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1 July 2014

# S U M M O N S

**MEETING:** Policy and Organisation Board
**DATE:** 9 July 2014
**TIME:** 6.00 pm
**PLACE:** Committee Room 1, Town Hall, Gosport
**Democratic Services contact:** Lisa Young

LINDA EDWARDS
BOROUGH SOLICITOR

## MEMBERS OF THE COMMITTEE

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

| | |
|---|---|
| Councillor Chegwyn | Councillor Langdon |
| Councillor Forder | Councillor Philpott |
| Councillor Hicks | Councillor Mrs Wright |
| Councillor Jessop | Councillor Wright |

## FIRE PRECAUTIONS

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

**In the event of the fire alarm sounding, 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:** Please note that mobile phones should be switched off for the duration of the meeting.

Policy and Organisation Board
9 July 2014

**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 disclosable pecuniary interest in any item(s) being considered at this meeting.

3. MINUTES OF THE MEETINGS OF THE BOARD HELD ON 19 MARCH 2014 AND 5 JUNE 2014

4. 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, 7 July 2014. The total time for deputations in favour and against a proposal shall not exceed 10 minutes).

5. 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, 7 July 2014).

6. GOSPORT VOLUNTARY ACTION – ANNUAL REPORT — PART II
   *Verbal Report*

7. AWARD OF HONORARY FREEMAN — PART I
   *To set out proposals for Honorary Alderman O'Neill to be conferred the Title of Honorary Freeman of the Borough.*

   Contact:
   Ian Lycett
   Ext no: 5201

8. MEDIUM TERM FINANCIAL STRATEGY/ CAPTIAL STRATEGY — PART II
   *To consider the updated Medium Term Financial Strategy and the Capital Strategy.*

   Contact:
   Julian Bowcher
   Ext no: 5301

9. DISCRETIONARY RATE RELIEF — PART II

*The purpose of this report is to consider proposed additions to the Council's Discretionary Rate Relief Policy relating to Reoccupation and Flood Relief.*

Contact:
Julian Bowcher

Ext no: 5301

10. EARLY RETIREMENT AND DISCRETIONARY PAYMENT SCHEME — PART II

*To propose an update to the Council's Early Retirement Scheme and Discretionary Payments Policy to take account of the new Pension Regulations.*

Contact:
Kathy Inch

Ext no: 5301

11. ANY OTHER ITEMS

Which the Chairman determines should be considered, by reason of special circumstances, as a matter of urgency.

**AGENDA ITEM NO. 7**

| | |
|---|---|
| **Board/Committee:** | POLICY AND ORGANISATION BOARD |
| **Date of Meeting:** | 9 July 2014 |
| **Title:** | HONORARY ALDERMAN O'NEILL – HONORARY FREEMAN OF THE BOROUGH |
| **Author:** | CHIEF EXECUTIVE |
| **Status:** | FOR RECOMMENDATION TO COUNCIL |

## Purpose

To set out proposals for Honorary Alderman O'Neill to be conferred the Title of Honorary Freeman of the Borough.

## Recommendation

It is recommended that, in accordance with Section 249(5) of the Local Government Act 1972, and in recognition of his eminent services to the people and Borough of Gosport over many years, the Board request that an Extraordinary Council Meeting be called, to confer the Title of Honorary Freeman of the Borough to Honorary Alderman O'Neill.

## 1 Background

1.1 In accordance with the Council's Constitution (Part 2, Chapter 4, Paragraph 4.02(g)) a decision to confer the Title of Honorary Freeman of the Borough is reserved to full Council.

## 2 Proposal for the Award of the Freeman Honour

2.1 Councillor Beavis has kindly provided the following statement in support of the proposal:

Over the past 50 years Honorary Alderman O'Neill has served the residents of Gosport with distinction.

Geoffrey O'Neill moved to Gosport from London in 1964. In the late 60's, he joined the Ultra Radio and Television Company (later Ferguson and Thorn EMI) at their Gosport Factory. Geoff acted as company social secretary, and organised a number of events for the employees which raised a large amount of money for local good causes including St. Catherine's & St. Boniface Children's homes in Lee-on-the-Solent and Foxbury Special Needs school.

Following the closure of the "Ferguson" factory he was employed by Hampshire County Council as Director of The Thorngate Halls. He was later promoted to Com munity Liaison Officer for the County of

Hampshire.

Geoff has been a member of the Gosport Community Association for 50 years, and has in the past enjoyed giving help and support to numerous groups, clubs and organisations. The Association made him an Honorary Life Vice President for his services. He is interested in local amateur entertainment and is also Honorary Life Vice President of the Thorngate Pantomime and Variety Company.

He was elected to Gosport Borough Council as Councillor for the Leesland Ward in May 1976 and served on a number of committee's until 1988, a total of 12 years. He was Mayor of Gosport 1986/7 and made an Honorary Alderman of the Borough of Gosport in January 1995. He continues to serve on the Royan Twinning Committee and make a significant contribution to the Civic affairs of the town.

He was a member of Gosport and Lee on the Solent Lions Club from 1967 to 1987, holding various offices including Secretary and helped to organise fundraising activities raising money for local charities.

He was the leader of the voluntary guides for a number of years at Haslar Hospital, until its closure in 2009. He is a past President of Gosport Probus Club, an organisation for people who have retired from a business or profession. He is at present their Social Secretary.

Until recently he served in a voluntary capacity on a Hampshire based charity, dispensing grants to charities and good causes in Hampshire and the Isle of Wight. The Trustees of this registered charity identify charitable and needs groups, in Hampshire and Isle of Wight who would benefit from a donation from the Fund. The ideal organisations to be targeted are small self-help groups with limited resources, especially those whose activities involve children where a modest grant would make a significant difference to their work. The total amount of grants awarded and donated since the charity was established in 1985 exceeds £560,000.

He is a member of the Patient Participation Group at the Stoke Road, Doctors Surgery.

Geoff is an active member of Holy Trinity Church, Gosport. He has been Church Treasurer since May, 2010 and the founder treasurer of an appeal to raise money for the restoration of the historic Handel Organ helping to obtain £167,000 from the Big Lottery Fund and a recent appeal for the Clock Restoration both of which have recently been completed. He has organised for some years the annual Heritage Open Days at the Church. He is a member of the Gosport Deanery Treasurers Forum, giving help and advice to other treasurers and Churches in the group.

Geoff was awarded the Freedom of the City of London at a ceremony which took take place at The Guildhall in London on Friday 1st. June, 2012.

Honorary Alderman Geoffrey J. D. O'Neill is a man of great distinction who has consistently given his time freely in support of others over a long period of time; his contribution to the local community and to a number of charities is invaluable. He is held in very high esteem by all who come into contact with him.

## 3. Risk Assessment

3.1 There are no business risks associated with this proposal.

## 4 Financial Implications

4.1 There are no significant costs associated with this proposal.

## 5 Conclusion

5.1 Honorary Alderman O'Neill has worked tirelessly for the people of the Borough of Gosport over the years and it is appropriate that the Council consider the proposal that he be conferred the Title of Honorary Freeman of the Borough.

| | |
|---|---|
| **Financial Services comments:** | There are no significant costs associated with this proposal. |
| **Legal Services comments:** | Contained within the Report |
| **Service Improvement Plan implications:** | There are no Service Plan implications. |
| **Corporate Plan:** | There are no Corporate Plan issues. |
| **Risk Assessment:** | There are no business risks associated with this proposal. |
| **Background papers:** | None. |
| **Appendices/Enclosures:** | None. |
| **Report author/ Lead Officer:** | Ian Lycett, Chief Executive |

**AGENDA ITEM NO. 8**

| | |
|---|---|
| **Board/Committee:** | **POLICY & ORGANISATION BOARD** |
| **Date of Meeting:** | **9 JULY 2014** |
| **Title:** | **MEDIUM TERM FINANCIAL STRATEGY AND CAPITAL STRATEGY** |
| **Author:** | **BOROUGH TREASURER** |
| **Status:** | **FOR DECISION** |

**Purpose**

To consider the updated Medium Term Financial Strategy and the Capital Strategy.

**Recommendation**

That the Policy and Organisation Board approve the Medium Term Financial Strategy and Capital Strategy as set out in Appendix 1 and Appendix 2 respectively.

## 1 Background

1.1 The Council reviews and approves the Medium Term Financial Strategy each year. Following the recent completion of the budget cycle for 2014/15, it is timely to review the strategies prior to consideration of a budget strategy for 2015/16 by this Board later in the year.

1.2 The General Election next year means there is additional uncertainty relating to the level of Central Government Grants in 2016/17 and later years with the position unlikely to become clearer until well into 2015/16. This therefore results in the financial forecasting beyond 2015/16 being subject to significant uncertainty and risk.

## 2 Report

2.1 Budget preparation will commence in July and will incorporate requirements resulting from Council priorities identified from the Capital Strategy, Community Strategy, Corporate Plan and the associated action plans.

2.2 The Local Government Act 2003 requires the Council to consider whether its budget is balanced with appropriate levels of reserves commensurate with perceived budget risks.

2.3 Maintaining and increasing reserve levels is seen as essential as the radical changes to the financing of Local Government including rate retention and the move to the new Council Tax Support Scheme (previously Council Tax rebate) have significantly increased the risk and uncertainty borne by this and other Councils. Such reserves can help the Council take advantage of any invest to save opportunities and provide a safeguard against both the increased risks and the significant decrease in Central Government Grant Support forecast in future years.

2.4 Projections contained in the Medium Term Financial Strategy indicate that the Council's General Fund budget requirements will remain relatively stable over the next 4 years following the action taken during the last 3 years to reduce commitments and work within reducing Exchequer support. Further efficiencies (such as the changes to the Environmental Health Partnership and the extension of the Internal Audit Partnership) have recently been achieved and further opportunities to achieve efficiency savings will be explored in the coming months to ensure that savings targets are met.

2.5 The outlook regarding the level of government grant is very uncertain particularly in relation to 2016/17 and future years and the strategy assumes that further reductions will occur of £100,000 each year of 2016/17,2017/18 and 2018/19. This is in addition to the £740,000 reduction notified in the 2015/16 provisional grant settlement. The reduction in government grant support even if confirmed at the levels assumed in the strategy will provide a significant financial challenge to this Council but it must also be recognised that there remains a significant risk that even greater reductions will be imposed.

2.6 The strategy highlights that the Council has undertaken a series of service reviews achieving efficiency savings whilst still maintaining services. These measures have helped achieve a balanced budget in the current financial year and gone some way to meeting the challenges faced for 2015/16.

2.7 A further comprehensive review of services will be undertaken in the current year with the objective of achieving a balanced budget for 2015/16 and leave the Council best placed to meet the financial challenges anticipated for 2016/17 and later years. It is possible however that any further significant reductions in central government support (beyond those currently forecast within the strategy) may require additional measures such as:-

(a) Further reducing expenditure on 'back office' and lower priority services functions;
(b) Increase fees and charges;
(c) Raise Capital receipts to reduce the impact of capital investment; and,
(d) Consider local tax rises in excess of the current policy, possibly requiring a local referendum.

2.8 There is also need to continue to prioritise capital projects within the Capital Programme, particularly considering affordability and impact on local tax levels. The Capital Strategy indicates the considerations that are necessary in order to achieve this.

## 3 Risk Assessment

3.1 As highlighted above (paragraphs 2.3 and 2.5) there is considerable risk and uncertainty relating to the new Local Government financing arrangements and the levels of future Central Government grant funding (particularly with the forthcoming General Election). In view of this uncertainty maintaining adequate reserve levels is seen as essential to help mitigate against these risks.

3.2 Maintaining an up to date Medium Term Financial Strategy will assist in helping to identify the financial challenges facing the Council and the actions required to meet those challenges.

3.3 Further details of the financial risks facing the Council are shown in Appendix 1 of the Council Budget Forward to the Budget Book 2014/15.

## 4 Conclusion

4.1 Both the Medium Term Financial Strategy and Capital Strategy are key documents affecting the financial future of the Council. The Board need to consider these and the potential impact on future council tax policy.

| | |
|---|---|
| **Financial Services comments:** | **See Report** |
| **Legal Services comments:** | **As the report sets out the Council has to set balanced budgets and to undertake its functions effectively, efficiently and economically** |
| **Crime and Disorder** | **None** |
| **Equality and Diversity:** | **None** |
| **Service Improvement Plan implications:** | **None** |
| **Corporate Plan:** | **None** |
| **Risk Assessment:** | **See Section 3.0 of this Report.** |
| **Background papers:** | **See Council Budget 2014/15 Report** |
| **Appendices** | **1. Medium Term Financial Strategy 2014/15- 2018/19**<br>**2. Capital Strategy 2014** |
| **Report Author/Lead Officer** | **Julian Bowcher** |

**APPENDIX 1**

# GOSPORT BOROUGH COUNCIL

# MEDIUM TERM FINANCIAL STRATEGY

# 2014/15 – 2018/19

## CONTENTS

GOSPORT BOROUGH COUNCIL

MEDIUM TERM FINANCIAL STRATEGY 2014/15 – 2018/19

# 1. 0 INTRODUCTION AND OBJECTIVES

## 1.1 Introduction

The Medium Term Financial Strategy (MTFS) contains details of the main challenges affecting the Council's finances over the next few years and indicates how the Council will respond to these. It provides the overall framework for the financial investment in services from 2014 to 2019. Updated and reviewed annually, the MTFS helps to ensure that the Council's financial resources are targeted to achieve the strategic priorities and values contained within the Council's Corporate Plan.
It contains sections covering:

- Revenue – the running costs of General Fund services (affecting Council Tax levels),
- Housing Revenue Account – A statutory account which is primarily financed from Council House rents,
- Capital - the Council's plans for investment in assets used to provide benefit over more than 1 year,
- Treasury Management – management of cash flows, borrowing and investing,
- Budgeting; and,
- Risk Management.

The MTFS also provides a link to other financially related strategies including the Capital Strategy, Asset Management Plan, Treasury Management Strategy and Workforce Development Strategy.

## 1.2 The Council's Mission

The MTFS plays a key role in helping achieve the Council's mission of 'To work with our community to improve everyone's quality of life and deliver a sustainable future for the Borough.' by providing an efficient, effective and robust financial framework which will enable the Council to focus resources on its stated priorities.

## 1.3 Objectives of the Strategy

The main objectives of the Medium Term Financial Strategy are:-

To help ensure that the Council's financial resources are sufficient to achieve its stated objectives within the Corporate Plan including strategic priorities and core values;

To seek to minimise net debt and maximise income in order to provide investment in economic and efficient services within Council Tax increases below the level that would result in a referendum being required;

To ensure that the Council maintains an adequate level of General Reserves to both meet unforeseen events and help reduce vulnerability to significant fluctuations in Council Tax levels;

To provide both a link and framework to other financially related strategies;

To provide a single document to communicate the financial aims and objectives to staff and stakeholders alike; and

To provide a projection of resource requirements over a 5 year period.

## 2.0 REVENUE

### 2.1 General Fund Base Budget 2014/15

2.1.1 The current year's budget is divided into the following service areas:

| Gosport Borough Services | Gross Expenditure £'000 | Gross Income £'000 | Net Budget £'000 |
|---|---|---|---|
| Environmental Health Services | 1,346 | 123 | 1,223 |
| Parks and Leisure Activities | 2,824 | 522 | 2,302 |
| Housing Services | 36,016 | 36,016 | 734 |
| Council Housing | 12,813 | 12,813 | -1,736 |
| Refuse Collection | 1,656 | 325 | 1,331 |
| Town Planning & Development | 2,128 | 494 | 1,634 |
| Transportation | 928 | 911 | 17 |
| Other Services and Expenses | 6,363 | 3,935 | 2,438 |
| Sub-Total | 64,084 | 56,141 | 7,943 |
| Net transfer to Balances | 1,886 | | 1,886 |
| TOTAL | 65,970 | 56,141 | 9,829 |

2.1.2 The net general fund budget for 2014/15 is 4.4% lower than that for 2013/14 resulting in the Borough's Council Tax rates remaining unchanged, as detailed in the following table:-

**Gosport-Percentage Council tax increase for 2014/15**

| | |
|---|---|
| Council's budget needs | -11.0% |
| Government Grant variation | 10.8% |
| Transfer to reserves | 2.0% |
| Change to Council Tax base | -1.1% |
| Changes to Collection Fund balance | -0.7% |
| | **0.0%** |

### 2.2 Revenue Budget Projections 2015/16 – 2018/19

2.2.1 The following table shows a forecast of the revenue budget for the next four years and takes into account any significant variations in income and expenditure that are presently known or anticipated. It must be recognised that this projection represents a central forecast and may be subject to considerable variation for a number of reasons such as changes in demand for Council services, new or amended Central Government legislation (including the Government Grant Settlement) and the external economic environment in which the Council has to operate. However, it is essential that this analysis is undertaken and updated as necessary in order that any potential budget problems or opportunities are quickly identified and the appropriate action undertaken.

2.2.2 A variation in the forecasts of only approximately £56,000 affects the Borough's Council Tax rates by 1%. Major risks to the forecasts are detailed in the Council's Budget Book and include variations in demand for statutory services (such as homelessness), reduced income from Government Grants/Business Rate Retention Scheme and reduced income from fees, charges and interest receipts. The projections are particularly susceptible to political decisions on public spending levels by the coalition Government (and in any subsequent Government following the Election in 2015) in response to the national economic situation. The forecast grant levels for 2015/16 are in accordance with the provisional local Government Finance Settlement published in December 2013. Estimates of the Grant position for 2016/17 and later years remain very uncertain and for the purposes of this forecast it is currently estimated that further reductions of £100,000 in each of 2016/17, 2017/18 and 2018/19 will occur.

**PROJECTED GENERAL FUND FOR THE YEARS TO 2018/19**

**(AT CURRENT PRICES)**

| | | (£'000) | | | |
|---|---|---|---|---|---|
| | | **2015/16** | **2016/17** | **2017/18** | **2018/19** |
| A | 2014/15 Base Budget | 9,829 | 9,829 | 9,829 | 9,829 |
| B | Budget Increases | | | | |
| | Crematorium (income down) | 50 | 50 | 50 | 50 |
| | Tax Freeze Grant (2014/15) | | 50 | 50 | 50 |
| | Tax Freeze Grant (2015/16) | (50) | | | |
| | Local Elections | (40) | | (40) | |
| | Pensions | 36 | 90 | 133 | 179 |
| | MRP | 40 | 56 | 61 | 67 |
| | Inflation (inc pay award) | 120 | 240 | 360 | 480 |
| | | 156 | 486 | 614 | 826 |
| C | Less Budget Decreases | | | | |
| | New Homes Bonus income | (120) | (220) | (320) | (193) |
| | Local Plan | (135) | (135) | (135) | (135) |
| | Collection Fund Equalisation Reserve | (150) | (150) | (150) | (150) |
| | | (405) | (505) | (605) | (478) |
| D | PROJECTED BUDGET TOTALS (A+B+C) | 9,580 | 9,810 | 9,838 | 10,177 |
| **E** | **FUNDING** | | | | |
| | Revenue Support Grant | (1,755) | (1,591) | (1,426) | (1,258) |
| | Business rates Collectable /Safety Net | (5,642) | (5,811) | (5,986) | (6,165) |
| | Less Tariffs payable to Central Government | 3,521 | 3,627 | 3,735 | 3,847 |
| | | (3,876) | (3,775) | (3,676) | (3,576) |
| **F** | **GBC COUNCIL TAX LEVY (D-E)** | (5,704) | (6,035) | (6,162) | (6,601) |

| | | | | | |
|---|---|---|---|---|---|
| **G** | **COUNCIL TAX BASE** | **24,844.1** | **24,894.1** | **24,944.1** | **24,994.1** |
| **H** | **ESTIMATED COUNCIL TAX INCOME (FOR NO INCREASE)** | **(5,040)** | **(5,050)** | **(5,060)** | **(5,070)** |
| **I** | **POTENTIAL SAVINGS REQUIRED** | | | | |
| | **CUMULATIVE** | **664** | **985** | **1,102** | **1,531** |
| | **YEAR ON YEAR** | **664** | **321** | **117** | **429** |

2.2.3 Whilst the figures projected in paragraph 2.2.2 represent the best projection that can currently be made, there is a lot of uncertainty regarding future levels of Exchequer support, inflation and interest rates. The most optimistic current forecast beyond 2014/15 is that following the significant reduction in grant (£740,000) in 2015/16 only small reductions will be made in grant levels in 2016/17 and future years. The forecast above assumes that only reasonably modest reductions will occur in 2016/17, 2017/18 and 2018/19. Uncertainty over this period (2016-2019) is seen as particularly high with next year's General Election adding a further significant risk factor to both the overall level of exchequer support allocated to the local government sector and indeed the possibility of changes in the distribution of grant between authorities. A further area of risk relates to the inflation provision where any significant increase in either general or wage inflation could lead to significant additional costs being incurred.

2.2.4 The Council undertook a series of service reviews in early 2013/14 with the objective of making efficiency savings whilst still maintaining service levels in order to help meet the financial challenges ahead. The savings forthcoming from this measure helped meet the financial challenges faced in 2014/15 and it was possible to budget for both no increase in this Council's Council Tax levy In addition to setting up a Collection Fund Equalisation Reserve of £149,560 providing a further protection from the risks and uncertainties associated with the new system of Business Rate Retention.

2.2.5 The Council has continued to review services following the reviews undertaken in early 2013/14 with the changes to the arrangements to the provision of the Environmental Health Service and the extension of the Internal Audit Partnership both of which achieved efficiency savings for this Council. A further comprehensive review of services will be undertaken in the current year with the objective of achieving a balanced budget for 2015/16 and leave the Council best placed to meet the financial challenges anticipated for 2016/17 and later years. It is possible however that any further significant reductions in support (beyond those currently forecast within the strategy) may require additional measures such as:-

(a) Further reducing expenditure on 'back office' and lower priority services functions;
(b) Increase fees and charges;
(c) Raise Capital receipts to reduce the impact of capital investment; and,
(d) Consider local tax rises in excess of the current policy, possibly requiring a local referendum.

### 2.3 General Fund Working Balance

2.3.1 A key objective of the Strategy is:-

'To ensure that the Council maintains an adequate level of General Reserves to both meet unforeseen events and help reduce vulnerability to significant fluctuations in Council Tax levels'

2.3.2 The Council's Working Balance minimum prudent target level of 7% of net expenditure was dropped from 2009/10 and the balance frozen at £890,000. Although still very low compared to most local authorities, £890,000 is considered to be adequate, subject to the regular review of budget risk. Gosport's working balance remains in the lowest quartile compared to other local authorities. This is considered appropriate as the Council is conscious that the balance represents local taxpayers' funds set-aside and not directly contributing to service provision.

2.3.3 It must be recognised however, that as a result of the radical changes to the financing of Local Government introduced in 2013/14 the Council is exposed to a number of new risk areas (including the collection of Business Rates, a risk previously borne by Central Government) so that the working balance should not be reduced at this time.

### 2.4 Revenue Financing Reserve

2.4.1 The Revenue Financing Reserve (RFR) is a provision available for general use, although it is particularly targeted at:-
- helping achieve efficiencies by providing funding for spend-to-save initiatives (seen as particularly important due to the forecast of a significant reduction in Central Government Grant);
- helping to ensure that variations in annual maintenance requirements can be adequately financed; and,
- reducing exposure to risk by helping to underwrite uninsurable risks and by saving premiums where self insurance is undertaken.

2.4.2 It is considered that maintaining a viable RFR is an essential element for improved management of the Council's finances. In order to achieve this, the approved Council policy is that the RFR is debited or credited with any General Fund budget variations and Council Tax Collection Fund surpluses/deficits (subject to the working balance first being maintained at an appropriate level).

## 3. HOUSING REVENUE ACCOUNT

### 3.1 Housing Revenue Account (HRA)

3.1.1 The HRA comprises expenditure and income relating to stock of over 3,100 Council dwellings and over 290 leasehold properties. The services provided include management, repairs and maintenance and the rental income collection service.

3.1.2 The determination of future expenditure patterns relies upon the following key elements:

- Repair and maintenance needs of the stock
- Meeting the decent homes and post decent standards

- Aspirations of the tenants
- Rent convergence
- The resources available
- Development
- Repayment of self financing loan.

### 3.2 HRA Self Financing

3.2.1 The HRA subsidy reform happened in April 2012. For Gosport this meant buying out of a negative subsidy position. Full responsibility for managing and maintaining the stock rests entirely with the Council. All income is now collected and managed locally and long term investment needs of the stock are now planned in consultation with the tenants.

3.2.2 The government has set a statutory debt limit for each housing authority which comprises the settlement figure for the authority plus what has previously been borrowed under the prudential code. The debt limit/cap for Gosport is £63.07m.This places a constraint on the potential for investment for this Council in the early years of self financing.

3.2.3 The cap on debt restricts the ability of authorities to take on additional borrowing under the prudential code, even if the borrowing is affordable for the HRA. The Localism Act does allow for the reopening of the settlement, but only in very limited circumstances.

### 3.3 HRA Business Planning

3.3.1 An HRA business plan has been developed as part of the requirement for self financing with an accompanying financial model to show that self financing is a viable option and that debt can be repaid within the timeframe. The business plan describes the Council's vision for the future of the housing stock under self financing and details how the Council intends to finance investment in the housing stock. The plan sets out the long term priorities, objectives and actions for council housing for the coming years.

3.3.2 The viability of the plan has been established through the completion of a detailed financial model. The model is calculated over thirty years and shows the baseline position for the HRA. It shows the impact of the increase in housing debt as a consequence of the required borrowing of £57m and the HRA's ability to both repay the debt and manage the stock over the next thirty years.

3.3.3 Detailed calculations are provided within the model for future rent levels, management and maintenance costs as well as capital spend, depreciation, debt repayment and working balances. This model is updated annually and rolled forward to give a continual assessment of income and expenditure over the life of the plan.

### 3.4 HRA Rent Income

3.4.1 Following consultation the government issued new rent guidance for social rents from April 2015 onwards. The key areas are:

- Retaining a formula rent for each property but uplifts now restricted to CPI +1%.
- Removing flexibility to increase rents by more than the formula uplift, except for re-lets where increases to formula or cap are expected.
- Commitment to policy for 10 years upto 2024-25

### 3.5 Improvement and Repairs

3.5.1 The Council have an Asset Management Strategy that covers the period 2013-18.It has been drawn up to complement the HRA Business Plan and sets out the medium term implications of maintaining and improving the stock. The Asset Management Strategy has been informed by the Stock Condition Survey undertaken by Savills in 2012. A rolling 5 year programme of surveys will ensure that all stock information is improved and accurate.

3.5.2 The Asset Management Strategy also complements the Council's Corporate Asset Management Plan of 2013.This document sets out corporate priorities and objectives for all council owned assets. The Housing Service has a number of strategic objectives, which underpin this document forming a comprehensive strategic approach to both investment (new assets or development) and re investment (maintenance of existing assets).

### 3.6 Housing Revenue Account working balance

3.6.1 The HRA working balance is a reserve of the Housing Revenue Account and is "ring fenced" for this purpose.

3.6.2 The HRA balance as at 31 March 2014 is estimated to be in the region of £990,000 (subject to Audit). The balance is considered to be appropriate taking into account factors including the level of stock and the additional risks borne by the Council following the move to self financing.

3.6.3 On March 31$^{st}$ 2014 the HRA also had £850,000 set aside for development or the provision of new assets. It is anticipated that this sum will continue to grow in future years and be available for use in conjunction with retained receipts from the Right To Buy Scheme.

## 4.0 CAPITAL

### 4.1 Capital Priorities and Selection Process

4.1.1 In order to ensure that the Council's Capital expenditure is targeted at achieving the Council's priorities capital projects must be evaluated and prioritised before they are recommended for inclusion in the Draft Capital Programme which is considered by Members as part of the budget process.

4.1.2 The projects are considered by the Council's Management Team with particular attention on their affordability (particularly critical as Government grant support has reduced) and their contribution to the priorities detailed within the Corporate Plan and associated Corporate Action Statement. The Team then make recommendations to Members on the schemes to consider and pursue as part of the Council's Capital Programme.

### 4.2 Prudential Framework/Impact on Revenue Account

4.2.1 The Local Government Act 2003 introduced major changes to the capital funding regime with effect from 1 April 2004.The previous system of controlling Councils capital expenditure by limiting borrowing through the use of credit approvals was replaced by a more flexible system based on affordability.

4.2.2 The prudential capital finance system (Prudential Framework) allows the Council to make its own borrowing decisions using agreed professional principles as set out in the Prudential Code to ensure that any new borrowing is affordable and prudent. It is accepted that use of the Code by the HRA will necessitate proper arrangements for debt repayment, although not currently required by statute.

4.2.3 The main advantages of the increased freedom to borrow under the Prudential Framework are:-

(i) The ability to bring forward capital schemes that would not otherwise have been possible to fund in the short to medium term under the previous capital financing regime.
(ii) Spend-to-Save Schemes where the cost of the borrowing associated with the capital expenditure on a Scheme can be wholly or partly met by revenue savings arising as a result of the project being carried out.
(iii) The ability to raise funding up to 3 years in advance when market conditions are favourable.

4.2.4 The expenditure possible under (i) will be limited by the ability of the Council to afford the revenue consequences of the borrowing undertaken. In any event, the anticipated low levels of supported borrowing, capital grants and other capital funding resources together with the national pooling of Housing Capital Receipts has resulted in an increase in the need to borrow to finance Capital Expenditure.

## 4.3 Projected Expenditure

4.3.1 **Capital Programme 2014/15-2016/17**

| | **2014/15 £,000** | **2015/16 £,000** | **2016/17 £,000** |
|---|---|---|---|
| Community (Housing) | 3,915 | 3,990 | 4,070 |
| Community (General Fund) | 1,558 | 352 | 207 |
| Economic Development | 15 | - | - |
| Policy & Organisation | 274 | 190 | 175 |
| **Total Capital Programme** | **5,762** | **4,532** | **4,452** |
| Revenue Contribution - HRA | 3,485 | 3,560 | 3,640 |
| Specific Capital Grants - GF | 270 | 270 | 270 |
| Developer Contributions for Open Spaces -GF | 350 | - | - |
| Other Grants and Contributions - GF | 618 | - | - |
| Capital receipts -GF | 100 | 1,175 | 600 |
| Capital Funding Requirement - GF | 939 | (473) | (58) |
| **Total Capital Funding** | **5,762** | **4,532** | **4,452** |

4.3.2 A significant proportion of the planned capital expenditure relates to the Community Board, with the largest area of expenditure being that of improvements to housing stock. Partly as a result of the move to self financing (see 3.2) it has been possible to increase expenditure from £2,940,000 originally budgeted for 2012/13 to between £3,435,000-£3,590,000 in 2013/14, 2014/15, 2015/16 and 2016/17.

## 5.0 TREASURY MANAGEMENT

### 5.1 Treasury Management Strategy

5.1.1 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 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.

5.1.2 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. This report includes extracts from the Treasury Management Strategy for 2014/15.

5.1.3 A key requirement of the strategy is to explain both the risks associated with the treasury service and how those risks are to be managed.
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.

### 5.2 Treasury Position

5.2.1 The Council had net borrowing of almost £69.3M at 31 March 2014.

5.2.2 The Council's 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). This borrowing or net financing need is known as unsupported capital expenditure and must be paid for from the Council's own revenue resources.

5.2.3 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 continuing impact of the recession on the property market. This will become increasingly important as interest rates begin to rise.

### 5.3 Expected movement in Interest Rates

5.3.1 The Council has appointed Capita Asset Services as its treasury advisor and part of their service is to assist the Council to formulate a view on interest rates. The following table gives their central view.

| Annual Average % | Bank Rate | PWLB Borrowing Rates (including certainty rate adjustment) | | |
|---|---|---|---|---|
| | | 5 year | 25 year | 50 year |
| | | | | |
| Mar 2014 | 0.50 | 2.60 | 4.16 | 4.12 |
| Jun 2014 | 0.50 | 2.60 | 4.30 | 4.30 |
| Sep 2014 | 0.50 | 2.70 | 4.40 | 4.40 |
| Dec 2014 | 0.50 | 2.80 | 4.50 | 4.50 |
| Mar 2015 | 0.50 | 2.80 | 4.60 | 4.60 |
| Jun 2015 | 0.50 | 2.90 | 4.70 | 4.70 |
| Sep 2015 | 0.50 | 3.00 | 4.80 | 4.80 |
| Dec 2015 | 0.75 | 3.10 | 4.80 | 4.90 |
| Mar 2016 | 0.75 | 3.20 | 4.90 | 5.00 |
| Jun 2016 | 1.00 | 3.20 | 4.90 | 5.00 |
| Sep 2016 | 1.25 | 3.30 | 5.00 | 5.00 |
| Dec 2016 | 1.50 | 3.40 | 5.00 | 5.00 |
| Mar 2017 | 1.75 | 3.50 | 5.00 | 5.00 |

5.3.2 Until 2013, the economic recovery in the UK since 2008 had been the worst and slowest recovery in recent history. However, growth has rebounded during 2013 to surpass all expectations, propelled by recovery in consumer spending and the housing market. Forward surveys are also currently very positive in indicating that growth prospects are strong for 2014, not only in the UK economy as a whole, but in all three main sectors, services, manufacturing and construction. This is very encouraging as there does need to be a significant rebalancing of the economy away from consumer spending to construction, manufacturing, business investment and exporting in order for this start to recovery to become more firmly established. One drag on the economy is that wage inflation continues to remain significantly below CPI inflation so disposable income and living standards are under pressure, although income tax cuts have ameliorated this to some extent. This therefore means that labour productivity must improve significantly for this situation to be corrected by the warranting of increases in pay rates. The US, the main world economy, faces similar debt problems to the UK, but thanks to reasonable growth, cuts in government expenditure and tax rises, the annual government deficit has been halved from its peak without appearing to do too much damage to growth.

5.3.3 The current economic outlook and structure of market interest rates and government debt yields have several key treasury management implications:

- As for the Eurozone, concerns have subsided considerably in 2013. However, sovereign debt difficulties have not gone away and major concerns could return in respect of any countries that do not dynamically address fundamental issues of low growth, international uncompetitiveness and the need for overdue reforms of the economy (as Ireland has done). It is, therefore, possible over the next few years that levels of government debt to GDP ratios could continue to rise to levels that could result in a loss of investor confidence in the financial viability of such countries. This could mean that sovereign debt concerns have not disappeared but, rather, have only been postponed. Counterparty risks therefore remain elevated. This continues to suggest the use of higher quality counterparties for shorter time periods;

- Investment returns are likely to remain relatively low during 2014/15 and beyond;
- Borrowing interest rates have risen significantly during 2013 and are on a rising trend. The policy of avoiding new borrowing by running down spare cash balances has served well over the last few years. However, this needs to be carefully reviewed to avoid incurring even higher borrowing costs, which are now looming ever closer, where authorities will not be able to avoid new borrowing to finance new capital expenditure and/or to refinance maturing debt, in the near future;
- 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.

### 5.4 Policy on borrowing in advance of need

5.4.1 The Council has some flexibility to borrow funds for up to three years ahead. The Borough Treasurer may do this under delegated power where, for instance, a sharp rise 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.

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

### 5.5 Debt rescheduling

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

5.5.2 The reasons for any rescheduling to take place will include:

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

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

### 5.6 The Council’s borrowing strategy

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

5.6.2 Against this background and the risks within the economic forecast, caution will be adopted with the 2014/15 treasury operations. The Borough Treasurer will monitor interest rates in financial markets and adopt a pragmatic approach to changing circumstances:

- if it was felt that there was a significant risk of a much sharper RISE in long and short term rates than that currently forecast, perhaps arising from a greater than expected increase in the anticipated rate to US tapering of asset purchases, or in world economic activity or a sudden increase in inflation risks, then the portfolio position will be re-appraised with the likely action that fixed rate funding will be drawn whilst interest rates are still lower than they will be in the next few years
- if it was felt that there was a significant risk of a sharp FALL in long and short term rates (e.g. due to a marked increase of risks around relapse into recession or of risks of deflation), then long term borrowings will be postponed, and potential rescheduling from fixed rate funding into short term borrowing will be considered.

5.6.3 The Council's sources of borrowing are:-

- Long-term loans (in excess of 364 days) will be raised with the PWLB or other public bodies
- Short term loans (less than 364 days) will be raised through
  - Money market loans through the London Money Market using brokers appointed at the discretion of the Borough Treasurer
  - Directly or through brokers, at the discretion of the Borough Treasurer, with other public bodies
  - Use of the Council's overdraft limit with its bankers, National Westminster Bank, up to £250,000
  - 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

## 5.7 The Council's Investment Strategy

- The key objectives of the Council's investment strategy are security, liquidity and yield in that order.
- The Council has determined that it will only use approved counterparties from the UK
- No Investments are to exceed 3 years although most will not exceed 364 days
- A £3m limit applies with any single group other than the Council's Bank or UK Regulated Qualifying Money Market Funds
- Investments will be placed with bodies that meet the Council's creditworthiness criteria
- 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.

## 6.0 BUDGET STRATEGY AND PROCESS

6.1 The Council's current Corporate Plan details the Council's Strategic Priorities which are categorised under four main headings namely, People, Places, Prosperity and the Pursuit of Excellence.
The Corporate Action Statements (contained within the Corporate Plan) underpin the delivery of the Corporate Priorities. Any budgetary implications arising from the actions outlined in Service Improvement Plans (SIP) are included within the Council's initial Draft Budget. Depending on the resource constraints affecting the Council these are either ultimately approved or, if this is not possible, the unit SIP is amended to reflect this.

6.2 Budget preparation commences annually in July and incorporates requirements resulting from Council priorities identified from Capital Strategies, Community Strategy, Corporate Plan and departmental action plans, culminating in recommendations to Boards and Council the following January/February.

6.3 Budget preparation is "zero-based" where appropriate and new bids are minimised. Maintenance proposals are provided for according to the latest Asset Management Planning requirements.

6.4 Prudent inflation parameters are used in the build up of the initial budgets.

6.5 In the interest of sustainability, the Council will not generally budget to use one-off or short-term income (including grants) on expenditure that is properly part of its base budget requirements.

6.6 Capital projects bids are considered for inclusion within the Capital Programme in terms of affordability, including impact on local tax levels as part of the Budget Process.

6.7 Once the Council's budget is set and the precepting authorities' requirements known, the Council sets Council Tax levels for the forthcoming year. (This has to be done by 11 March).

## 7.0 RISK MANAGEMENT AND INSURANCE

### 7.1 Risk Management

7.1.1 The Council recognises the importance of an effective risk management process covering all aspects of the significant business risks that the authority faces. Although much has been achieved, ongoing development of the risk management process remains a key priority of the Council and dedicated resource has been earmarked for this purpose. In particular Risk Working groups have been formed to review areas considered to be of greater risk i.e. housing, motor, property and combined liability in order to improve the Council's overall risk performance.

7.1.2 The Council has an agreed Risk Management Strategy in place. Major capital schemes must be risk assessed as part of the approval process. In addition risk registers for both operational and strategic risks are in operation which assesses the financial risks as part of its overall framework. Finally, an established corporate risk management group meets to discuss key risk issues that influence the Council's day-to-day business and to further develop and critically review the risk management process.

7.1.3 The Budget report to Council and the Budget Book highlight the principal areas of risk to the budget with an assessment of likelihood and impact.

## 7.2 Insurance

7.2.1 The Council has a range of insurance policies which help safeguard against many of the higher financial risk areas particularly relating to property, employers and public liability insurance. In collaboration with the other 10 Hampshire District Councils, this Council is currently in the process of tendering its insurance portfolio under the Hampshire Framework Agreement. A common approach is being achieved by successfully realigning renewal dates, applying common excesses and indemnity levels. The new contract commences 1 April 2015 and it is hoped that by going to the insurance market as one similar group competitive premiums can be achieved.

**Appendix 2**

# Gosport Borough Council

# Capital Strategy

# 2014

Finance/JB

# CAPITAL STRATEGY

## 1.0 INTRODUCTION

1.1 The main purpose of the Capital Strategy is to outline how the Council decides what Capital Projects are supported and the process that is undertaken to make sure that these are in line with the Council's priorities and objectives.

1.2 The funding options and constraints relating to the funding of the programme are explored for the Capital Programme 2013-18.

## 2.0 FINANCIAL AND ASSET INFORMATION

### Revenue Budget

The Council's gross revenue budget 2014/15 totals £65.970 Million, which after deducting gross income of £56.141 Million results in a net revenue budget of £9.829 Million.

### Assets

The Council's asset base is dominated by its housing stock, which numbered 3,176 properties on 31 March 2014 with an estimated value of over £110 Million representing 72.1% of the total fixed asset value of over £153 Million.

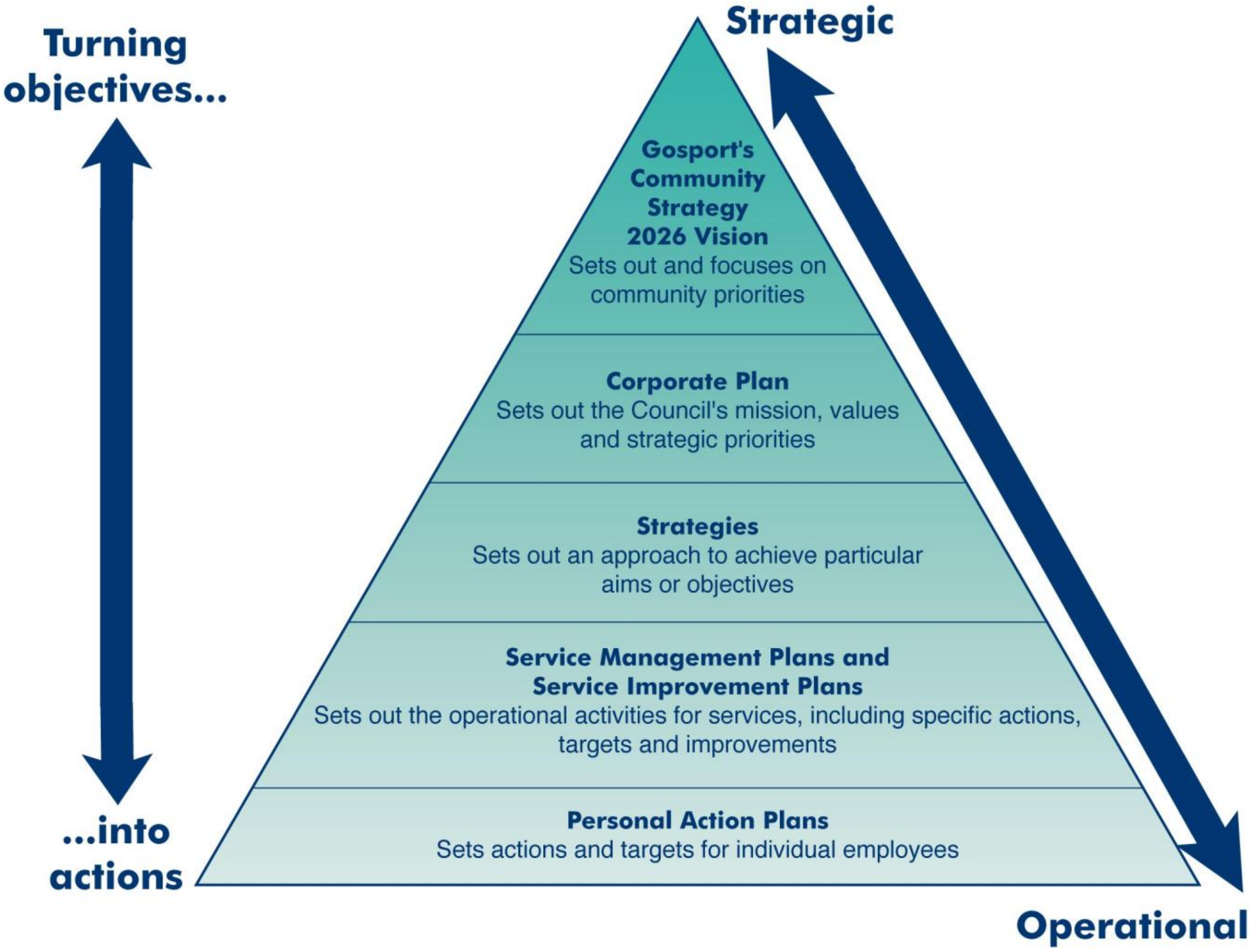
**Council Assets 2013/14**

| | 2013/14<br>£'000 |
|---|---|
| Council Dwellings | 110,672 |
| Land & Buildings | 21,890 |
| Vehicles, Plant & Equipment | 876 |
| Infrastructure | 8,658 |
| Community Assets | 3,498 |
| Surplus Assets | 68 |
| Assets Under Construction | 134 |
| Heritage Assets | 209 |
| Investment Property | 6,938 |
| Intangible Assets | 557 |
| | **153,500** |

2.1 The relatively high proportion of Infrastructure Assets (£8.7M) is primarily due to the coastal nature of the Borough and includes sea defence features such as sea walls and pontoons. The Community Assets (£3.5M) include land set aside for recreation and leisure purposes (including the 27 designated parks within the Borough).

## 3.0 THE COUNCIL’S OBJECTIVES

3.1 The diagram below shows how the Council’s objectives are identified and incorporated within the strategies and plans of the Council to ensure that the limited resources available are targeted to the areas considered most important.




3.2 The Corporate Plan which is reviewed annually and is the key document for setting out the Council’s objectives detailing the Councils Mission, values and strategic priorities many arising from the Community Strategy/2026 Vision.

The Council’s mission is:

**‘To work with our community to improve everyone’s quality of life and deliver a sustainable future for the Borough’.**

A number of Core Values are also identified under the headings of Participation, Performance, Partnership, People and Political Processes to help the Council to meet its aspiration to be recognised as an open and responsive organisation, regarded as excellent and at the centre of the community.

The Corporate Plan also lists the Councils Strategic Priorities under the four main headings of:
**People**
**Places**
**Prosperity**
**Pursuit of Efficiency & Effectiveness**

People, Places and Prosperity are the cornerstones of Gosport's 2026 Vision whilst Pursuit of Excellence embraces the core values.

The Council's Strategic Priorities are a combination of the priorities of local people, national priorities set by Central Government and the challenges arising from Gosport's changing social, economic and environmental context.

3.3 As shown in the diagram the principal purpose of the various Strategies of the Council are to help set out a framework to assist the achievement of the objectives and strategic priorities of the Council. The Capital Strategy seeks to ensure that the Council's limited Capital Resources are best used to achieve this objective.

## 4.0 THE SELECTION AND PRIORITISATION OF CAPITAL PROJECTS

4.1 In order to ensure that the Council's Capital expenditure is targeted at achieving the Council's Priorities capital projects must be evaluated and prioritised before they are recommended for inclusion in the Draft Capital Programme which is considered by Members as part of the budget process.

4.2 The projects are considered by the Council's Management Team with particular attention on their affordability (particularly critical as Government grant support has reduced) and their contribution to the priorities detailed within the Corporate Plan and associated Corporate Action Statement. The Team then make recommendations to Members on the schemes to consider and pursue as part of the Council's Capital Programme.

## 5.0 FINANCING THE CAPITAL PROGRAMME

5.1 The Local Government Act 2003 introduced major changes to the capital funding regime with effect from 1 April 2004.The previous system of controlling Councils capital expenditure by limiting borrowing through the use of credit approvals was replaced by a more flexible system based on affordability.

5.2 The prudential capital finance system (Prudential Framework) allows the Council to make its own borrowing decisions using agreed professional principles (as set out in the Prudential Code which has been developed by the Chartered Institute of Public Finance and Accountancy (CIPFA)) to ensure that any new borrowing is affordable and prudent.

5.3 The main advantages of the increased freedom to borrow under the Prudential Framework are: -

(i) The ability to bring forward capital schemes that would not otherwise have been possible to fund in the short to medium term under the previous capital financing regime.

(ii) Spend-to-Save Schemes where the cost of the borrowing associated with the capital expenditure on a Scheme can be wholly or partly met by revenue savings arising as a result of the project being carried out.

(iii) The ability to raise funding up to 3 years in advance when market conditions are favourable.

5.4 The capital expenditure possible through the prudential framework will be limited by the ability of the Council to afford the revenue consequences of the borrowing undertaken placing an increasing reliance on other sources of Capital Funding. These include:

## 5.5 Internal Funding

**Usable Capital Receipts-Receipts arising from the disposal of Council Land, buildings and other assets**.

Whilst 100% of the receipts arising from the disposal of General Fund Assets can usually be used to fund capital projects the rules regarding the disposal of HRA assets are more complex. Non Right To Buy (RTB) receipts are no longer subject to pooling. In April 2012 this authority signed an agreement with the DCLG regarding RTB receipts under which the Council is able to retain a greater proportion of receipts on the understanding that they are applied to investment in affordable housing up to a maximum of 30% of the funding for each scheme.

**Revenue Contributions to Capital-**

Revenue funding of capital projects represents another funding option although, due to revenue budget pressures, it has generally not been possible to fund such contributions from the General Fund. The current expectation of further reductions in Central Government Grant in the next three years makes it unlikely that this position will change in the near future.
Such contributions from the Housing Revenue Account (ring fenced for Housing Capital Expenditure) have historically played an important funding role in supporting the Housing Stock Improvement Programme. As a result of the introduction of self financing and the discontinuation of the Major Repairs Allowance this has become an even more significant source of funding of HRA capital expenditure.

## 5.6 External Funding

Some of the principle sources of external funding are:-

**Specified Capital Grants**

Government grants given towards certain capital expenditure items such as Disabled Facilities Grants.

**Developer Contributions for Open Space and Sports and Recreation Facilities**

Sums paid by a developer in accordance with a specified formula to facilitate new or upgraded leisure facilities.

**Developers Contributions for Social Housing**

Sums paid by a developer in accordance with a specified formula to be used for the provision of Social or Affordable Housing.

**Other Grants and Partnership Contributions**

All other external grants and contributions from other sources.

## 6.0 THE CAPITAL PROGRAMME 2014/15-2016/17

6.1 A summary of the Council's Capital Programme and proposed funding for the next 3 years is set out in the table below. More detailed breakdowns of the programme is available in the Council's Budget Book 2014/5.

| | 2014/15 £,000 | 2015/16 £,000 | 2016/17 £,000 |
|---|---|---|---|
| Community (Housing) | 3,915 | 3,990 | 4,070 |
| Community (General Fund) | 1,558 | 352 | 207 |
| Economic Development | 15 | - | - |
| Policy & Organisation | 274 | 190 | 175 |
| **Total Capital Programme** | **5,762** | **4,532** | **4,452** |
| Revenue Contribution - HRA | 3,485 | 3,560 | 3,640 |
| Specific Capital Grants - GF | 270 | 270 | 270 |
| Developer Contributions for Open Spaces -GF | 350 | - | - |
| Other Grants and Contributions - GF | 618 | - | - |
| Capital receipts -GF | 100 | 1,175 | 600 |
| Capital Funding Requirement - GF | 939 | (473) | (58) |
| **Total Capital Funding** | **5,762** | **4,532** | **4,452** |

A significant proportion of the planned capital expenditure relates to the Community Board, with the largest area of expenditure being that of improvements to housing stock. Partly as a result of the move to self financing it has been possible to increase expenditure from £2,940,000 originally budgeted for 2012/13 to between £3,435,000-£3,590,000 in 2013/14, 2014/15, 2015/16 and 2016/17.

## 7.0 CAPITAL PROGRAMME AND PROJECT MONITORING

7.1 Once approved it is important the Capital Programme is delivered and a robust monitoring process is in operation. The Capital Programme is closely monitored and any variation is included in the Budget Monitor which is either distributed to Policy and Organisation Board Members or where required (such as when a virement or supplementary estimate is needed) is taken to the Board for decision. In addition the programme is revisited as part of the annual budget process with scheme progress being monitored and scheduled projects re-phased or deleted as necessary.

7.2 In addition to the above process a specific project group for larger projects is established when required to progress and monitor the progress of the scheme. The project team would also report back regularly to Council Management Team and if issues arise requiring political decision to the appropriate Council Board.

## 8.0 POST IMPLEMENTATION REVIEW

8.1 The lead officer for major (over £100,000) Capital Projects will notify the Head of Accountancy when the project is completed and a Post Implementation Review form is to be supplied. The feedback on these forms will then be considered by Council Management Team.

8.2 The form provides details on how successfully the project has been delivered specifically in relation to the following:-

(1) Timing-was the project started/completed by the anticipated dates?
(2) Cost-was the Scheme completed in accordance with the allocated budget?
(3) Objectives-did the scheme achieve the anticipated outputs/outcomes?

## 9.0 PARTNERSHIP WORKING

9.1 Working in partnership with other organisations from both the private and public sector is an important way of ensuring the limited Capital Resources available are used efficiently to help maximise their contribution towards achieving the Corporate Objectives and Priorities. Partnership working may range from key overarching Partnerships such as those arising from the Local Strategic Partnership, preferred partners in specific Service areas such as the Key Housing Association Partners or 'one off' schemes where the organisation's and the Council's priorities coincide.

9.2 The Capital Scheme Proposal Form specifically requests information on how the scheme will Develop partnership working, financial and non financial input from other partners and asks how the scheme will contribute to the partners' strategies and priorities.

## 10.0 MEDIUM TERM FINANCIAL STRATEGY

10.1 The Medium Term Financial Strategy provides an overall framework for the financial investment in services for a five year period. It therefore is closely linked with the Capital Strategy and shows the effect on the overall revenue budget and associated Council Tax levels of the financing charges arising from the Capital Programme.

10.2 It is important, therefore, that any significant alterations in the Capital Strategy are promptly used to update the Medium Term Financial Strategy to help fully understand the impact of such changes on the Council's Finances as a whole.

## 11.0 ASSET MANAGEMENT PLAN

11.1 The Council's Asset Management Plan helps develop a process to achieve efficient effective and economical management of its assets. The linkages to the Capital Strategy and Programme are strong with capital expenditure on Council Assets being a significant element of the Programme particularly relating to the Council's Housing Stock.

11.2 It is important that the Council's property assets are maintained as they play a vital role in the delivery of the Councils Statutory Services and the delivery of its Corporate Priorities. The Asset Management Plan informs the Council on the improvement and maintenance requirement of the Council Assets with the larger schemes being included in the Capital Programme.

## 12.0 HOUSING BUSINESS PLAN

12.1 The Housing Business Plan is a long term plan for managing the authority's housing Assets and financing the necessary investments. It is a key element in ensuring the effective long term management and maintenance of the Council Housing Stock. The importance of the plan has further increased following the introduction of self financing of the HRA with a greater responsibility and risk being borne by the Council.

12.2 The Plan should be consistent with the Authorities wider corporate objectives and Housing Strategy and will inform on the level of Capital Expenditure required on the Housing stock necessary to achieve the Decent Homes and energy efficiency targets.

## 13.0 REVIEW OF THE CAPITAL STRATEGY

13.1 The Capital Strategy is reviewed annually to take account of any changes in legislation, capital expenditure requirements, funding position or process improvements. Any significant changes are considered by Council Management Team and consequent amendments to the strategy are submitted to Policy and Organisation Board for consideration and approval.

**AGENDA ITEM NO 9**

| | |
|---|---|
| **Board/Committee:** | Policy and Organisation Board |
| **Date Of Meeting:** | 09 July 2014 |
| **Title:** | Discretionary Rate Relief |
| **Author:** | Borough Treasurer |
| **Status:** | For Decision |

## Purpose

The purpose of this report is to consider proposed additions to the Council's Discretionary Rate Relief Policy relating to Reoccupation and Flood Relief.

## Recommendation

The Board is requested to consider and approve:-

(i) The Discretionary Rate Relief Policies relating to Flood Relief and Reoccupation Relief as detailed in Appendix A.

## 1.0 Background

1.1 Section 47 of the Local Government Finance Act 1988 as amended permits the billing authority to grant discretionary rate relief. In the Government's Autumn Statement of 2013, new temporary rate reliefs were announced. However, guidelines for the Reoccupation Relief were issued too late to be included in the Discretionary Rate Relief Policy review prior to the commencement of the 2014/15. A further announcement was made in February 2014 concerning Flood Relief, and guidelines were also issued too late for earlier consideration.

## 2.0 Report

2.1 GBC's current policy does not allow for the granting of these temporary reliefs at present. Reoccupation relief is intended to encourage a thriving and diverse town centre by encouraging the reoccupation of shops that have been empty for a long period of time. It should be noted that reoccupation of the property by betting shops, payday loan shops and pawn brokers will not qualify for this relief.

2.2 Although Gosport was not subject to widespread flooding, it would be prudent to provide for this relief within the Discretionary Rate Relief policy so that any businesses which may have been affected can receive assistance.

2.3 Both the Reoccupation Relief and Flood Relief are to be fully funded by Central Government so there are no financial implications for this Council. The proposed additional reliefs are shown in Appendix A.

## 3.0 Risk Assessment

3.1 Failure to add Flood Relief and Reoccupation Relief to the Discretionary Rate Relief Policy will prevent the legal granting of the reliefs to the detriment of those local businesses that would otherwise have been eligible.

## 4.0 Conclusion

4.1 GBC's current policy does not allow for the granting of these temporary reliefs at present. There are no financial implications for the authority as both reliefs are to be fully funded by Central Government. The reliefs are intended to assist local businesses and boost the local economy, which will complement existing policies and it is therefore recommended that the amendments be approved.

| | |
|---|---|
| **Financial Services comments:** | As detailed in report |
| **Legal Services comments:** | None for the purposes of this report |
| **Crime and Disorder:** | None |
| **Equality and Diversity:** | None |
| **Service Improvement Plan implications:** | None |
| **Corporate Plan:** | Enabling Local businesses to be granted the additional business rate reliefs identified within the report will assist the Strategic Priority relating to Prosperity. |
| **Risk Assessment:** | Please see Section 3 of the report. |
| **Background papers:** | Report to Council and government guidance are background papers. |
| **Appendices/Enclosures:** | Appendix A-Proposed Additions to the Discretionary Rate Relief Policy relating to Reoccupation and Flood Relief |
| **Report Author/Lead Officer** | Julian Bowcher |

**APPENDIX A**

## Additions to current Discretionary Rate Relief Policy Guidelines

**Conditions for granting 50% Reoccupation Relief (up to 18 months) Separate applications will be required for each new financial year**

Properties (hereditaments) must be occupied and

i) When previously in use, were wholly or mainly used for retail purposes by visiting members of the public - such as shops (florist, bakers, butchers, grocers, greengrocers, jewellers, stationers, off licence, chemists, newsagents, hardware stores, supermarkets), Charity Shops, Opticians, Post Offices, Furnishing Shops/display rooms (such as Carpet shops, double glazing, garage doors), Car/Caravan show rooms, Second Hand Car Lots, Markets, Petrol Stations, Garden Centre, Art galleries (where art is for sale) or for the provision of the following services to visiting members of the public – Hair and Beauty Services (such as: hairdressers, nail bars, beauty salons, tanning shops etc), Shoe Repairs/Key Cutting, Travel Agents, Ticket offices eg for theatre, Dry cleaners, Launderettes, PC/TV/Domestic appliance repair, Funeral Directors, Photo Processing, DVD/Video rentals, Tool Hire, Car Hire, Financial Services (such as banks, building societies, bureaux de change, payday loan shops, betting shops, pawn brokers) Estate Agents, letting agents, employment agencies. Or for the sale of food and or drink – Restaurants, Takeaways, Sandwich Shops, Coffee Shops, Pubs, Bars
The list above is not exhaustive and properties that were used for purposes broadly similar in nature to those listed above may be eligible for the relief.

ii) The property was empty for 12 months or more immediately before their reoccupation

iii) The property became reoccupied between 1st April 2014 and 31st March 2016 and remains continuously occupied for the period of the relief

iv) The property may be used for any use (ie not just retail) except where it is wholly or mainly used as betting shops, payday loan shops and pawn brokers. These will not qualify for Reoccupation Relief.

v) No rateable value limit applies, however, State Aid De Minimis limits will apply to any relief granted.

The relief will be available for a maximum of 18 months from the first day the hereditament becomes occupied as long as the first day falls between 1st April 2014 and 31st March 2016, subject to the hereditament remaining continuously occupied. Relief will only be granted up to the end of the financial year in which the application is made subject to not exceeding 18 months in total and a new application will be required for subsequent financial years. The eligibility for the relief and the relief itself will be assessed and calculated on a daily basis.

The relief is 50% of the business rates liability after any mandatory or other discretionary reliefs (other than retail relief) have been applied, up to State Aid De Minimis limits.

Splits, mergers, and changes to existing hereditaments

Where a new hereditament has been created by a split or merger of hereditaments, the new hereditament will be eligible for Reoccupation Relief where at least half of the floor area of the new hereditament is made up of retail hereditaments that have been empty for 12 months or more (subject to the criteria outlined above)

Where a hereditament in receipt of Reoccupation Relief splits or merges to form new hereditaments, the new hereditaments will not be eligible for the remaining term of Reoccupation Relief.

Where a hereditament in receipt of Reoccupation Relief becomes unoccupied for any period of time less than 12 months it will not be eligible for any further Reoccupation Relief on occupation. However, if a hereditament that has previously received Reoccupation Relief becomes empty for 12 months or more it will be eligible for an additional 18 months Reoccupation Relief if the criteria are met.

Change of ratepayer

The relief will run with the property rather than the ratepayer. So if a hereditament is in receipt of Reoccupation Relief and a new ratepayer becomes liable for the property they will benefit from the remaining term of the relief, subject to the new ratepayer's State Aid De Minimis limits.

Enterprise Zones

Properties within the Enterprise Zone that do not qualify for enterprise zone relief or that relief has ended may be eligible for reoccupation relief subject to satisfying the above criteria.

## Conditions for granting Flood Relief

For any day between 1st December 2013 and 31st March 2014:

i) The property (hereditament) has been flooded (Flood as defined under Section 1 of the Flood & Water Management Act 2010) in whole or in part as a result of adverse weather conditions; and

ii) On that day, as a result of the flooding at the hereditament, the business activity undertaken at the hereditament was adversely affected; and

iii) The rateable value of the hereditament on that day was less the £10 million.

iv) The relief will be subject to State Aid De Minimis Limits

The Relief will be limited to 100% for 3 months starting from the day the hereditament first met the criteria

Where a hereditament has been flooded more than once and business activities are adversely impacted only one period of 3 months relief will be applied from the first date the criteria were met.

The relief will be applied after all other reliefs have been applied, including retail relief where applicable.

Ratepayers that occupy more than one property may be granted relief within the scheme for each of their eligible properties.

Splits, Mergers and changes to existing hereditaments

Where a new hereditament is created as a result of a split or merger from a hereditament which for the day immediately prior to the split or merger met the criteria, relief will be allowed for the remaining balance of the three months.

Change of Ratepayer

The relief will run with the property rather than the ratepayer. So if a hereditament is in receipt of Flood Relief and a new ratepayer becomes liable for the property they will benefit from the remaining term of the relief, subject to the new ratepayer's State Aid De Minimis limits.

Empty Properties

Where a property was empty at the time of the flood it will not qualify for Flood Relief. However, where a hereditament becomes empty after the flood then it will receive the normal 3 or 6 months (as applicable) empty property rate free period or will continue to receive the balance of the flooding relief.

Enterprise Zone

Where a hereditament within an Enterprise Zone does not qualify for Enterprise Zone relief or it has ended it may be eligible for Flood Relief where applicable.

Properties removed for the rating list due to flooding

Seriously damaged property may be taken off the rating list, thus removing the liability for business rates. Where a property is removed for more than 3 months that property will not qualify for flood rate relief. Where it is less than 3 months, rate relief may be provided to allow the occupier to receive the equivalent of a 3 month "rate free" period when taking into account the period it was removed from the rating list.

Definition of Flood

Section 1 of the Flood and Water Management Act 2010

(1) “Flood” includes any case where land not normally covered by water becomes covered by water

(2) It does not matter for the purpose of subsection (1) whether a flood is caused by –
  a) heavy rainfall
  b) a river overflowing or its banks being breached
  c) a dam overflowing or being breached
  d) tidal waters
  e) groundwater or
  f) anything else (including any combination of factors)

(3) But “flood” does not include –
  a) a flood from any part of a sewerage system, unless wholly or partly caused by an increase in the volume of rainwater (including snow and other precipitation) entering or otherwise affecting the system, or
  b) a flood caused by a burst water main (within the meaning given by section 219 of the Water Industry Act 1991)

**AGENDA ITEM NO. 10**

| | |
|---|---|
| **Board/Committee:** | POLICY & ORGANISATION BOARD |
| **Date of Meeting:** | 9th JULY 2014 |
| **Title:** | EARLY RETIREMENT SCHEME AND DISCRETIONARY PAYMENTS POLICY |
| **Author:** | HEAD OF PERSONNEL |
| **Status:** | FOR DECISION |

**<u>Purpose</u>**

To propose an update to the Council's Early Retirement Scheme and Discretionary Payments Policy to take account of the new Pension Regulations.

**<u>Recommendation</u>**

The Board approve the updated Early Retirement Scheme and Discretionary Payments Policy attached as Appendix A, to be effective immediately.

## 1 Introduction

1.1 The Local Government Pension Scheme in England and Wales has been amended from 1st April 2014 so that benefits accruing for service after 31st March 2014 will do so on a Career Average Revalued Earnings (CARE) basis, rather than on a final salary basis.

1.2 The provisions of the CARE scheme, together with protections for members' accrued pre-1st April 2014 final salary rights, are contained in the Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014.

1.3 Scheme employers participating in the LGPS in England and Wales are required to formulate, publish and keep under review a Statement of Policy on certain discretions which they have the power to exercise in relation to members of the CARE scheme.

## 2 Early Retirement and Discretionary Payments Scheme

2.1 Some discretions remain unchanged, one is no longer available, and some are new. No longer available is the power to increase total membership of active members, there are new discretions relating to funding of additional pension contributions and the "switching on" of the 85 year rule, and the discretion relating to aggregation of previous periods of membership has changed.

2.2 The Council's scheme has been reviewed and updated to take account of the changes, and is attached as Appendix A.

2.3 The revised scheme has been the subject of consultation with UNISON.

## 3 Financial Implications

3.1 As has been the case in the past, the exercise of any discretion which has financial implications for the Council is subject to the approval of the Board.

3.2 The full financial implications of exercising any particular discretion which is not otherwise covered by formal Council policy will be included in any report where the discretion is sought.

3.3 There are no direct financial implications of the update to the scheme itself.

## 4 Risk Assessment

4.1 The Council is required to formulate and publish its policy related to pension discretions in accordance with the revised Regulations.

4.2 The scheme and policy clarify the options which are available to the Council thus ensuring consistency in dealing with staff and pension matters.

## 5 Conclusion

5.1 The Pension Regulations have changed, in consequence of which it is necessary to review and update the Council's Early Retirement Scheme and Statement of Policy on Discretions. This clarifies the way the Council will deal with pensions matters in respect of its employees.

5.2 Attached as Appendix A is the revised scheme and policy for approval by the Board.

| | |
|---|---|
| **Financial Services comments:** | As detailed in paragraph 3 |
| **Legal Services comments:** | None |
| **Crime and Disorder:** | |
| **Equality and Diversity:** | Relevant to staff only; exercise of any discretion subject to report and fair and consistent approach |
| **Service Improvement Plan:** | |
| **Corporate Plan:** | |
| **Risk Assessment:** | Contained in the report |
| **Background papers:** | |
| **Appendices/Enclosures:** | |

| | |
|---|---|
| Appendix ‘A’ | Revised Early Retirement Scheme and Policy on Discretionary Payments |
| **Report author/ Lead Officer:** | Kathy Inch, Head of Personnel |

**APPENDIX 'A'**

## GOSPORT BOROUGH COUNCIL

## EARLY RETIREMENT SCHEME AND STATEMENT OF POLICY ON DISCRETIONARY PAYMENTS

This statement is produced in accordance with Regulation 7 of the Local Government (Early Termination of Employment) (Discretionary Compensation) Regulations 2006, and incorporates changes in consequence of the LGPS (Benefits, Membership and Contributions) Regulations 2007 effective from 1st April 2008, the Local Government Pension Scheme Regulations 2013 and the Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014. The Policy will be kept under review to ensure its ongoing compliance with legislation and continuing sustainability and affordability.

This policy applies to all employees of the Council. Provisions relating to early retirement and pension arrangements relate specifically to employees who are members of the Local Government Pension Scheme. Members of the LGPS are entitled to receive a pension at their Normal Pension Age (which is the same an employee's State Pension Age). Any retirement earlier than the NPA is considered to be an early retirement for purposes of the Pension Scheme, most of which give rise to Scheme charges.

The Council accepts its responsibility to continually review the level of public expenditure and particularly the largest single budget which relates to salaries, wages and employee related expenses. In keeping with good employer practice, the Council has developed an early retirement scheme which helps facilitate the needs of the Council whilst preserving the individual rights of staff. The Trade Union has played a key role in establishing the scheme and is closely involved in the process to ensure fairness.

The scheme enables the Council to objectively review service provision, organisation structure and staffing levels, to ensure value for money and optimum use of resources for the good of the public it serves. For staff, the scheme offers an opportunity to review their personal circumstances and provides benefits to compensate them where employment is ended.

Discretionary powers are available to the Council to compensate staff for loss of employment through redundancy or in situations where this is in the interests of the efficiency of the service. In exercising these discretionary powers, the Council will ensure that this is workable, affordable and reasonable, having regard to the foreseeable costs, and to the extent to which such exercise could lead to serious loss of confidence in the public service. The Council's policy on discretionary payments is attached as Appendix 1.

Each case which involves discretionary payments will be considered by the Council's Policy and Organisation Board, who will have before them full details of the financial implications of any proposal, which must be capable of being met within existing approved budgets, and must be in the Council's interests. Each case will be considered on its merits, considering the overall reasonableness, savings to be made and affordability, effect on the service, and the loss suffered by the employee. Decisions will be made in a fair and consistent manner.

There are several early retirement categories which are covered below.

**Early retirement consequent on redundancy**

Scheme members who are made redundant and are aged 55 or over with at least 2 years' membership in the Scheme are automatically entitled to early release of their pension without reduction. The LGPS Regulations do not allow for the pension to be deferred in these circumstances; there is a Pension Scheme charge for such early retirement where the employee is aged under 60, and can be a charge for some employees aged 60+ .

In redundancy situations, where all other alternatives including redeployment have been explored, the amount of compensation will be related to the DTI redundancy pay calculator, and in cases of compulsory redundancy the relevant multiplier in accordance with the Council's Redundancy and Redeployment Policy will be used. The calculation for any redundancy or compensation payment will be made using an actual week's pay.

The Council does not offset statutory redundancy payments against pension or lump sum payments.

**Early retirement in the interests of efficiency of the service**

Where it would be in the interests of efficiency of the service for an employee aged 55 or over to retire early, and re-deployment is not possible or appropriate, a Manager may approach the employee, or an employee may make a request to their Manager, that early retirement be considered on these grounds.

In such cases, subject to it being in the Council's interest and the additional cost being met within the existing approved budgets, the Policy and Organisation Board can approve early retirement with compensation. Payment will be based on the actual weekly rate of pay at the date of termination, and will be determined having regard to the merits of each case. The amount of compensation (which is subject to a statutory maximum) will be determined having regard to:

- overall reasonableness including benefits to Council tax payer by the employee leaving the Council's service
- direct financial savings to be made by the employee leaving the Council's service
- loss to the employee
- employee relations considerations.

**Early retirement at employee's request**

Pension Scheme members aged 55 and over with a minimum of 2 years' membership, can elect to retire and receive their pension. The pension will be reduced to reflect the fact that it is being taken earlier than the Normal Pension Age, and the Council's permission is not necessary in these circumstances.

**Early retirement on ill-health grounds**

There are provisions in the Pension Scheme for early retirement on ill-health grounds where an employee is incapable of discharging efficiently the duties of his/her employment by reason of ill-health. They are detailed in Appendix 2.

**Former employees – early payment of benefits**

Former employees aged between 55 and 59 can, in exceptional circumstances only (e.g. severe hardship), request early payment of pension on compassionate grounds; in such circumstances, the Council may waive the actuarial reduction. Such requests must be submitted in writing including full details, and will be considered by the Policy and Organisation Board, taking into account all the circumstances including the individual's situation, fairness and consistency in the use of this discretion, and the cost to the Council.

A request may be made by a former employee for early payment of deferred benefits on ill-health grounds, in which case appropriate medical advice must be sought and the procedure will be as detailed in Appendix 2.

**Flexible Retirement**

Flexible retirement is a means by which consideration can be given, where appropriate, to arrangements short of retirement thus enabling a gradual transition for the employee, with the opportunity for the Council to retain valuable knowledge and experience which can continue to be utilised and passed on.

This could be by reducing hours of work, by transferring to different work (which could be on a lower grade), dealing with a specific project, and/or supporting and coaching a new employee, provided that the change results in a saving in remuneration of at least 20 per cent.

Where an employee would like consideration given to a request to receive immediate payment of all or part of their pension benefits with a reduction in working hours and/or lower graded responsibilities, the Form Requesting Flexible Retirement should be used. Such requests can be made by an employee aged 55 or over, and will be given full and fair consideration taking into account all the circumstances; there can be a reduction in pension benefits in such arrangements, or the Council can agree to waive that reduction in whole or in part by meeting the cost. Such requests will only be considered where remuneration is being reduced by at least 20 per cent. Protections where an employee is over 60 and meets the 85 year rule will apply.

Where such requests involve any costs to the Council for early payment of retirement benefits, this is subject to approval by the Policy and Organisation Board.

Employees can remain in the Local Government Pension Scheme following flexible retirement and accrue further benefits in the continuing employment.

Staff considering early retirement, or nearing retirement, are encouraged to attend a pre-retirement course. Details are available from the Personnel team.

**Re-employment after retirement**

Whilst staff will not normally be re-employed after retirement, it can be mutually beneficial for casual work to be undertaken where it is available. This involves work of a casual call-in nature, with no guarantee of work being offered and no obligation to agree to the request, for example to provide cover for an absent employee. The rate of pay would depend on the work being undertaken.

**General**

Staff are encouraged to discuss their future, particularly when considering early or flexible retirement, with their Manager. General advice about the scheme can be given by Personnel Services, and about the financial implications by Pay and Central Services. Trade Union members are advised to seek guidance and assistance through their Trade Union Representative.

Any loans made by the Council to the employee must be repaid on retirement.

**Appendix 1**

## Statement of Discretions

### 1. Employer Only and Shared Cost Additional Pension Contributions (APC and SCAPC)

The Council will only contribute to the cost of an employee's additional pension contributions where required to do so under the LGPS Regulations. The Council will not consider awarding an additional amount of pension, and, where an employee is voluntarily making additional pension contributions, the Council will not consider meeting any part of that cost.

### 2. Switching on the 85 year rule

The Council may, in appropriate circumstances and where there is a sound business case , permit the application of the 85 year rule to benefits accrued prior to 1st April 2014 where a scheme member (current or deferred) wishes to voluntarily draw pension benefits on or after 55 and prior to age 60 (subject to a minimum actuarial reduction). The cost of the reduction may be met by the employee; the Council may consider meeting the cost, subject to the approval of the Policy and Organisation Board taking into account all the circumstances.

There is no actuarial reduction in respect of the application of the 85 year rule for those aged 60 or over, subject to the provisions of the Regulations relating to its phasing out over a period of years.

### 3. Waiving of Actuarial Reductions due to early payment of pension

The Council will only consider the waiving of some or all actuarial reductions relating to post April 2014 service for those retiring voluntarily between age 55 and normal pension age in exceptional circumstances and with the approval of the Policy and Organisation Board.

The Council will not normally consent to immediate payment of deferred benefits to those, aged over 55 and before their normal retirement age, who joined the pension scheme after 31st March 2008 and left the scheme before 1st April 2014, unless there is no cost to the Council (i.e. the Council will not consent to waive any actuarial reduction). However, where there are exceptional circumstances which are considered as deserving compassion (e.g. severe hardship, evidence of requirement to provide continuous care to another) the Council may consider waiving the actuarial reduction in respect of early payment of deferred benefits. Such requests must be submitted in writing including full details of the circumstances in respect of which compassion is sought, and will be considered on their merits by the Policy and Organisation Board.

### 4. Flexible Retirement

Requests for flexible retirement may be made by staff who have reached the age of 55, providing that there is a remuneration saving of at least 20%, either through reduced hours or level of responsibility and consequently grade. Such requests will be given full and fair consideration, taking into account all the circumstances.

Where there is an actuarial reduction on pension benefits in consequence of the flexible retirement, the Council can consider waiving that reduction in exceptional cases, such decision being subject to approval by the Policy and Organisation Board.

## 5. Early Termination and Severance Payments

The Council will calculate redundancy payments on the basis of actual weeks' pay where this exceeds the week's pay limit in the statutory calculation. Where the redundancy is compulsory, the multiplier confirmed in the Council's Redundancy Policy will be used.

The Council does not offset statutory redundancy payments against pension or lump sum payments.

Subject to a request being made by an employee prior to leaving, permission will be given for redundancy payment in excess of the statutory amount being used to buy additional pension membership. In such cases, all of the non-statutory amount must be transferred to pension membership.

A maximum of up to 104 weeks' pay (including any redundancy pay) will apply where employment ends on redundancy or efficiency grounds, the maximum to be used in very exceptional circumstances only.

## 6. Aggregation of previous periods of membership and transfer of pension rights

Pension rights from previous relevant employment will automatically be aggregated; employees wishing to elect NOT to combine pension rights from such previous employment must request this within 12 months of re-joining the scheme.

Where a new employee wishes to transfer in previous pension service, this must be done within two years of commencement of employment with the Council. Previous service cannot be transferred in once that time has expired.

## 7. Changes in Contribution Bands

Where an employee's salary increases during the year bringing them to the next contribution band, the revised band will be applied from the first of the following month.

**Appendix 2**

## Ill-Health Retirement Provisions

A three-tier ill-health retirement system applies. To qualify for an ill health pension, the following conditions must be satisfied:

- the employee must be a member of the Pension Scheme and have had their employment terminated by the Council on the grounds of ill health or infirmity of mind or body
- at the date of termination, the employee must be under their Normal Pension Age (which is linked to the State Pension Age but with a minimum of age 65)
- at the date of termination, the employee must have met the 2 year qualifying service criteria for entitlement to a benefit (i.e. must have spent 2 years as an active member of the Local Government Pension Scheme, or equivalent)
- the employee must, as a result of ill health or infirmity of mind or body, be permanently incapable of discharging efficiently the duties of the employment he/she was engaged in, and
- the employee, as a result of ill health or infirmity of mind or body, must not be immediately capable of undertaking any gainful employment (i.e. paid employment for not less than 30 hours in each week for a period of not less than 12 months).

The three tiers are as follows:

Tier 1 applies if the employee is unlikely to be capable of undertaking gainful employment before their Normal Pension Age

Tier 2 applies if an employee is not entitled to Tier 1 benefits, and is unlikely to be capable of undertaking any gainful employment within three years of leaving the employment, but is likely to be able to undertake gainful employment before reaching their Normal Pension Age

Tier 3 applies if an employee is likely to be capable of undertaking gainful employment within three years of leaving the employment, or before Normal Pension Age if earlier (provided that the employee has not previously been awarded a Tier 3 pension under the 2008 or 2014 schemes, in which case a deferred benefit only would apply, although the employee could request the bringing into payment of that deferred benefit which would be subject to appropriate medical certification).

Prior to making any determination relating to ill-health retirement, a certificate must be obtained by the employer from an independent registered medical practitioner qualified in occupational health medicine (approved by the Pension Fund

Administering Authority) who has not previously advised on, or given an opinion on, or otherwise been involved in the case. The certificate must show:

- whether the employee, as a result of ill-health or infirmity of mind or body, is permanently incapable of discharging efficiently the duties of the employment he/she was engaged in,
- whether the employee, as a result of ill-health or infirmity of mind or body, is not immediately capable of undertaking any gainful employment,
- how long the employee is unlikely to be capable of undertaking gainful employment, and
- where the employee has been working reduced hours and has reduced pay as a consequence of the reduced hours, whether that employee was in part-time service wholly or partly as a consequence of ill-health or infirmity of mind or body.

The relevant tier will be determined by the Service Unit Manager, in consultation with the Head of Personnel, taking into account the advice received from the independent registered medical practitioner and all relevant circumstances. The employee may wish to appeal against the decision made, in which case there is a right of appeal to the Chief Executive (or Deputy Chief Executive) . An employee appealing against the decision may, if they wish, obtain advice from a second independent registered medical practitioner, duly qualified in occupational health; in such circumstances, the employee must meet the cost of such advice.

Where Tier 1 applies, the employee’s pension account is adjusted by adding the equivalent of the amount of earned pension the employee would have accrued between the day following the date of termination and their Normal Pension Age.

For Tier 2, the employee’s pension account is adjusted by adding 25% of the Tier 1 adjustment.

If, however, there has been a prior ill-health pension payment, these enhancements are adjusted.

For Tier 3, there is no enhancement, the employee’s accrued pension only being payable. In this case, the employee must inform the Council of any employment which is commenced whilst the Tier 3 pension is in payment and answer any reasonable enquiries made by the Council about such employment, including hours worked and pay. The Tier 3 pension must cease if the Council determines the former employee is in gainful employment (i.e. 30 hours or more per week that is likely to last for at least 12 months), or if the former employee fails to answer any reasonable enquiries made by the Council.

In any case, if the Tier 3 pension remains in payment after 18 months, it must be reviewed and the Council must obtain a certificate from an Independent Registered Medical Practitioner (who can be the same one who provided the certificate for the initial Tier 3 retirement) as to whether, and if so when, the former employee will be likely to be capable of undertaking gainful employment.

Following that 18 month review, the Council may:

- cease payment
- continue payment for any period up to a total of 3 years (or to the former employee's Normal Pension Age if earlier)
- award a Tier 2 ill-health pension if the relevant criteria are met.

At any time whilst a Tier 3 pension is in payment, the former employee can request the Council to consider moving them to Tier 2, in which case the Council must obtain a further medical certificate (which can be from the same Practitioner who provided the certificate for the initial Tier 3 retirement).

When payment of a Tier 3 pension ceases, the former employee becomes a "deferred pensioner member", and the suspended pension is payable from their Normal Pension Age, unless they elect to defer the pension beyond that age, elect to receive (reduced) payment earlier (on or after age 55), or within 3 years of the cessation of the Tier 3 pension there is a determination to move them to Tier 2 subject to appropriate medical certification, or it is subsequently determined that they are unlikely to be capable of undertaking gainful employment before their Normal Pension Age (in which case the suspended pension is brought back into payment at an unenhanced rate).

Other provisions apply in the case of ill health of deferred scheme members, which differ depending on the date on which they ceased membership of the Pension Scheme. Where such requests arise, they will be dealt with in accordance with the appropriate Regulations and Guidance.