Please ask for:
Chris Wrein
Direct dial:
(023) 9254 5288
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(023) 9254 5587
E-mail:
chris.wrein@gosport.gov.uk

26 January 2010

S U M M O N S

MEETING: Policy and Organisation Board (Extraordinary Meeting)
DATE: 3 February 2010
TIME: At the conclusion of the extraordinary meeting of the Housing Board
PLACE: Committee Room 1, Town Hall, Gosport
Democratic Services contact: Chris Wrein

LINDA EDWARDS
BOROUGH SOLICITOR

MEMBERS OF THE BOARD

The Mayor (Councillor Mrs Searle)(ex-officio)
Councillor Hook (Chairman)
Councillor Burgess (Vice-Chairman)

Councillor Carter
Councillor Chegwyn
Councillor Cully
Councillor Gill
Councillor Hicks
Councillor Langdon
Councillor Philpott
Councillor Wright

FIRE PRECAUTIONS

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

In the event of the fire alarm (single continuous sound) being activated, please leave the room 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.

IMPORTANT NOTICE:

- If you are in a wheelchair or have difficulty in walking and require access to the Committee Room on the First Floor of the Town Hall for this meeting, assistance can be provided by Town Hall staff on request

If you require any of the services detailed above please ring the Direct Line for the Democratic Services Officer listed on the Summons (first page).

NOTE:

i. Councillors are requested to note that, if any Councillor who is not a Member of the Board wishes to speak at the Board meeting, then the Borough Solicitor is required to receive not less than 24 hours prior notice in writing or electronically and such notice shall indicate the agenda item or items on which the member wishes to speak.

ii. Please note that mobile phones should be switched off for the duration of the meeting.

Policy and Organisation Board (Extraordinary Meeting)
3 February 2010

AGENDA

PART A ITEMS

RECOMMENDED MINUTE FORMAT

1. APOLOGIES FOR NON-ATTENDANCE

2. DECLARATIONS OF INTEREST

All Members present are required to declare, at this point in the meeting or as soon as possible thereafter, any personal or personal and prejudicial interest in any item(s) being considered at this meeting.

3. DEPUTATIONS – STANDING ORDER 3.5

(NOTE: The Board is required to receive a deputation(s) on a matter which is before the meeting of the Board provided that notice of the intended deputation and its object shall have been received by the Borough Solicitor by 12 noon on Monday, 1 February 2010. The total time for deputations in favour and against a proposal shall not exceed 10 minutes).

4. PUBLIC QUESTIONS – STANDING ORDER 3.6

(NOTE: The Board is required to allow a total of 15 minutes for questions from members of the public on matters within the terms of reference of the Board provided that notice of such Question(s) shall have been submitted to the Borough Solicitor by 12 noon on Monday, 1 February 2010).

5. TREASURY MANAGEMENT AND PRUDENTIAL INDICATORS 2010/11 — PART I

Report to follow.

Contact Officer:
John Norman
Ext 5316

6. CROSS REFERENCES FROM COMMUNITY AND ENVIRONMENT BOARD (3 FEBRUARY 2010) AND HOUSING BOARD (3 FEBRUARY 2010) — PART II

A) COMMUNITY AND ENVIRONMENT BOARD BUDGET 2010/11

Contact Officers:
John Norman
Ext 5316

B) HOUSING GENERAL FUND BUDGET 2010/11

Tim Hoskins/
Julian Bowcher
Ext 5322/5551

7. BOARD BUDGET 2010/11 — PART II

To consider the Board's revised 2009/10 and 2010/11 budgets, including the Board's fees and charges for 2010/11 and capital

Contact Officer:
John Norman
Ext 5316

programme, and recommend thereon to the Policy and Organisation Board for inclusion in the Council's overall budget proposals.

8. COUNCIL BUDGET 2010/11 PART I

The report outlines the financial situation of the Council's General Fund in the current year and, after consideration of the main factors affecting the outlook for 2010/11 including Exchequer support and reserve levels, recommends a budget level for that year. The proposed budget is expected to result in no increase in the level of Council Tax for the Borough Council's requirements after taking account of reserve and tax collection fund balances.

Contact Officer:
Peter Wilson
Ext 5301

9. ANY OTHER ITEMS
which the Chairman determines should be considered, by reason of special circumstances, as a matter of urgency.

AGENDA NO. 6A

GOSPORT BOROUGH COUNCIL

REFERENCE

TO: **POLICY AND ORGANISATION BOARD – 3 FEBRUARY 2010**

FROM: **COMMUNITY AND ENVIRONMENT BOARD – 3 FEBRUARY 2010**

TITLE: **COMMUNITY AND ENVIRONMENT BOARD BUDGET 2010/11**

AUTHOR: **FINANCIAL SERVICES MANAGER**

Attached is a copy of the report that was considered by the Community and Environment Board on the 3 February 2010 (Appendix 'B'), together with the Minute extract and Board Resolution (Appendix 'A').

RECOMMENDATION:

To follow.

APPENDIX 'A'

EXTRACT FROM THE MINUTES OF THE
COMMUNITY AND ENVIRONMENT BOARD MEETING
3 FEBRUARY 2010

BOARD BUDGET 2010/2011

To follow.

APPENDIX B

Board:	**COMMUNITY AND ENVIRONMENT BOARD**
Date of meeting:	**3 FEBRUARY 2010**
Title:	**BOARD BUDGET 2010-2011**
Author:	**FINANCIAL SERVICES MANAGER**
Status:	**FOR RECOMMENDATION**

Purpose

The purpose of this report is to consider the Board's revised 2009/10 and 2010/11 budgets, including the Board's fees and charges for 2010/11 and capital programme, and recommend thereon to the Policy and Organisation Board for inclusion in the Council's overall budget proposals

Recommendation

The Board is requested to recommend to P&O Board its requirements for

- the revenue budget (revised 2009/10 and estimate 2010/11)
- the fees and charges for 2010/11
- the capital programme 2009/10 to 2014/15

1.0 BACKGROUND

1.1 The Board is required to consider and recommend to P&O Board its requirements for the 2009/10 and 2010/11 financial years.

1.2 P&O Board will consider its own and other Board requirements on 3rd February, and make recommendations to Council regarding the overall Council budget.

1.3 Members have been circulated with drafts of both the Budget and Fees and Charges Books for 2010/11. The draft figures have been compiled in line with the guidance contained in the Council's budget strategy (P&O Board 24th June 2009).

1.4 This Boards budgets are contained on the following pages:

- Revenue budgets pages 3 to 14
- Capital Programme pages 47 & 48
- Revenue variances pages 57 & 58

1.5 There are several general points regarding the reported figures:

- Capital Finance and Grants Deferred income

A depreciation charge is made to revenue services and administration accounts. This charge represents the cost of using the council's assets during the year and is offset by an opposite and equal figure within the P&O Board budget so that it does not impact on the level of council tax. This accounting treatment is obligatory and is carried out by all local authorities.

From 2006/07, it also became necessary to show income against services for the proportion of any capital grants or external financing that have been received to finance capital expenditure. As with depreciation, this is offset within P&O Board.

- Administration Recharges

Administration recharges represent the cost of the Council's service units – both frontline and support – that are incurred in providing the Council's services. They are a recharge of the total service unit costs which are overseen by the Personnel Sub and P&O Boards. They can vary between both services and boards, as well as between the General Fund, Housing Revenue Account and the Capital Programme and reflect the complexity of the Council's structure and services provided.

- Variance Analysis

The variance analysis shows the major budgetary variations from (i) the original budget to the revised budget and, (ii) the revised budget to the estimated budget.

In practice, at the lowest level, there will always be many budgetary variations – both positive and negative - as officers manage budgets and provide for service delivery under delegated authority. These will also include virements in line with financial regulations. The variance analysis in the budget book includes the major variations only.

1.6 A subjective analysis (an analysis by type of expenditure as opposed to by service heading) is in the table below.

	ORIGINAL 2009/10 £	REVISED 2009/10 £	BUDGET 2010/11 £
Employees	283,960	279,070	287,140
Premises	713,530	764,560	642,430
Transport	23,760	18,380	19,820
Supplies and Services	596,180	593,410	530,960
Third Party Payments	3,477,780	3,460,040	3,506,650
Transfer Payments	1,055,990	1,171,260	1,167,070
Support Services	2,851,700	2,563,380	2,701,100
Depreciation & Impairment Losses	750,410	882,860	851,600
Miscellaneous		0	0
	9,753,310	**9,732,960**	**9,706,770**
Income - Grants Deferred	359,880	381,760	381,760
Income - Other	2,044,970	2,039,920	2,065,530
	7,348,460	**7,311,280**	**7,259,480**

1.7 This report also serves the purpose of updating members on the budget position for C&E Board generally for 2009/10 – effectively fulfilling the role of a third quarters budget monitoring report.

2.0 REVISED BUDGET 2009/10

2.1 The revised budget for 2009/10 for this Board is £7,311,280, a decrease of £37,180 (0.5%) on the original budget for 2009/10 of £7,348,460.

2.2 Excluding the increase in Capital Finance charges (£132,450), Grants Deferred (-£21,880) and the movement in Admin Recharges (-£288,320) – all as described in paragraph 1.5 above - the net cost of the Board's services has increased in the revised budget by **£140,570.**

2.3 The major variations that have been incorporated into the revised 2009/10 budget are listed in the variance analysis and are summarised below.

2.4 Gosport Market

An increase in budgeted net costs of approximately £72,480 is predicted, comprising the estimated costs of employing a market inspector, trade refuse charges plus a predicted shortfall in budgeted income. The market is being actively promoted and a prudent increase in income is predicted for 2010/11.

2.5 Waste

Net additional income of approximately £74,850 is mainly attributable to an increase in recycling income from Project Integra (£108,470) offset by replacement bottle banks, mixed glass containers and additional dual use dog / litter bins.

2.6 Concessionary Travel

Additional expenditure on bus passes is likely to be approximately £130,000 higher than budget due to a mixture of increased usage and operator claims.

2.7 Traffic Agency Deficiency

Personnel Sub-Board on 5th February 2009 approved not renewing the Traffic Management and Highways Development Control Agencies. The associated reduction of budgeted income from the County for 2009/10 is £98,200. The corresponding salary saving from the transferred staff is included within reduced administration recharges.

3.0 BUDGET 2010/11

3.1 The budget for 2010/11 for this Board is £7,259,480, a decrease of £88,980 (1.2%) on the original budget for 2009/10 of £7,348,460; and a decrease of £51,800 (0.7%) on the revised budget for 2009/10 of £7,311,280.

3.2 Excluding the decrease in Capital Finance charges (-£31,260) and the movement in Admin Recharges (+£137,720) - as described in paragraph 1.5 above - the net cost of the Board's services has decreased by **£158,260** from the revised budget to the estimated budget.

3.3 The major variations include:

3.4 Gosport Market

Increased income of £17,600 as outlined above.

3.5 Cemetery

Increased income from Portchester Crematorium of £25,000

3.6 Open Spaces

A reduction in special maintenance of £31,980 for works undertaken in 2009/10.

3.7 Waste

Net reduced expenditure of £10,330 which reflects increased contract costs (+£31,510) and reduced bottle bank and dog / litter bin costs (-£39,720).

3.8 Street Cleansing

LPSA2 grant of £21,520 will be received in 2010/11.

3.9 Tenanted Buildings

A reduction in special maintenance of £24,800 for works undertaken in 2009/10 at Grange Farm Depot and Middle Barn Cottage.

3.10 Appendix A contains a list of the Board's special maintenance schemes for 2010/11

4.0 FEES AND CHARGES 2010/11

4.1 The recommended fees and charges are included within the draft Fees and Charges book.

5.0 CAPITAL PROGRAMME 2009/10 TO 2014/15

5.1 The draft Capital Programme is included on pages 47 and 48 of the Budget Book.

5.2 Where capital expenditure is not supported by external funding (government grant, developer contributions, commuted sums etc) there is a direct and material impact on the Council's revenue budget by way of lost interest and borrowing costs. This is projected to have an increasing impact over the next few years.

5.3 The figures in the columns headed 'Local Resources' at the right hand side of the capital programme pages show those schemes that do not benefit from external funding and therefore either draw on what remains of the Council's general capital receipts or may require borrowing.

5.4 The full capital programme including the overall funding and the end impact on the revenue budget will be considered by P&O Board on 3rd February as part of the overall Council budget.

5.5 The capital programme includes for the following major schemes

- Item 3. Landing Stage replacement
- Item 12. Gosport Leisure Centre replacement

Both the successful negotiation and receipt of external contributions and the receipt and application of future capital receipts are key elements in the funding of these schemes. In order to ensure that receipts are maximised and are not hampered by the economic climate, it may be necessary to undertake further borrowing to temporarily fund these schemes.

5.6 Capital schemes with expenditure of below £100,000 in the revised budget are listed in Appendix B and are included as one summarised total in the full capital programme within the Council's Budget Book

6.0 RISK ASSESSMENT

6.1 Generally, Council budgeting processes include an element of risk in respect of the many variables involved. These include:

- New statutory responsibilities
- Government led or notified activities
- Demand led activities which may result in the Council have to react to external factors
- Contractual obligations
- Market & economic factors including interest rates

6.2 To counter these risks and uncertainties, the Council aims to be proactive in monitoring and controlling its services and budgets and taking prompt corrective action when necessary.

6.3 C&E Board budgets that are considered high risk include Concessionary Travel and Gosport Market income.

6.4 Budget risks are considered further in the Council Budget report to P&O Board due to their potential impact on the Council budget and reserve levels.

7.0 CONCLUSION

7.1 This report summarises the C&E Board revenue and capital budgets for 2009/10 and 2010/11 together with its fees and charges and seeks a recommendation of the Board's requirements to P&O Board.

Financial implications:	As contained in the report.
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: **Corporate Plan**	The budget submissions reflect both service improvement plans and the corporate plan.
Risk Assessment	As contained in section 6 of the report
Background papers:	Budget working papers
Appendices:	Appendix A – Special Maintenance Items Appendix B – Summarised Capital Schemes
Report Author:	John Norman

APPENDIX A

SPECIAL MAINTENANCE ITEMS

COST CENTRE & DESCRIPTION	ORIGINAL 2009/2010	REVISED 2009/2010	ESTIMATE 2010/2011	Page
LA02 Open Spaces				5
Lee recreation perimeter fencing upgrade		7,500		
Grove Road recreation - Bow top railings		5,000		
Esplanade seating upgrade		7,500		
Elson recreation car park lining & hatching		2,000		
Military Road to GAFIRS - Provide footway at junction		3,500		
Lee on Solent central promenade railings		8,250		
Brookers Field - Perimeter fence upgrade		8,600		
Shelter Upgrade Lee and Stokes Bay 3yrs @ 5k		5,000		
	47,350	47,350		
LA02 Open Spaces				
Gosport & L-O-S Seating Renewal				
Lee Steps to Promenade - Lighting			4,750	
Privett Gardens - Fence Line Renewal			4,000	
Lec Rec Pavilion - Provision of Disabled equipment			7,750	
Petanque				
			16,500	
LC01 Cemetery				
Data Base Recording			6,500	
LM07 Open Space Events				
Stokes Bay - Upgrade facilities for events	5,000	0	0	
LM05 Public Conveniences				9
Pump replacement	5,000	1,860	0	
LS04 Football				5
Pavilion - Internal refurbishment	0	0	4,500	
LT06 Grange Farm Depot				11
Resurfacing to Carriage Way/Car Parking Areas	17,300	17,300	0	
LT09 Middle Barn Cottage				
New Kitchen	5,870	7,500	0	
TOTAL	80,520	74,010	27,500	

APPENDIX B

Item No	SUMMARISED CAPITAL SCHEMES	Expenditure 2009/10 £,000	From Local Resources 2009/10 £,000
3	St Vincent - Artificial Turf Pitch	16	0
4	High Street Refurbishment	55	55
5	L-O-S Embankment Regrading	80	80
6	Tukes Avenue Playing Field - Facility Upgrade	5	3
7	Nobes Avenue - Play Area, Equipment Renewal	10	6
8	Improvement Works to Solent Gardens	2	2
9	Fairway Play Area Equipment	4	0
10	Hardway Sailing Club - replace public slipway	40	8
11	Rowner Cricket Club - fencing upgrade	6	5
12	Privett Park Tennis Courts - surface upgrade	25	0
13	Cherque Farm - provision of play areas	18	0
14	Disabled Toilets refurbishment	6	6
15	Bridgemary, Elson & Leesland - Play Areas	39	20
16	Pirates Cove Play Area - New Play Equipment	12	0
17	Walpole Park Skatepark - Provide extension to existing skate park facility	6	0
18	Bus Shelters - A32 Purchase (14)	70	0
19	Alver Valley - BMX Bow Top Railings	10	10
20	Elson Skateboard & BMX Track	11	0
21	17th Century Village - Buildings Upgrade	20	20
22	Leesland Skatepark - provide concrete equipment & perimeter railings (MUGA area refurbishment)	65	0
23	Leesland Park Play Area - equipment & safety surfacing upgrade	35	0
24	Stokes Bay Promenade - maintenance of promenade & rolling programme of resurfacing	45	45
25	Ann's Hill Cemetery - tractor replacement	25	25
26	Privett Park - resurface car park	65	0
27	Ann's Hill Cemetery - railing renewals	30	30
28	Military Road (to Gafirs) - resurface carriageway	24	24
29	Old Road Play Area - upgrade equipment	27	0
30	Brockhurst Allotments - Security, Improvements & Car Parking Provision	62	62
31	Privett Park - Play Improvements	35	35
32	Privett Gardens - Improvements	30	30
33	Walpole Park Play Area - improvements	33	0
34	Petanque Pitches at Stokes Bay	17	0
35	Leesland & Tukes Avenue Allotments - Car Parking & Perimeter Railings	10	10
36	Waterfront Brasserie - Pumping Chamber Upgrade	8	8
37	Transfer of Play Areas at Priddys Hard	46	0
		992	**484**

AGENDA NO. **6B**

GOSPORT BOROUGH COUNCIL

REFERENCE

TO:	**POLICY AND ORGANISATION BOARD – 3 FEBRUARY 2010**
FROM:	**HOUSING BOARD – 3 FEBRUARY 2010**
TITLE:	**HOUSING GENERAL FUND BUDGET 2010/11**
AUTHOR:	**FINANCIAL SERVICES MANAGER AND HOUSING SERVICES MANAGER**

Attached is a copy of the report that was considered by the Housing Board on the 3 February 2010 (Appendix 'B'), together with the Minute extract and Board Resolution (Appendix 'A').

RECOMMENDATION:

To follow.

APPENDIX ‘A’

EXTRACT FROM THE MINUTES OF THE HOUSING BOARD MEETING 3 FEBRUARY 2010

HOUSING GENERAL FUND BUDGET 2010/11

To follow.

APPENDIX B

Board/Committee:	Housing Board
Date Of Meeting:	3 February 2010
Title:	Housing General Fund Budget 2010/2011
Author:	Financial Services Manager and Housing Services Manager
Status:	For Recommendation to Policy and Organisation Board

Purpose

The purpose of this report is to consider the Board's revised 2009/2010 budget and 2010/2011 budget, including the Board's Fees and Charges for 2010/2011 and capital programme and to recommend to the Policy and Organisation Board for inclusion in the Council's overall budget proposals.

Recommendation

1) The Board is requested to recommend to Policy and Organisation Board its requirements for the:

    a) Revenue budget (revised 2009/2010 and estimate 2010/2011)
    b) Fees and Charges for 2010/2011
    c) Capital programme 2009/2010 to 2014/2015.

2) The Board is requested to recommend to Policy and Organisation Board the proposals relating to the rent level for Stoke Road hostel as outlined in paragraph 4.3 of the report.

1.0 BACKGROUND

1.1 The Board is required to consider and recommend to Policy and Organisation Board its requirements for the 2009/2010 and 2010/2011 financial years.

1.2 Policy and Organisation Board will consider its own and other Board requirements on 3 February 2010 and make recommendations to Council regarding the overall Council budget.

1.3 Members have been circulated with drafts of both the Budget and Fees and Charges Books for 2010/2011. The draft figures have been compiled in line with the guidance contained in the Council's budget strategy.

1.4 This Boards budgets are contained on the following pages:

- Revenue budgets pages 15 to 17
- Revenue variances page 58
- Capital programme page 46.

1.5 The Budget Book continues to be presented in the revised format that was first used in 2007/2008 that is aimed at providing a presentation that more readily aligns with the Council's service unit structure.

1.6 There are several general points regarding the reported figures:

- Administration Recharges

Administration recharges represent the cost of the Council's service units – both frontline and support – that are incurred in providing the Council's services. They are a recharge of the total service unit costs which are overseen by the Personnel-Sub and Policy and Organisation Board. They can vary between both services and Boards, as well as between the General Fund, Housing Revenue Account and the Capital Programme and reflect the complexity of the Council's structure and services provided.

- Variance Analysis

The variance analysis shows the major budgetary variations from (i) the original budget to the revised budget and, (ii) the revised budget to the estimated budget.

In practice, at the lowest level, there will always be many budgetary variations – both positive and negative - as Officers manage budgets and provide for service delivery under delegated authority. These will also include virements in line with financial regulations. The variance analysis in the budget book includes the major variations only.

2.0 REVISED BUDGET 2009/2010

2.1 The revised budget for 2009/2010 for this Board is £526,720 - an increase of £40,760 (8.4%) on the original budget for 2009/2010 of £485,960.The increase is primarily due to an anticipated reduction in subsidy payable on various homelessness initiatives during 2009/2010.

3.0 BUDGET 2010/2011

3.1 The budget for 2010/2011 for this Board is £516,710 an increase of £30,750 (6.3%) on the original budget for 2009/2010 of £485,960 and a decrease of £10,010 (1.9%) on the revised budget for 2009/2010 of £526,720.

3.2 The major variations are listed in an appendix at the front of the draft budget book.

4.0 HOMELESSNESS

4.1 The Housing General Fund Budget consists of three service areas, namely Home Adaptations, Private Sector Housing and Homelessness. There has been a slight increase in Administration Recharges for both Home Adaptations and Private Sector Housing. Although costs have reduced for Homelessness the overall budget has increased as the level of subsidy is budgeted to fall as well. The increase for the revised budget is £37,910 on the original budget for 2009/10.

4.2 The overall Homelessness budget has reduced between the 2009/2010 Revised £379,600 and the 2010/2011 Budget of £349,240. There has been a continuing trend away from commercial bed and breakfast to other categories of temporary accommodation including Rented Accommodation in the Private Sector (RAPS), lodgings and hostel accommodation.

4.3 The proposed subsidy changes that are due to take place from 1 April 2010 have the most adverse affect on the Stoke Gardens hostel business plan. This was mentioned in the November 2009 Housing Board report, Temporary Accommodation Strategy Review. It is this reduction in subsidy that has prompted a review of the rents currently being charged for Stoke Gardens. The conclusion is that the rents should be reduced by an average of £40 per week from 1 April 2010. This would reduce the average rent from the current £183 to an average rent of £143. This would also bring the rents into line with those charged for other Hostel accommodation.

5.0 FEES AND CHARGES 2010/11

5.1 The recommended Fees and Charges are included within the draft Fees and Charges book (page 25).

6.0 CAPITAL PROGRAMME

6.1 The draft capital programme is contained within the draft budget book (page 46) for approval. Policy and Organisation Board will consider the overall programme in the light of available financing resources.

7.0 RISK ASSESSMENT

7.1 Generally, Council budgeting processes include an element of risk in respect of the many variables involved. These include:

- New statutory responsibilities
- Government led or notified activities

- Demand led activities which may result in the Council have to react to external factors
- Contractual obligations
- Market and economic factors including interest rates.

7.2 To counter these risks and uncertainties, the Council aims to be proactive in monitoring and controlling its services and budgets and taking prompt corrective action when necessary.

7.3 The primary risks to the Housing (General Fund) Budget relate to Homelessness and cover such risk areas as a shortage of private sector lets, an over reliance on commercial Bed and Breakfast accommodation and complying with external grant funding conditions including Housing Benefit grant and currently, the uncertain financial climate.

7.4 Budget risks are considered further in the Council Budget report to Policy and Organisation Board due to their potential impact on the robustness of the Council budget and reserve levels.

8.0 CONCLUSION

8.1 This report summarises the Housing Board (General Fund) revenue and capital budgets for 2009/2010 revised and 2010/2011 together with its Fees and Charges and seeks a recommendation of the Board's requirements to the Policy and Organisation Board.

Financial Implications:	As set out in the report
Legal Implications:	The Council has to set a balanced budget and has an obligation to discharge its function effectively, efficiently and economically.
Service Improvement Plan implications:	The delivery of a comprehensive homelessness service is a key element of the Service Improvement Plan (SIP) for the Housing Service
Corporate Plan:	Better access to decent housing is a key Strategic Priority (Prosperity) for the Council.
Risk Assessment:	See Section 7.0
Background papers:	Draft Budget Book and Fees and Charges
Appendices/Enclosures:	None
Report Author/Lead Officer	Tim Hoskins/Julian Bowcher

Agenda item no 7

Board:	**POLICY AND ORGANISATION BOARD**
Date of meeting:	**3 FEBRUARY 2010**
Title:	**BOARD BUDGET 2010-2011**
Author:	**FINANCIAL SERVICES MANAGER**
Status:	**FOR RECOMMENDATION**

Purpose

The purpose of this report is to consider the Board's revised 2009/10 and 2010/11 budgets, including the Board's fees and charges for 2010/11 and capital programme, and recommend thereon to the Policy and Organisation Board for inclusion in the Council's overall budget proposals

Recommendation

The Board is requested to recommend its requirements for

- the revenue budget (revised 2009/10 and estimate 2010/11)
- the fees and charges for 2010/11
- the capital programme 2009/10 to 2014/15

1.0 BACKGROUND

1.1 The Board is required to consider and recommend to P&O Board its requirements for the 2009/10 and 2010/11 financial years.

1.2 P&O Board will consider its own and other Board requirements on 3rd February, and make recommendations to Council regarding the overall Council budget.

1.3 Members have been circulated with drafts of both the Budget and Fees and Charges Books for 2010/11. The draft figures have been compiled in line with the guidance contained in the Council's budget strategy (P&O Board 24th June 2009).

1.4 This Boards budgets are contained on the following pages:

- Revenue budgets pages 21 to 34
- Capital programme page 49
- Revenue variances pages 59 & 60

1.5 There are several general points regarding the reported figures:

- Capital Finance and Grants Deferred income

A depreciation charge is made to revenue services and administration accounts. This charge represents the cost of using the council's assets during the year and is offset by an opposite and equal figure within the P&O Board budget so that it does not impact on the level of council tax. This accounting treatment is obligatory and is carried out by all local authorities.

From 2006/07, it also became necessary to show income against services for the proportion of any capital grants or external financing that have been received to finance capital expenditure. As with depreciation, this is offset within P&O Board.

- Administration Recharges

Administration recharges represent the cost of the Council's service units – both frontline and support – that are incurred in providing the Council's services. They are a recharge of the total service unit costs which are overseen by the Personnel Sub and P&O Boards. They can vary between both services and boards, as well as between the General Fund, Housing Revenue Account and the Capital Programme and reflect the complexity of the Council's structure and services provided.

- Variance Analysis

The variance analysis shows the major budgetary variations from (i) the original budget to the revised budget and, (ii) the revised budget to the estimated budget.

In practice, at the lowest level, there will always be many budgetary variations – both positive and negative - as officers manage budgets and provide for service delivery under delegated authority. These will also include virements in line with financial regulations. The variance analysis in the budget book includes the major variations only.

1.6 A subjective analysis (an analysis by type of expenditure as opposed to by service heading) is in the table below.

	ORIGINAL 2009/10 £	REVISED 2009/10 £	BUDGET 2010/11 £
Employees	168,380	364,580	172,980
Premises	91,130	120,300	72,830
Transport	10,450	12,960	11,950
Supplies and Services	1,841,280	2,262,570	1,898,000
Third Party Payments	178,120	138,520	148,830
Transfer Payments	22,391,580	25,853,000	25,922,430
Support Services	5,109,250	5,193,180	4,916,990
Depreciation & Impairment Losses	243,370	46,660	17,190
Capital Finance Reversals	(754,160)	(698,150)	(642,420)
Miscellaneous	114,930	(59,710)	418,580
	29,394,330	**33,233,910**	**32,937,360**
Income - Grants Deferred	65,500	16,750	11,750
Income - Other	24,033,530	28,125,590	27,717,590
	5,295,300	**5,091,570**	**5,208,020**

1.7 This report also serves the purpose of updating members on the budget position for P&O Board generally for 2009/10 – effectively fulfilling the role of a third quarters budget monitoring report.

2.0 REVISED BUDGET 2009/10

2.1 The revised budget for 2009/10 for this Board is £5,091,570, a decrease of £203,730 (3.9%) on the original budget for 2009/10 of £5,295,300.

2.2 Excluding the decrease in Capital Finance charges and reversals (-£140,700), Grants Deferred (+£48,750) and the movement in Admin Recharges (+£83,930) - all as described in paragraph 1.6 above - the net cost of the Board's services has decreased in the revised budget by **£195,710**

2.3 The major variations that have been incorporated into the revised 2009/10 budget are listed in the variance analysis and are summarised below.

2.4 Planning Fees

Planning fee income has been affected by both the economic situation and downturn in the housing market. A shortfall of £75,000 is predicted for 2009/10. The fee income budget has been increased by £25,000 for 2010/11 to reflect the beginning of the expected recovery and anticipated planning applications.

2.5 Priddys Hard including the Explosion Museum

An Extraordinary P&O Board meeting on 22nd July considered a confidential report on the future of Priddys Hard and the Explosion Museum and resulting from this and the subsequent site disposal to the

Portsmouth Naval Base Property Trust, additional revenue costs of £87,560 have been included in the revised budget.

2.6 External Interest Payable and Receivable

Following a debt restructuring exercise in December whereby long term loans were replaced with shorter term loans in exchange for a discount receipt on the loans redeemed and lower replacement interest rates, a combined budget reduction of £51,720 has been included in the revised budget.

2.7 Minimum Revenue Provision (MRP)

MRP is the statutory charge that must be made to the revenue account in respect of the underlying borrowing that has taken place to finance the Council's capital programme to date. For 2009/10, MRP is estimated to be £31,700 below budget – largely as a result of slippage in the capital programme.

The MRP policy for 2010/11 will be included as part of the Treasury management and Prudential Indicators report to P&O Board.

2.8 VAT Reclaim and Interest Receivable

As reported in the second budget monitor and as a result of retrospective changes in tax liability, the Council's retained VAT advisers have successfully challenged and recovered payments made over a substantial number of years. As well as the £169,530 VAT recovered, interest of £162,810 is also payable.

The latter sum above has boosted the previously predicted shortfall on external interest receivable to a surplus of £101,110 in the current year.

3.0 BUDGET 2010/11

3.1 The budget for 2010/11 for this Board is £5,208,020, a decrease of £87,280 (1.7%) on the original budget for 2009/10 of £5,295,300; and an increase of £116,450 (2.3%) on the revised budget for 2009/10 of £5,091,570.

3.2 Excluding the net increase in Capital Finance charges and reversals (+£26,260), Grants Deferred (+£5,000) and the movement in Admin Recharges (-£276,190) - as described in paragraph 1.6 above - the net cost of the Board's services has increased by £361,380 from the revised budget to the estimated budget.

3.3 The major variations are listed in the variance analysis, including:

3.4 Priddys Hard including the Explosion Museum

After the additional costs incurred in 2009/10 [2.5 above] the budget requirement will fall in 2010/11 to £50,000 per annum in line with the agreement. This will continue for three years.

3.5 Election Fees

Local election costs of £55,300 have been budgeted for in 2010/11.

3.6 External Interest Income

The 2009/10 budget was cushioned by the one off VAT interest receipt as described above but the combination of low interest rates, maturing investments and capital funding requirements mean that interest income for 2010/11 is predicted to fall by £324,180 from 2009/10 levels.

3.7 Minimum Revenue Provision (MRP)

As previously reported, MRP will increase in the future as a result of the Council needing to finance capital expenditure by borrowing. This is described further in Section 5. An estimated MRP increase of £195,300 is included for 2010/11.

3.8 Item 8

Item 8 is a prescribed financing adjustment between the General Fund (GF) and the Housing Revenue Account (HRA). It is required to ensure that each fund bears a fair share of the costs involved in financing the capital programme. The projected levels of HRA borrowing coupled with the Council's overall capital funding levels and costs will result in an estimated reduction in the recharge to the HRA for 2010/11 of £71,760.

4.0 FEES AND CHARGES 2010/11

4.1 The recommended fees and charges are included within the draft Fees and Charges book.

5.0 CAPITAL PROGRAMME 2009/10 TO 2014/15

5.1 The draft Capital Programme for P&O Board is included on page 50 of the Budget Book.

5.2 Where capital expenditure is not supported by external funding (government grant, developer contributions, commuted sums etc) there is a direct and material impact on the Council's revenue budget by way of lost interest and borrowing costs.

5.3 The figures in the columns headed 'Local Resources' at the right hand side of the capital programme pages show those schemes that do not benefit from external funding and therefore either draw on what remains of the Council's general capital receipts or may require borrowing.

5.4 While the full capital programme including the overall funding and the end impact on the revenue budget will be considered within the Council's overall budget report, it should be appreciated that many of the P&O Board capital schemes are discretionary and the amounts listed under local resources will impact on capital balances and the revenue budget as outlined above.

The low level of capital receipts mean that borrowing is increasingly the only option and this has a direct impact on the revenue budget by increasing the MRP charge in line with the MRP policy.

Where capital receipts are available they will continue to be focused on funding those short life assets which have a higher MRP charge to revenue.

6.0 RISK ASSESSMENT

6.1 Generally, Council budgeting processes include an element of risk in respect of the many variables involved. These include:

- New statutory responsibilities
- Government led or notified activities
- Demand led activities which may result in the Council have to react to external factors
- Contractual obligations
- Market & economic factors including interest rates

6.2 To counter these risks and uncertainties, the Council should be proactive in monitoring and controlling its services and budgets and taking prompt corrective action when necessary.

6.3 P&O Board budgets that may be considered of at least a medium risk in terms of the possibility of a variation and the corresponding potential impact include Housing Benefits, Local Land Charges income and Interest Income.

6.4 Budget risks are considered further in the Council Budget report to P&O Board due to their potential impact on the Council budget and reserve levels.

7.0 CONCLUSION

7.1 This report summarises the P&O Board revenue and capital budgets for 2009/10 and 2010/11 together with its fees and charges and seeks a recommendation of the Board's requirements.

Financial implications:	As contained in the report.
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	
Risk Assessment	As contained in section 6 of the report
Background papers:	Budget working papers
Appendices:	None
Report Author	John Norman

AGENDA NO 8

GOSPORT BOROUGH COUNCIL

BOARD/COMMITTEE:	**POLICY & ORGANISATION BOARD**
DATE OF MEETING:	**3 FEBRUARY 2010**
TITLE:	**COUNCIL BUDGET 2010/11**
AUTHOR:	**DEPUTY CHIEF EXECUTIVE & BOROUGH TREASURER**
STATUS:	**FOR RECOMMENDATION TO COUNCIL**

SUMMARY OF REPORT AND RECOMMENDATIONS

The report outlines the financial situation of the Council's General Fund in the current year and, after consideration of the main factors affecting the outlook for 2010/11 including Exchequer support and reserve levels, recommends a budget level for that year. **The proposed budget is expected to result in no increase in the level of Council Tax for the Borough Council's requirements after taking account of reserve and tax collection fund balances.**

RECOMMENDATION

It is recommended that the Board consider the budget requirements of all of the Council's Boards (including Fees & Charges and Capital Programme) and recommend to Council a revised 2009/10 budget totalling £12,972,000 and a budget for 2010/11 totalling £12,844,100 (net of a contribution from reserves of £114,110).

1.0 **PURPOSE OF REPORT**

1.1 To recommend budget levels for General Fund services for 2010/11 and help determine, in due course, the level of Council Tax to be levied in the Borough. (The Council Tax level for 2010/11 will be set by Council on 22 February 2010 when precepting authorities' requirements are known).

1.2 The Local Government Act 2003 requires the Council to consider whether its budget is balanced with appropriate levels of reserves. The currently proposed budget is balanced and any proposed amendments must be considered in this context. In particular, any further reduction of the budget or reserves will have a detrimental impact on the forecasts for future years and affect the Council's ability to maintain adequate service levels and fund the proposed capital programme.

2.0 **NATIONAL ISSUES**

2.1 The credit crunch and ensuing recession have had a severe effect on public services generally, impacting adversely on income streams and increasing demand for services. It is also apparent that the national council tax base has not grown as fast as grant calculations anticipated, as developers have halted construction works pending a recovery in the property market.

2.2 In order to rebalance the economy in the longer term there will need to be substantial reductions in public sector expenditure. This will need to go beyond efficiency savings and will require service cuts. It is possible that there will need to be legislative changes to facilitate this.

2.3 Exchequer funding levels for 2010/11 have been maintained at previously indicated levels but no reliable forecast is available for 2011/12 and beyond. Latest advice suggests that, at best, grants may be frozen at current cash levels and, at worst, may be reduced by 3% or more each year. The provisional settlement for 2011/12 will not be available before December 2010 and will probably only be for 1 year rather than the planned 3 years.

2.4 Several other sources of Government grant funding are also due to be withdrawn after 2010/11, including Housing and Planning Development Grant.

2.5 It is likely that Concessionary Travel responsibilities will transfer to upper tier authorities from 2011/12 and the effect of this on District Council finances is unpredictable as grant formulae will have to be changed. Current proposals are not considered equitable but there will be further consultations by Government during 2010.

2.6 Reserve powers for the capping of Council budgets still exist and the Government have made it clear that these powers will be used if necessary.

3.0 THE LOCAL FINANCIAL SITUATION

3.1 The financial outlook for Gosport has been extremely challenging for several years and, whilst balanced budgets have been produced, economies made and forecast commitments pushed back, a severe financial shortfall will become inevitable unless fundamental changes are made to the underlying levels of expenditure and income.

3.2 This situation has been compounded by the problems that have arisen in the national economy. Income streams have deteriorated, demands for services such as Homelessness have begun to increase and, for the first time on record, Gosport's tax base on which council tax is levied has reduced with the collection fund moving in to deficit (reflecting the lack of new building due to the recession and the effect of banding appeals). Whilst this situation is temporary, full recovery is likely to take several years and a major reassessment of priorities and budgets will be necessary in the near future in order to continue to manage within available resources.

3.3 The Revenue Support (Exchequer) Grant for 2010/11 of £7,296,452 is only £36,300 higher than the current year, a 0.5% cash increase. Whilst no firm indication has yet been given, it is unlikely that Gosport will receive any cash increase in grant over the next 2-3 years. Indeed, substantial reductions are possible as current grant levels have been protected by a "grant floor" since 2008/9 and this safety net is due to be removed after 2010/11.

3.4 Conclusions about the adequacy of the proposed budget are based on both an examination of various aspects that are summarised in a risk assessment and the knowledge that services are being reviewed in order to achieve efficiencies in the longer term. The proposed budget assumes that further savings or economies can be achieved during the coming year, making use of the revenue financing reserve on a spend-to-save basis where appropriate.

4.0 RESERVES

4.1 General Fund provisions available for general use comprise a Working Balance and the Revenue Financing Reserve. The Working Balance enables the Council to meet unexpected demands on its resources such as increased inflation or demand for statutory services and provides a cushion against uneven cash flows, reducing the need for temporary borrowing. Revenue Financing Reserve is an earmarked reserve, used to ensure that fluctuations in annual maintenance requirements can be met, to underwrite uninsurable risks and for funding spend-to-save revenue and capital initiatives. Maintaining a viable Revenue Financing Reserve is essential for further improving the management of the Council's finances and delivering the level of savings assumed in the proposed budget.

4.2 It is not proposed to increase the Council's Working Balance and provision for reserves is made in the 2010/11 budget as follows: General Fund Working Balance will remain at £890,000 and Revenue Financing Reserve will be set at £659,440.

5.0 **THE PROPOSED BUDGET**

5.1 REVENUE

5.1.1 The revised budget totals £12,972,000, the same as the original. The draft budget book contains a list of variations that have arisen between the Council's original spending plans for the current year and the latest estimate of expenditure and income. There are a number of substantial variations, many of which have previously been anticipated in budget monitor reports, plus a large number of smaller variations. As volatility of the budgets has increased during the year, particularly as economic conditions have deteriorated, risks associated with the budgets have also increased. Generally, significant losses in income due to the recession and additional costs of concessionary travel have been offset by savings on financing costs, increased recycling income and a one-off VAT windfall.

5.1.2 The total proposed net budget for 2010/11 is £12,844,100 and this represents a decrease of £127,900 (1.0%) on the original budget for the current year when transfers to and from reserves are included. The main variations adversely affecting the 2010/11 budget are the continuing loss of income (over £100,000), primarily due to the deterioration in the national economy, additional financing charges of over £300,000, concessionary travel costs (an extra £110,000) and inflation of approximately £250,000. These have been offset by substantial savings and efficiencies, one-off LPSA2 performance reward grants of £283,000 and recycling income of £110,000.

5.1.3 Significant efficiencies have been incorporated in to the 2010/11 budget in accordance with the approved budget strategy. Specifically, debt restructuring, staffing reviews and reduced administration and support service costs have reduced the required budget by more than £300,000.

5.2 CAPITAL

5.2.1 A separate report dealing with Treasury Management Strategy and Prudential Code of Borrowing for the coming year is on the agenda for recommendation to Council.

5.2.2 The Council's capital programme for the 6 years to 2014/15 amounts to over £38M and will require substantial use of capital receipts and borrowing.

5.2.3 There is a direct impact on revenue budgets arising from the capital programme and, where expenditure is not supported by Government grant, a resulting council tax requirement. (See para. 6.1 & Appendix 2). The ability of the Council to properly maintain and improve its assets is a concern, principally because of the revenue impact. The amount of discretionary capital expenditure in the capital programme is being strictly controlled as the Council can only use the prudential code justification for funding new capital investment if it can be demonstrated that the revenue consequences are affordable.

5.3 COUNCIL TAX

The budget of £12,844,100 for 2010/11 will result in no change in Gosport's share of the Council Tax when that is set on 22 February 2010. The Band D tax should remain at £202.81 for 2010/11.

5.4 OPTIONS

Based on provisional data, the Council Tax increases resulting from alternative 2010/11 budget levels are as follows:

BUDGET £M	TAX RISE %
12.844	0
12.956	2.0
12.984	2.5
13.096	4.5

Due to the overdependence in 2010/11 on one-off savings and grants that are due to be discontinued, substantial changes will have to be achieved within the next two years in order to produce a sustainable budget level within the constraint of continued capping.

6.0 **BEYOND 2010/11**

6.1 A 4-year projection of revenue commitments (Appendix 2) indicates further pressures on budgets. A significant proportion of the projected increases continues to relate to the expected costs of major contracts that are due to be retendered and the revenue impact of the Capital Programme.

6.2 Projected budget totals including these commitments and inflation are as follows:

	Budget £'000	Budget Increase %	Potential Council Tax Increase %
2011/12	13,732	6.9	14.1
2012/13	13,927	1.4	2.3
2013/14	14,269	2.5	4.4
2014/15	14,794	3.7	4.7

6.3 It is essential that a substantial reduction is made in these commitments in the short term (1-2 years) as it is unlikely that the Council would be allowed to increase Tax levels by any more than 5%.

7.0 CONCLUSION

7.1 The proposed 2010/11 budget of £12,844,100 is balanced and will result in no change in the level of Council Tax required for the Borough Council's purposes. The outlook for 2011/12 and beyond is substantial upward pressure on budgets and the Council's Budget Strategy for 2011/13 will address this when it is considered during summer 2010.

7.2 A budget book containing the budget as finally approved will be circulated by April.

Financial Implications:	Council's General Fund Budget, Capital Programme and Council Tax level for 2010/11
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:	Ditto.
Risk Assessment:	See Appendix 1
Background papers:	Draft Budget Book Draft Fees and Charges Book Budget working papers
Appendices/Enclosures:	1. Risk Assessment 2. 4 year projection
Report Author/Lead Officer	Peter Wilson

APPENDIX 1

BUDGET RISK ASSESSMENT (GENERAL FUND)

Budget Area	Risk	Budget £'000	Likelihood	Revenue Impact	Comment
Concessionary Fares	Increased costs.	>1,000	H	H	Cost of national bus pass scheme remains a concern.
Political Balance	Problems delivering difficult decisions	N/A	H	H	
Capital Programme	Failure to raise necessary financing	N/A	H	M/H	Economic climate may not facilitate the raising of the required level of new capital receipts
Homelessness	Additional demand.	1,728	H	M	
Gosport Market Income	Reduction in stall numbers.	140	H	L	
General Income	Shortfall due to unpredicted demand changes.	2,903	M	H	Budget reflects prudent income forecasts.
Revenue Support Grant	Data/Formula review	7,296	M	H	Substantial reductions possible from 2011/12
Housing Benefits	Overpayment rates &/or demand increase, grant formula change.	26,490	M	M	
Land Charges Income	Recession/policy change.	165	M	M	
Insurance	Claims experience deteriorates.	135	M	M	Fire claims & susceptibility to storm damage are of concern.
Inflation	Exceeds allowance.	250	M	M	Inflation is currently rising above budgeted levels.
Savings & efficiencies	Target cannot be achieved.	390	M	M	Budgeted provision is considered achievable
Interest Income (net)	Reduces from forecast or capital receipts & deposits get spent earlier than anticipated.	28	M	M	The economic climate & the need to fund major projects increase vulnerability to risk.
Maintenance	Inadequate provision.	390	M	L	Essential expenditure has been provided for.

NOTES

1 Assessment takes account of past trends and budget monitoring.

2 Likelihood: High = most years, Medium = Occasional, Low = rare.

3. Impact: High = over £100,000; Medium = £50 – 100,000; Low = less than £50,000

APPENDIX 2

PROJECTED GENERAL FUND FOR THE YEARS TO 2014/15

(AT CURRENT PRICES)

		(£'000)			
		2011/12	**20012/13**	**2013/14**	**2014/15**
A	2010/11 Base Budget	12,844	12,844	12,844	12,844
B	Revenue Increases				
	Major Contract re-tendering	300	300	300	300
	Reserves and one-off savings	216	216	216	216
	Grants	423	423	423	423
	Other	2	7	12	17
		941	946	951	956
C	Additional Financing Charges *****	-	197	237	304
D	(A+B+C)	13,785	13,987	14,032	14,104
E	Less Revenue Decreases				
	Local Elections	53	-	53	-
	Leisure Centre running costs	-	80	80	80
	Priddy's Hard	-	50	50	50
	Succession/restructuring	150	350	400	400
	Revenue Streams	50	80	80	80
		253	560	663	610
F	**PROJECTED BUDGET TOTALS** (D-E)	13,532	13,427	13,369	13,494

*****Arising from the Capital Programme and accounting requirements

Agenda item no 5

Board / Committee	**POLICY AND ORGANISATION BOARD**
Date of meeting:	**3rd FEBRUARY 2010**
Title:	**TREASURY MANAGEMENT & PRUDENTIAL INDICATORS 2010-2011**
Author:	**FINANCIAL SERVICES MANAGER**
Status:	**FOR RECOMMENDATION TO COUNCIL**

Purpose

This report outlines the Council's prudential indicators for 2010/11 to 2012/13 together with the expected treasury operations for this period. It fulfils four key legislative requirements by reporting on:

- The main prudential indicators
- The Minimum Revenue Provision (MRP) policy
- The treasury management strategy statement and key indicators
- The investment strategy

Recommendation

The Board is recommended to consider this report and refer it to Council for formal approval of

- The prudential indicators
- The Minimum Revenue Provision (MRP) policy (Appendix A)
- The treasury management strategy
- The investment strategy

The Board and Council note that Officers will be reviewing the provisions relating to Treasury Management in the Constitution and will bring forward any amendments to a future meeting.

1.0 BACKGROUND

The Local Government Act 2003 in conjunction with the CIPFA Prudential Code for Capital Finance requires the Council to consider the affordability of its capital expenditure plans during the annual budget setting process. The Prudential Code operates by the provision of prudential indicators, which summarise the expected capital activity and introduce limits upon that activity, and reflect the outcome of the Council's underlying capital appraisal systems.

The Council's capital activity, as contained within the prudential framework above, will directly impact on treasury management activity principally by influencing cash flows, borrowing and investment. The treasury management strategy is therefore included as a complement to the prudential code indicators to show the full picture.

Treasury management is defined as "The management of the organisation'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".

This prudential and treasury management framework is generally reported twice a year - to January (policy for the year ahead - this report) and in September (actual for the previous year plus year to date).

Revised editions of the CIPFA Prudential Code and CIPFA Treasury Management Code of Practice were produced in November 2009. The CLG is currently consulting on changes to the Investment Guidance. The revised guidance arising from these codes has been incorporated within these reports, with the CLG proposals being incorporated where these do not conflict with current guidance.

2.0 THE CAPITAL PRUDENTIAL INDICATORS 2010/11 – 2012/13

Introduction

The Local Government Act 2003 requires the Council to adopt the CIPFA Prudential Code and produce prudential indicators. Each indicator either summarises the expected capital activity or introduces limits upon that activity, and reflects the outcome of the Council's underlying capital appraisal systems.

The overall prudential framework will impact on the Council's treasury management service through borrowing or investment activity. The Treasury Management Strategy for 2010/11 to 2012/13 is included to complement the Prudential Code indicators.

The Capital Expenditure Plans

The capital expenditure plans will be partially financed by external funds such as capital receipts, capital grants, external contributions and deposits. The remaining element which is not able to be immediately financed from these sources will impact on the Council's borrowing need (the Capital Financing Requirement, or CFR). The summary capital expenditure, financing and the impact on the CFR are shown in the tables below.

This borrowing or net financing need is known as unsupported capital expenditure and must be paid for from the Council's own revenue resources through interest and MRP costs.

In order to ensure that scarce revenue resources are focused on key priorities, a robust approach to capital appraisal is adopted in the budget process by taking into account:

- Service objectives (e.g. strategic planning),
- Stewardship of assets (e.g. asset management planning),
- Value for money (e.g. option appraisal),
- Prudence and sustainability (e.g. whole life costing),
- Affordability (e.g. implications for the council tax and rents),
- Practicality (e.g. minimising underspends and slippage).

A key risk of the capital funding plan is that the estimated sources of external funding are subject to confirmation and / or negotiation which may cause changes to the budgeted funding pattern. For instance anticipated asset sales may be postponed due to the impact of the recession on the property market.

The indicators and projections throughout this report and in the Council's budget assume that projected capital receipts will be realised as estimated.

The Council is asked to approve the following capital expenditure projections which are taken from the draft Capital Programme in the 2010/11 Budget.

Capital Programme	**2008/09 Actual £'000**	**2009/10 Revised £'000**	**2010/11 Estimate £'000**	**2011/12 Estimate £'000**	**2012/13 Estimate £'000**
Non - HRA	3,060.1	6,853.6	9,570.5	5,126.0	1,831.0
HRA	3,800.6	2,600.0	2,324.0	2,250.0	2,250.0
Total Capital Expenditure	6,860.7	9,453.6	11,894.5	7,376.0	4,081.0
Financed by:					
Capital receipts	282.5	129.6	558.0	2,058.0	1,558.0
Capital grants	2,449.0	2,783.0	2,064.0	2,440.0	2,440.0
Other contributions	1,502.3	2,443.0	1,642.0	300.0	750.0
Revenue	0.0	0.0	0.0	0.0	0.0
Total Financing	**4,233.8**	**5,355.6**	**4,264.0**	**4,798.0**	**4,748.0**
Net financing need	2,626.9	4,098.0	7,630.5	2,578.0	(667.0)

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

The net financing need above will impact directly on the Council's Capital Financing Requirement (CFR). The CFR is the total outstanding capital expenditure which has not yet been paid for from either revenue or capital resources. It is essentially a measure of the Council's underlying borrowing need for capital purposes. The capital expenditure above which has not immediately been paid for will increase the CFR. The Council is asked to approve the CFR projections below:

Capital Financing Requirement (CFR) at 31st March	2008/09 Actual £'000	2009/10 Revised £'000	2010/11 Estimate £'000	2011/12 Estimate £'000	2012/13 Estimate £'000
Housing	4,010.3	4,067.3	4,267.3	4,317.3	4,367.3
Non - Housing	4,683.0	8,528.4	15,569.0	17,678.4	16,405.8
Total CFR	**8,693.3**	**12,595.7**	**19,836.3**	**21,995.7**	**20,773.1**
Movement in CFR	**2,314.0**	**3,902.4**	**7,240.6**	**2,159.4**	**(1,222.6)**
Movement in CFR is represented by					
Net financing need for the year	2,626.9	4,098.0	7,630.5	2,578.0	(667.0)
Less MRP/other financing mvmts	(312.9)	(195.6)	(389.9)	(418.6)	(555.6)
Net movement in CFR	**2,314.0**	**3,902.4**	**7,240.6**	**2,159.4**	**(1,222.6)**

Minimum Revenue Provision (MRP)

The Council is required to pay off an element of the unsupported General Fund capital spend each year through a revenue charge (the Minimum Revenue Provision - MRP). It is also allowed to undertake additional voluntary payments (VRP). There is currently no corresponding requirement for HRA capital funding repayments.

CLG Regulations have been issued which require full Council to approve an MRP Policy Statement in advance of each year which sets out the basis for the MRP charge. A variety of options are available to councils upon which to do this so long as there is a prudent provision. The Council is recommended to approve the MRP Statement at Appendix A.

The policy contained in this statement has been formulated to minimise the impact of the capital programme on the revenue budget so far as possible.

Affordability Prudential Indicators

The previous sections cover the overall capital and control of borrowing prudential indicators. The following prudential indicators are required to assess the affordability of the capital investment plans by providing an indication of the impact of the capital investment plans on the overall Council finances.

The trend is one of increasing revenue costs which reflect the cost of funding the capital programme and place further pressure on medium term budget projections. The Council is asked to approve the following indicators:

Actual and Estimates of the ratio of financing costs to net revenue stream – This indicator identifies the trend in the cost of capital (borrowing costs net of investment income) against the net revenue stream.

Ratio of financing costs to net revenue stream	2008/09 Actual £'000	2009/10 Revised £'000	2010/11 Estimate £'000	2011/12 Estimate £'000	2012/13 Estimate £'000
Non - Housing	-2.4%	-0.5%	3.3%	4.0%	4.9%
Housing	0.8%	1.5%	0.8%	0.6%	0.6%

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

Incremental impact of Capital Investment decisions on	2010/11 Proposed	2011/12 Projected	2012/13 Projected
Council Tax - Band D	£12.46	£21.01	£22.89

Estimates of the incremental impact of capital investment decisions on Housing Rent levels – Similar to the Council tax calculation this indicator identifies the trend in the cost of the proposed the housing capital programme expressed as a change in weekly rent levels.

Incremental impact of Capital Investment decisions on	2010/11 Proposed	2011/12 Projected	2012/13 Projected
Housing Rent levels	£0.01	£0.02	£0.02

3.0 TREASURY MANAGEMENT STRATEGY 2010/11 – 2012/13

Introduction

The treasury management service is an important part of the overall financial management of the Council's affairs. Its importance has increased as a result of the freedoms provided by the Prudential Code. Whilst the prudential indicators above consider the affordability and impact of capital expenditure decisions and set out the Council's overall capital framework, the treasury management activity covers the effective funding of these decisions. Taken together they form part of the process which ensures the Council meets the requirement of setting a balanced budget.

The Council’s treasury activities are strictly regulated by statutory requirements and a professional code of practice (the CIPFA Code of Practice on Treasury Management – revised November 2009).

The revised code requires the formal adoption of specific Treasury Management clauses together with a Treasury Management Policy Statement in the Council’s formal business documentation (which includes Standing Orders and Financial Regulations). The recommended CIPFA drafts of these are included at Appendices B and C for information. The Constitution already contains such provisions but officers will undertake a review to ensure that these still satisfy CIPFA’s new requirements.

The CIPFA code of practice requires an annual strategy to be reported to Council outlining the expected treasury activity for the forthcoming 3 years. A key requirement of this report is to explain both the risks, and the management of the risks, associated with the treasury service. A further treasury report will be produced after the year-end to report on actual activity for the year together with the mid-year position.

Treasury management is defined as “The management of the organisation’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”.

This strategy covers:

- The Council’s debt and investment projections;
- The Council’s estimates and limits on future debt levels;
- The expected movement in interest rates;
- The Council’s borrowing and debt strategy
- The Council’s investment strategy
- Treasury performance indicators;
- Specific limits on treasury activities;
- Any local treasury issues.

Limits to Borrowing Activity

The Council needs to ensure that net external borrowing does not, except in the short term, exceed the total of the CFR in the preceding year plus the estimates of any additional CFR for 2010/11 and next two financial years. Reductions in the CFR may be ignored. While allowing some flexibility for limited early borrowing for future years, this indicator ensures that over the medium term net borrowing will only be for a capital purpose.

The Council complied with this prudential indicator in the current year and will manage borrowing activity within this parameter in the future. This view takes into account current commitments, existing plans, and the proposals in this budget report.

Treasury Position at 31st March	2008/09 Actual £'000	2009/10 Revised £'000	2010/11 Estimate £'000	2011/12 Estimate £'000	2012/13 Estimate £'000
Borrowing	11,000.0	15,000.0	18,630.5	21,208.5	20,541.5
Investments	(8,739.0)	(5,000.0)	(3,000.0)	(2,000.0)	(2,000.0)
Net borrowing (investments)	**2,261.0**	**10,000.0**	**15,630.5**	**19,208.5**	**18,541.5**
CFR	**8,693.3**	**12,595.7**	**19,836.3**	**21,995.7**	**20,773.1**

A further two prudential indicators control the overall level of borrowing. These are:

- **The authorised limit** – This represents the limit beyond which borrowing is prohibited, and needs to be set and revised by Council. It reflects the level of borrowing which, while not desired, could be afforded in the short term, but is not sustainable. It is the expected maximum borrowing need with some headroom for unexpected movements.
- **The operational boundary** –This indicator is based on the probable external debt during the course of the year; it is not a limit and actual borrowing could vary around this boundary for short times during the year. It should act as an indicator to ensure the authorised limit is not breached.

The Council is asked to approve the following authorised and operational limits:

Authorised Limit	2008/09 Actual £'000	2009/10 Revised £'000	2010/11 Estimate £'000	2011/12 Estimate £'000	2012/13 Estimate £'000
	13,000.0	22,600.0	26,100.0	27,800.0	26,200.0
Operational Boundary	**2008/09 Actual £'000**	**2009/10 Revised £'000**	**2010/11 Estimate £'000**	**2011/12 Estimate £'000**	**2012/13 Estimate £'000**
	13,000.0	21,600.0	24,800.0	27,000.0	25,800.0

Borrowing in advance of need

Council has some flexibility to borrow funds this year for use in future years. The Borough Treasurer may do this under delegated power where, for instance, a sharp rise in interest rates is expected, and so 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.

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

Expected Movement in Interest Rates (from Butlers consultants)

Medium-Term Rate Estimates (averages)

		3 month	1 year	5 year	20 year	50 year
2008/09	3.9	5.0	5.3	4.2	4.8	4.5
2009/10	0.5	0.8	1.4	3.2	4.4	4.6
2010/11	1.0	1.5	2.3	4.0	5.0	5.2
2011/12	2.0	2.5	3.3	4.3	5.3	5.3
2012/13	4.5	4.8	5.3	5.3	5.5	5.3

* Borrowing Rates

Short-term rates are expected to remain on hold for a considerable time. The recovery in the economy has commenced but it will remain insipid and there is a danger that early reversal of monetary ease, (rate cuts and Quantative Easing {QE}), could trigger a dip back to negative growth and a W-shaped GDP path.

Credit extension to the corporate and personal sectors has improved modestly but banks remain nervous about the viability of counterparties. This is likely to remain a drag upon activity prospects, as will the lacklustre growth of broad money supply.

The main drag upon the economy is expected to be weak consumers' expenditure growth. The combination of the desire to reduce the level of personal debt and job uncertainty is likely to weigh heavily upon spending. This will be amplified by the prospective increases in taxation already scheduled for 2010 – VAT and National Insurance. Without a rebound in this key element of UK GDP growth, any recovery in the economy is set to be weak and protracted.

The MPC will continue to promote easy credit conditions via quantitative monetary measures. QE has been extended to a total of £200bn and there is still an outside chance that it could be expanded further in February. Whether this has much impact in the near term remains a moot point given the personal sector's reluctance to take on more debt and add to its already unhealthy balance sheet.

With inflation set to remain subdued in the next few years (though a sharp blip is forecast for the next few months), the pressure upon the MPC to hike rates will remain moderate. But some increase will be seen as necessary in 2010 to counter the effects of external cost pressures (as commodity price strength filters through) and to avoid damage that sterling could endure if the UK is seen to defy an international move to commence policy exit strategies.

The outlook for long-term fixed interest rates is a lot less favourable. While the UK's fiscal burden should ease in the future, this will be a lengthy process and deficits over the next two to three financial years will require a very heavy programme of gilt issuance. The market will no longer be able to rely upon Quantitative Easing to alleviate this enormous burden.

The programme might well end in February, especially if the economy has returned to a recovery path as seems very likely. With growth back on the agenda and inflation challenging the upper limit of the Government's target range, the majority of MPC members may feel enough assistance has been given to ensure lack of credit is no longer a fundamental threat to the welfare of the economy

The absence of the Bank of England as the largest buyer of gilts will shift the balance between supply and demand in the gilt-edged market. Other investors will almost certainly require some incentive to continue buying government paper.

This incentive will take the form of higher interest rates. The longer fixed interest rates will suffer from the lack of support from the major savings institutions – pension funds and insurance companies who will continue to favour other investment instruments as a source of value and performance. The shorter fixed interest rates will be pressured higher by the impact of rising money market rates. While bank purchases in this part of the market will continue to feature as these institutions meet regulatory obligations, this process will be insufficiently strong to resist the upward trend in yields.

Borrowing and Debt Strategy 2010/11 – 2012/13

The continuing uncertainty over future interest rates increases the risks associated with treasury activity. As a result the Council will take a cautious approach to its treasury strategy.

The Borough Treasurer, under delegated powers, will take the most appropriate form of borrowing depending on the prevailing interest rates at the time, taking into account the risks shown in the forecast above.

- All long-term loans (in excess of 365 days) to be raised through the PWLB, Bond Issue or Loan Receipt (1989 Housing Act).
- All short term loans (less than 365 days) to be raised through dealings on the London Money Markets using
  - Garban Harlow Ueda Limited,
  - Tradition UK Limited
  - ICAP
  - R P Martins
  - Other brokers at the discretion of the Borough Treasurer.
  - Directly via the Council's bank

In view of the uncertainties and higher risk levels in the money markets, a risk averse policy is being operated that is substantially within the parameters set by Council.

Returns are to be maximised by efficiency rather than risk – primarily by enhanced monitoring of capital fund projects rather than by exposing the Council to the market

The authority to respond to different interest rates throughout the financial year is delegated to the Borough Treasurer. In his absence the Council's response to short term fluctuations is jointly agreed between any two of the Financial Services Manager, the Head of Accountancy, and the Group Accountant. There is a clear segregation of duties between setting up and authorising loans and investments

In 2009/10 to date, the Council has alternated between a net investment and a net borrowing position. This is expected to move to a net borrowing position in line with capital programme projections although the speed and degree of this will depend on the progress with capital schemes, the success in raising capital receipts and the uncertainties of the economic recovery.

Maturing investments will be required to fund the capital programme and the projected need for available cash resources will be balanced against new capital receipts and the availability of low rates of interest for long term loans through the Public Works Loans Board. <u>The robust management of capital budgets and schemes is a prerequisite to forward planning to ensure the availability of cash resources.</u>

Debt restructuring

The Council's long term debt with the Public Works Loans Board (PWLB) at 1st April 2009 was £11 million. Following advice from the Council's treasury management consultants, £8 million of debt was restructured in December 2009 by replacing longer term loans at higher interest rates with shorter term loans at lower interest rates. This provides a twofold benefit of a discount on the loans redeemed and a lower replacement interest rate through borrowing shorter. The total savings accruing to the General Fund in the 2010/11 financial year are £165,780.

The risk of borrowing shorter is mitigated in two ways: firstly, replacement loans will be spread over a number of varying maturities (2-6 years) in order to reduce market exposure in any one year; and, secondly, these lengths of loan coincide with the approximate timescale for raising capital receipts which may mean that the maturing loans do not need immediate replacement. The short term gains are a key element towards aiming for a balanced budget over the next few years.

Investment Strategy 2010/11 – 2012/13

The key objectives of the Council's investment strategy are security, liquidity and yield in that order.

- In order to limit interest rate exposure all investments are to be fixed rate transactions
- No Investments are to exceed 3 years although most will not exceed 364 days
- New investments to be placed with
  - The top three building societies (currently Nationwide, Coventry and Yorkshire)
  - The Council's bank
  - The major British banks and their wholly owned subsidiaries (Royal Bank of Scotland, HSBC, Lloyds/HBOS, Barclays and Co-op)
- Short term surplus funds are to be invested in money market funds or deposit accounts as operated by the Royal Bank of Scotland and the Bank of Scotland. These offer immediate deposit and withdrawal facilities but still at advantageous rates of interest.
- A £3m limit applies with any single group other than the Council's bank
- The main principles governing the Council's investment criteria are the security (as advised by the Council's broker) and liquidity of its investments, although the yield or return on the investment will be a consideration, subject to adequate security and liquidity. Whilst credit ratings may be considered, undue reliance will not be placed on these

There is a clear operational difficulty arising from the current banking situation. Ideally investments would be invested longer to secure better returns, however uncertainty over counterparty creditworthiness and interest rates suggests short dated investments may provide lower exposure to risk.

Treasury Management Prudential Indicators and Limits on Activity

There are four treasury activity limits which were previously classified as prudential indicators. The purpose of these prudential indicators is to contain the activity of the treasury function within certain limits, thereby reducing the risk or likelihood of an adverse movement in interest rates or borrowing decisions impacting negatively on the Council's overall financial position. However if these are set to be too restrictive they will impair the opportunities to reduce costs. The indicators are:

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

- Upper limits on fixed rate exposure – Similar to the previous indicator this covers a maximum limit on fixed interest rates.
- Maturity structures of borrowing – These gross limits are set to reduce the Council's exposure to large fixed rate sums falling due for refinancing, and are required for upper and lower limits.
- Total principal funds invested for greater than 364 days – These limits are set to reduce the need for early sale of an investment, and are based on the availability of investments after each year-end.

The Council is asked to approve the limits set out below:

	2010/11		2011/12		2012/13	
Limits on Activity	Upper		Upper		Upper	
	Investments £'000	Borrowing £'000	Investments £'000	Borrowing £'000	Investments £'000	Borrowing £'000
Limits on fixed interest rates	(8,000.0)	18,600.0	(8,000.0)	21,200.0	(8,000.0)	21,200.0
Limits on variable interest rates	(7,500.0)	5,000.0	(7,500.0)	5,000.0	(7,500.0)	5,000.0
Maturity Structure (limits & actual) of fixed borrowing	**Lower %**	**Upper %**	**Lower %**	**Upper %**	**Lower %**	**Upper %**
Under 12 months	0%	10%	0%	10%	0%	10%
12 months to 2 years	0%	20%	0%	20%	0%	20%
2 years to 5 years	0%	75%	0%	75%	0%	75%
5 years to 10 years	0%	40%	0%	40%	0%	40%
10 years and above	0%	50%	0%	50%	0%	50%
Maximum percentage of principal sums invested for over 364 days	£6m		£5m		£3m	
Compliance with CIPFA Code of Practice on Treasury Management	Yes		Yes		Yes	

It should be noted that the maturity structure has changed in the current year due to the debt restructuring that has taken place and in practice the originally approved limits for 2009/10 may be slightly exceeded depending on any further transactions before the year end.

Performance Indicators

The Code of Practice on Treasury Management requires the Council to set performance indicators to assess the adequacy of the treasury function over the year. These include number of transactions and average rates achieved for borrowing and investments compared to suitable market comparators. These indicators are reported in the annual Treasury Management report in September.

Treasury Management Advisors

The Council uses Butlers as its treasury management consultants. The company provides a range of services which include:

- Technical support on treasury matters and capital finance issues,
- Economic and interest rate analysis;
- Debt services which includes advice on the timing of borrowing and debt rescheduling

Whilst the advisers provide support to the internal treasury function, under current market rules and the CIPFA Code of Practice the final decision on treasury matters remains with the Council. The service is subject to regular review.

Member and Officer Training

The increased member consideration of treasury management matters and the need to ensure officers dealing with treasury management are trained and kept up to date requires a suitable training process for Members and officers.

Officers dealing with treasury management receive training and are this reviewed as part of the annual appraisal process.

An appropriate level of member training will be provided early in the new municipal year.

4.0 CONCLUSION

This report considers the financing of the Council's capital expenditure plans and the impact on the capital financing requirement and borrowing limits. An appropriate Treasury Management Strategy is recommended and Prudential Code indicators are included throughout.

Financial implications:	As contained in the report.
Legal implications:	The formulation of a plan or strategy for the control of the authority's borrowing, investments or capital expenditure is a function reserved for the Council.
Service Improvement Plan implications:	This report is required in order that to fulfil statutory requirements associated with the achievement of both service improvement plan and corporate plan targets.
Corporate Plan	
Risk Assessment	As contained in the report
Background papers:	Budget working papers
Appendices/Enclosures:	Appendix A – MRP Policy Statement Appendix B – Treasury Management Clauses to form part of Standing Orders / Financial Regulations Appendix C - Treasury Management Policy Statement
Author / Lead Officer	John Norman

APPENDIX A

Minimum Revenue Provision (MRP) Policy Statement

Background

1. Local Authorities are required by statute to charge a Minimum Revenue Provision (MRP) to the General Fund revenue account each year for the repayment of General Fund debt – where debt is the extent that capital expenditure has been financed by borrowing.

2. The MRP scheme was set out in the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 (SI 2003/3146) which has now been substantially amended by the Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2008 (SI 2008/414). The latter were issued in their final form on 26th February 2008 and came into force on 31st March 2008 which meant that they applied retrospectively from the 2007/08 financial year and for all future years.

3. Until 2007/08, MRP resulted from a prescribed calculation that was specified in legislation while the new regulations gave local authorities more freedom to determine a 'prudent' MRP charge that is in line with a statement of MRP policy that must be approved by full council.

4. The MRP statement for 2010/11 should be submitted to council before the start of the financial year.

Options for MRP

5. The guidance sets out four ready-made options for calculating MRP. These are considered to be the most relevant to the majority of local authorities but other approaches are not ruled out.

   Option 1: Regulatory Method

   The current method, which is calculated as 4% of the council's general fund capital financing requirement at the previous 31st March, adjusted for smoothing factors from the transition to the prudential capital financing regime in 2003. This can continue to be used for all capital expenditure incurred prior to 1st April 2008.

   Option 2: CFR Method

   This differs from Option 1 only in that the smoothing factors are removed and it is designed as a simpler calculation.

   For new borrowing under the Prudential system, two options are suggested

Option 3: Asset Life Method

Provision for the repayment of debt is determined by reference to the life of the asset for which the borrowing is undertaken.
This may be accomplished by either:

- o The Equal Instalment Method allows a spread of equal charges over the life of the asset
- o The Annuity Method links MRP with the flow of future benefits. Further guidance on the application of this method practice may follow.

Option 4: Depreciation Method

Provision for the repayment of debt is made in accordance with the standard rules for depreciation accounting

6. Additional voluntary revenue provision may be made under options 3 and 4 in which case there may be an appropriate reduction in later years levels of MRP

7. MRP normally starts in the financial year following the one in which the expenditure was incurred although it may be postponed until the financial year following the one in which the asset becomes operational.

8. Housing Assets continue to be excluded from these arrangements and there is no obligation to make an MRP charge in respect of Housing borrowing

9. Both options 1 and 2 may only be used for capital expenditure incurred before 1st April 2008 and after that date only for supported borrowing

10. For capital expenditure incurred after 1st April 2008 which is not supported, Option 3 or 4 may be applied.

Recommended Policy

For all capital expenditure incurred before 1st April 2008, MRP will be based on the Regulatory Method – an extension of existing policy.

For all capital expenditure incurred after 1st April 2008, MRP will be based on the Asset Life Method except that where capital expenditure is incurred over more than one year then MRP will start in the year following the year in which the asset becomes operational.

MRP will not be charged on capital expenditure for which funding is by capital receipts which will be forthcoming later. This will allow flexibility in maximising capital receipts in term of economic uncertainty without incurring a council tax penalty.

APPENDIX B

Draft Treasury Management Clauses to form part of Standing Orders / Financial Regulations

1 The Council will create and maintain, as the cornerstones for effective treasury management:

- A treasury management policy statement, stating the policies, objectives and approach to risk management of its treasury management activities. (The recommended policy statement is at Appendix C)
- Suitable Treasury Management Practices (TMPs) setting out the manner in which the organisation will seek to achieve those policies and objectives, and prescribing how it will manage and control those activities

2 The Council will receive reports on its treasury management policies, practices and activities, including, as a minimum, an annual strategy and plan in advance of the year, a mid year review and an annual report after its close, in the form prescribed in its TMPs.

3 The Council delegates responsibility for the implementation and regular monitoring of its treasury management policies and practices to the [XXXXXX} , and for the execution and administration of treasury management decisions to the Borough Treasurer, who will act in accordance with the Council's policy statement and treasury management practices (TMPs) and CIPFA's Standard of Professional Practice on Treasury Management.

4 The organisation nominates [XXXXXX] to be responsible for ensuring effective scrutiny of the treasury management strategy and policies

APPENDIX C

Draft Treasury Management Policy Statement

1 This organisation defines its treasury management activities as: 'The management of the organisation'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'

2 This organisation regards the successful identification, monitoring and control of risk to be prime criteria by which the effectiveness of its treasury management activities will be measured. Accordingly, the analysis and reporting of treasury management activities will focus on their risk implications for the organisation

3 This organisation acknowledges that effective treasury management will provide support towards the achievement of its business and service objectives. It is therefore committed to the principles of achieving value for money in treasury management and to employing suitable comprehensive performance measurement techniques within the context of effective risk measurement.