people needed to be dealt with to allow residents a decent standard of living and the area to be treated with respect.

He advised the Board that it was a lovely area with great views and that people were being driven away from enjoying it correctly by those causing trouble.

Councillor Allen advised that Board that previously a section 35 dispersal order had been used by the police to disperse the young people during the summer bank holiday weekend, but that these were of limited use as they require authorisation by a Police Inspector. He concluded by advising that the cycle of behaviour needed to be broken and that enforcement powers needed to be in place to do so.

Members advised that intervention and support work with the youths had been ongoing for a number of years to try and address the situation. There had been engagement of youth services, patrols by Police Officers, uniformed and plain clothes streetscene patrols, but the problems still persisted.

It was reiterated that approval at the meeting would allow for the consultation period to begin on the proposed Order, allowing a report to be presented to the March Community Board to ensure that if the Order's adopted it would come into place before the lighter evenings arrived.

Members reiterated their disappointment that a minority of young people were ruining the enjoyment for others, but acknowledged the residents needed protecting. The Legal Officer advised that the proposed restrictions in the Order do not ban ball games or young people socialising on the green.

Members had seen the issue in the area first hand and expressed disappointment that cuts in Police levels meant it could not be patrolled more frequently. Members also reiterated the need to report every incident and obtain an incident number by telephone or online via the 101 service to ensure that incidents were recorded.

Members supported the proposal, but reiterated their concern for other areas within the Borough that were also subject to antisocial behaviour.

Members were advised by the Legal Officer that additional information on the



level of the antisocial behaviour and its impact on the wider community had only recently been made available since the submission of the initial petition and that the order would be for a period of three years.

**RESOLVED:**

A. The Community Board notes the contents of the petition and results of the community survey undertaken by the Hardway residents' action group as to the nature and scale of the anti-social behaviour during the summer months at Hardway memorial green and its impact on those living in the locality (Appendix 1 of the report):

B. The Community Board has regard to:

- (i) the informal intervention work the Council and its partner agencies undertake with young people to prevent the behaviour escalating; and
- (ii) the existing anti-social behaviour powers and other enforcement tools at the disposal of the Council and police.

C. The Community Board agrees, notwithstanding paragraph B above that it may still be appropriate and proportionate to make a Public Spaces Protection Order for Hardway Memorial Green and the immediate locality in the form of Appendix 2.

D. The Borough Solicitor and Deputy Chief Executive be delegated authority to undertake the statutory consultation exercise with the partner agencies and stakeholders identified in paragraph 5 of the report and the public on the proposal to adopt the draft Public Spaces Protection Order.

E. The Community Board shall at its meeting on 7<sup>th</sup> March 2018 have regard to the consultation responses and make the final decision as to whether it is appropriate and proportionate to adopt the draft Public Spaces Protection Order

**29. ANY OTHER ITEMS**

There was no other business

The meeting concluded at 18.38

CHAIRMAN

|                         |  |
|-------------------------|--|
| <b>Board/Committee:</b> | <b>FULL COUNCIL</b>  |
| <b>Date of Meeting:</b> | <b>7 FEBRUARY 2018</b>   |
| <b>Title</b>            | <b>BUDGET &amp; COUNCIL TAX 2018/19 &amp; MEDIUM TERM BUDGET FORECAST 2019/20 TO 2021/22</b> |
| <b>Author:</b>          | <b>BOROUGH TREASURER</b>   |
| <b>Status:</b>          | <b>FOR DECISION</b>  |

## **1. PURPOSE OF REPORT**

- 1.1 The Council is required to set a "Balanced Budget" and to maintain adequate levels of Reserves. The primary purpose of this report is to set the Council's overall Budget for the forthcoming year 2018/19 and the associated level of Council Tax necessary to fund that Budget.
- 1.2 The report also considers the overall financial position for 2018/19 and its forecast for future years considering the future outlook for both spending and funding (and in particular the Fair Funding Review) and the likely consequences for Council Services moving forward.
- 1.3 In that context, wider recommendations are made regarding the levels of reserves to be maintained in order to maintain the overall financial health of the Council in the medium term and guard against future uncertainty.
- 1.4 In particular, this report sets out the following:
  - (a) The challenging financial climate facing the Council in 2018/19 and beyond and the consequent budget deficits that result
  - (b) A brief summary of the Medium Term Financial Strategy for achieving the necessary savings
  - (c) The Revised Revenue Budget for the current year 2017/18
  - (d) The Local Government Finance Settlement for 2018/19 to 2019/20
  - (e) The Business Rate income for 2018/19 and future years
  - (f) The Council Tax Base and recommended Council Tax for 2018/19
  - (g) The proposed Revenue Budget for 2018/19
  - (h) The forecast Revenue Budget for 2019/20, 2020/21 and 2021/22
  - (i) Estimated Reserves over the period 2017/18 to 2021/22
  - (j) The forecast Collection Fund balance as at 31 March 2018 for both Council Tax and Business Rates
  - (k) The statement of the Section 151 Officer on the robustness of the budget in compliance with the requirements of the Local Government Act 2003.
  - (l) The proposed Capital Programme 2017/18 to 2020/21

- 1.5 In summary, the report outlines the overall current and medium term financial position of the Council's General Fund, recommends a Budget for 2018/19 that maintains the financial health and resilience of the Council and proposes an associated increase in Council Tax for 2018/19 of 3% equating to 10 pence per week for the average Gosport property (Band B).
- 1.6 To assist the Council in their consideration of the Budget proposals, all Members have been issued with a draft Budget Book for 2018/19 which incorporates all General Fund, Housing Revenue Account and Capital Budgets and provides an analysis by Board, Service and Capital Scheme.

## 2. RECOMMENDATIONS

It is recommended that the following be approved:

- 2.1 A Revised Budget for 2017/18 of £10,163,000 as set out in Appendix A
- 2.2 A Budget for 2018/19 of £10,288,000 as set out in Appendix A
- 2.3 Any variation arising from the final Local Government Finance Settlement be accommodated by a transfer to / from the Revenue Financing Reserve.
- 2.4 That the level of Council Tax be increased by £6.38 per annum for a Band D property for 2018/19
- 2.5 It be noted that the Borough Treasurer Officer has determined that the Council Tax Base for the financial year 2018/19 will be 26,524.9 [item T in the formula in Section 31 B(1) of the Local Government Finance Act 1992, as amended (the "Act")].
- 2.6 That the following amounts be now calculated by the Council for the financial year 2018/19 in accordance with Section 31 and Sections 34 to 36 of the Local Government Finance Act 1992:

|     |              |  |
|-----|--------------|--|
| (a) | £ 52,312,233 | Being the aggregate of the amounts which the Council estimates for the items set out in Section 31A(2) of the Act.   |
| (b) | £ 46,498,240 | Being the aggregate of the amounts which the Council estimates for the items set out in Section 31A(3) of the Act.   |
| (c) | £5,813,993   | Being the amount by which the aggregate at 2.6 (a) above exceeds the aggregate at 2.6(b) above, calculated by the Council in accordance with Section 31A(4) of the Act as its Council Tax requirement for the year. (Item R in the formula in Section 31B(1) of the Act. |
| (d) | £219.19      | Being the amount at 2.6 (c) above (Item R), all divided by Item 2.5 above (Item T), calculated by the Council, in accordance with Section 31B(1) of the Act, as the basic amount of its Council Tax for the year.  |

(e) Valuation Bands (Gosport Borough Council)

| <b>A</b><br><b>£</b> | <b>B</b><br><b>£</b> | <b>C</b><br><b>£</b> | <b>D</b><br><b>£</b> | <b>E</b><br><b>£</b> | <b>F</b><br><b>£</b> | <b>G</b><br><b>£</b> | <b>H</b><br><b>£</b> |
|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| 146.13               | 170.48               | 194.84               | 219.19               | 267.90               | 316.61               | 365.32               | 438.38               |

Being the amounts given by multiplying the amount at 2.6 (d) above by the number which, in the proportion set out in Section 5(1) of the Act, is applicable to dwellings listed in a particular valuation band divided by the number which in that proportion is applicable to dwellings listed in Valuation Band D, calculated by the Council, in accordance with Section 36(1) of the Act, as the amounts to be taken into account for the year in respect of categories of dwellings in different valuation bands.

- 2.7 That it be noted that for the financial year 2018/19 Hampshire County Council is proposing the following amounts for the precept to be issued to the Council in accordance with Section 40 of the Local Government Finance Act 1992, for each of the categories of the dwellings shown below:

Valuation Bands (Hampshire County Council)

| <b>A</b><br><b>£</b> | <b>B</b><br><b>£</b> | <b>C</b><br><b>£</b> | <b>D</b><br><b>£</b> | <b>E</b><br><b>£</b> | <b>F</b><br><b>£</b> | <b>G</b><br><b>£</b> | <b>H</b><br><b>£</b> |
|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| 800.64               | 934.08               | 1,067.52             | 1,200.96             | 1,467.84             | 1,734.72             | 2,001.60             | 2,401.92             |

- 2.8 That it be noted that for the financial year 2018/19 the Hampshire Police & Crime Commissioner is proposing the following amounts for the precept to be issued to the Council in accordance with Section 40 of the Local Government Finance Act 1992, for each of the categories of the dwellings shown below:

Valuation Bands (Hampshire Police & Crime Commissioner)

| <b>A</b><br><b>£</b> | <b>B</b><br><b>£</b> | <b>C</b><br><b>£</b> | <b>D</b><br><b>£</b> | <b>E</b><br><b>£</b> | <b>F</b><br><b>£</b> | <b>G</b><br><b>£</b> | <b>H</b><br><b>£</b> |
|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| 118.31               | 138.02               | 157.74               | 177.46               | 216.90               | 256.33               | 295.77               | 354.92               |

- 2.9 That it be noted that for the financial year 2018/19 Hampshire Fire and Rescue Authority are recommended to approve the following amounts for the precept issued to the Council in accordance with Section 40 of the Local Government Finance Act 1992, for each of the categories of the dwellings shown below:

Valuation Bands (Hampshire Fire & Rescue Authority)

| <b>A</b><br><b>£</b> | <b>B</b><br><b>£</b> | <b>C</b><br><b>£</b> | <b>D</b><br><b>£</b> | <b>E</b><br><b>£</b> | <b>F</b><br><b>£</b> | <b>G</b><br><b>£</b> | <b>H</b><br><b>£</b> |
|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| 43.83                | 51.14                | 58.44                | 65.75                | 80.36                | 94.97                | 109.58               | 131.50               |

- 2.10 That having calculated the aggregate in each case of the amounts at 2.6(e), 2.7, 2.8 and 2.9 above, the Council, in accordance with Sections 31A, 31B and 34 to 36 of the Local Government Finance Act 1992 as amended, hereby sets the following amounts as the amounts of Council Tax for the financial year 2018/19 for each of the categories of dwellings shown below:

Valuation Bands (Total Council Tax)

| <b>A</b><br><b>£</b> | <b>B</b><br><b>£</b> | <b>C</b><br><b>£</b> | <b>D</b><br><b>£</b> | <b>E</b><br><b>£</b> | <b>F</b><br><b>£</b> | <b>G</b><br><b>£</b> | <b>H</b><br><b>£</b> |
|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| 1,108.91             | 1,293.72             | 1,478.54             | 1,663.36             | 2,033.00             | 2,402.63             | 2,772.27             | 3,326.72             |

- 2.11 The Borough Treasurer be given delegated authority to implement any variation to the overall level of Council Tax arising from the final notification of the Hampshire County Council, Hampshire Police & Crime Commissioner and Hampshire Fire and Rescue Authority precepts.
- 2.12 The Council determines in accordance with Section 52ZB of the Local Government Finance Act 1992 that the Council's basic amount of Council Tax for 2018/19, which represents a 3.0% increase, is not excessive in accordance with the principles approved by the Secretary of State under Section 52ZC of the Act.
- 2.13 As the billing authority, the Council has not been notified by a major precepting authority (Hampshire County Council, the Police and Crime Commissioner for Hampshire or the Hampshire Fire & Rescue Authority) that its relevant basic amount of Council Tax for 2018/19 is excessive and that the billing authority is not required to hold a referendum in accordance with Section 52ZK of the Local Government Finance Act 1992.
- 2.14 Members have had regard for the Statement of the Section 151 Officer in accordance with the Local Government Act 2003 as set out in Section 12.
- 2.15 The Capital Programme 2017/18 to 2020/21 as set out in Appendix D is approved.
- 2.16 That the Pay Policy Statement 2017/18 as set out in Appendix E is approved

### **3. ECONOMIC & FINANCIAL CONTEXT**

- 3.1 The forecast for the national public finances set out in the Autumn Budget recently are expected to improve for this financial year and next year and then worsen over the subsequent 3 years compared with the Spring 2017 projections. The worsening position is largely due to the lower forecasts of growth over the period to 2021/22 resulting in lower than expected tax receipts, higher debt levels and increased public sector spending (mainly additional revenue funding of £2.8bn the NHS).
- 3.2 Additional capital funding for infrastructure was announced in the Autumn Budget, mainly targeted at improving transport connectivity and housing delivery, these being funded by a £1.7bn Transforming Cities Fund, a £1.1bn Land Assembly Fund and an additional £2.7bn for the existing Housing Infrastructure Fund.
- 3.3 Despite the worsening position for the national public finances, the Office for Budget Responsibility still forecasts that the Government remains on track to meet its fiscal rules (i.e. remain within an annual deficit of 3% of GDP).
- 3.4 The Autumn Budget has left Government Departmental Spending limits unaltered and the recent Provisional Local Government Finance Settlement left the 4 year Funding Settlement that the Council accepted intact.
- 3.5 Measures intended to greater incentivise bringing empty properties back into use were also announced. This enables Local Authorities to increase the premium (currently 150%) to 200%. It is expected however that this will require primary legislation and therefore will not be available to be applied until April 2019.
- 3.6 Whilst funding levels generally have not changed following the Autumn Budget and Provisional Local Government Finance Settlement, other factors such as inflation generally (pay and prices), rising pension costs, the level of housing delivery (and therefore the impact on the Council's New Homes Bonus grant) have had an impact on the Council's forecasts for future years and increased the forecast deficit in 2019/20 and 2020/21 (see Section 10).
- 3.7 Over the past 7 years (since 2011/12), Central Government funding to the Councils has reduced by over 40% in real terms with further reductions planned for the next 3 years at least. The future outlook for both funding and spending for the Council is summarised below and described in more detail later in the report.

#### Funding Outlook - 2018/19 to 2021/22

- Government Grants (Local Government Finance Settlement) - Expected to reduce from £1.8m currently to £0.7m by 2021/22 as a consequence of reductions in Revenue Support Grant (£0.6m), New Homes Bonus (£0.4m) and Benefits Administration Grant (£0.1m)
- Business Rates - Forecast to increase from £3.3m currently to £3.6m in 2021/22 relating mainly to an anticipated overall increase in the multiplier (linked to inflation)
- Council Tax - Assumed to increase from £212.81 currently to £234.19 in 2021/22 based on a 3.0% increase in Council Tax for 2018/19 and then a £5

increase in Band D Council Tax per year thereafter; additionally natural growth in the Council Tax Base of 2.8% is forecast

#### Spending Outlook - 2018/19 to 2021/22

- Inflation is assumed to increase as follows:
  - Pay award and major contracts – 2.6% for 2018/19 followed by between 2.0% - 2.5% per annum thereafter through to 2021/22
  - Other main spending heads, including premises and supplies and services expenditure, based on actual inflation experienced for 2018/19 and then CPI thereafter
- Other key financial pressures relate mainly to an increase in pension obligations over the period.

3.8 In overall terms, the reduction in funding coupled with the increased costs to the Council are expected to result in an overall budget deficit of £825,000 by 2021/22. The overall strategy to meet this deficit is outlined below.

#### **4 MEDIUM TERM FINANCIAL STRATEGY - 2016 to 2021**

4.1 The Policy & Organisation Board considered the Medium Term Financial Strategy 2016-21 in September 2016. The strategy is characterised by the following:

- Efficiency - operating zero based budgeting and pursuing service reviews
- Partnership Working - to realise savings and improve service resilience
- Income Generation - including a policy of a £5 per annum increases in Council Tax per Band D Tax payer (equating to £3.89 per annum for the average Gosport Band B Taxpayer) and regular reviews of fees and charges
- Invest to Save - relating to both revenue schemes and capital investment

4.2 Further measures pursued and now embedded within the Council's strategy are as follows:

- Regeneration to stimulate employment and as a consequence increase funding by improving the Business Rate Base and the Council Tax Base for the Council; this will also positively improve prosperity for the Borough generally and reduce the dependency on Council Services
- Entrepreneurial activities (such as commercial property investment) and optimising the use of the Council's land and property asset base
- Opportunities to both lower (in real terms) and re-phase the Council's debt obligations to further spread the necessary savings that the Council will

need to achieve, allowing more time for all other initiatives to take effect to contribute towards the necessary savings and ultimately avoid service cuts

Such opportunities will be explored, including the associated risk being mindful of the Council's overall responsibility to safeguard public funds. Any appropriate proposals will be presented in due course as a further measure to contribute towards the Council's forecast future deficits.

## **5 REVISED BUDGET 2017/18**

- 5.1 The Budget for 2017/18 as set out in Appendix A has been revised upwards from £9,921,000 to £10,163,000 and is recommended for approval.
- 5.2 The key changes between the Original Budget 2017/18 and the proposed Revised Budget 2017/18 are as follows:

### Expenditure 2017/18

Board and service expenditure has been revised upwards from £9,921,000 to £10,163,000, an increase of £242,000.

The key increases in spending include:

- Carry forwards of underspendings in 2016/17 into 2017/18 - £235,000
- Additional costs of Homelessness - £38,000
- Slippage in the works to extend the Leisure Centre and therefore the associated income - £35,000

The key reductions in spending / increases in income include (*brackets indicate a saving*):

- Interest Payments (£80,000)
- Interest Received (£53,000)

### Funding 2017/18

Funding has been revised downwards from £10,877,000 to £10,792,000, a reduction of £85,000.

The key change is:

- A reduction in Business Rate income of £82,000 mainly as a result of an increase in the levy payment



- 5.3 The overall increase in spending (£242,000) plus the overall reduction in funding (£85,000) for the Revised Budget 2017/18 totalling £327,000 is proposed to be funded by drawing down from the Revenue Financing Reserve by £245,000 and the Stability and Resilience Reserve by £82,000.

## 6 LOCAL GOVERNMENT FINANCE SETTLEMENT 2018/19

- 6.1 The Council resolved to accept the Government's 4 year Settlement in September 2016 which was accepted by Government. Whilst providing some certainty of future Government Funding, the funding reductions for the Council remain significant and challenging.
- 6.2 The Government published the provisional Local Government Finance Settlement 2018/19 in December 2017 and it is in line with the accepted 4 Year Settlement.
- 6.3 In overall terms, the Council expects a further reduction in Government Funding over the two year period 2018/19 to 2019/20<sup>1</sup> of £1.1m, representing a funding reduction of some 61%.
- 6.4 Of most significance are the reductions in Revenue Support Grant and the New Homes Bonus, which combined amount to a reduction of £1.1m. For the period to 2019/20, the Revenue Support Grant will reduce by £0.6m to zero and the New Homes Bonus by £0.4m. This is set out in the table below:

| Funding Stream                 | 2017/18<br>(Current Year) | 2018/19      | 2019/20      | Total<br>Reduction |
|--------------------------------|---------------------------|--------------|--------------|--------------------|
| Revenue Support Grant          | £0.6m                     | £0.3m        | £0.0m        | <b>£0.6m</b>       |
| New Homes Bonus                | £0.8m                     | £0.4m        | £0.4m        | <b>£0.4m</b>       |
| Other Grants                   | £0.4m                     | £0.3m        | £0.3m        | <b>£0.1m</b>       |
| <b>Total Government Grants</b> | <b>£1.8m</b>              | <b>£1.0m</b> | <b>£0.7m</b> | <b>£1.1m</b>       |

- 6.5 For 2018/19 alone, total Government Grants will reduce by £0.8m and this has been factored into the 2018/19 Budget proposed as part of this report.
- 6.6 Whilst the Revenue Support Grant forms part of the 4 Year Settlement, the New Homes Bonus and Other Grants do not and therefore these funding streams will remain a risk for the Council in future years. The New Homes Bonus is significant and currently represents 42% of all Government Grants and 7% of all Council funding<sup>2</sup>.
- 6.7 The scheme for the New Homes Bonus is intended to "sharpen the incentive" for housing delivery beyond a natural rate of growth and is summarised below:
- A threshold of a 0.4% increase in new homes (or "deadweight") before any New Homes Bonus (NHB) will be paid (i.e. 0.4 % growth will need to be achieved before any NHB funding will be paid)

<sup>1</sup> The remainder of the current Spending Review period

<sup>2</sup> Including Council Tax, Business Rates and Benefits Administration Grant

- Payments made for 4 years from 2018/19 and thereafter

6.8 Other key announcements as part of the Provisional Local Government Settlement are:

- Revenue Support Grant - There is no change to the distribution methodology for 2018/19
- Council Tax:
  - The basic referendum principle of a 3% increase is confirmed (or a higher limit of either 3% or £5 for all shire District Councils, for Gosport Borough Council a £5 increase equates to 2.35%)
  - Adults Social Care Precept remains intact (6% increase over the 3 years 2017/18 to 2019/20).
  - Police Council Tax can increase by a maximum of £12 (which for Hampshire equates to a 7.25% increase in their share of the Council Tax)
- Planning Fees - Increases of up to 20% will be allowed but conditional upon re-investment into Planning Services
- The Government published its technical consultation on the Fair Funding review (i.e. the review of the 'needs element' embedded with the Revenue Support Grant and the Business Rates Retention system) to come into effect in 2020/21, this will be followed by further consultation documents in the future. This review represents a key uncertainty for future Council funding levels.
- The Business Rate Retention Scheme to come into effect simultaneously with the Fair Funding Review in 2020/21 will now be a 75% Business Rate Retention scheme (as opposed to the 100% Business Rate Retention Scheme previously announced). This also is a key uncertainty for the Council's future funding levels.

6.9 Whilst the Local Government Finance Settlement is a significant factor in determining the Council's overall financial position and therefore any necessary savings, other significant factors that will affect the Council's future savings requirements include Business Rates income, Council Tax income, inflation, interest rates and any new unfunded burdens passed down from Government.

6.10 The final grant settlement figures should be available by early February and it is recommended that any variation should be accommodated by a transfer to / from the Revenue Financing Reserve.

## **7 BUSINESS RATES - 2018/19 & FUTURE FORECASTS**

7.1 The Retained Business Rates system is extremely complex and subject to a significant degree of inherent risk.

7.2 In broad terms, the Council currently retains 21% of all Business Rates received and this is characterised by a complex formula which includes the following:

- i) An initial starting point of 40% retention of all business rates received
- ii) Reduced by a fixed amount "tariff" which increases annually by the rate of inflation
- iii) Any growth in Business Rates (above a pre-determined baseline<sup>3</sup>) is reduced by a "levy" of 50%.
- iv) A "safety net" set at 7.5% below a pre-determined baseline<sup>4</sup> below which retained Business Rates will not fall (set at £2,228,743 for 2018/19)
- v) A General Fund grant reimbursement under Section 31 of the Local Government Act 2003 to compensate local authorities for business rates foregone as a result of the government's nationally determined additional business rate reliefs

In overall terms therefore, the Council currently retains 21% of Business Rates<sup>5</sup> amounting to £3,607,000 for 2018/19, with any additional Business Rates received above this being received at 20% (i.e. the Council's 40% share reduced by the levy of 50%)

7.3 In 2017/18 the National Non Domestic Rate system was subject to a re-valuation. This revised both the rateable values and the multiplier. The entire re-valuation is financially neutral at a national level with the increase in rateable values overall offset by a reduction in the multiplier.

7.4 The Retained Business Rates system for Local Authorities is likewise intended to be financially neutral. This however, will not be the case and there will inevitably be "winners" and "losers" across the country. The key risk is the extent to which successful appeals are greater or less than the assumed allowance for appeals contained within the new multiplier set by Government.

7.5 For 2018/19, Retained Business Rates are estimated at £3.6m which includes a surplus relating to previous years of £0.1m. Future estimated Business Rates have been assumed to increase by the rate of inflation only (as estimated by the Office for Budget Responsibility)

7.6 As previously mentioned, the estimation of business rate receipts is extremely complex, with the potential to be volatile and with many of the factors outside this Council's control. In particular, the Valuation Office Agency will both determine

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<sup>3</sup> Known as the Business Rates Baseline, set in 2013/14 and increased by inflation each year

<sup>4</sup> Known as the Business Rates Baseline, set in 2013/14 and increased by inflation each year

<sup>5</sup> After deducting the "tariff"

whether a rating appeal is successful and the level of reduction granted with the Council having no right of challenge.

- 7.7 A Stability and Resilience Reserve was established in order to help mitigate against the risks outlined above. This reserve is critical in helping to safeguard against the significant volatility associated with the Business Rate Retention Scheme and provides the Council with a degree of funding stability in the event of significant fluctuations between years.

## **8 COUNCIL TAX - 2018/19 & FUTURE FORECASTS**

### Council Tax Amount 2018/19

- 8.1 Council Tax currently represents almost 52% of the Council's total revenue funding and as Government funding has reduced this has become an increasingly more important and dependent funding source for the Council.
- 8.2 Council Tax for the average Council Tax payer in Gosport (Band B) currently amounts to £1,225.16, of which £165.52 (13.5%) is the Gosport Borough Council element. In response to inflationary pressures faced by Councils (e.g. Consumer Price Index (CPI) 3.0% and Retail Price Index (RPI) 4.1%), the Provisional Local Government Finance Settlement for 2018/19 confirmed a Council Tax increase limit (i.e. referendum threshold) of either 3% or £5 for all shire District Councils, whichever is the higher. For Gosport Borough Council, a 3% increase is the higher limit. Any increase beyond the 3% threshold can only be implemented following a "Yes" vote in a local referendum.
- 8.3 As described more fully later in this report, the actual level of inflation for 2018/19 is circa £0.1m higher than had been originally forecast. This is principally due to the pay award at 2.6% being £66,000 higher than forecast and RPI / CPI (upon which contracts and other costs are linked) estimated to cost an additional £32,000. The proposals for the 2018/19 Budget are based on increasing the Council Tax by 3% represent an increase of just under 10 pence per week for the average Band B taxpayer in Gosport. At present, 51% all residents pay the full amount of Council Tax with 49% being entitled to some form of discount, exemption or Local Council Tax Support.
- 8.4 The Council's future forecasts for the period 2019/20 to 2021/22 have been estimated on the basis of a £5 increase per annum for a Band D Taxpayer (£3.89 for the average Gosport Band B Tax payer).

### Council Tax Base 2018/19

- 8.5 The Council Tax Base (i.e. the number of Band D equivalent properties paying the full Council Tax) has been determined as 26,524.9 for 2018/19, having taken account of all estimated changes in properties, discounts and exemptions for the coming year.

## Collection Fund Balance (Council Tax Element) 2017/18

8.6 The Collection Fund is the account into which are paid amounts collected in respect of Council Tax and out of which are paid the Council Tax precepts to:

- Hampshire County Council (72% share)
- Gosport Borough Council (14% share)
- Hampshire Police & Crime Commissioner (10% share)
- Hampshire Fire and Rescue Authority (4% share)

In the event that actual Council Tax income receivable is different from the estimated income (informed by the calculation of the Council Tax Base) upon which the precepts are based, then a surplus or deficit will arise.

8.7 For 2017/18, it is estimated that the Collection Fund will be in balance and therefore there are no distributions to be made.

## Total Council Tax Income 2018/19 & Future Years

8.8 Considering the Council Tax increase, Council Tax Base and surplus on the Collection Fund, the total Council Tax income for 2018/19 is estimated at £5,814,000

8.9 As Government funding reduces and costs rise with inflation, rises in Council Tax income are fundamental to the Council's future financial position and therefore the future sustainability of Council Services. The Council's Medium Term Financial Forecast assume that Council Tax Income will rise to £6.4m by 2021/22 and is based on the following assumptions:

- An increase in Council Tax of 3% (less than 10 pence per week for a Band B Council Tax payer) for 2018/19
- Annual increases in the amount of Council Tax of £5 per annum for a Band D Tax payer (£3.89 for a Band B Tax payer) from 2019/20 onwards
- Growth in the Council Tax Base of circa 2.8% over the period

## **9 REVENUE BUDGET 2018/19**

9.1 The overall aim of the Council's Medium Term Financial Strategy is to match "In Year" spending with "In Year" income and funding over the medium term with the use of the Revenue Financing Reserve and the Stability and Resilience Reserve being used to "smooth out" any necessary fluctuations between years. It is vital that these Reserves are maintained and used wisely for their intended purpose so that the Council has the ability to respond to any potential "financial shocks" without resorting to quick and severe reductions to services. Crucially, it is also essential that the Council has the financial capacity to be able to fund spend to save initiatives that support the delivery of the future savings necessary to ensure continued financial viability and delivery of good quality Council services.

9.2 The proposed Budget for 2018/19 has been prepared to accommodate the necessary savings required as a consequence of the following:

- The funding reductions from Government of £798,000
- Inflationary costs and other cost pressures amounting to over £367,000; but offset by:
  - An increase in Council Tax of 3% per annum and an increase in the number of Council Taxpayers amounting to £194,000
  - Increase in Retained Business Rates of £247,000

9.3 The key changes between the Original Budget 2017/18 and the proposed Budget 2018/19 are as follows:

#### Expenditure 2018/19

Board and service expenditure is estimated at £10,288,000 an increase of £367,000 from the Original Budget for the current year of £9,921,000

Key increases in spending include:

- Inflation (Pay and Prices) - £315,000
- Pensions - £85,000
- Local elections - £80,000
- Net cost of the re-organisation of the Planning Service to accommodate the preparation of the new Local Plan and support regeneration activity - £70,000

Key reductions in spending and additional income include (*brackets indicate a saving*):

- Interest payments (£68,000)
- Re-charges to Housing Revenue Account (Interest / Debt) - (£65,000)
- Council Tax Collection Income - (£40,000)

#### Funding 2018/19

Total funding for the Council is estimated at £10,465,000, a reduction of £412,000 compared to the originally estimated funding for the current year of 10,877,000

Reductions in Funding include:

- A reduction of £798,000 in government grants – mainly reducing Revenue Support Grant and New Homes Bonus

Increases in Funding include:

- An overall increase in Council Tax income of £139,000 arising from an increase in the forecast Council Tax Base of 115.2 (i.e Band D equivalent

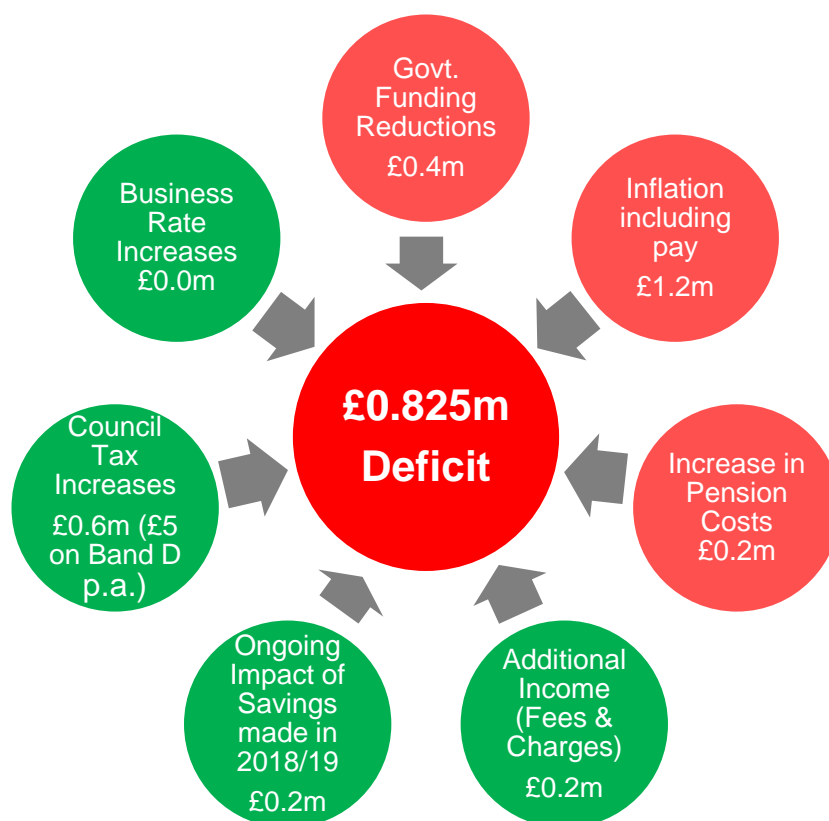
properties), a 3% increase in the Council Tax and offset by the non recurrence of the £55,000 surplus in the Council Tax Collection Fund

- An increase in retained Business Rates income of £247,000 although the "in year" increase includes factors of a "one-off" nature which will "fall out" in 2019/20 causing Business Rates to fall by £270,000 in 2019/20

- 9.4 Despite significant inflationary costs amounting to circa £315,000 and unavoidable costs such as pension increases (£85,000) and the cost of the local elections (£80,000) and the increased costs of Homelessness (£58,000), strong financial management by the Council has led to an overall increase of just £367,000 (representing a 3.7% increase) which is considerably less than the increases in unavoidable costs. This demonstrates the Administration's continued drive to secure efficiencies whilst limiting the impact on public services.
- 9.5 This approach has enabled the Council to make an overall contribution to Reserves of £177,000 illustrating that the Council's in year spending versus in year funding is broadly balanced for 2018/19. Looking ahead to 2019/20 and beyond, the combined impact of continued funding reductions and inflationary costs will cause a deficit between funding and spending and the support of Reserves will be required in order to "smooth out" the necessary savings over a manageable timescale. Retaining adequate Reserves is consistent with maintaining the continued financial health of the Council. Reserves are described in more detail in Section 11 of the report.
- 9.6 A summary of the proposed Budget 2018/19 is set out in Appendix A and the Budgets for each of the Boards are included at Appendix C.

## 10 REVENUE FORECASTS 2019/20 TO 2021/22

- 10.1 A new medium term forecast has now been completed to cover the period 2019/20 to 2021/22 (i.e. after including the savings and cost pressures incorporated into the 2018/19 Budget and incorporating the further financial year of 2021/22). All of the financial assumptions have been comprehensively revised and a savings requirement for the new period has been estimated at £825,000 and is summarised below:



- 10.2 The most significant assumptions in the medium term future forecasts for the period 2019/20 to 2020/22 are described below:

- Reductions in overall general Government funding of 28.5% in 2018/19, a further 9.4% in 2020/21 and a further 1.0% in 2021/22
- An underlying assumption that the impact of the Fair Funding Review in 2020/21 will be neutral on the Council (see below)
- A broadly neutral position for the New Homes Bonus over the whole period
- An increase in the Council's pension obligations amounting to £0.2m over the period
- The on-going financial impact of the efficiency savings proposed in the 2018/19 Budget amounting to £0.2m



- A Council Tax increase of £5 increase per annum for a Band D property for 2019/20 to 2021/22 plus an average increase in the Council Tax Base of circa 0.9% per annum over the period
- An underlying zero growth assumption for changes in Business Rates from 2019/20 onwards, to reflect the uncertainty relating to appeals and mandatory reliefs
- Indexation uplifts on retained Business Rates of 2.0% for 2019/20, a further 2.0% for 2020/21 and a further 2.0% for 2021/22
- An overall composite inflationary provision covering all pay and prices amounting to 2.6% for 2019/20, a further 2.6% for 2020/21 and a further 2.3% for 2021/22
- Interest rates on any new borrowing of 2.5% for 2019/20, 2.7% for 2020/21 and 2.8% for 2021/22
- Investment rates on any new lending of 0.7% for 2019/20, 0.8% for 2020/21 and 0.9% for 2021/22
- An assumption of a steady state for all budgets

10.3 The Fair Funding Review in 2020/21 creates a significant degree of uncertainty of the Council's future forecasts. It is a "Needs Based Review" aimed at re-distributing funding across Local Authorities to where it is most needed based on the cost drivers of services and the demand for services. It has the potential to both withdraw any Business Rate growth received above the "Business Rate Baseline", which for Gosport amounts to £0.5m and increase the "Tariff" on Business Rates paid over to the Government too. However, any significant financial turbulence associated with the change is likely to be phased in.

10.4 The estimated 3 Year Savings Requirement of £825,000 is recommended to be phased evenly over the next 3 years (see table below). This provides for a managed reduction in spending, giving good opportunity for alternative income / efficiency initiatives to take effect and balanced with a financially responsible approach to achieving the necessary savings over the period.

|         | <b>Revised<br/>Underlying<br/>Budget<br/>Deficit</b> | <b>In Year<br/>Target</b> | <b>Revised<br/>Cumulative<br/>Saving</b> |
|---------|--|---------------------------|--|
|         | <b>£</b>   | <b>£</b>                  | <b>£</b>                                 |
| 2019/20 | 541,000  | 275,000                   | 275,000                                  |
| 2020/21 | 773,000  | 275,000                   | 550,000                                  |
| 2021/22 | 825,000  | 275,000                   | 825,000                                  |

10.5 As illustrated above, the underlying deficit in both 2019/20 and 2020/21 is in excess of the target savings for the year. Consequently, there will be a requirement to draw on Reserves in those years if the Council is to pursue a strategy of "smoothing out" the savings requirements in a managed way. The forecast that the draw on Reserves is forecast to be £489,000 as follows:

- 2019/20      £266,000
- 2020/21      £223,000
- 2021/22      £0

10.6 The savings strategy described above, and having proper regard for the uncertainty surrounding future Government Funding (i.e the Fair Funding Review), can only work if the Council retains the level of Reserves set out in this report. The flexibility afforded by Reserves at these levels will ensure that in the event that the 3 year forecast improves, the Council has not prematurely made a level of savings and service reductions that could have been avoided and it allows more time for savings initiatives to take effect. Conversely, if the forecast deteriorates, the Council will have made good progress towards the necessary savings and have sufficient Reserves to avoid significant "spikes" in Savings Requirements in any single year in the future.

10.7 The overall Budget Deficit over the next 3 years at £825,000 represents circa 8%<sup>6</sup> of the Council's net controllable spending. Against a backdrop of significant reductions in Government funding and associated savings over the past 7 years, this will be a challenge for the Council. Nevertheless, with a proposed even profile of savings of £275,000 per annum for the next 3 years, there is confidence that this can be achieved with minimal impact of front line services through measures to stimulate both the Business Rate Base and Council Tax Base, additional income opportunities, service reviews and further integrated working with partners.

10.8 Further analysis of the Council's Medium Term Financial Forecasts is set out in Appendix B.

## **11 RESERVES**

11.1 In General, maintaining adequate reserves is a measure of responsible financial management and strong financial health. They are required in order to be able to respond to "financial shocks" without having to revert to the alternative of quick and severe reductions in services. Equally, they can be a vehicle to take advantage of any opportunities that may arise which are in the financial interests of the Council (for example, matched funding opportunities which could lever in additional funding for Gosport or Spend to Save schemes). Importantly as described in Section 10, they also enable differences between expenditure and funding levels to be "smoothed out" and managed in a planned way over time.

11.2 The General Fund Working Balance is the minimum level of balances, on a risk basis, that the Council should not breach. The Working Balance is set at a level that is consistent with the Council's level of potential financial risks and enables the Council to meet unexpected demands on its resources such as increased inflation or

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<sup>6</sup> Total net spending less pension and debt obligations

demand for statutory services, therefore providing a cushion against uneven cash flows.

- 11.3 The Revenue Financing Reserve (RFR) is the Council's primary vehicle for driving through savings initiatives of both a Revenue and Capital nature and remains a critical part of the Council's overall Medium Term Financial Strategy. The RFR is also used to ensure that fluctuations in annual maintenance requirements can be met, to underwrite any uninsured risks and meet any necessary redundancy costs.
- 11.4 Following a small contribution to the RFR of £60,000 in the current year, the proposed Budget for 2018/19 includes a withdrawal of £70,000, bringing the total estimated balance on the Reserve to £3.28m.
- 11.5 The Stability and Resilience Reserve (SRR) was established in 2014/15 to help safeguard against the significant increase in risk and volatility arising from the introduction of the Business Rate Retention Scheme and the Council Tax Support Scheme together with the uncertainties in future levels of Central Government support.
- 11.6 Whilst there is relative certainty of core Government funding until 2019/20, this amounts to just £1.0m and 10% of all funding.
- 11.7 Council Tax income carries is a low to medium financial risk, it amounts to £5.8m and comprises 56% of all funding. Risks associated with Council Tax relate mainly to the cost of the Local Council Tax Support Scheme and the level of exemptions and discounts awarded.
- 11.8 The New Homes Bonus at £391,000 is a particular risk and dependent on the delivery of additional homes over and above 0.4% each and every year.
- 11.9 The most significant financial risk to the Council's funding is Retained Business Rates. This amounts to £3.6m in 2018/19 and 35% of all funding. With the introduction of the new Business Rate re-valuation from April 2017, Business Rate Retention income has never been more uncertain. Historically 80% of each new valuation list is appealed and whilst a "safety net" mechanism is in place for a reduction in income<sup>7</sup> of more than 7.5%, this area of funding is particularly uncertain.
- 11.10 As described, with the exception of just 6% of the funding base, the majority of Council funding is exposed to some risk but with the Business Rate Retention Scheme and the New Homes Bonus, representing 39% of the funding base being subject to the most potential volatility.
- 11.11 It is vital that the SRR is maintained at healthy levels to guard against the real and significant funding risks facing the Council over the medium term. The proposed Budget for 2018/19 makes a contribution of £247,000 to the SRR, setting it to £1.951m which represents 19% of total annual funding.
- 11.12 In view of the need to continue to make savings in a smooth and managed way over the next 3 year period and the particular funding uncertainties, it is both financially responsible and prudent to maintain these reserves at the proposed levels.

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<sup>7</sup> The reduction is measured against the Business Rate Baseline of £2,409,553 rather than Retained Business Rates of £3,607,000

## **12 Statement of the Section 151 Officer in Accordance with the Local Government Act 2003**

- 12.1 Section 25 of the Local Government Act 2003 ("the Act") requires the Chief Financial Officer to report to the Council on the following matters:
- The robustness of the estimates included in the budget made for the purposes of setting the Council Tax; and
  - The adequacy of proposed financial reserves
- 12.2 Section 25 of the Act concentrates on uncertainties within the budget year rather than the greater uncertainties in future years. In the current economic climate, there continue to be uncertainties in both the current and future years i.e. beyond 2018/19. Particular uncertainties exist regarding the extent of successful appeals and mandatory reliefs which affect Retained Business Rates, the level of the New Homes Bonus and the impact of inflation. All of these uncertainties increase the need for adequate reserves and balances to be maintained in current and future years.
- 12.3 A minimum level of revenue reserves must be specified within the Budget. The Local Authority must take full account of this information when setting the Budget Requirement.
- 12.4 Should the level of reserves fall below the minimum approved sum of £890,000 as proposed in this report, either arising from an overspend in the previous year or the current year, the S.151 Officer has a duty to report this to the Council with recommendations as to the actions that should be taken to rectify the shortfall. In the most extreme of circumstances, the S.151 Officer can impose a spending freeze until a balanced budget is approved by the Council.

### **(a) Robustness of the Budget**

- 12.5 In setting the Budget, the Council should have regard to the strategic and operational risks facing the Council. Some of these risks reflect the current economic climate and the national issues surrounding local authority funding levels.
- 12.6 Estimates and forecasts have been prepared to include all known significant financial factors over the medium term in order to inform spending decisions.
- 12.7 Assumptions for the Budget and forecasts for future years are considered to be sound and based on the best available information. These are set out in detail in Sections 0 and 10 and use the following sources as their evidence base:
- Government funding as set out in the provisional settlement for 2018/19 to 2019/20.
  - A "no growth" assumption for Retained Business Rates on the basis that any income arising from growth will be offset by both appeals and reliefs

- An assumption that the current rateable value will be reduced by 4.7% arising from appeals against the 2017 rating list and based on Government estimates of the likely national cost of appeals
- Increases in Council Tax within the likely referendum limits set out in the Comprehensive Spending Review
- Inflation on Retained Business Rates and prices informed by inflation estimates from the Office for Budget Responsibility
- Prudential borrowing requirements based on approved Capital schemes
- Balances and contingencies based on a risk assessment of all known financial risks

12.8 Savings contained within the Budget are those where Board Chairmen and Senior Management assess the confidence level of achievement is medium and above. Responsibility and accountability for delivering the savings rests with Board Chairmen and Senior Management and progress will be monitored throughout the year as part of the Budget Monitoring process.

12.9 The most volatile budgets are Housing Benefits, Homelessness, Interest Payable and Receivable and General Maintenance. Budget provision has been made available to cover these risks both directly within Service budgets as well as maintaining an adequate Revenue Financing Reserve.

12.10 The forecasts prepared for the forthcoming and future years are robustly based and illustrate the expected costs the Council will incur in order to deliver current levels of service.

12.11 Board Chairmen and Senior Managers will be given regular budget updates to ensure that action to address any potential over or underspend is taken promptly.

### **(b) The Adequacy of Proposed Financial Reserves**

12.12 The Council's General Fund Working Balance, Revenue Financing Reserve (RFR) and Stability & Resilience Reserve (SRR) have been proposed at levels that are consistent with the Council's financial risks over the medium term.

12.13 The Working Balance at £890,000 represents 1.4% of gross annual spending<sup>8</sup>, which whilst relatively small is supplemented by the RFR and SSR for the Council's highest financial risks.

12.14 The RFR is appropriately set to ensure adequate financial capacity exists to support the cost of implementing the necessary savings required for future years. The SRR has been set at 19% of annual funding and is sufficient to accommodate funding volatility over the next 2 to 3 years.

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<sup>8</sup> General Fund Revenue Expenditure plus General Fund Capital Expenditure

- 12.15 The Council maintains a number of other Earmarked Reserves for specific purposes and known future liabilities, all of which are fully committed.
- 12.16 At the proposed levels, the Council reserves are sufficient to accommodate the Council's financial risks and maintain the Council's overall financial health.

### **13 PAY POLICY STATEMENT 2017/18**

- 13.1 The Council is required to consider and publish its Pay Policy and Members Allowance Scheme that will apply next financial year before the end of March. They are attached as appendix E and F for approval by Council. The financial consequences of these are included in the proposed budget.

### **14 CAPITAL PROGRAMME 2017/18 TO 2020/21**

- 14.1 The Council's Capital Strategy and accompanying Capital Programme for the 4 years to 2020/21 was considered and approved by the Council on 11 October 2017.

- 14.2 The approved Capital Strategy is more fully described in the report to Council on 11 October 2017 and is summarised below:

- Core Aim 1 - A Medium Term Strategy
- Core Aim 2 - Maximise the Capital Resources Available and the flexibility of their application
- Core Aim 3 - Targeted Capital Investment (prioritised categories):
  - **Category 1** - Programmes of a recurring nature that are essential to maintain operational effectiveness
  - **Category 2** - Specific schemes that:
    - Have a significant catalytic potential to unlock the regeneration of the Borough
    - Are significant in terms of the Council strategies that they serve
    - Are significantly income generating or efficiency generating
    - If not implemented would cause severe disruption to Service delivery

- 14.3 The Capital Programme approved by Council in October 2017 approved new Capital Investment which invested in the following and which are contained within the proposed Capital Programme 2017/18 to 2020/21 as set out in Appendix D:

- Improvements to Housing Stock - £3.5m
- Waterfront Re-generation - £1m to use as funding to lever in both further grant funding as well as private sector funding for a comprehensive re-development

- Coastal Flood and Erosion Schemes - £3.8m to maintain the integrity of the Boroughs coastline and protect homes and businesses
- Continuation of Rolling Programmes - £0.5m has been provided to continue the essential programmes of activity that maintain the Council's operational property and systems as well as funding to improve the Borough's environment
- Splash Pool - £0.4m to provide a facility to improve the attractiveness and opportunities to make better use of the seafront in Lee-On -Solent
- Funding to replace obsolete and critical risk IT systems in order to ensure that data and systems are adequately supported, protected and resilient
- Digital Strategy (Channel Shift) - £150,000 to enhance the customer experience with the Council enabling residents to be able to transact and communicate with the Council simply at times of their convenience

14.4 The Capital Programme now presented includes the following additional Capital Investment proposals:

- Daedalus Regeneration- £867,000 to provide funding to masterplan, undertake necessary site surveys and full due diligence in anticipation of a potential transfer of land into the Council's ownership and followed by detailed planning and marketing in order to bring the site into productive economic use
- Waterfront Regeneration - £328,000 top up funding to facilitate the vacation and marketing of the Bus Station and leave the £1m contribution intact (see above) which is provided to lever in both further grant funding as well as private sector funding for a comprehensive re-development
- Alver Valley - £311,000 top up funding to facilitate the development of the garden centre

14.5 This programme has also been revised to take account of any under and overspendings as well as any re-phasing of expenditure across years. The Capital Programme amounts to £30.3m and is funded primarily funded from the Major Repairs Reserve, HRA revenue contributions and borrowing.

14.6 There can be a direct impact on revenue budgets arising from the Capital Programme both positive and negative. All revenue implications arising from the Capital Programme have been taken into account in the proposed Budget 2018/19 and the forecasts for future years.

14.7 In the current climate, it is important that the Council directs its available capital resources in a balanced way towards both essential service provision as well as regeneration activities and invest to save schemes. Investing in regeneration and schemes that stimulate employment is likely to improve overall prosperity within the Borough, reducing the need for Council services which better enables savings to be made. Additionally, increased employment has a positive financial impact on the Council's funding from Business Rates which will support the Council's future viability and the sustainability of high quality services to residents.

- 14.8 The amount of capital expenditure funded through borrowing continues to be strictly controlled since it must be demonstrated that the revenue consequences are affordable in line with the Prudential Code.

## **15 CONCLUSION**

- 15.1 The proposed Budget 2018/19 of £10,288,000 is balanced, has been prepared on the basis of an increase in spending of 3.7% amounting to £367,000 and a council tax increase of 3%, largely to accommodate inflation that is currently running at 3.0% and 4.1% for CPI and RPI, respectively. It is also consistent with the need to balance spending with income and funding over the medium term.
- 15.2 The Council's future forecasts require that savings of £825,000, either through reduced costs and / or additional income will be required over the next 3 years. It is proposed that these savings be phased at £275,000 per annum from 2019/20 to 2021/22 inclusive in order to provide for a broadly evenly managed programme to be implemented over the period. There is confidence that the Council can deliver these savings through stimulation of the tax base, income generation opportunities, service reviews and continued joint working with partners.
- 15.3 Significant risks to the Council's future funding still remain over the next 3 years, particularly relating to the Retained Business Rates and the New Homes Bonus. From 2020/21, the Government have committed to changing the funding system to one which is based on retaining 75% of Business Rates. As part of that, Government will assess the amount of Business Rates the Council need to sustain its services (known as the Fair Funding review) and this will be the baseline at which Business Rate funding will be retained. This therefore is a considerable funding risk in the longer term that could increase the overall deficit above £825,000 and is a key reason why the Council's Reserves need to be retained at adequate levels.
- 15.4 The proposed Budget for 2018/19 is financially balanced, robustly based and provides sufficient cover for anticipated and potential financial risks within the year. Furthermore, the overall financial health of the Council currently remains sound providing a good degree of resilience against an uncertain future.



|  |  |
|--|--|
| Financial Implications:                | Council's General Fund Budget and Council Tax level for 2018/19  |
| Legal Implications:                    | The Council has to set a balanced budget and is also under an obligation to carry out its functions effectively, efficiently and economically  |
| Service Improvement Plan implications: | The budget submissions reflect both service improvement plans and the corporate plan.  |
| Corporate Plan:                        | The budget submissions reflect both service improvement plans and the corporate plan. The report includes an assessment of the risks in the Council's budget and forward projections as described in Section 12.           |
| Risk Assessment:                       |  |
| Background papers:                     | Budget Book<br>Budget working papers<br>Capital Programme 2017/18 to 2020/21   |
| Appendices/Enclosures:                 | A. General Fund Budget 2018/19<br>B. General Fund Forecast to 2021/22<br>C. Summary of Service Board Budgets 2018/19<br>D. Capital Programme 2017/18 to 2020/21<br>E. Pay Policy Statement<br>F. Members' Allowance Scheme |

# APPENDIX A

## GENERAL FUND BUDGET

### SUMMARY OF REVISED 2017/18 AND ESTIMATE 2018/19

|   | ORIGINAL<br>2017/18<br>£'000 | REVISED<br>2017/18<br>£'000 | ESTIMATE<br>2018/19<br>£'000 |
|---|------------------------------|-----------------------------|------------------------------|
| <b>GENERAL FUND BUDGET</b>              |                              |                             |                              |
| COMMUNITY BOARD                         | 5,369                        | 5,620                       | 5,522                        |
| ECONOMIC DEVELOPMENT BOARD              | 842                          | 840                         | 893                          |
| POLICY AND ORGANISATION BOARD           | 3,710                        | 3,703                       | 3,873                        |
| <b>TOTAL NET EXPENDITURE</b>            | <b>9,921</b>                 | <b>10,163</b>               | <b>10,288</b>                |
| <b>TRANSFER TO/(FROM) RESERVES</b>      |                              |                             |                              |
| GENERAL FUND WORKING BALANCE            | 0                            | 0                           | 0                            |
| REVENUE FINANCING RESERVE               | 305                          | 60                          | (70)                         |
| STABILITY AND RESILIANCE RESERVE        | 651                          | 569                         | 247                          |
| <b>BUDGET TOTAL</b>                     | <b>10,877</b>                | <b>10,792</b>               | <b>10,465</b>                |
| <b>FINANCED BY</b>                      |                              |                             |                              |
| COUNCIL TAX                             | (5,675)                      | (5,675)                     | (5,814)                      |
| GOVERNMENT GRANTS                       | (1,842)                      | (1,839)                     | (1,044)                      |
| BUSINESS RATES                          | (3,360)                      | (3,278)                     | (3,607)                      |
|   | <b>(10,877)</b>              | <b>(10,792)</b>             | <b>(10,465)</b>              |
| <b>BALANCES</b>                         |                              |                             |                              |
| <b>GENERAL FUND WORKING BALANCE</b>     |                              |                             |                              |
| B/FWD                                   | 890                          | 890                         | 890                          |
| CHANGE                                  | 0                            | 0                           | 0                            |
| C/FWD                                   | 890                          | 890                         | 890                          |
| <b>REVENUE FINANCING RESERVE (RFR)</b>  |                              |                             |                              |
| B/FWD                                   | 2,560                        | 3,289                       | 3,349                        |
| CHANGE                                  | 305                          | 60                          | (70)                         |
| C/FWD                                   | 2,865                        | 3,349                       | 3,279                        |
| <b>STABILITY AND RESILIANCE RESERVE</b> |                              |                             |                              |
| B/FWD                                   | 1,135                        | 1,135                       | 1,704                        |
| CHANGE                                  | 651                          | 569                         | 247                          |
| C/FWD                                   | 1,786                        | 1,704                       | 1,951                        |

## APPENDIX B

| GENERAL FUND PROJECTION TO 2021/22      |                  |                  |                  |
|---|------------------|------------------|------------------|
|   | 2019/20<br>£'000 | 2020/21<br>£'000 | 2021/22<br>£'000 |
| <b>A 2018/19 BASE BUDGET</b>            | <b>10,288</b>    | <b>10,288</b>    | <b>10,288</b>    |
| <b>B BUDGET INCREASES / (DECREASES)</b> |                  |                  |                  |
| PENSIONS                                | 91               | 155              | 220              |
| INFLATION                               | 382              | 770              | 1,160            |
| MRP                                     | 77               | 57               | 50               |
| INTEREST                                | 66               | 98               | 98               |
| ELECTIONS                               | (80)             |                  | (80)             |
| EXTERNAL FUNDING                        | (46)             | (47)             | (48)             |
| SAVINGS IDENTIFIED                      | (45)             | (45)             | (45)             |
| FEES AND CHARGES                        | (113)            | (113)            | (179)            |
|   | <b>332</b>       | <b>875</b>       | <b>1,176</b>     |
| <b>C PROJECTED BUDGET TOTALS (A+B)</b>  | <b>10,620</b>    | <b>11,163</b>    | <b>11,464</b>    |
| <b>D FUNDING</b>                        |                  |                  |                  |
| COUNCIL TAX (SEE BELOW)                 | (5,996)          | (6,183)          | (6,355)          |
| GOVERNMENT GRANTS (SEE BELOW)           | (746)            | (676)            | (683)            |
| BUSINESS RATES (SEE BELOW)              | (3,337)          | (3,531)          | (3,601)          |
| CONTRIBUTION TO / (FROM) RESERVES       | 0                | 0                | 0                |
|   | <b>(10,079)</b>  | <b>(10,390)</b>  | <b>(10,639)</b>  |
| <b>E BUDGET DEFICIT (C+D)</b>           | <b>541</b>       | <b>773</b>       | <b>825</b>       |

|                           |                |                |                |
|---------------------------|----------------|----------------|----------------|
| <b>COUNCIL TAX</b>        |                |                |                |
| COUNCIL TAX BASE          | 26,745.9       | 26,977.9       | 27,136.9       |
| COUNCIL TAX - BAND D      | £224.19        | £229.19        | £234.19        |
| <b>COUNCIL TAX INCOME</b> | <b>(5,996)</b> | <b>(6,183)</b> | <b>(6,355)</b> |

|                               |              |              |              |
|-------------------------------|--------------|--------------|--------------|
| <b>GOVERNMENT GRANTS</b>      |              |              |              |
| REVENUE SUPPORT GRANT         | 0            | 0            | 0            |
| NEW HOMES BONUS               | (396)        | (361)        | (400)        |
| BENEFITS ADMINISTRATION GRANT | (350)        | (315)        | (283)        |
| <b>GOVERNMENT GRANTS</b>      | <b>(746)</b> | <b>(676)</b> | <b>(683)</b> |

| Savings to meet budget requirement | Revised<br>Underlying<br>Deficit | In Year<br>Target | Revised<br>Cumulative<br>Saving |
|------------------------------------|----------------------------------|-------------------|---------------------------------|
| YEAR 1 (2019/20)                   | 541                              | 275               | 275                             |
| YEAR 2 (2020/21)                   | 773                              | 275               | 550                             |
| YEAR 3 (2021/22)                   | 825                              | 275               | 825                             |

## **APPENDIX C**

### **OVERVIEW OF GENERAL FUND BOARD REVENUE BUDGETS 2018/19**

1. All members have been issued with a draft budget book for 2018/19 that while primarily containing the Council's General Fund (GF) budgets by Board and Service also contains the Housing Revenue Account (HRA) budgets within Community Board and a summary of the Capital Programme by scheme. This Appendix provides an overview of the GF budgets
2. Each of the three Board budgets comprise a number of services, each service in turn comprises of a number of managerial 'cost centres' which facilitate the management and delivery of services by budget holders and managers
3. Board budgets may be presented by the individual services (eg Parking, Waste etc.) as in the budget book and may also be presented by the type of service expense that are incurred (eg Premises, Transport etc). These types of service expense are set down nationally for local authorities to follow.
4. The tables below show the each of the Council's spending Boards, firstly by their services as contained in the budget book and secondly by the type of expense

## APPENDIX C

| COMMUNITY BOARD - BY SERVICE   | Orig<br>Budget<br>17/18 | Revised<br>Budget<br>17/18 | Original<br>Estimate<br>18/19 | Variance       |                 |                |
|--------------------------------|-------------------------|----------------------------|-------------------------------|----------------|-----------------|----------------|
|                                |                         |                            |                               | Org<br>to Rev  | Rev<br>to Est   | Orig<br>to Est |
| <b>TOTAL</b>                   | <b>5,368,410</b>        | <b>5,620,440</b>           | <b>5,521,730</b>              | <b>252,030</b> | <b>(98,710)</b> | <b>153,320</b> |
| LEISURE & CULTURE              | 2,100,470               | 2,191,830                  | 2,123,490                     | 91,360         | (68,340)        | 23,020         |
| WASTE                          | 1,351,420               | 1,312,430                  | 1,331,770                     | (38,990)       | 19,340          | (19,650)       |
| STREETSCENE                    | 310,700                 | 446,410                    | 416,490                       | 135,710        | (29,920)        | 105,790        |
| COMMUNITY SAFETY               | 300,360                 | 285,710                    | 290,330                       | (14,650)       | 4,620           | (10,030)       |
| ENVIRONMENTAL SERVICES         | 502,120                 | 491,430                    | 502,000                       | (10,690)       | 10,570          | (120)          |
| MISC ENVIRONMENTAL & TRANSPORT | 493,760                 | 492,970                    | 455,250                       | (790)          | (37,720)        | (38,510)       |
| CEMETERY                       | 26,940                  | 56,700                     | 34,870                        | 29,760         | (21,830)        | 7,930          |
| HOME ADAPTATION GRANTS         | 7,300                   | 7,370                      | 7,660                         | 70             | 290             | 360            |
| PRIVATE SECTOR HOUSING         | 95,110                  | 82,450                     | 86,080                        | (12,660)       | 3,630           | (9,030)        |
| HOMELESSNESS                   | 273,150                 | 345,920                    | 366,060                       | 72,770         | 20,140          | 92,910         |
| OTHER GENERAL FUND HOUSING     | (92,920)                | (92,780)                   | (92,270)                      | 140            | 510             | 650            |

| COMMUNITY BOARD BY TYPE OF EXPENSES | Orig<br>Budget<br>17/18 | Revised<br>Budget<br>17/18 | Original<br>Estimate<br>18/19 | Variance       |                 |                |
|-------------------------------------|-------------------------|----------------------------|-------------------------------|----------------|-----------------|----------------|
|                                     |                         |                            |                               | Org<br>to Rev  | Rev<br>to Est   | Orig<br>to Est |
| <b>TOTAL</b>                        | <b>5,368,410</b>        | <b>5,620,440</b>           | <b>5,521,730</b>              | <b>252,030</b> | <b>(98,710)</b> | <b>153,320</b> |
| EXPENDITURE                         | 9,735,420               | 10,430,460                 | 10,437,760                    | 695,040        | 7,300           | 702,340        |
| EMPLOYEES                           | 87,070                  | 24,700                     | 22,170                        | (62,370)       | (2,530)         | (64,900)       |
| PREMISES                            | 736,630                 | 924,750                    | 794,090                       | 188,120        | (130,660)       | 57,460         |
| TRANSPORT                           | 9,000                   | 9,430                      | 9,190                         | 430            | (240)           | 190            |
| SUPPLIES & SERVICES                 | 2,103,210               | 2,227,160                  | 2,245,120                     | 123,950        | 17,960          | 141,910        |
| THIRD PARTY PAYMENTS                | 3,948,880               | 4,042,200                  | 4,118,180                     | 93,320         | 75,980          | 169,300        |
| TRANSFER PAYMENTS                   | 21,980                  | 280,670                    | 280,670                       | 258,690        | 0               | 258,690        |
| SUPPORT SERVICES                    | 2,021,920               | 2,092,870                  | 2,118,340                     | 70,950         | 25,470          | 96,420         |
| CAPITAL/FINANCING                   | 806,730                 | 828,680                    | 850,000                       | 21,950         | 21,320          | 43,270         |
| INCOME                              | (4,367,010)             | (4,810,020)                | (4,916,030)                   | (443,010)      | (106,010)       | (549,020)      |
| FEES & CHARGES                      | (4,019,500)             | (3,857,780)                | (3,834,320)                   | 161,720        | 23,460          | 185,180        |
| NON FEES & CHARGES                  | (347,510)               | (952,240)                  | (1,081,710)                   | (604,730)      | (129,470)       | (734,200)      |

| ECONOMIC DEVELOPMENT BOARD BY SERVICE | Orig Budget 17/18 | Revised Budget 17/18 | Original Estimate 18/19 | Variance       |               |               |
|---------------------------------------|-------------------|----------------------|-------------------------|----------------|---------------|---------------|
|                                       |                   |                      |                         | Org to Rev     | Rev to Est    | Orig to Est   |
| <b>TOTAL</b>                          | <b>842,030</b>    | <b>840,340</b>       | <b>892,610</b>          | <b>(1,690)</b> | <b>52,270</b> | <b>50,580</b> |
| ECONOMIC PROSPERITY                   | 240,850           | 246,030              | 251,210                 | 5,180          | 5,180         | 10,360        |
| MARKET                                | (37,800)          | (35,620)             | (39,530)                | 2,180          | (3,910)       | (1,730)       |
| TOWN HARBOUR FORESHORE                | 216,670           | 214,510              | 214,140                 | (2,160)        | (370)         | (2,530)       |
| EVENTS                                | 67,330            | 60,130               | 69,730                  | (7,200)        | 9,600         | 2,400         |
| PROPERTIES                            | 106,840           | 156,250              | 124,360                 | 49,410         | (31,890)      | 17,520        |
| MARKETING AND TOURISM                 | 143,140           | 145,490              | 159,200                 | 2,350          | 13,710        | 16,060        |
| LOCAL DEVELOPMENT FRAMEWORK           | 105,000           | 53,550               | 113,500                 | (51,450)       | 59,950        | 8,500         |

| ECONOMIC DEVELOPMENT BOARD BY TYPE OF EXPENSES | Orig Budget 17/18 | Revised Budget 17/18 | Original Estimate 18/19 | Variance       |               |               |
|--|-------------------|----------------------|-------------------------|----------------|---------------|---------------|
|  |                   |                      |                         | Org to Rev     | Rev to Est    | Orig to Est   |
| <b>TOTAL</b>                                   | <b>842,030</b>    | <b>840,340</b>       | <b>892,610</b>          | <b>(1,690)</b> | <b>52,270</b> | <b>50,580</b> |
| EXPENDITURE                                    | 1,141,820         | 1,125,130            | 1,196,760               | (16,690)       | 71,630        | 54,940        |
| EMPLOYEES                                      | 37,450            | 270                  | 0                       | (37,180)       | (270)         | (37,450)      |
| PREMISES                                       | 166,320           | 184,740              | 157,420                 | 18,420         | (27,320)      | (8,900)       |
| TRANSPORT                                      |                   | 0                    | 0                       | 0              | 0             | 0             |
| SUPPLIES & SERVICES                            | 338,000           | 322,630              | 364,180                 | (15,370)       | 41,550        | 26,180        |
| THIRD PARTY PAYMENTS                           | 69,480            | 69,570               | 63,160                  | 90             | (6,410)       | (6,320)       |
| SUPPORT SERVICES                               | 354,000           | 345,600              | 409,680                 | (8,400)        | 64,080        | 55,680        |
| CAPITAL/FINANCING                              | 176,570           | 202,320              | 202,320                 | 25,750         | 0             | 25,750        |
| INCOME   | (299,790)         | (284,790)            | (304,150)               | 15,000         | (19,360)      | (4,360)       |
| FEES & CHARGES                                 | (214,840)         | (208,050)            | (227,400)               | 6,790          | (19,350)      | (12,560)      |
| NON FEES & CHARGES                             | (84,950)          | (76,740)             | (76,750)                | 8,210          | (10)          | 8,200         |

| POLICY AND ORGANISATION BOARD BY SERVICE | OrigBudget17/18  | RevisedBudget17/18 | OriginalEstimate18/19 | Variance       |                |                |
|--|------------------|--------------------|-----------------------|----------------|----------------|----------------|
|  |                  |                    |                       | Org to Rev     | Rev to Est     | Orig to Est    |
| <b>TOTAL</b>                             | <b>3,710,400</b> | <b>3,702,810</b>   | <b>3,873,360</b>      | <b>(7,590)</b> | <b>170,550</b> | <b>162,960</b> |
| REGISTRATION OF ELECTORS                 | 196,760          | 224,960            | 230,850               | 28,200         | 5,890          | 34,090         |
| LOCAL LAND CHARGES                       | 23,220           | 16,600             | 8,710                 | (6,620)        | (7,890)        | (14,510)       |
| HOUSING BENEFITS                         | 774,430          | 733,570            | 765,490               | (40,860)       | 31,920         | (8,940)        |
| LOCAL TAXATION                           | 280,710          | 267,350            | 226,230               | (13,360)       | (41,120)       | (54,480)       |
| DEVELOPMENT SERVICES                     | 643,000          | 755,880            | 802,240               | 112,880        | 46,360         | 159,240        |
| LICENSING & REGISTRATION                 | 5,750            | 19,810             | 26,560                | 14,060         | 6,750          | 20,810         |
| ASSISTANCE TO VOLUNTARY ORGS             | 210,630          | 210,330            | 215,690               | (300)          | 5,360          | 5,060          |
| CORPORATE & CIVIC EXPENSES               | 1,022,480        | 1,015,480          | 1,126,810             | (7,000)        | 111,330        | 104,330        |
| MISCELLANEOUS SERVICES                   | 1,015,160        | 999,310            | 1,078,800             | (15,850)       | 79,490         | 63,640         |
| OTHER CORPORATE AREAS                    | (461,740)        | (540,480)          | (608,020)             | (78,740)       | (67,540)       | (146,280)      |

| POLICY AND ORGANISATION BOARD BY TYPE OF EXPENSES | Orig Budget 17/18 | Revised Budget 17/18 | Original Estimate 18/19 | Variance       |                |                |
|---|-------------------|----------------------|-------------------------|----------------|----------------|----------------|
|   |                   |                      |                         | Org to Rev     | Rev to Est     | Orig to Est    |
| <b>TOTAL</b>                                      | <b>3,710,400</b>  | <b>3,702,810</b>     | <b>3,873,360</b>        | <b>(7,590)</b> | <b>170,550</b> | <b>162,960</b> |
| EXPENDITURE                                       | 34,156,950        | 36,260,020           | 36,102,010              | 2,103,070      | (158,010)      | 1,945,060      |
| EMPLOYEES   | 700,510           | 803,730              | 828,250                 | 103,220        | 24,520         | 127,740        |
| PREMISES  | 8,750             | 17,620               | 7,650                   | 8,870          | (9,970)        | (1,100)        |
| TRANSPORT   | 8,330             | 7,890                | 5,710                   | (440)          | (2,180)        | (2,620)        |
| SUPPLIES & SERVICES                               | 993,110           | 1,158,520            | 1,066,340               | 165,410        | (92,180)       | 73,230         |
| THIRD PARTY PAYMENTS                              | 313,500           | 308,630              | 312,440                 | (4,870)        | 3,810          | (1,060)        |
| TRANSFER PAYMENTS                                 | 26,897,450        | 28,780,850           | 28,612,880              | 1,883,400      | (167,970)      | 1,715,430      |
| SUPPORT SERVICES                                  | 3,773,700         | 3,806,650            | 3,913,230               | 32,950         | 106,580        | 139,530        |
| CAPITAL/FINANCING                                 | 1,461,600         | 1,376,130            | 1,355,510               | (85,470)       | (20,620)       | (106,090)      |
| INCOME  | (30,446,550)      | (32,557,210)         | (32,228,650)            | (2,110,660)    | 328,560        | (1,782,100)    |
| FEES & CHARGES                                    | (448,380)         | (497,240)            | (489,640)               | (48,860)       | 7,600          | (41,260)       |
| NON FEES & CHARGES                                | (29,998,170)      | (32,059,970)         | (31,739,010)            | (2,061,800)    | 320,960        | (1,740,840)    |



## APPENDIX D

### CAPITAL PROGRAMME 2017/18 TO 2020/21 COMMUNITY BOARD - HOUSING (HRA)

| Item No | SCHEME                        | Progress Category | Project total (where appropriate)<br>£,000 | Revised 2017/18<br>£,000 | Estimate 2018/19<br>£,000 | Estimate 2019/20<br>£,000 | Estimate 2020/21<br>£,000 |
|---------|-------------------------------|-------------------|--|--------------------------|---------------------------|---------------------------|---------------------------|
| 1       | IMPROVEMENTS TO HOUSING STOCK | E                 | -  | 3,150                    | 3,300                     | 2,500                     | 2,500                     |
| 2       | PURCHASE OF PROPERTIES        | E                 | -  | 520                      | 830                       | 1,140                     | 900                       |
|         | <b>Board Total</b>            |                   |  | <b>3,670</b>             | <b>4,130</b>              | <b>3,640</b>              | <b>3,400</b>              |

| Local Resources  |                  |                  |                  |
|------------------|------------------|------------------|------------------|
| 2017/18<br>£,000 | 2018/19<br>£,000 | 2019/20<br>£,000 | 2020/21<br>£,000 |
| 3,150<br>520     | 3,300<br>830     | 2,500<br>1,140   | 2,500<br>900     |
| <b>3,670</b>     | <b>4,130</b>     | <b>3,640</b>     | <b>3,400</b>     |

### CAPITAL PROGRAMME 2017/18 TO 2020/21 COMMUNITY BOARD - HOUSING (GENERAL FUND)

| Item No | SCHEME              | Progress Category | Project total (where appropriate)<br>£,000 | Revised 2017/18<br>£,000 | Estimate 2018/19<br>£,000 | Estimate 2019/20<br>£,000 | Estimate 2020/21<br>£,000 |
|---------|---------------------|-------------------|--|--------------------------|---------------------------|---------------------------|---------------------------|
| 1       | DISABLED FACILITIES | E                 | -  | 916                      | 677                       | 677                       | 677                       |
|         | <b>Board Total</b>  |                   |  | <b>916</b>               | <b>677</b>                | <b>677</b>                | <b>677</b>                |

| Local Resources  |                  |                  |                  |
|------------------|------------------|------------------|------------------|
| 2017/18<br>£,000 | 2018/19<br>£,000 | 2019/20<br>£,000 | 2020/21<br>£,000 |
|                  |                  |                  |                  |
|                  |                  |                  |                  |

**CAPITAL PROGRAMME 2017/18 TO 2020/21**  
**COMMUNITY BOARD - NON HOUSING**

| Item No | SCHEME   | Progress Category | Project total (where appropriate)<br>£,000 | Revised 2017/18<br>£,000 | Estimate 2018/19<br>£,000 | Estimate 2019/20<br>£,000 | Estimate 2020/21<br>£,000 | Local Resources |         |         |         |
|---------|--|-------------------|--|--------------------------|---------------------------|---------------------------|---------------------------|-----------------|---------|---------|---------|
|         |  |                   |  |                          |                           |                           |                           | 2017/18         | 2018/19 | 2019/20 | 2020/21 |
|         |  |                   |  |                          |                           |                           |                           | £,000           | £,000   | £,000   | £,000   |
| 1       | ALVER VALLEY COUNTRY PARK  | P                 | 1,471                                      | 604                      | 280                       |                           |                           | 473             | 280     |         |         |
| 2       | BMX NATIONAL CENTRE ALVER VALLEY   | P                 | 152  | 147                      |                           |                           |                           | (3)             |         |         |         |
| 3       | RIVER HAMBLE TO PORTCHESTER CFERM STRATEGY                               | E                 | -  | 56                       |                           |                           |                           |                 |         |         |         |
| 4       | FORTON COASTAL FLOOD & EROSION RISK MANAGEMENT SCHEME                    | E                 | -  | 73                       | 69                        | 423                       |                           |                 |         |         |         |
| 5       | ALVERSTOKE COASTAL FLOOD & EROSION RISK MANAGEMENT SCHEME                | E                 | -  | 73                       | 69                        | 437                       |                           |                 |         |         |         |
| 6       | SEAFIELD COASTAL FLOOD & EROSION RISK MANAGEMENT SCHEME                  | E                 | -  | 73                       | 69                        | 993                       | 1,380                     | 26              | 25      | 357     | 497     |
| 7       | HILL HEAD TO PORTSMOUTH HARBOUR ENTRANCE BEACH MANAGEMENT PLAN           | E                 | -  | 59                       |                           | 30                        | 25                        |                 |         |         |         |
| 8       | CAR PARK RESURFACING & UPGRADING   | E                 | -  | 215                      | 40                        | 40                        | 40                        | 215             | 40      | 40      | 40      |
| 9       | PROVIDE LIGHTING TO PATHWAYS WITHIN LEISURE PARKS, GARDENS & OPEN SPACES | P                 | 197  | 167                      |                           |                           |                           |                 |         |         |         |
| 10      | PUBLIC CONVENIENCES REFURBISHMENT  | E                 | -  | 80                       | 60                        | 60                        | 60                        | 80              | 60      | 60      | 60      |
| 11      | TRANSFER OF PLAY AREAS AT PRIDDYS HARD                                   | P                 | 22   | 8                        |                           |                           |                           | 1               |         |         |         |
| 12      | PRIVETT PARK PROTECTIVE FENCE  | P                 | 27   | 2                        |                           |                           |                           | 2               |         |         |         |
| 13      | PLAYGROUNDS - IMPROVEMENTS TO EXISTING FACILITIES                        | E                 | -  | 38                       | 20                        | 20                        | 20                        | 38              | 20      | 20      | 20      |
| 14      | ESSENTIAL PAVING IMPROVEMENTS & UPGRADES                                 | E                 | -  | 70                       | 30                        | 30                        | 30                        | 70              | 30      | 30      | 30      |
| 15      | STOKES BAY - WET & DRY PLAY AREA   | E                 | -  | 25                       |                           |                           |                           | 25              |         |         |         |
| 16      | STANLEY PARK - PHASED REFURBISHMENT                                      | P                 | 72   | 55                       |                           |                           |                           | 55              |         |         |         |
| 17      | RENEW INTERPRETATION BOARDS ACROSS THE BOROUGH                           | P                 | 31   | 31                       |                           |                           |                           | 31              |         |         |         |
| 18      | ICE RINK REFURBISHMENT & IMPROVEMENT                                     | P                 | 100  | 62                       |                           |                           |                           | 62              |         |         |         |
| 19      | STOKES BAY GOLF CLUB - DRAINAGE WORKS                                    | P                 | 17   | 17                       |                           |                           |                           | 17              |         |         |         |
| 20      | ANN'S HILL CEMETERY WAITING ROOM   | P                 | 6  | 6                        |                           |                           |                           | 6               |         |         |         |
| 21      | BRIDGEMARY SKATE PARK (TO INCLUDE BMX & SCOOTERS)                        | P                 | 140  | 140                      |                           |                           |                           | 85              |         |         |         |

| Item No | SCHEME  | Progress Category | Project total (where appropriate)<br>£,000 | Revised 2017/18<br>£,000 | Estimate 2018/19<br>£,000 | Estimate 2019/20<br>£,000 | Estimate 2020/21<br>£,000 | Local Resources  |                  |                  |                  |
|---------|---|-------------------|--|--------------------------|---------------------------|---------------------------|---------------------------|------------------|------------------|------------------|------------------|
|         |   |                   |  |                          |                           |                           |                           | 2017/18<br>£,000 | 2018/19<br>£,000 | 2019/20<br>£,000 | 2020/21<br>£,000 |
| 22      | COCKLE POND - WATER CIRCULATION SCHEME                                | P                 | 100  | 100                      |                           |                           |                           | 100              |                  |                  |                  |
| 23      | COCKLE POND - FOOTWAY REPAIRS   | P                 | 100  | 100                      |                           |                           |                           | 100              |                  |                  |                  |
| 24      | COMMUNITY SPACE MANOR WAY   | P                 | 100  | 100                      |                           |                           |                           | 100              |                  |                  |                  |
| 25      | PARHAM ROAD - FLOOD MEASURES  | P                 | 25   | 25                       |                           |                           |                           | 25               |                  |                  |                  |
| 26      | CROWN HOUSE CONVERSION TO FLAT  | P                 | 90   | 89                       |                           |                           |                           | 89               |                  |                  |                  |
| 27      | CHILWORTH GROVE FOOTPATH RENEWAL                                      | P                 | 26   | 26                       |                           |                           |                           | 26               |                  |                  |                  |
| 28      | ALVERBANK EAST AND WEST CAR PARKS, STOKES BAY ROAD - DRAINAGE UPGRADE | P                 | 40   | 40                       |                           |                           |                           | 40               |                  |                  |                  |
| 29      | CAR PARK TICKET MACHINES - PHASED UPGRADE OF ALL MACHINES             | P                 | 131  | 33                       | 33                        | 33                        | 32                        | 33               | 33               | 33               | 32               |
| 30      | LEESLAND ROAD PLAY AREA - REFURBISHMENT                               | I                 | 81   |                          | 81                        |                           |                           |                  | 81               |                  |                  |
| 31      | LEISURE CENTRE EXTENSION  | P                 | 1,185                                      | 1,182                    |                           |                           |                           | 1,182            |                  |                  |                  |
| 32      | ST LUKES ROAD IMPROVEMENTS FOR LEASE TO 12TH SCOUTS                   | P                 |  | 9                        |                           |                           |                           |                  |                  |                  |                  |
| 33      | ALLOTMENTS - MANAGEMENT AND ERADICATION OF JAPANESE KNOTWEED          | I                 | 65   | 65                       |                           |                           |                           | 65               |                  |                  |                  |
| 34      | LEE-ON- SOLENT SPLASH POOL  | I                 |  |                          | 400                       |                           |                           |                  | 400              |                  |                  |
|         | <b>Board Total</b>  |                   |  | <b>3,770</b>             | <b>1,151</b>              | <b>2,066</b>              | <b>1,587</b>              | <b>2,943</b>     | <b>969</b>       | <b>540</b>       | <b>679</b>       |

**CAPITAL PROGRAMME 2017/18 TO 2020/21**  
**ECONOMIC DEVELOPMENT BOARD**

| Item No | SCHEME  | Progress Category | Project total (where appropriate)<br>£,000 | Revised 2017/18<br>£,000 | Estimate 2018/19<br>£,000 | Estimate 2019/20<br>£,000 | Estimate 2020/21<br>£,000 |
|---------|---|-------------------|--|--------------------------|---------------------------|---------------------------|---------------------------|
| 1       | WATERFRONT REGENERATION   | D                 | 1,485                                      | 57                       | 271                       | 1,000                     |                           |
| 2       | ALVERBANK HOTEL - EXTERNAL REPAIRS & REDECORATION                           | I                 | 75   | 20                       | 55                        |                           |                           |
| 3       | FORTON LAKE OPENING BRIDGE - RENEWAL OF MOTORS, GEARS, SPROCKETS AND CHAINS | P                 | 246  | 246                      |                           |                           |                           |
| 4       | FORTON LAKE OPENING BRIDGE - ELECTRICAL UPGRADE                             | I                 | 105  |                          | 105                       |                           |                           |
| 5       | DAEDALUS REGENERATION   | I                 | 867  | 150                      | 717                       |                           |                           |
|         | <b>Board Total</b>  |                   |  | <b>473</b>               | <b>1,148</b>              | <b>1,000</b>              |                           |

| Local Resources  |                  |                  |                  |
|------------------|------------------|------------------|------------------|
| 2017/18<br>£,000 | 2018/19<br>£,000 | 2019/20<br>£,000 | 2020/21<br>£,000 |
| 57<br>20         | 271<br>55        | 1,000            |                  |
| 246              |                  |                  |                  |
|                  | 105              |                  |                  |
| 85               | 609              |                  |                  |
| <b>408</b>       | <b>1,040</b>     | <b>1,000</b>     |                  |

**CAPITAL PROGRAMME 2017/18 TO 2020/21**  
**POLICY & ORGANISATION BOARD**

| Item No | SCHEME   | Progress Category | Project total (where appropriate)<br>£,000 | Revised 2017/18<br>£,000 | Estimate 2018/19<br>£,000 | Estimate 2019/20<br>£,000 | Estimate 2020/21<br>£,000 | Local Resources  |                  |                  |                  |
|---------|--|-------------------|--|--------------------------|---------------------------|---------------------------|---------------------------|------------------|------------------|------------------|------------------|
|         |  |                   |  |                          |                           |                           |                           | 2017/18<br>£,000 | 2018/19<br>£,000 | 2019/20<br>£,000 | 2020/21<br>£,000 |
| 1       | CCTV - REPLACEMENT & UPGRADES                            | E                 | -  | 46                       | 15                        | 15                        | 15                        | 46               | 15               | 15               | 15               |
| 2       | IT - PC REPLACEMENT PROGRAMME                            | E                 | -  | 10                       | 10                        | 10                        | 10                        | 10               | 10               | 10               | 10               |
| 3       | IT - SERVER REPLACEMENT                                  | E                 | -  | 64                       | 40                        | 40                        | 40                        | 64               | 40               | 40               | 40               |
| 4       | IT - SYSTEM UPGRADES                                     | E                 | -  | 33                       | 40                        | 40                        | 40                        | 33               | 40               | 40               | 40               |
| 5       | TOWN HALL MAJOR REPAIRS - ELECTRICS                      | E                 | -  | 10                       | 10                        | 10                        | 10                        | 10               | 10               | 10               | 10               |
| 6       | TOWN HALL MAJOR REPAIRS - INTERNAL DECORATIONS           | E                 | -  | 15                       | 15                        | 15                        | 15                        | 15               | 15               | 15               | 15               |
| 7       | TOWN HALL MAJOR REPAIRS - HEALTH & SAFETY                | E                 | -  | 10                       | 10                        | 10                        | 10                        | 10               | 10               | 10               | 10               |
| 8       | TOWN HALL MAJOR REPAIRS - ADAPTIONS                      | E                 | -  | 15                       | 32                        | 15                        | 15                        | 15               | 32               | 15               | 15               |
| 9       | TOWN HALL PASSENGER LIFT - MAJOR REFURBISHMENT / RENEWAL | E                 | -  | 75                       |                           |                           |                           | 75               |                  |                  |                  |
| 10      | TOWN HALL SOUTH ELEVATION - EXTERNAL DECORATION          | E                 | -  |                          | 30                        |                           |                           |                  | 30               |                  |                  |
| 11      | FINANCIAL MANAGEMENT SYSTEM V.5 UPGRADE                  | P                 | -  | 39                       |                           |                           | 50                        | 39               |                  |                  | 50               |
| 12      | IT - GENERAL DATA PROTECTION REGULATION (GDPR) UPGRADES  | I                 | -  | 100                      |                           |                           |                           | 100              |                  |                  |                  |
| 13      | REPLACEMENT OF NNDR SYSTEM                               | I                 |  |                          | 144                       |                           |                           |                  | 144              |                  |                  |
| 14      | DIGITAL STRATEGY (CHANNELSHIFT)                          | I                 |  |                          | 75                        | 75                        |                           |                  | 75               | 75               |                  |
|         | <b>Board Total</b>                                       |                   |  | <b>417</b>               | <b>421</b>                | <b>230</b>                | <b>205</b>                | <b>417</b>       | <b>421</b>       | <b>230</b>       | <b>205</b>       |

| Item No | SCHEME                         | Progress Category | Project total (where appropriate)<br>£,000 | Revised 2017/18<br>£,000 | Estimate 2018/19<br>£,000 | Estimate 2019/20<br>£,000 | Estimate 2020/21<br>£,000 | Local Resources |         |         |         |
|---------|--------------------------------|-------------------|--|--------------------------|---------------------------|---------------------------|---------------------------|-----------------|---------|---------|---------|
|         |                                |                   |  |                          |                           |                           |                           | 2017/18         | 2018/19 | 2019/20 | 2020/21 |
|         |                                |                   |  |                          |                           |                           |                           | £,000           | £,000   | £,000   | £,000   |
|         | <b>Total Capital Programme</b> |                   |  | 9,246                    | 7,527                     | 7,613                     | 5,869                     | 7,438           | 6,560   | 5,410   | 4,284   |

## SUMMARY FINANCING STATEMENT

|  | 2017/18<br>£,000 | 2018/19<br>£,000 | 2019/20<br>£,000 | 2020/21<br>£,000 | Total<br>£'000 |
|--|------------------|------------------|------------------|------------------|----------------|
| <b><u>EXTERNAL RESOURCES</u></b>           |                  |                  |                  |                  |                |
| SPECIFIC CAPITAL GRANTS - GF               | 916              | 677              | 677              | 677              | 2,947          |
| DEVELOPER CONTRIBUTIONS - OPEN SPACES - GF | 307              |                  |                  |                  | 307            |
| OTHER GRANTS AND CONTRIBUTIONS - GF        | 585              | 290              | 1,526            | 908              | 3,309          |
| <b><u>LOCAL RESOURCES</u></b>              |                  |                  |                  |                  |                |
| DEPRECIATION - HRA                         | 2,500            | 2,500            | 2,500            | 2,500            | 10,000         |
| REVENUE CONTRIBUTION - HRA                 | 650              | 800              |                  |                  | 1,450          |
| RESERVES - GF                              | 170              | 905              |                  |                  | 1,075          |
| RESERVES - HRA                             | 520              | 830              | 1,140            | 900              | 3,390          |
| RESERVES - HRA (TO GF PROGRAMME)           | 26               | 25               | 357              | 497              | 905            |
| CAPITAL RECEIPTS - GF                      | 982              | 115              | 116              | 117              | 1,330          |
| CAPITAL FUNDING REQUIREMENT - GF           | 2,590            | 1,385            | 1,297            | 270              | 5,542          |
| <b>Total Funding</b>                       | <b>9,246</b>     | <b>7,527</b>     | <b>7,613</b>     | <b>5,869</b>     | <b>30,255</b>  |

### KEY TO PROGRESSION CATEGORIES

I - INCEPTION

D - DESIGN

P - PROGRESSING

C - COMPLETE

F- FINAL

E. EXEMPT FROM PROGRESSION CATEGORIES

### GOSPORT BOROUGH COUNCIL

#### PAY POLICY STATEMENT 2017/18

#### 1. Purpose

This statement is produced in accordance with Section 38(1) of the Localism Act 2011, and sets out the Council's policies relating to the pay of its workforce for the financial year 2017/18, and in particular:

- the remuneration of its Chief Officers/highest paid employees
- the remuneration of its "lowest paid employees"
- the relationship between the remuneration of its Chief Officers and those who are not Chief Officers.

#### 2. Shared working arrangements

With effect from 1 October 2016 an arrangement was implemented with Portsmouth City Council to share management and leadership arrangements with both councils retaining their clear identities as individual councils. Under this arrangement Gosport Borough Council pays a contribution to Portsmouth City Council. As a consequence there is no longer a Chief Executive as Head of Paid Service, Borough Solicitor and Deputy Chief Executive or Borough Treasurer employed directly by Gosport Borough Council. This arrangement was also extended further to other posts including the Housing Services Manager, Head of Economic Prosperity, Tourism and Culture and Head of Personnel.

#### 3. Definitions

For the purpose of this pay policy statement, the following definitions apply.

- 3.1. **Pay**, in addition to salary, includes any charges, fees, allowances, benefits in kind, increases in/enhancements to pension entitlements, and termination payments.
- 3.2. **Chief Officer**, prior to 1 October 2016, referred to the following roles within the Council:
  - Chief Executive, as Head of Paid Service,
  - Borough Solicitor and Deputy Chief Executive (who is also the Council's Monitoring Officer),
  - Borough Treasurer,
  - Housing Services Manager

In addition, in accordance with the definition set out in the Localism Act and the Government's statutory guidance, this term for this purpose also refers to those officers who report directly to the statutory or non-statutory officers, i.e. the following Section Heads:

- Head of Policy and Community Safety,
- Head of IT,
- Head of Accountancy,
- Head of Pay and Central Services,
- Head of Local Taxation,
- Head of Benefits Services,
- Head of Internal Audit,
- Head of Housing Operational Services,
- Head of Property Services,
- Head of Housing Finance,
- Head of Housing Options,
- Head of Legal and Democratic Services,
- Head of Electoral Services,
- Head of Conservation and Design,
- Head of Development Control,
- Head of Planning Policy,
- Head of Building Control,
- Head of Economic Prosperity, Tourism and Culture
- Head of Personnel
- Head of Streetscene, Transport and Traffic Liaison Officer.
- Head of Customer Services and Civics

- 3.3. **Lowest paid employees** refers to those employees employed at the lowest grade level (scp 6) of the Council's pay framework. This definition has been adopted because this is the lowest pay level in the Council.
- 3.4. **Employees who are not Chief Officers** refers to all employees who are not covered by the Chief Officer group indicated at 3.2.
- 3.5. **Highest paid employee** will refer to the highest paid individual in Gosport Borough Council following the introduction of the shared working arrangement from 1 October 2016. This reflects the individual not responsible for directing the organisation but who receives the highest remuneration, due to the specialist skills or expertise held.

#### **4. Pay framework and remuneration levels**

##### **4.1. General Approach**

The Council recognises the need to exercise the greatest care in managing scarce public resources. The level of remuneration is a very important factor in both recruitment and retention of high quality employees dedicated to fulfilling the Council's business objectives and delivering services to the public, but this has to be balanced by ensuring remuneration is not, nor seen to be, unnecessarily excessive. Each council faces its own unique challenges and retains flexibility to cope with various circumstances.



Gosport Borough Council is aware that its pay levels for the Chief Executive and statutory and non-statutory Chief Officers are low in comparison with the other authorities in the region, and nationally. The situation is kept under regular review.

The Government considers that large salary packages for new appointments, which should be considered by Full Council, are those above the threshold of £100,000. In accordance with the revised guidance issued in February 2013, a lower threshold of £95,000 is used for this Council.

#### 4.2. Responsibility for decisions on remuneration

Statutory and non-statutory Chief Officers of this Council are covered by the Joint National Council for Local Authorities' Conditions of Service for Chief Executives and Chief Officers; the JNC terms and conditions are incorporated in contracts of employment.

Any corporate changes to pay or grading for these officers are considered by the Council's Policy and Organisation Board.

Section Heads as listed at 3.2 and employees who are not Chief Officers are covered by the NJC for Local Authorities' Services Conditions of Service. The level of pay is determined in accordance with national pay scales. Any changes to the formally agreed terms or conditions for all staff are considered by the Council's Policy and Organisation Board.

#### 4.3. Salary Grades and Grading Structure

The Council's grading structure for Section Heads and all employees who are not Chief Officers consists of one spot point salary and 12 grades – grades within the pay scales are allocated to posts through the national job evaluation scheme, thus ensuring fairness and equality in the application of pay. The allocation of a spot salary or grade depends on the nature and complexity of the job and the consequent need for a learning curve, and progression within grades is normally by annual increments, subject to satisfactory performance.

Section Heads listed at 3.2, who report directly to statutory and non-statutory Chief Officers also listed in that paragraph, are responsible for a particular function, with some employees at a lower level (e.g. secretarial) also reporting direct to statutory or non-statutory Chief Officers. Grades for Section Heads vary from grade 9 to grade 12 within the structure (attached), depending on the level of duties and responsibilities of each post and as evaluated in accordance with the national scheme.

| Grade | Salary with effect from<br>1 April 2017 |
|-------|---|
|       |   |
| 1     | £15,014 - £15,269                       |
| 2     | £15,375 - £16,491                       |
| 3     | £16,781 - £17,772                       |
| 4     | £18,070 - £20,138                       |
| 5     | £20,660 - £22,658                       |
| 6     | £23,398 - £25,951                       |
| 7     | £26,821 - £30,152                       |
| 8     | £30,785 - £35,444                       |

|    |                   |
|----|-------------------|
|    |                   |
| 9  | £36,379 - £40,056 |
| 10 | £41,025 - £43,820 |
| 11 | £44,742 - £47,505 |
| 12 | £48,452 - £51,416 |

The lowest paid employees within the authority, i.e. those whose posts have been evaluated at the lowest grade, which is grade 1. The Council has for several years been involved in apprenticeships, providing the work experience element rather than directly employing apprentices.

The highest paid employee post 1 October 2016 is a Section Head (£48,452 to £64,270). Additional supplements are applicable for any employees managing other employees from other local authorities, see section 8 below. The comparison between the lowest paid and the highest paid is 4.3:1.

The highest paid salary, at the top of the grade is, 2.7 times the median average salary of the whole workforce. This is considered to be a fair and reasonable pay multiple, striking an appropriate balance which recognises the need to adequately recompense the different levels of duties and responsibilities. The reduction in the pay multiple is reflective of the removal of several senior posts within the Council and the introduction of shared working practices.

Increases in pay are made in accordance with national pay negotiations; there are separate negotiations for statutory and non-statutory Chief Officers. Section Heads pay will be increased with any pay increase agreed nationally in line with national negotiations.

#### 4.4. Remuneration – level and elements

In considering pay, the Council takes into account market rates, individual performance and the need for equality and consistency in the way grades are applied.

### 5. **Chief Officers**

Statutory and non-statutory Chief Officers are not covered by the Council's job evaluation scheme and do not therefore receive any increase in grade where duties and responsibilities increase. Given the significant reduction in the size of the Council's Management Team over recent years, there have been considerable increases in duties and responsibilities for all these officers.

Following the implementation of the shared working arrangement from 1 October 2016 changes in pay for Chief Executive or Chief Officers are no longer applicable.

#### 5.1. **Performance Appraisal**

The Chief Executive's performance was appraised by senior Members of the Council. The performance of Chief Officers was appraised by the Chief Executive and of all other officers by their managers; the performance appraisal system is not linked to pay/reward.

## **6. Other Officers**

The salaries of Section Heads and other employees who are not Chief Officers are in accordance with the national tables, with increases applied following national pay negotiations.

The only other pay increases occur where employees are progressing contractually through a grade, or where a job is re-evaluated to recognise substantial additional duties/responsibilities. The majority of the Council's staff are on the top of their grade and have not therefore received incremental progression.

## **7. Grading Structure and Progression**

The Council's grades consist of 4 incremental points, other than a few spot point salaries. The use of a grade recognises and allows for employees to gain knowledge and expertise in the job. Appointments are made on merit and on the appropriate point of the grade, taking into account the level of skills and knowledge of the successful applicant. The decision is made by the Appointment Panel; the salary applied on appointment is subject to regular monitoring, and formally reviewed through the Equal Pay Audit.

All the Council's employees are subject to the same performance management process. Whilst there is no formal performance related pay for any of the Council's officers, increments can be withheld where performance is unsatisfactory, and enhanced incremental progression or one-off honorarium payments can also apply to recognise and reward exceptional performance. The scheme covering merit increments/honoraria provides clear guidance relating to the circumstances in which such payments can be made, and the size of the payment, which must be commensurate with the work being rewarded. Such awards can only be approved by the Chief Executive, following corporate consideration, and they are centrally monitored for fairness and consistency. Any such award for the Chief Executive is subject to approval of the appropriate Council Board.

## **8. Additions to Salary**

The responsibility of Local Returning Officer attracts an additional payment once every two years on completion of the work, this being the frequency of local elections. The payment is made in accordance with the Hampshire scale of fees, and is made to whichever officer undertakes that responsibility.

The only supplements applied to the salaries of Section Heads are where a Section Head requires a practising certificate or professional membership by law in order to fulfil their contractual duties, and where a Section Head is managing the functions across more than one Council; in the latter case, a 15% supplement is applied for managing the function (and staff within it) in one additional council, and 25% where this applies to two or more councils. The former supplement currently applies to the Head of Internal Audit, and the latter to the Head of Building Control. A supplement of 7.5% applies currently to the post of Head of Electoral Services for covering the emergency planning role. The post of Head of Planning receives a supplement of 10% for managing planning policy in addition to Development Management. The only other additional payments applying to Section Heads or other employees are those recognising work out of normal hours, overtime or stand-by, in accordance with National and Local Conditions of Service.

All officers are entitled to claim an allowance for attendance at evening committee meetings, in accordance with the Council's formal Local Agreement, which depends on the

amount of time involved. All officers who are nominated as “Essential” or “Casual” car users can apply for a loan from the Council to purchase a vehicle, the interest rate currently being 3.25%, in accordance with the formal Local Agreement. Car user designations are reviewed annually to consider whether there is sufficient justification to continue the allowance. All officers of the Council have the option to join the Hampshire County Council pension scheme, which is a contributory scheme with varying rates dependent on salary level.

The Council has not introduced market supplements, having so far been able to recruit and retain essential staff as needed. If the council decides to introduce a market supplements policy then this would be approved by the Policy and Organisation Board.

The Council does not make any bonus payments.

The Council operates a Salary Sacrifice Scheme in respect of childcare vouchers, and car park charges, although the car parking scheme will cease on 31.3.18.

## **9. Payments on Termination of Employment**

There are no additional payments made on termination of employment, other than in situations of redundancy or early retirement. The provisions relating to such payments are set out in the Council’s Statement on Early Retirement and Discretionary Payments, and the Redundancy Policy, which are approved by Policy and Organisation Board. Were there to be any severance packages beyond the threshold of £95,000, they would be subject to approval by the Council.

The provisions relating to flexible retirement, whereby an officer with sufficient service and of the appropriate age can request to take immediate payment of pension but remain in employment on less hours or in a lower graded role, are also included in the Statement referred to. Where any additional payments are required in accordance with pension provisions, these applications are subject to approval by Policy and Organisation Board. The provisions are exercised where appropriate savings can be made whilst still retaining the necessary knowledge and experience.

Early payments of pension on compassionate grounds are considered by Policy and Organisation Board and approved in very exceptional circumstances only.

Early payments of pension on medical grounds are considered in accordance with the requirements of the Pension Regulations, with advice from an independent Occupational Health Physician.

## **10. Re-employment of Officers**

Where an officer has been made redundant or taken early retirement, they do still have the right to make application for any posts which may arise after they have left. Before agreeing to any such termination, a full search is always made for any possible suitable alternatives to avoid the situation arising, but there are times when redundancies/early retirements cannot be avoided.

Should suitable vacancies arise after such staff have left the Council, any applications for employment from these staff would be given full consideration together with all other applicants. The Council will in such cases, as in any recruitment exercise, take the necessary action to ensure that the appointment is made on merit, selecting the best

person for the relevant post. Any necessary adjustments to pension (or payments made) would be made in accordance with the relevant Regulations.

## **11. Publication of Information**

The Council publishes information relating to senior employees (those earning £58,200 and above as defined by the Government's transparency agenda), number of staff whose remuneration was at least £50,000, the organisation structure and grading structure, vacant posts, the pay multiple, and a range of equality data, on its website.

## **12. Review**

This statement is reviewed on an annual basis, as required by legislation, and approved by Full Council.

## **Associated Documents**

The following documents also relate to pay, grading and retirement provisions:

Grading Structure  
Statement on Early Retirement and Discretionary Payments  
Redundancy Policy  
Guidance on the Award of Merit Increments and Honoraria  
People Management Strategy  
Hampshire Election Fees 2015/16 and 2016/17

### **MEMBERS' ALLOWANCE SCHEME 2018/19 including 2% estimated increase**

(Scheme last revised Nov 15)

| <b>Allowance</b>                                | <b>£ per Annum</b>         |
|---|----------------------------|
| Basic Allowance                                 | 6099.44 + 300.00 = 6399.44 |
| Leader of the Council                           | 14171.59                   |
| Chairmen of Service Boards and Regulatory Board | 4538.71                    |
| Opposition Group Leader<br>(Liberal Democrat)   | 4142.46                    |
| Opposition Group Leader<br>(Labour)             | 1242.74                    |

## Agenda item no 9

|                      |  |
|----------------------|--|
| <b>Report to:</b>    | <b>COUNCIL</b>   |
| <b>Meeting date:</b> | <b>7<sup>th</sup> February 2018</b>                            |
| <b>Title:</b>        | <b>TREASURY MANAGEMENT &amp; PRUDENTIAL INDICATORS 2018/19</b> |
| <b>Originator:</b>   | <b>BOROUGH TREASURER</b>                                       |
| <b>Status</b>        | <b>FOR DECISION</b>  |

### **Purpose**

This report outlines the Council's prudential indicators for 2018/19 to 2020/21, together with the expected treasury operations for this period. It fulfils a key legislative requirement.

### **Recommendations**

Council is recommended to approve:

- The Prudential Indicators as identified in 2.1
- Minimum Revenue Provision Policy, as identified in 2.2
- The Treasury Management Strategy, as identified in 2.3

## **1.0 BACKGROUND**

### **1.1 Overview**

- 1.1.1 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 cash is invested in low risk counterparties or instruments commensurate with the Council's low risk policy, providing adequate liquidity initially before considering investment return. This is in accordance with the Government's Guidance on Local Government Investments which set out that investment priorities will be security first, liquidity second and then return. Any cash deficits will be funded from approved sources.

The Council is seeking to diversify into more secure and higher yielding Investments during 2018/19. All of the Council's surplus cash is currently invested in short-term unsecured bank deposits, deposits with other local authorities and money market funds. This diversification will represent a substantial change in strategy over the coming year.

- 1.1.2 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.
- 1.1.3 The Chartered Institute of Public Finance and Accountancy (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. "*

*"Investments" in the definition above covers all the financial assets of the organisation, as well as other non-financial assets which the organisation holds primarily for financial return, such as investment property portfolios. This may therefore include investments which are not managed as part of normal treasury management or under treasury management delegations. All investments require an appropriate investment management framework under the Cipfa treasury management code.*

## **1.2 Reporting requirements**

- 1.2.1 The Council is required to receive and approve, as a minimum, three main reports each year, which incorporate a variety of policies, estimates and actuals.
- 1.2.2 **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 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;
- 1.2.3 **A Mid Year Treasury Management Report** – this will update members with the progress of the capital position, amending prudential indicators as necessary, and whether the treasury strategy is meeting its objectives or whether any policies require revision
- 1.2.4 **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.

The latter two reports are combined and jointly reported in September.



### **1.3 The Prudential Indicators 2018/19 – 2020/21**

1.3.1 The prudential indicators contained within this report are required by CIPFA's Prudential Code and are designed to support and record local decision making in a transparent and accountable manner. They cover

- **Capital Expenditure**
  - Capital expenditure and capital financing requirement (paragraphs 2.1.1 & 2.1.2)
- **Affordability**
  - Ratio of financing costs to net revenue stream (paragraph 2.1.3)
- **Prudence**
  - Gross debt and capital financing requirement (paragraph 2.1.4)
- **Treasury Indicators**
  - Operational boundary (paragraph 2.1.5)
  - Authorised limit (paragraph 2.1.6)

### **1.4 Annual Minimum Revenue Provision Statement**

1.4.1 The Council's policy for calculating the annual amount charged to the revenue budget to repay capital expenditure financed by debt is set out in para 2.2.

### **1.5 Treasury Management Strategy for 2018/19**

1.5.1 The strategy for 2018/19 (set out in section 2.3) includes the following areas:

- Economic Outlook and prospects for interest rates (para 2.3.1)
- Borrowing strategy (para 2.3.2)
- Policy on borrowing in advance of need (para 2.3.3)
- Debt rescheduling (para 2.3.4)
- Investment strategy (para 2.3.5)
- Treasury indicators which limit the treasury risk and activities of the Council (para 2.3.6)
- Other Items (para 2.3.7)

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

## **2.0 REPORT**

### **2.1 THE CAPITAL PRUDENTIAL INDICATORS 2018/19 – 2020/21**

The Local Government Act 2003 requires the Council to have regard to the Chartered Institute of Public Finance and Accountancy's Prudential Code for Capital Finance in Local Authorities (the Prudential Code) when determining how much money it can afford to borrow. The objectives of the Prudential Code are to ensure, within a clear framework, that the capital expenditure plans of local authorities are affordable, prudent and sustainable, and that treasury management decisions are taken in

accordance with good professional practice and in full understanding of the risks involved and how these risks will be managed to levels that are acceptable to the Council.

The Prudential Code requires authorities to look at capital expenditure and investment plans in the light of overall organisational strategy and resources and ensure that decisions are being made with sufficient regard to the long run financing implications and potential risks to the authority. Effective financial planning, option appraisal and governance processes are essential in achieving a prudential approach to capital expenditure, investment and debt.

To demonstrate that the Council has fulfilled these objectives, the Prudential Code sets out the following indicators that must be set and monitored each year. 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.

#### **2.1.1 Capital expenditure**

This Prudential Indicator for Capital Expenditure is a summary of the Council's capital expenditure plans and how these plans are being financed by capital or revenue resources. Any shortfall of resources results in a net financing need e.g. borrowing. The capital programme reflected in the table below was approved by Full Council on 07<sup>th</sup> February 2018.

| <b>Capital Expenditure and Financing</b> | <b>2016/17<br/>Actual<br/>£'000</b> | <b>2017/18<br/>Revised<br/>£'000</b> | <b>2018/19<br/>Estimate<br/>£'000</b> | <b>2019/20<br/>Estimate<br/>£'000</b> | <b>2020/21<br/>Estimate<br/>£'000</b> |
|--|-------------------------------------|--------------------------------------|---------------------------------------|---------------------------------------|---------------------------------------|
| <b>Expenditure</b>                       |                                     |                                      |                                       |                                       |                                       |
| Community Board                          | 1,226.0                             | 4,685.7                              | 1,828.0                               | 2,743.0                               | 2,264.0                               |
| Economic Development Board               | 4.0                                 | 473.0                                | 1,148.0                               | 1,000.0                               | 0.0                                   |
| Policy and Organisation Board            | 401.0                               | 417.0                                | 421.0                                 | 230.0                                 | 205.0                                 |
| <b>Non-HRA</b>                           | <b>1,631.0</b>                      | <b>5,575.7</b>                       | <b>3,397.0</b>                        | <b>3,973.0</b>                        | <b>2,469.0</b>                        |
| <b>HRA</b>                               | <b>5,275.0</b>                      | <b>3,670.0</b>                       | <b>4,130.0</b>                        | <b>3,640.0</b>                        | <b>3,400.0</b>                        |
| <b>Total</b>                             | <b>6,906.0</b>                      | <b>9,245.7</b>                       | <b>7,527.0</b>                        | <b>7,613.0</b>                        | <b>5,869.0</b>                        |
| <b>Financing</b>                         |                                     |                                      |                                       |                                       |                                       |
| Capital Receipts (GF)                    | 1,637.0                             | 981.5                                | 115.0                                 | 116.0                                 | 117.0                                 |
| Capital grants & contributions (GF)      | 1,001.0                             | 1,808.0                              | 967.0                                 | 2,203.0                               | 1,585.0                               |
| Capital Reserves (GF)                    | 0.0                                 | 170.0                                | 905.0                                 | 0.0                                   | 0.0                                   |
| Reserves - HRA to GF Programme           | 0.0                                 | 26.0                                 | 25.0                                  | 357.0                                 | 497.0                                 |
| HRA (MRA)                                | 4,268.0                             | 2,500.0                              | 2,500.0                               | 2,500.0                               | 2,500.0                               |
| HRA (Reserves / Revenue)                 | 0.0                                 | 1,170.0                              | 1,630.0                               | 1,140.0                               | 900.0                                 |
| <b>Net financing need for the year</b>   | <b>0.0</b>                          | <b>2,590.2</b>                       | <b>1,385.0</b>                        | <b>1,297.0</b>                        | <b>270.0</b>                          |

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

### 2.1.2 The Council's borrowing need (the Capital Financing Requirement)

The Council's Capital Financing Requirement (CFR) measures the Council's underlying need to borrow for capital purposes i.e. it is the total historic outstanding capital expenditure which has not yet been paid for from either revenue or capital resources.

The CFR does not increase indefinitely, as the minimum revenue provision (MRP) which is the statutory annual charge to the Revenue Budget reduces the CFR. The annual MRP charged to the Revenue Budget is required to be determined on a "prudent" basis and is broadly based on making a charge sufficient to cover the amount borrowed for assets over the life of those assets.

The CFR includes any other long term liabilities (e.g. 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.

| Capital Financing Requirement            | 2016/17<br>Actual<br>£'000 | 2017/18<br>Revised<br>£'000 | 2018/19<br>Estimate<br>£'000 | 2019/20<br>Estimate<br>£'000 | 2020/21<br>Estimate<br>£'000 |
|--|----------------------------|-----------------------------|------------------------------|------------------------------|------------------------------|
| <b>Capital Financing Requirement</b>     |                            |                             |                              |                              |                              |
| CFR - Non Housing                        | 18,127.0                   | 20,829.9                    | 22,331.6                     | 23,749.4                     | 24,144.4                     |
| CFR - Housing                            | 62,018.0                   | 61,905.3                    | 61,788.6                     | 61,667.8                     | 61,542.8                     |
| <b>Total CFR</b>                         | <b>80,145.0</b>            | <b>82,735.2</b>             | <b>84,120.2</b>              | <b>85,417.2</b>              | <b>85,687.2</b>              |
| <b>Net movement in CFR</b>               | <b>(559.0)</b>             | <b>2,590.2</b>              | <b>1,385.0</b>               | <b>1,297.0</b>               | <b>270.0</b>                 |
| <b>Movement in CFR is represented by</b> |                            |                             |                              |                              |                              |
| Net financing need for the year          | 0.0                        | 2,590.2                     | 1,385.0                      | 1,297.0                      | 270.0                        |
| * Less MRP/VRP/other movements           | (559.0)                    | 0.0                         | 0.0                          | 0.0                          | 0.0                          |
| <b>Movement in CFR</b>                   | <b>(559.0)</b>             | <b>2,590.2</b>              | <b>1,385.0</b>               | <b>1,297.0</b>               | <b>270.0</b>                 |

\*from 2016/17 The Council changed it's MRP policy so that MRP is calculated on an annuity basis as described in para. 2.2. A consequence of changing the MRP Policy to the Annuity Method is that it has set aside sums in the past, amounting cumulatively to approximately £1.9m that were in excess of what was required which will be utilised to support the Council's strategic and service aspirations.

### 2.1.3 Proportion 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.

| %              | 2016/17<br>Actual | 2017/18<br>Revised | 2018/19<br>Estimate | 2019/20<br>Estimate | 2020/21<br>Estimate |
|----------------|-------------------|--------------------|---------------------|---------------------|---------------------|
| <b>Non-HRA</b> | 5.4%              | 4.8%               | 4.4%                | 5.3%                | 5.1%                |
| <b>HRA</b>     | 30.1%             | 30.6%              | 31.4%               | 32.1%               | 31.4%               |

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

### 2.1.4 Gross Debt and the Capital Financing Requirement

In order to ensure that over the medium term debt will only be for capital purposes, the Council should ensure that debt does not, except in the short term, exceed the total of capital financing requirement in the preceding year plus the estimates of any additional capital financing requirement for the current and next two financial years. This is a key indicator of prudence.

The Council's treasury portfolio position at 31 March 2017, with forward projections are summarised below. Total debt is expected to remain below the CFR during the forecast period i.e. the Council is maintaining an under borrowing position. However, should the interest rate climate change in such a way that investment rates and borrowing rates narrow or there is an expectation of significantly rising long term borrowing rates, then conditions may be such that it is advantageous for the Council to "lock into" long-term low interest borrowing. This will remain under review.

| <b>Portfolio Position</b>       | <b>2016/17<br/>Actual<br/>£'000</b> | <b>2017/18<br/>Revised<br/>£'000</b> | <b>2018/19<br/>Estimate<br/>£'000</b> | <b>2019/20<br/>Estimate<br/>£'000</b> | <b>2020/21<br/>Estimate<br/>£'000</b> |
|---------------------------------|-------------------------------------|--------------------------------------|---------------------------------------|---------------------------------------|---------------------------------------|
| External Debt                   | 72,491.0                            | 74,250.0                             | 79,502.0                              | 80,602.0                              | 80,602.0                              |
| Other Long Term Liabilities     | 0.0                                 | 0.0                                  | 0.0                                   | 0.0                                   | 0.0                                   |
| <b>Gross Debt at 31 March</b>   | <b>72,491.0</b>                     | <b>74,250.0</b>                      | <b>79,502.0</b>                       | <b>80,602.0</b>                       | <b>80,602.0</b>                       |
| <b>CFR</b>                      | <b>80,145.0</b>                     | <b>82,735.2</b>                      | <b>84,120.2</b>                       | <b>85,417.2</b>                       | <b>85,687.2</b>                       |
| <b>Under / (over) borrowing</b> | <b>7,654.0</b>                      | <b>8,485.2</b>                       | <b>4,618.2</b>                        | <b>4,815.2</b>                        | <b>5,085.2</b>                        |

### 2.1.5 The Operational Boundary for External Debt

The operational boundary is based on the Council's estimate of most likely (i.e. prudent but not worst case) scenario for external debt and is not normally expected to be exceeded. It links directly to the Council's estimates of capital expenditure, capital financing requirement and cash flow requirements.

| <b>Operational boundary</b> | <b>2017/18<br/>Revised<br/>£'000</b> | <b>2018/19<br/>Estimate<br/>£'000</b> | <b>2019/20<br/>Estimate<br/>£'000</b> | <b>2020/21<br/>Estimate<br/>£'000</b> |
|-----------------------------|--------------------------------------|---------------------------------------|---------------------------------------|---------------------------------------|
|                             | 82.7                                 | 86.7                                  | 88.0                                  | 88.2                                  |

### 2.1.6 The Authorised Limit for external debt

The authorised limit is the affordable borrowing limit. It is the maximum amount of debt that the council can legally enter into and this limit needs to be set or revised by the full Council. The authorised limit provides headroom over and above the operational boundary for unusual cash movements.

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.

| Authorised limit | 2017/18 | 2018/19  | 2019/20  | 2020/21  |
|------------------|---------|----------|----------|----------|
|                  | Revised | Estimate | Estimate | Estimate |
|                  | £'000   | £'000    | £'000    | £'000    |
|                  | 89.3    | 93.1     | 94.2     | 94.1     |

The Council is also limited to a maximum HRA CFR through the HRA self-financing regime, this is known as the HRA debt limit or debt cap.

| HRA debt cap | 2017/18 | 2018/19  | 2019/20  | 2020/21  |
|--------------|---------|----------|----------|----------|
|              | Revised | Estimate | Estimate | Estimate |
|              | £'000   | £'000    | £'000    | £'000    |
|              | 63.067  | 63.067   | 63.067   | 63.067   |

## 2.2 MINIMUM REVENUE PROVISION (MRP) POLICY STATEMENT

### 2.2.1 BACKGROUND

Local authorities are required to set aside prudent revenue provision for debt repayment where they have used borrowing or credit arrangements to finance General Fund capital expenditure.

Statutory Guidance covering the Minimum Revenue Provision (MRP) sets out various options for calculating a prudent provision – and while prudent provision is not specifically defined, the guidance suggests that debt should be repaid over a period that is commensurate with that over which the capital expenditure provides benefits.

There is no requirement on the HRA to make a minimum revenue provision.

### 2.2.2 POLICY STATEMENT

The Council's policy is to calculate MRP on expenditure that is funded by unsupported prudential borrowing by reference to the asset's useful life using the annuity method, starting in the year after the asset becomes operational.

Where expenditure is incurred on investment properties that provide a revenue stream to the Council, the repayment of any unsupported borrowing will be made by setting aside the capital receipt on disposal rather than providing a revenue provision.

This policy statement is written against the background of an outstanding government consultation on changes to the prudential framework, including MRP guidance, which closed on 22 December 2017 and the results of which are presently unpublished. Any impact on the Council's MRP policy, although unlikely, will be reported to Council when available.

## **2.3 Treasury Management Strategy**

### **2.3.1 Economic Outlook and prospects for interest rates**

*The Council uses Arlingclose Limited as its treasury advisor and the following is their view of the economic outlook and interest rates*

The major external influence on the Authority's treasury management strategy for 2018/19 will be the UK's progress in negotiating its exit from the European Union and agreeing future trading arrangements. The domestic economy remains relatively robust since the surprise outcome of the 2016 referendum, but there are indications that uncertainty over the future is now weighing on growth. Transitional arrangements may prevent a cliff-edge, but will also extend the period of uncertainty for several years. Economic growth is therefore forecast to remain sluggish throughout 2018/19.

Consumer price inflation reached 3.0% in September 2017 as the post-referendum devaluation of sterling continued to feed through to imports. However, this effect is expected to fall out of year-on-year inflation measures during 2018.

The MPC increased Bank Rate in November 2017 to 0.5%. The rise was questionable based on the available economic data. Market rate expectations are broadly unchanged since the rise and policy makers continue to emphasise that any prospective increases in Bank Rate would be expected to be at a gradual pace and to a limited extent.

In contrast, the US economy is performing well and the Federal Reserve is raising interest rates in regular steps to remove some of the emergency monetary stimulus it has provided for the past decade. The European Central Bank is yet to raise rates, but has started to taper its quantitative easing programme, signalling some confidence in the Eurozone economy.

Credit outlook: High profile bank failures in Italy and Portugal have reinforced concerns over the health of the European banking sector. Sluggish economies and fines for pre-crisis behaviour continue to weigh on bank profits, and any future economic slowdown will exacerbate concerns in this regard.

Bail-in legislation, which ensures that large investors including local authorities will rescue failing banks instead of taxpayers in the future, has now been fully implemented in the European Union, Switzerland and USA, while Australia and Canada are progressing with their own plans. In addition, the largest UK banks will ringfence their retail banking functions into separate legal entities during 2018. There remains some uncertainty over how these changes will impact upon the credit strength of the residual legal entities.

The credit risk associated with making unsecured bank deposits has therefore increased relative to the risk of other investment options available to the Authority; returns from cash deposits however remain very low.

Interest rate forecasts :

|                 | <b>Bank<br/>Rate %</b> | <b>PWLB Borrowing Rates %<br/>(including certainty rate adjustment)</b> |                |                |                |
|-----------------|------------------------|---|----------------|----------------|----------------|
|                 |                        | <b>5 year</b>   | <b>10 year</b> | <b>20 year</b> | <b>50 year</b> |
| Mar-18          | 0.50                   | 1.55  | 2.05           | 2.65           | 2.50           |
| Jun-18          | 0.50                   | 1.60  | 2.05           | 2.65           | 2.50           |
| Sep-18          | 0.50                   | 1.60  | 2.05           | 2.65           | 2.50           |
| Dec-18          | 0.50                   | 1.60  | 2.05           | 2.65           | 2.50           |
| Mar-19          | 0.50                   | 1.65  | 2.10           | 2.70           | 2.55           |
| Jun-19          | 0.50                   | 1.70  | 2.10           | 2.70           | 2.60           |
| Sep-19          | 0.50                   | 1.70  | 2.15           | 2.75           | 2.65           |
| Dec-19          | 0.50                   | 1.75  | 2.20           | 2.75           | 2.70           |
| Mar-20          | 0.50                   | 1.75  | 2.25           | 2.80           | 2.75           |
| Jun-20          | 0.50                   | 1.80  | 2.30           | 2.85           | 2.75           |
| Sep-20          | 0.50                   | 1.85  | 2.35           | 2.85           | 2.75           |
| Dec-20          | 0.50                   | 1.90  | 2.35           | 2.85           | 2.75           |
| Mar-21          | 0.50                   | 1.95  | 2.40           | 2.90           | 2.80           |
| Average<br>rate | 0.50                   | 1.72  | 2.18           | 2.75           | 2.64           |

In summary

- Investment returns are likely to remain relatively low during 2018/19 and beyond;
- The likely path for Bank Rate is weighted to the downside. The Arlingclose central case is for Bank Rate to remain at 0.50% over the medium term and for Gilt yields to remain broadly stable across the medium term, although the UK governments seemingly deteriorating fiscal stance is an upside risk.
- The policy of avoiding new borrowing by running down spare cash balances will continue, however, this needs to be carefully reviewed to avoid incurring higher borrowing costs in later times, when the Council may not be able to avoid new borrowing to finance new capital expenditure and/or to refinance maturing debt;
- There will remain a cost of carry to any new borrowing which causes an increase in investments as this will incur a revenue loss between borrowing costs and investment returns.

### 2.3.2 Borrowing Strategy

The Council is currently maintaining an under-borrowed position being under borrowed by £7.654million at the 31/03/2017. The underborrowing is forecast to remain around £5million over the next 3 years (see paragraph 2.1.4). This means that the capital borrowing need (the Capital Financing Requirement), has not been fully financed 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 forecasts are for only a modest increase in interest rates, investment returns remaining low and counterparty risk remaining relatively high.

Objectives: The Council's chief objective when borrowing money is to strike an appropriately low risk balance between securing low interest costs and achieving cost certainty over the period for which funds are required. The flexibility to renegotiate loans should the Council's long-term plans change is a secondary objective.

Strategy: Given the significant cuts to public expenditure and in particular to local government funding, the Council's borrowing strategy continues to address the key issue of affordability without compromising the longer-term stability of the debt portfolio. With short-term interest rates currently much lower than long-term rates, it is likely to be more cost effective in the short-term to either use internal resources, or to borrow short-term loans instead. By doing so, the Council is able to reduce net borrowing costs (despite foregone investment income) and reduce overall treasury risk. The benefits of internal borrowing will be monitored regularly against the potential for incurring additional costs by deferring borrowing into future years when long-term borrowing rates are forecast to rise modestly.

The Council will undertake a 'cost of carry' and breakeven analysis to determine whether to borrow additional sums at long-term fixed rates in 2018/19 with a view to keeping future interest costs low, even if this causes additional cost in the short-term.

In addition, the Council may borrow short-term loans (normally for up to one year) to cover unexpected cash flow shortages.

The approved sources of long term and short term borrowing are:

- Public Works Loan Board (PWLB) and any successor body
- Banks or building societies authorised to operate in the UK
- Money Market Loans
- Other public bodies e.g. other Local Authorities
- UK public and private sector pension funds
- Internal funds – the cash held in internal funds can be used short term to fund capital expenditure or the repayment of debt, thus delaying the need to borrow externally

### **2.3.3 Policy on borrowing in advance of need**

The Council may from time to time borrow in advance of need, where this is expected to provide the best long term value for money and the Council can ensure the security of such funds. The Borough Treasurer may do this under delegated power where, for instance, a sharp rise or fall in interest rates is expected meaning borrowing early at fixed interest rates will be economically beneficial or meet budgetary constraints. Whilst the Borough Treasurer will adopt a cautious approach to any such borrowing, where there is a clear business case for doing so borrowing may be undertaken to fund the approved capital programme or to fund future debt maturities.

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.



#### **2.3.4 Debt rescheduling**

The PWLB allows authorities to repay loans before they mature and either pay a premium or receive a discount according to a set formula based on current interest rates. The authority may take advantage of this and replace some loans with new loans, or repay loans without replacement, where this is expected to lead to an overall cost saving or a reduction in risk.

Any rescheduling undertaken will be reported to Policy and Organisation Board.

#### **2.3.5 INVESTMENT STRATEGY**

The Council holds invested funds, representing income received in advance of expenditure plus balances and reserves held. In the past 12 months, the Council's investment balance has ranged between £8m and £18m and similar levels are expected to be maintained in the forthcoming year.

Given the increasing risk and very low returns from short-term unsecured bank investments, the Council aims to diversify into more secure and higher yielding asset classes during 2018/19, this is especially the case for an estimated amount of £6m which is expected to be available for longer term investments. The balance of the Council's surplus cash will be invested in short-term unsecured bank deposits, deposits with other local authorities and money market funds. This diversification will represent a substantial change in strategy over the coming year.

The key objective of the Council's investment strategy is to consider a balance between security, liquidity and yield with a priority of security and liquidity over yield.

The Council has determined that it will only use approved counterparties from the UK or a foreign country with a sovereign rating of AA or higher for direct investment.

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 to prioritise security and liquidity of its investments before seeking the highest rate of return, or yield. The Council's objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income. Where balances are expected to be invested for more than one year, the Council will aim to achieve a total return that is equal or higher than the prevailing rate of inflation, in order to maintain the spending power of the sum invested.

**Approved Counterparties:** The Council may invest surplus funds with any of the counterparty types in the table below, subject to the cash limits (per counterparty) and the time limits shown.

| Credit Rating | Banks /<br>Building<br>Societies<br>Un Secured  | Banks /<br>Building<br>Societies<br>Secured | UK Government /<br>Local Authorities | Corporates       | Registered<br>Providers |
|---------------|---|---|--------------------------------------|------------------|-------------------------|
| UK GOVT       | n/a   | n/a   | Unlimited<br>5 years                 | n/a              | n/a                     |
| AAA           | £2m<br>2 years  | £3m<br>5 years                              | £3m<br>5 years                       | £2m<br>5 years   | £2m<br>5 years          |
| AA+           | £2m<br>2 years  | £3m<br>5 years                              | £3m<br>5 years                       | £2m<br>5 years   | £2m<br>5 years          |
| AA            | £2m<br>2 years  | £3m<br>5 years                              | £3m<br>5 years                       | £2m<br>5 years   | £2m<br>5 years          |
| AA-           | £2m<br>2 years  | £3m<br>3 years                              | £3m<br>5 years                       | £2m<br>3 years   | £2m<br>5 years          |
| A+            | £2m<br>2 years  | £3m<br>3 years                              | £3m<br>5 years                       | £2m<br>3 years   | £2m<br>5 years          |
| A             | £2m<br>13 months  | £3m<br>2 years                              | £3m<br>5 years                       | £2m<br>2 years   | £2m<br>5 years          |
| A-            | £2m<br>6 months   | £3m<br>13 months                            | £3m<br>5 years                       | £2m<br>13 months | £2m<br>5 years          |
| None          | None  | None  | £3m<br>5 years <sup>1</sup>          | None             | None                    |
| Pooled Funds  | Local Authorities Property Fund £4m<br>Money Market Funds £3m per fund<br>Other Pooled Funds (Long Term) £2m per fund |   |                                      |                  |                         |

**Credit Rating:** Investment decisions are made by reference to the lowest published long-term credit rating from the ratings agencies (Fitch, Moody's or Standard & Poors). Where available, the credit rating relevant to the specific investment or class of investment is used, otherwise the counterparty credit rating is used.

No country limit will apply to investments in UK banks or building society. It is recommended that an aggregate limit for Investments outside the UK be applied of £8million and that in order to minimise the systemic credit risk of investments in any region it is recommended that a £4million limit be applied to the following geographical areas where investments can be made in foreign countries.

- Asia & Australia
- Americas
- Eurozone
- Continental Europe outside the Eurozone

<sup>1</sup> Not all Local Authorities are credit rated by the credit rating agencies; however from a credit perspective Local Authorities are considered low risk.

**Banks / Building Societies Unsecured:** Accounts, deposits, certificates of deposit and senior unsecured bonds with banks and building societies, other than multilateral development banks. These investments are subject to the risk of credit loss via a bail-in should the regulator determine that the bank is failing or likely to fail.

**Banks / Building Societies Secured:** Covered bonds, reverse repurchase agreements and other collateralised arrangements with banks and building societies. These investments are secured on the bank's assets, which limits the potential losses in the unlikely event of insolvency, and means that they are exempt from bail-in. Where there is no investment specific credit rating, but the collateral upon which the investment is secured has a credit rating, the higher of the collateral credit rating and the counterparty credit rating will be used to determine cash and time limits. The combined secured and unsecured investments in any one bank / building society will not exceed the cash limit for secured investments.

**Government / Local Authorities:** Loans, bonds and bills issued or guaranteed by UK government, regional and local authorities. These investments are not subject to bail-in, and there is an insignificant risk of insolvency.

**Corporates:** Loans, bonds and commercial paper issued by companies other than banks and registered providers. These investments are not subject to bail-in, but are exposed to the risk of the company going insolvent. Loans to unrated companies will only be made as part of a diversified pool in order to spread the risk widely.

**Registered Providers:** Loans and bonds issued by, guaranteed by or secured on the assets of Registered Providers of Social Housing, formerly known as Housing Associations. These bodies are tightly regulated by the Homes and Communities Agency and, as providers of public services, they retain the likelihood of receiving government support if needed.

**Pooled Funds:** Shares in diversified investment vehicles consisting of any of the above investment types and property. These funds have the advantage of providing wide diversification of investment risks, coupled with the services of a professional fund manager in return for a fee. Short-term Money Market Funds that offer same-day liquidity and very low or no volatility will be used as an alternative to instant access bank accounts, while pooled funds whose value changes with market prices and/or have a notice period will be used for longer investment periods.

Bond equity and property funds offer enhanced returns over the longer term, but are more volatile in the short term. These allow the Council to diversify into asset classes other than cash without the need to own and manage the underlying investments. Because these funds have no defined maturity date, but are available for withdrawal after a notice period, their performance and continued suitability in meeting the Council's Investment objectives will be monitored regularly.

**Operational bank accounts:** The Authority will incur operational exposures, through operation of its current account with National Westminster Bank (credit rating below A-). These are not classed as investments, but are still subject to the risk of a bank

bail-in, and balances will therefore be kept below £750,000 which may for operational reasons be occasionally exceeded.

**Risk Assessment and Credit Ratings:** Credit ratings are obtained and monitored by the Council's treasury advisers, who will notify changes in ratings as they occur. Where an entity has its credit rating downgraded so that it fails to meet the approved investment criteria then:

- no new investment will be made
- any existing investment that can be recalled or sold at no cost will be, and
- full consideration will be given to the recall or sale of all other existing investments with the affected counterparty

Where a credit rating agency announces that a credit rating is on review for possible downgrade so that it may fall below the approved rating criteria, then only investments that can be withdrawn (on the next working day) will be made with that organisation until the outcome of the review is announced.

**Other Information on the Security of Investments :** the Council understands that credit ratings are useful, but not perfect, predictors of investment default. Full regard will therefore be given to other available information on the credit quality of the organisations, in which it invests, including credit default swaps, share prices, information on government support for banks and reports in the quality financial press. No investments will be made with an organisation if there are substantive doubts about its credit quality, even though it may meet the credit rating criteria.

**Specified Investments:** The CLG Guidance defines specified investments as those:

- denominated in pound sterling,
- due to be repaid within 12 months of arrangement,
- not defined as capital expenditure by legislation, and
- invested with one of:
  - the UK Government,
  - a UK local authority, parish council or community council, or
  - a body or investment scheme of "high credit quality".

The Council defines "high credit quality" organisations and securities as those having a credit rating of [A-] or higher that are domiciled in the UK or a foreign country with a sovereign rating of AA or higher. For money market funds and other pooled funds "high credit quality" is defined as those having a credit rating of A- or higher.

**Non-specified Investments:** Any investment not meeting the definition of a specified investment is classed as non-specified. The Council does not intend to make any investments denominated in foreign currencies, nor any that are defined as capital expenditure by legislation, such as company shares. Non-specified investments will therefore be limited to long-term investments, i.e. those that are due to mature 12 months or longer from the date of arrangement, and investments with bodies and schemes not meeting the definition on high credit quality. Non specified investment will be restricted to

- Long term investments with the total amount of these investments limited to £9 million

- Investments without credit rating or rated below [A-] will be limited to instant access deposits with the Council's bankers (National Westminster) up to a limit of £3million.

## 2.3.6 TREASURY MANAGEMENT CODE INDICATORS

### 2.3.6.1 Interest Rate Exposures

This indicator is set to control the Council's exposure to interest rate risk. Short term and variable rate loans have the advantage of being cheaper but leave the Council exposed to the risk of short term interest rate rises and are therefore subject to the limit on the exposure to variable rates set out in the table below. The upper limits on fixed and variable rate exposures, expressed as the proportion of gross principal borrowed/invested will be:

| Interest rate exposures                   |                         | 2018/19<br>Upper<br>£'000 | 2019/20<br>Upper<br>£'000 | 2020/21<br>Upper<br>£'000 |
|---|-------------------------|---------------------------|---------------------------|---------------------------|
| <b>Limits on fixed interest rates:</b>    | <b>Borrowing only</b>   | 100%                      | 100%                      | 100%                      |
|   | <b>Investments only</b> | 100%                      | 100%                      | 100%                      |
| <b>Limits on variable interest rates:</b> | <b>Borrowing only</b>   | 15%                       | 15%                       | 15%                       |
|   | <b>Investments only</b> | 100%                      | 100%                      | 100%                      |

Fixed rate investments and borrowings are those where the rate of interest is fixed for at least 12 months, measured from the start of the financial year or the transaction date if later. All other instruments are classed as variable. The principal limit on fixed interest rate investments will be £9 million.

### 2.3.6.2 Maturity Structure of Borrowing

This indicator is set to control the Council's exposure to refinancing risk. The upper and lower limits on the maturity structure of fixed rate borrowing will be:

|  |  |  |  | 2018/19<br>Lower | 2018/19<br>Upper |
|--|--|--|--|------------------|------------------|
| <b>Maturity structure of fixed interest rate borrowing</b> |  |  |  |                  |                  |
| Under 12 months  |  |  |  | 6%               | 24%              |
| 12 months to 2 years                                       |  |  |  | 3%               | 21%              |
| 2 years to 5 years   |  |  |  | 13%              | 30%              |
| 5 years to 10 years  |  |  |  | 22%              | 27%              |
| 10 years and above   |  |  |  | 40%              | 42%              |

(NB Time periods start on the first day of each financial year)

### 2.3.6.3 Principal Sums Invested for Periods Longer than 364 days

The purpose of this indicator is to control the Council's exposure to the risk of incurring losses by seeking early repayment of its investments. The limits on the long-term principal sum invested to final maturities beyond the year end will be:

| Maximum principal sums invested<br>>365 days |                |                |                |
|--|----------------|----------------|----------------|
|  | 2018/19        | 2019/20        | 2020/21        |
|  | Estimate<br>£m | Estimate<br>£m | Estimate<br>£m |
| Principal sums invested > 364 days           | 9.0            | 9.0            | 9.0            |

## 2.3.7 OTHER ITEMS

### 2.3.7.1 Investment Training

The training needs of the officers involved on treasury management are identified through the annual personal review process, and additionally when the responsibilities of individual members of staff change. Staff attend relevant training courses, seminars and conferences.

Member training and briefing sessions have taken place in September 2011 (delivered by officers), January 2012 (delivered by Capita) and most recently in February 2015 (delivered by Capita).

### 2.3.7.2 Treasury management consultants

The Council have appointed Arlingclose Limited as its external treasury management advisors and they provide a range of services to the Council including:

- Investments advice
- Borrowing advice
- Technical support on treasury matters and capital finance issues
- Economic and interest rate analysis
- Training and briefing sessions

The contract with Arlingclose commenced July 2016 and is for an initial period of 3 years.

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.

### 2.3.7.3 Policy on Apportioning Interest to the HRA

On 1st April 2012, the Council notionally split each of its existing long-term loans into General Fund and HRA pools the later included £57million borrowed on the 28<sup>th</sup> March 2012 to make a payment to the Government under the HRA Self Financing scheme. In the future, new long-term loans borrowed will be assigned in their entirety to one pool or the other. Interest payable and other costs/income arising from long-term loans (e.g. premiums and discounts on early redemption) will be charged/credited to the respective revenue account. Differences between the value of the HRA loans and the HRA's underlying need to borrow will be charged an interest

from the General Fund equivalent to the General Funds average interest on borrowing. HRA balance sheet resources available for investment will result in a notional cash balance which will receive the Council's average interest rate on investments.

### 3.0 CONCLUSION

The effect of the proposals set out in this report is to allow the Council to effectively and efficiently manage cash balances in line with the relevant CIPFA and CLG guidance. The low risk nature of the Council's current policy is consistent with the current economic climate.

|   |   |
|---|---|
| <b>Financial implications:</b>                | As contained in the report.   |
| <b>Legal implications:</b>                    | It is a legal requirement that an annual Treasury Management report is considered by the Council.   |
| <b>Service Improvement Plan implications:</b> | This report is required in order that to fulfil statutory requirements associated with the achievement of both service improvement plan and corporate plan targets. |
| <b>Corporate Plan:</b>                        |   |
| <b>Risk Assessment:</b>                       | As contained in the report  |
| <b>Background papers:</b>                     |   |
| <b>Author:</b>                                | Borough Treasurer   |