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**19 September 2017**

## **S U M M O N S**

**MEETING:** Policy and Organisation Board  
**DATE:** 27 September 2017  
**TIME:** 6pm  
**PLACE:** Committee Room 1, Town Hall, Gosport  
**Democratic Services contact:** Lisa Young

MICHAEL LAWOTHER  
BOROUGH SOLICITOR

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## **MEMBERS OF THE BOARD**

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

Councillor Allen	Councillor Foster-Reed
Councillor Bateman	Councillor Hicks
Councillor Carter	Councillor Hylands
Councillor Chegwyn	Councillor Jessop
Councillor Mrs Cully	Councillor Murphy
Councillor Edgar	Councillor Philpott

## **FIRE PRECAUTIONS**

(To be read by the Mayor 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:**

- i. Councillors are requested to note that, if any Councillor who is not a Member of the Board wishes to speak at the Board meeting, then the Borough Solicitor is required to receive not less than 24 hours prior notice in writing or electronically and such notice shall indicate the agenda item or items on which the member wishes to speak.
- ii. Please note that mobile phones should be switched off or switched to silent for the duration of the meeting.
- iii. This meeting may be filmed or otherwise recorded. By attending this meeting, you are consenting to any broadcast of your image and being recorded.

**AGENDA**

RECOMMENDED  
MINUTE FORMAT

1. APOLOGIES FOR NON-ATTENDANCE

2. DECLARATIONS OF INTEREST

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

3. MINUTES OF THE MEETING OF THE BOARD HELD ON 28 JUNE 2017

4. DEPUTATIONS – STANDING ORDER 3.4

*(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, 25 September 2017. The total time for deputations in favour and against a proposal shall not exceed 10 minutes).*

5. PUBLIC QUESTIONS – STANDING ORDER 3.5

*(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, 25 September 2017).*

6. EXTERNAL AUDIT (EY) – AUDIT RESULTS REPORT 2016-17

PART II

*This report summarises the findings from the 2016/17 external audit, which is substantially complete.*

Helen  
Thompson

7. FINAL ACCOUNTS 2016/17

*This report summarises the outturn position for the 2016/17 Financial year and recommends the approval of the Statement of Accounts for 2016/17.*

John  
Norman

8. TREASURY MANAGEMENT ANNUAL REVIEW 2016/17, PROGRESS REPORT 2017/18, & PRUDENTIAL INDICATORS

*The annual treasury report is a requirement of the Council's reporting procedures and covers the treasury activity for 2016/17 together with a review of 2017/18 to date. The report also includes the Prudential Indicators for 2016/17 in accordance with*

John  
Norman

Policy and Organisation Board  
27 September 2017

*the requirements of the Prudential Code.*

- |     |  |            |
|-----|--|------------|
| 9   | THE CAPITAL PROGRAMME 2017/18 TO 2020/21   | Chris Ward |
|     | <i>To seek Board approval for the Capital Programme 2017/18 to 2020/21 and to recommend the programme to Council for approval</i>  |            |
| 10. | DISCRETIONARY RATE RELIEF<br><i>The purpose of this report is to consider proposed additions to the Council's Discretionary Rate Relief Policy relating to Local Newspaper Relief, Public Houses Relief, Supporting Small Businesses Relief and Discretionary Revaluation Relief</i> | Chris Ward |
| 11  | ANY OTHER ITEMS<br><i>which the Chairman determines should be considered, by reason of special circumstances, as a matter of urgency</i>   |            |

**A MEETING OF THE POLICY AND ORGANISATION BOARD  
WAS HELD ON 28 JUNE 2017**

The Mayor (Councillor Mrs Batty) (ex-officio), Councillors Allen (P), Bateman (P), Burgess, Carter (P), Chegwyn (P), Mrs Cully (P) Edgar (P), Foster-Reed (P), Hook (Chairman) (P), Hicks (P), Hylands (P) , Jessop (P), Murphy(P), Philpott (P)

It was reported that in accordance with Standing Order 2.3.6 Councillor Mrs Hook had been nominated to replace Councillor Burgess for this meeting.

**6. APOLOGIES**

Apologies for inability to attend the meeting were received from The Mayor, Councillor Burgess.

**7. MINUTES**

RESOLVED: That the minutes of the meetings of the Board held on 22 March 2017 and 18 May 2017 be signed as true and correct records.

**8. DECLARATIONS OF INTEREST**

There were none

**9. DEPUTATIONS**

There were no deputations.

**10. PUBLIC QUESTIONS**

There were no public questions.

**PART II**

**11. CITIZENS ADVICE GOSPORT**

Citizens Advice Gosport presented to the Board details of their services for the past year and advised the priorities for them moving forward. They advised the Board of a number of projects they were working towards in the future and details of the number of clients they had helped support.

Members welcomed the presentation and thanked the officers for attending.

## **12. CROSS REFERENCE FROM THE STANDARDS AND GOVERNANCE COMMITTEE: EY – AUDIT PLAN 2016/17**

Consideration was given to a cross reference report from the Standards and Governance Committee seeking approval of the EY Audit Plan 2016/17

**RESOLVED:** The audit plan and the risks identified in the auditors work on the audit opinion and value for money conclusion, and their planned response to those risks be noted.

## **13. BUS SERVICE 11 – SATURDAY SUBSIDY**

Consideration was given to a report of the Borough Treasurer seeking Board approval to subsidise the Route 11 Saturday Bus Service for a further two years.

Members advised that progress was being made with the Haslar site and that planning applications would shortly be submitted and that this would increase the requirement for the route.

Members also welcomed that the route provided a service to the Bridgemark part of the A32.

It was requested that a letter be written to Hampshire County Council to request that they provide the funding for the route, as transport is a County Council function.

**RESOLVED:** That the Route 11 Saturday Bus Service be funded for a further two years from June 2017 at an annual cost of £4,305 per annum

## **14. PEST CONTROL SERVICE REVIEW**

Consideration was given to a report of the Head of Environmental Health reviewing the Council's Pest Control Service, to bring it in line with other Hampshire Authorities.

In answer to a Member's question the Board were advised that in the event of an infestation in which it was unclear as to the cause, discretion could be used if circumstances meant it was not appropriate to charge, it was also possible to secure the debt by placing land charges onto individual properties and then demand payment at a later date.

It was acknowledged that the proposed charges were considerably less than those available commercially and at the lower end of the scale of charges in Hampshire Authorities.

In answer to a Members question, the Board were advised other pests included ladybirds, squirrels, and ants.

**RESOLVED:** That a fee be introduced for rodent treatments of £60, except for people on low income.

That free of charge rodent treatments be provided to persons on low income, defined as being in receipt of one of the following benefits :-

- Income-based Jobseeker's Allowance
- Income-related Employment and Support Allowance
- Income Support
- Pension Credit (Guarantee)
- Universal Credit (maximum award)

That a fee of £30 be introduced to survey and quote or if possible treat for bed bugs and fleas.

That the vacant post of Animal and Pest Control Officer to Animal and Pest Control Supervisor be redesigned and regraded at an additional cost of £3,500 per annum

## **15. CUSTOMER COMPLAINTS POLICY**

Consideration was given to a report of the Borough Solicitor and Deputy Chief Executive seeking Board approval for the adoption of the revised Customer Complaints Policy.

**RESOLVED:** That the revised Customer Complaints Policy be adopted with immediate effect.

## **16. GIFTS AND HOSPITALITIES POLICY**

Consideration was given to a report of the Borough Solicitor and Deputy Chief Executive seeking Board approval for the adoption of the revised Gifts and Hospitalities Policy.

**RESOLVED:** That the revised Gifts and Hospitalities Policy be adopted with immediate effect.

Concluded at 18.59

## AGENDA ITEM NO 6

<b>Board/Committee:</b>	<b>Policy and Organisation Board</b>
<b>Date of Meeting:</b>	27 September 2017
<b>Title:</b>	External Audit (EY) – Audit Results Report 2016-17
<b>Author:</b>	Helen Thompson
<b>Status:</b>	Policy and Organisation Board to receive and consider the 2016/17 Audit Results Report

### **Purpose**

This report summarises the findings from the 2016/17 external audit, which is substantially complete. It includes the messages arising from our audit of your financial statements and your arrangements to secure value for money in your use of resources.

Our report includes only matters of governance interest that have come to our attention in performing the audit under the requirements of the National Audit Office's Code of Audit Practice and International Standards of Auditing (ISAs).

This is an important report that is a requirement of ISA 260 and must be presented to you in your role as those charged with governance, before you approve the financial statements.

### **Recommendation**

Review and note the conclusions to date set out in the Audit Results Report

#### **1 Background**

- 1.1 The NAO's Code of Audit Practice require us to report to those charged with governance on the work we have carried out to discharge our statutory audit responsibilities, together with any governance issues identified.

#### **2 2016/17 Audit Results Report**

##### **2.1 Financial statements**

As of 14 September 2017, we expect to issue an unqualified audit opinion by the statutory deadline of 30 September 2017.

## **2.2 Value for money conclusion**

As of 14 September 2017, we expect to conclude that you have made appropriate arrangements to secure economy, efficiency and effectiveness in your use of resources by the statutory deadline of 30 September 2017.

## **2.3 Audit certificate**

As of 14 September 2017, we expect to issue the audit certificate alongside the audit opinion and value for money conclusion.

## **2.4 Audit fees**

Our agreed audit fee for 2016/17 is £53,044. In addition, we have agreed a scale fee variation with officers and Public Sector Audit Appointments Ltd of £1,211 for additional work performed in relation to the Council's amended Minimum Revenue Provision calculations. No other fee variations for the financial statements audit are expected.

## **3 Risk Assessment**

There are no risks associated with the audit results report.

## **Conclusion**

### **4**

The 2016/17 audit results report is attached for consideration.

<b>Financial Services comments:</b>	None raised
<b>Legal Services comments:</b>	N/A
<b>Crime and Disorder:</b>	N/A
<b>Equality and Diversity:</b>	N/A
<b>Service Improvement Plan implications:</b>	N/A
<b>Corporate Plan:</b>	N/A
<b>Risk Assessment:</b>	N/A
<b>Background papers:</b>	N/A
<b>Enclosures:</b>	Audit Results Report 2016/17
<b>Report author/ Lead Officer:</b>	Helen Thompson, Executive Director, Ernst & Young



Gosport Borough Council  
Audit results report

Year ended 31 March 2017



Private and Confidential

14 September 2017

Dear Standards and Governance Committee and Policy and Organisation Board Members

We have substantially completed our audit of Gosport Borough Council for the year ended 31 March 2017.

Subject to concluding the outstanding matters listed in our report, we confirm that we expect to issue an unqualified audit opinion on the financial statements in the form that appears in Section 3 before the deadline of 30 September 2017. We also have no matters to report on your arrangements to secure economy, efficiency and effectiveness in your use of resources.

This report is intended solely for the use of the Standards and Governance Committee and Policy and Organisation Board, other members of the Authority, and senior management. It should not be used for any other purpose or given to any other party without obtaining our written consent.

We would like to thank your staff for their help during the engagement.

We look forward to discussing with you any aspects of this report or any other issues arising from our work.

Yours faithfully

Helen Thompson  
Executive Director

For and on behalf of Ernst & Young LLP

United Kingdom

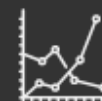
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In April 2015 Public Sector Audit Appointments Ltd (PSAA) issued "Statement of responsibilities of auditors and audited bodies". It is available from the via the PSAA website ([www.PSAA.co.uk](http://www.PSAA.co.uk)).

The Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.

The "Terms of Appointment (updated September 2015)" issued by the PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and in legislation, and covers matters of practice and procedure which are of a recurring nature.

This report is made solely to the Standards and Governance Committee and Policy and Organisation Board, other members of the Authority and management of Gosport Borough Council in accordance with the statement of responsibilities. Our work has been undertaken so that we might state to the Standards and Governance Committee and Policy and Organisation Board, other members of the Authority and management of Gosport Borough Council those matters we are required to state to them in this report and for no other purpose. To the fullest extent permitted by law we do not accept or assume responsibility to anyone other than the Standards and Governance Committee and Policy and Organisation Board, other members of the Authority and management of Gosport Borough Council for this report or for the opinions we have formed. It should not be provided to any third-party without obtaining our written consent.



01

## Executive Summary



# Executive Summary

## Executive summary

### Overview of the audit

#### Scope and materiality

In our Audit Plan presented to the March 2017 Standards and Governance Committee meeting and further considered at the June 2017 Policy and Organisation Board meeting, we gave you an overview of how we intended to carry out our responsibilities as your auditor. We carried out our audit in accordance with this plan.

We planned our procedures using a materiality of £1.33 million. We reassessed this using the actual year-end figures, which have decreased this amount to £1.29 million. The threshold for reporting audit differences has decreased from £66,500 to £64,500. The basis of our assessment of materiality has remained consistent with our Audit Plan at 2 % of gross revenue expenditure.

#### Status of the audit

We have substantially completed our audit of Gosport Borough Council's financial statements for the year ended 31 March 2017 and have performed the procedures outlined in our Audit plan. Subject to satisfactory completion of the following outstanding items we expect to issue an unqualified opinion on the Council's financial statements in the form which appears at Section 3. However until work is complete, further amendments may arise:

- completion of subsequent events review;
- receipt of the signed management representation letter



## Executive Summary

### Executive summary (continued)

#### Status of the audit (continued)

We expect to issue the audit certificate at the same time as the audit opinion.

#### Objections

We have received no objections to the 2016/17 accounts from members of the public.

#### Audit differences

There are no unadjusted audit differences arising from our audit

We identified a small number of audit differences which have been adjusted by management. These were principally as follows:

- A timing issue in the posting of property, plant and equipment transactions, resulting in a netting difference between PPE and the revaluation reserve of £219,000;
- Errors in the external valuer's report for General Fund PPE, resulting in an understatement of the PPE balance of £351,000; and
- A small number of disclosure errors, none of which is judged individually of sufficient significance to be reported separately here.



## Executive Summary

### Executive summary (continued)

#### Areas of audit focus

Our Audit Plan identified key areas of focus for our audit of Gosport Borough Council's financial statements. This report sets out our observations and conclusions. We summarise our consideration of these matters, and any others identified, in Section 2 of this report.

We ask you to review these and any other matters in this report to ensure:

- there are no other considerations or matters that could have an impact on these issues;
- you agree with the resolution of the issue; and
- there are no other significant issues to be considered.

There are no matters, apart from those reported by management or disclosed in this report, which we believe should be brought to the attention of the Standards and Governance Committee and Policy and Organisation Board.

#### Value for money

We have considered your arrangements to take informed decisions; deploy resources in a sustainable manner; and work with partners and other third parties. In our Audit Plan we identified the following significant risk:

- Informed decision making - the change in senior management arrangements and its potential impact on governance and decision making, especially during the transition period.

On completion of our work, we have no matters to report about your arrangements to secure economy efficiency and effectiveness in your use of resources.



## Executive Summary

### Executive summary (continued)

#### Other reporting issues

We have reviewed the information presented in the Annual Governance Statement for consistency with our knowledge of the Council. We have no inconsistencies to report as a result of this work. We noted through our audit procedures to review compliance with the Accounts and Audit Regulations that the Council's unaudited Annual Governance Statement was not published on its website by 30 June 2017, as required by the Regulations. Further detail on this is included at Section 6.

We have performed the procedures required by the National Audit Office (NAO) on the Whole of Government Accounts submission. We had no issues to report.

We experienced significant delays in receiving responses to queries raised with the Council's external valuer of General Fund property, plant and equipment as part of our work on valuations. These delays were outside the control of Council officers, and we are grateful for the assistance of the Council in helping us resolve the outstanding matters.

We have no other matters to report.

#### Control observations

We have not identified any significant deficiencies in the design or operation of an internal control that might result in a material misstatement in your financial statements.

#### Independence

Please refer to Appendix B for our update on Independence. There are no issues that we need to report.

We would like to take this opportunity to thank management and the staff at Gosport Borough Council for their assistance over the period of the audit.



02


## Areas of Audit Focus



## Areas of Audit Focus

# Audit issues and approach: Risk of management override

### Management override

 Significant Risk

#### What is the risk?

As identified in ISA (UK and Ireland) 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. We identify and respond to this fraud risk on every audit engagement.

#### What did we do?

We tested the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements.

We reviewed accounting estimates for evidence of management bias.

We evaluated the business rationale for significant unusual transactions.

We evaluated the appropriateness of accounting policies against Code guidance and for changes from the prior period.

We have reviewed and tested transactions shown in the Movement in Reserves Statement

#### What are our conclusions?

We have not identified any evidence of management override. We did not identify any errors in the financial statements or indications of fraud. We did not identify any inappropriate journal entries (or other adjustments) that impacted on the financial statements.

We have not identified any instances of inappropriate judgements being applied in making estimates. We gave specific consideration to the calculation of Minimum Revenue Provision (see also below) and bad debt provisions.

We did not identify any transactions during our audit which appeared unusual or outside the Council's normal course of business.

We did not identify any inappropriate changes to accounting policies or deviations from Code guidance.

We did not identify any indications of management override through our testing of the Movement in Reserves Statement.



# Audit issues and approach: Minimum Revenue Provision

## Minimum Revenue Provision (MRP)



Other non-significant Risk

### What is the risk?

Local authorities are normally required each year to set aside some of their revenues as provision for capital expenditure financed by borrowing or credit arrangements.

This provision is known as MRP. MRP is a real charge that impacts on the general fund and therefore the council tax financing requirement.

The Council proposed changes to both the historic basis on which it has charged MRP and its future approach to calculating the provision.

### What did we do?

We commissioned an EY expert to review the changes proposed by the Council in this area.

We confirmed that the 2016/17 MRP charge was in line with expectations based on the work performed by our expert.

We confirmed that the calculated prior years' over-provision arising from the change in the historic basis on which MRP has been charged has not yet been released and therefore does not impact on the 2016/17 financial statements.

### What are our conclusions?

Work performed by our expert, and reviewed by the audit team, included:

Review of the Council's proposed approach for compliance with regulations.

Agreement of the Council's capital financing requirement (CFR) workings underpinning the MRP calculations to prior years' statements of accounts.

Agreement of the annuity calculation on supported borrowing CFR at 01/04/2007.

Agreement of the annuity calculation on unsupported borrowing CFR post 01/04/2007.


Agreement of the calculated prior years' overcharge through reference to MRP charges shown in pre-2016/17 statements of accounts and the above calculations.

Our overall findings are that the Council's changes both to the historic basis on which it has charged MRP and its future approach to calculating the provision are compliant with regulations and accurate based on underlying records. No issues have been identified with the 2016/17 MRP charge or calculated historic overprovision. The overprovision is yet to be released; the way in which the Council plans to treat the overprovision will be reviewed as part of our future audits once confirmed.



# Audit issues and approach: Expenditure Funding Analysis

## Expenditure and Funding Analysis and Comprehensive income and expenditure statement

 Other non-significant Risk

### What is the risk?

Amendments were made to the Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 (the Code) this year changing the way the financial statements are presented.

The new reporting requirements impact the Comprehensive Income and Expenditure Statement (CIES) and the Movement in Reserves Statement (MIRS), and include the introduction of the new 'Expenditure and Funding Analysis' note as a result of the 'Telling the Story' review of the presentation of local authority financial statements.

The Code no longer requires statements or notes to be prepared in accordance with Service Reporting Code of Practice. Instead the Code requires that the service analysis is based on the organisational structure under which the authority operates. We expected this to show the Council's segmental analysis.

This change in the Code required a new structure for the primary statements, new notes and a full retrospective restatement of impacted primary statements.

### What did we do?

We reviewed the 'Expenditure and Funding Analysis', CIES, MIRS and new notes to ensure disclosures are in line with the Code.

We reviewed the working papers supporting the derivation of these figures, how the ledger system has been re-mapped to reflect the Council's organisational structure, and how overheads are apportioned across the service headings reported.

We agreed the restated comparative figures back to the Council's segmental analysis, supporting working papers and ledger.

### What are our conclusions?

The disclosures made were generally in line with the Code. We have identified a number of presentational changes and additional disclosures that management have agreed to make in the final statement of accounts. The main points identified were the need to add a narrative note explaining the prior period adjustments resulting from the Telling the Story changes, to further disaggregate one disclosure and to show prior period comparators as "restated".

We have reviewed the working papers supporting the derivation of these figures, how the ledger system has been re-mapped to reflect the Council's organisational structure, and how overheads are apportioned across the service headings. We have no matters to report, other than that the remapping of the ledger is an ongoing process currently being undertaken by the finance team. Good quality working papers were provided which allowed us to understand the manual process undertaken to format data from the ledger in line with the new presentation of the financial statements for 2016/17.

We have agreed the restated comparative figures back to the Council's supporting working papers and ledger.



## 03 Audit Report



# Audit Report

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## Draft audit report

### INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF GOSPORT BOROUGH COUNCIL

#### Opinion on the Authority's financial statements

We have audited the financial statements of Gosport Borough Council for the year ended 31 March 2017 under the Local Audit and Accountability Act 2014. The financial statements comprise the Comprehensive Income and Expenditure Statement; Movement in Reserves Statement; Balance Sheet; Cash Flow Statement; related notes 1 to 37 and the Expenditure and Funding Analysis; Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement and related notes 1 to 11; and the Collection Fund and the related notes 1 to 4.

The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

This report is made solely to the members of Gosport Borough Council as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and for no other purpose, as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

#### Respective responsibilities of the Chief Financial Officer and auditor

As explained more fully in the Statement of the Chief Financial Officer's Responsibilities set out on page 15, the Chief Financial Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements; in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

#### Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Authority's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Chief Financial Officer; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Statement of Accounts 2016/17 to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.



# Audit Report

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## Opinion on financial statements

In our opinion the financial statements:

give a true and fair view of the financial position of Gosport Borough Council as at 31 March 2017 and of its expenditure and income for the year then ended; and have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

## Opinion on other matters

In our opinion, the information given in the Statement of Accounts 2016/17 for the financial year for which the financial statements are prepared is consistent with the financial statements.

## Matters on which we report by exception

We report to you if:

in our opinion the annual governance statement is misleading or inconsistent with other information forthcoming from the audit or our knowledge of the Council;  
we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;  
we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014;  
we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014;  
we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014; or  
we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects

## Conclusion on Gosport Borough Council's arrangements for securing economy, efficiency and effectiveness in the use of resources

### Authority's responsibilities

The Authority is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

### Auditor's responsibilities

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the National Audit Office (NAO) requires us to report to you our conclusion relating to proper arrangements.

We report if significant matters have come to our attention which prevent us from concluding that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.



# Audit Report

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Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2016, as to whether Gosport Borough Council had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether Gosport Borough Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2017.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, Gosport Borough Council had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

## Conclusion

On the basis of our work, having regard to the guidance issued by the Comptroller and Auditor General in November 2016, we are satisfied that, in all significant respects, Gosport Borough Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2017.

## Certificate

We certify that we have completed the audit of the accounts of Gosport Borough Council in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice issued by the National Audit Office.

Helen Thompson (senior statutory auditor)  
for and on behalf of Ernst & Young LLP, Appointed Auditor  
Southampton  
xx September 2017

The maintenance and integrity of the Gosport Borough Council web site is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.



04

## Audit Differences



## Audit Differences

### Audit differences

In any audit, we may identify misstatements between amounts we believe should be recorded in the financial statements and disclosures and amounts actually recorded. These differences are classified as 'known' or 'judgemental'. Known differences represent items that can be accurately quantified and relate to a definite set of facts or circumstances. Judgemental differences generally involve estimation and relate to facts or circumstances that are uncertain or open to interpretation.

#### Summary of adjusted differences

We have included all known amounts greater than our calculated "performance materiality" (as set out in the International Standards on Auditing) relating to Gosport Borough Council in our summary of misstatements below. We have set performance materiality at £0.968m, which is 75% of our headline materiality of £1.29m, and is based on an assessment of risk in relation to the financial statements.

We identified no misstatements above this threshold. The main adjusted audit differences identified are noted in section one above.

#### Summary of unadjusted differences

There are no unadjusted audit differences above £64,500.

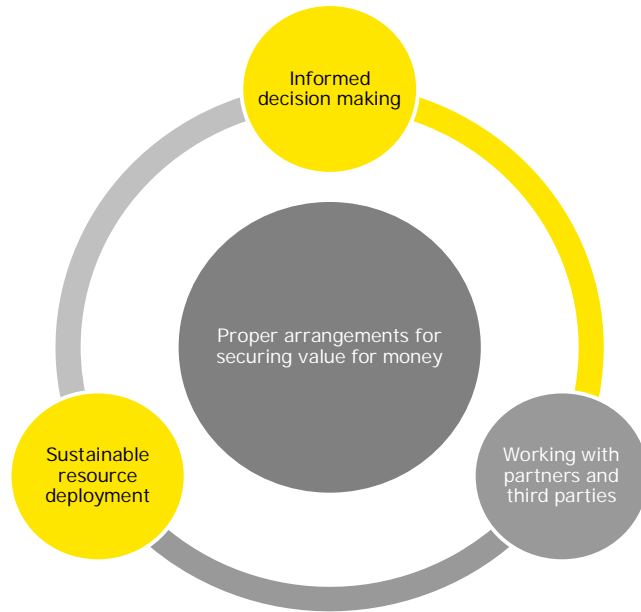


## 05 Value for Money



## Value for Money

### Value for Money



#### Economy, efficiency and effectiveness

We must consider whether you have 'proper arrangements' to secure economy, efficiency and effectiveness in your use of resources. This is known as our value for money conclusion.

Proper arrangements are defined by statutory guidance issued by the National Audit Office. They comprise your arrangements to:

- take informed decisions;
- deploy resources in a sustainable manner; and
- work with partners and other third parties.

In considering your proper arrangements, we use the CIPFA/SOLACE framework for local government to ensure that our assessment is made against an already existing mandatory framework which you use in documents such as your Annual Governance Statement.

#### Overall conclusion

We identified one significant risk to these arrangements. The section below presents our findings in response to the risk in our Audit Plan.

We expect to have no matters arising to report about your arrangements to secure economy, efficiency and effectiveness in your use of resources.



# Value for Money

## VFM risks

We are only required to determine whether there is any risk that we consider significant within the Code of Audit Practice, where risk is defined as:

*"A matter is significant if, in the auditor's professional view, it is reasonable to conclude that the matter would be of interest to the audited body or the wider public"*

Our risk assessment supports the planning of enough work to deliver a safe conclusion on your arrangements to secure value for money, and enables us to determine the nature and extent of any further work needed. If we do not identify a significant risk we do not need to carry out further work.

The section below presents the findings of our work in response to the risks areas in our Audit Plan.

### What is the significant VFM risk?

The change in senior management arrangements and its potential impact on governance and decision making.

### What arrangements did this affect?

Informed decision making

### Background

The Council took the decision to move to a shared senior management arrangement with Portsmouth City Council during 2016/17, with senior posts including those of Chief Executive, Borough Treasurer & Section 151 officer, and Borough Solicitor Deputy Chief Executive & Monitoring Officer being taken by the equivalent officers at Portsmouth City Council from 1 October 2016. There is also shared management at departmental level in a number of areas of the Council.

These new arrangements are intended to provide significant ongoing revenue savings to Gosport Borough Council as well as to create efficiencies and improve services.

This represents a significant change for the Council, presenting an opportunity for significant savings and improved ways of working, but which also brings potential risks around maintenance of governance arrangements and informed decision making, especially during the transition period.



# Value for Money

## Our audit approach

Our approach focused on:

- reviewing how the new arrangements have worked in practice since their inception;
- reviewing the quality of information provided to committees, boards and full council to enable them to make informed decisions since the new arrangements came into place; and
- assessing the financial impact of the arrangements both in terms of direct revenue savings and the Council's most recent medium term financial planning.

## What are our findings?

We have held discussions with the Borough Treasurer as a representative of senior management, with the Head of Housing as one of the key departments subject to service review, and with the Council Leader, to inform our understanding of how the arrangements have worked in practice and their early outcomes.

We have reviewed committee papers from the period since the new senior management team took up their roles to understand the quality of information provided to members to take decisions. This has included the 2017/18 budget setting report and accompanying medium term financial forecasts.

We have assessed the savings achieved through the arrangements to date and the impact these have had on the Council's expected cumulative budget deficit over the period of its medium term financial planning. We have noted that that forecast cumulative deficit has reduced from £1.5m to £0.6m over the period to 2020/21 as a result of savings achieved and other changes implemented since the inception of the new arrangements.

No significant weakening of arrangements has been identified from the work undertaken. Significant savings have been achieved to date, with the ongoing programme of service reviews expected to add further to these. A focus has been maintained on providing good quality services to the public, with changes in Housing, a key front line service, expected to improve the overall experience of users of the service. More broadly the Council has benefitted from being able to draw on a wider pool of staff expertise through its partnership with Portsmouth City Council. Board papers have been of good quality, with clear and detailed information provided to members for decision making.

As a result of the work undertaken, our value for money conclusion for 2016/17 will be unmodified.



## 06 Other reporting issues



## Other reporting issues

# Other reporting issues

### Consistency of other information published with the financial statements, including the Annual Governance Statement

We must give an opinion on the consistency of the financial and non-financial information in the Financial Statements 2016/17 with the audited financial statements.

We must also review the Annual Governance Statement for completeness of disclosures, consistency with other information from our work, and whether it complies with relevant guidance.

Financial information in the Financial Statements 2016/17 and published with the financial statements was consistent with the audited financial statements.

We have reviewed the Annual Governance Statement and can confirm it is consistent with other information from our audit of the financial statements and we have no other matters to report.

### Whole of Government Accounts

Alongside our work on the financial statements, we also review and report to the National Audit Office on your Whole of Government Accounts return. The extent of our review, and the nature of our report, is specified by the National Audit Office.

We have no issues to report with regard to your Whole of Government Accounts return.



## Other reporting issues

# Other reporting issues

### Other powers and duties

We have a duty under the Local Audit and Accountability Act 2014 to consider whether to report on any matter that comes to our attention in the course of the audit, either for the Council to consider it or to bring it to the attention of the public (i.e. "a report in the public interest"). We did not identify any issues which required us to issue a report in the public interest.

We also have a duty to make written recommendations to the Council, copied to the Secretary of State, and take action in accordance with our responsibilities under the Local Audit and Accountability Act 2014. We did not identify any relevant issues.

### Other matters

As required by ISA (UK&I) 260 and other ISAs specifying communication requirements, we must tell you significant findings from the audit and other matters if they are significant to your oversight of the Council's financial reporting process. They include the following:

- Significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures;
- Any significant difficulties encountered during the audit;
- Any significant matters arising from the audit that were discussed with management;
- Written representations we have requested;
- Expected modifications to the audit report;
- Any other matters significant to overseeing the financial reporting process;
- Findings and issues around the opening balance on initial audits (if applicable);
- Related parties;
- External confirmations;
- Going concern;
- Consideration of laws and regulations; and
- Group audits.

We noted through our audit procedures to review compliance with the Accounts and Audit Regulations 2015 that the Council's unaudited Annual Governance Statement was not published on its website by 30 June 2017, as required by the Regulations. The Council appropriately extended the period of public rights, to ensure 30 working days were available for inspection of the unaudited Annual Governance Statement. No further action was judged necessary.

We experienced significant delays in receiving responses to queries raised with the Council's external valuer of General Fund PPE. These were in part due to staff changes at the valuer, and were outside the control of Council officers, who were very helpful in chasing up replies. It will be important with the earlier statutory deadlines from 2017/18 that these delays are not repeated.

We have no other matters to report.



## Control Environment observations



# Assessment of Control Environment

## Control environment observations

### Financial controls

It is the responsibility of the Council to develop and implement systems of internal financial control and to put in place proper arrangements to monitor their adequacy and effectiveness in practice. Our responsibility as your auditor is to consider whether the Authority has put adequate arrangements in place to satisfy itself that the systems of internal financial control are both adequate and effective in practice.

As part of our audit of the financial statements, we obtained an understanding of internal control sufficient to plan our audit and determine the nature, timing and extent of testing performed. We have adopted a fully substantive approach other than for housing benefits, and have therefore not tested the operation of controls of your other financial systems.

Although our audit was not designed to express an opinion on the effectiveness of internal control we are required to communicate to you significant deficiencies in internal control.

We have not identified any significant deficiencies in the design or operation of an internal control that might result in a material misstatement in your financial statements of which you are not aware.



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## Appendices



## Appendix A





# Required communications with the Standards and Governance Committee and Policy and Organisation Board

There are certain communications that we must provide to the audit committees of UK clients. We have done this by:

Our Reporting to you		
Required communications	What is reported?	When and where
Terms of engagement		The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.
Planning and audit approach	Communication of the planned scope and timing of the audit, including any limitations.	March 2017 Audit Plan
Significant findings from the audit		September 2017 Audit Results Report
Going concern		
Misstatements		September 2017 Audit Results Report



## Appendix A

		 Our Reporting to you
Required communications	 What is reported?	  When and where
Fraud		
Related parties		We have no matters to report.
Subsequent events		We have asked management and those charged with governance. We have no matters to report.
Other information		We have no matters to report.
External confirmations	<ul style="list-style-type: none"><li>▶ Management's refusal for us to request confirmations</li><li>▶ We were unable to obtain relevant and reliable audit evidence from other procedures.</li></ul>	We have received all requested confirmations.
Consideration of laws and/or regulations		



## Appendix A

Our Reporting to you		
Required communications	What is reported?	When and where
Significant deficiencies in internal controls identified during the audit	► Significant deficiencies in internal controls identified during the audit.	September 2017 Audit Results Report
Independence		March 2017 Audit Plan  September 2017 Audit Results Report
Fee Reporting		March 2017 Audit Plan  September 2017 Audit Results Report
Certification work	Summary of certification work	Certification Report (due early 2018)



## Appendix B

# Independence

We confirm that there are no changes in our assessment of independence since our confirmation in our audit plan taken to the March 2017 Standards and Governance Committee and further considered at the June 2017 Policy and Organisation Board.

We complied with the APB Ethical Standards and the requirements of the PSAA's Terms of Appointment. In our professional judgement the firm is independent and the objectivity of the audit engagement partner and audit staff has not been compromised within the meaning of regulatory and professional requirements.

We consider that our independence in this context is a matter which you should review, as well as us. It is important that you consider the facts known to you and come to a view. If you would like to discuss any matters concerning our independence, we will be pleased to do this at the meetings of the Standards and Governance Committee on 13 September 2017 and Policy and Organisation Board on 27 September 2017.

As part of our reporting on our independence, we set out below a summary of the fees paid for the year ended 31 March 2017.

We confirm that we have not undertaken non-audit work outside the PSAA Code requirements.

	Planned Fee 2016/17 £	Scale Fee 2016/17 £	Final Fee 2015/16 £	Scale Fee 2015/16 £
Total Audit Fee – Code work	54,255 <sup>a</sup>	53,044	53,044	53,044
Certification of claims and returns	10,962 <sup>b</sup>	13,703	16,701 <sup>c</sup>	14,666
Total	65,217	66,747	69,745	67,710

<sup>a</sup> The additional fee relates to additional work in reviewing the change in the Council's approach to calculating its Minimum Revenue Provision. This has been agreed with management but under the terms of our contract is subject to agreement with PSAA (Public Sector Audit Appointments).

<sup>b</sup> In our June 2017 progress report, we informed you that we have agreed that the Council will perform some of the initial Housing Benefit certification testing itself in 2016/17. This is in return for an approximate 20% reduction in our fee. We will do sufficient checking to satisfy ourselves that this testing has been performed appropriately.

<sup>c</sup> In our 2015/16 certification report, we informed you that we had raised an additional fee for additional work performed in certifying the 2015/16 housing benefit subsidy claim. This additional fee was agreed with management and PSAA.



## Appendix C

# Accounting and regulatory update

Name	Summary of key measures	Impact on Gosport Borough Council
Earlier statutory deadline for production and audit of the financial statements from 2017/18	The Accounts and Audit Regulations 2015 introduced a significant change in statutory deadlines from the 2017/18 financial year. From that year the timetable for the preparation and approval of accounts will be brought forward with draft accounts needing to be prepared by 31 May and the publication of the audited accounts by 31 July.	<p>These changes provide challenges for both the preparers and the auditors of the financial statements.</p> <p>As auditors, nationally we have:</p> <ul style="list-style-type: none"><li>• Issued a thought piece on early closedown;</li><li>• As part of the strategic Alliance with CIPFA jointly presented accounts closedown workshops across England, Scotland and Wales; and</li><li>• Presented at CIPFA early closedown events and on the subject at the Local Government Accounting Conferences in July 2017.</li></ul> <p>To prepare for this change both we and the Council have targeted achievement of the earlier completion of work in 2016/17. This clearly represents significant progress.</p> <p>Moving forward, we will need to continue to work together collaboratively to ensure the necessary changes are made to working practices both at the Council and among the audit team, to ensure the new statutory deadlines are met in 2017/18.</p>



## Appendix C

IFRS 16 Leases	<p>IFRS 16 will be applicable for local authority accounts from the 2019/20 financial year.</p> <p>Whilst the definition of a lease remains similar to the current leasing standard; IAS 17, for local authorities who lease in a large number of assets the new standard will have a significant impact, with nearly all current leases being included on the balance sheet.</p> <p>There are transitional arrangements within the standard, although as the 2019/20 Accounting Code of Practice for Local Authorities has yet to be issued it is unclear what the impact on local authority accounting will be or whether any statutory overrides will be introduced.</p>	<p>Until the 2019/20 Accounting Code is issued and any statutory overrides are confirmed there remains some uncertainty in this area.</p> <p>However, what is clear is that the Council will need to undertake a detailed exercise to classify all of its leases and therefore must ensure that all lease arrangements are fully documented.</p>
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## Appendix D

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# Draft management representation letter

[To be prepared on the entity's letterhead]

27 September 2017

Helen Thompson  
Ernst & Young LLP  
Wessex House  
19 Threefield Lane  
Southampton  
SO14 3QB

This letter of representations is provided in connection with your audit of the financial statements of Gosport Borough Council ("the Council") for the year ended 31 March 2017. We recognise that obtaining representations from us concerning the information contained in this letter is a significant procedure in enabling you to form an opinion as to whether the financial statements give a true and fair view of the financial position of Gosport Borough Council as of 31 March 2017 and of its income and expenditure for the year then ended in accordance with CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

We understand that the purpose of your audit of our financial statements is to express an opinion thereon and that your audit was conducted in accordance with International Standards on Auditing (UK and Ireland), which involves an examination of the accounting system, internal control and related data to the extent you considered necessary in the circumstances, and is not designed to identify - nor necessarily be expected to disclose - all fraud, shortages, errors and other irregularities, should any exist.

Accordingly, we make the following representations, which are true to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

### A. Financial Statements and Financial Records (See Note B.)

1. We have fulfilled our responsibilities, under the relevant statutory authorities, for the preparation of the financial statements in accordance with the Accounts and Audit Regulations 2015 and CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.
2. We acknowledge, as members of management of the Council, our responsibility for the fair presentation of the financial statements. We believe the financial statements referred to above give a true and fair view of the financial position, financial performance (or results of operations) and cash flows of the Council in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17. We have approved the financial statements.
3. The significant accounting policies adopted in the preparation of the financial statements are appropriately described in the financial statements.



## Appendix D

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4. As members of management of the Council, we believe that the Council has a system of internal controls adequate to enable the preparation of accurate financial statements in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17, that are free from material misstatement, whether due to fraud or error.

There are no unadjusted audit differences identified during the current audit and pertaining to the latest period presented.

### B. Fraud

1. We acknowledge that we are responsible for the design, implementation and maintenance of internal controls to prevent and detect fraud.
2. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
3. We have disclosed to you all significant facts relating to any frauds, suspected frauds or allegations of fraud known to us that may have affected the Council (regardless of the source or form and including, without limitation, allegations by “whistle-blowers”), whether involving management or employees who have significant roles in internal control. Similarly, we have disclosed to you our knowledge of frauds or suspected frauds affecting the entity involving others where the fraud could have a material effect on the financial statements. We have also disclosed to you all information in relation to any allegations of fraud or suspected fraud communicated by employees, former employees, analysts, regulators or others, that could affect the financial statements.

### C. Compliance with Laws and Regulations

1. We have disclosed to you all identified or suspected non-compliance with laws and regulations whose effects should be considered when preparing the financial statements.

### D. Information Provided and Completeness of Information and Transactions

1. We have provided you with:

Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;

Additional information that you have requested from us for the purpose of the audit; and

Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.

2. All material transactions have been recorded in the accounting records and are reflected in the financial statements.
3. We have made available to you all minutes of the meetings of the Council and Standards and Governance Committee and Policy and Organisation Board (or summaries of actions of recent meetings for which minutes have not yet been prepared) held through the year to the most recent meeting on the following date:

Full Council – 19 July 2017

Standards and Governance Committee – 05 July 2017



## Appendix D

Policy and Organisation Board – 27 September 2017

4. We confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you the identity of the Council's related parties and all related party relationships and transactions of which we are aware, including sales, purchases, loans, transfers of assets, liabilities and services, leasing arrangements, guarantees, non-monetary transactions and transactions for no consideration for the period ended, as well as related balances due to or from such parties at the period end. These transactions have been appropriately accounted for and disclosed in the financial statements.
5. We believe that the significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.
6. We have disclosed to you, and the Council has complied with, all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.

### E. Liabilities and Contingencies

1. All liabilities and contingencies, including those associated with guarantees, whether written or oral, have been disclosed to you and are appropriately reflected in the financial statements.
2. We have informed you of all outstanding and possible litigation and claims, whether or not they have been discussed with legal counsel.
3. We have recorded and/or disclosed, as appropriate, all liabilities related litigation and claims, both actual and contingent, and have disclosed all guarantees that we have given to third parties.
4. No other claims in connection with litigation have been or are expected to be received.

### F. Subsequent Events

1. Other than as described in Note 5 to the financial statements, there have been no events subsequent to period end which require adjustment of or disclosure in the financial statements or notes thereto.

### G. Other information

1. We acknowledge our responsibility for the preparation of the other information. The other information comprises the Narrative Statement and Annual Governance Statement.
2. We confirm that the content contained within the other information is consistent with the financial statements.

### H. Comparative information – corresponding financial information

1. There have been changes to the structure of the Financial Statements during 2016/17 with the introduction of the Expenditure and Funding Analysis (EFA). The financial statements for 2015/16 have been restated to incorporate these changes. The comparative amounts have been correctly restated to reflect the above matter and appropriate note disclosure of this restatement has also been included in the current year's financial statements.



## Appendix D

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### I. Use of the Work of a Specialist

1. We agree with the findings of the specialists that we engaged to evaluate the valuation of property, plant and equipment, and the pension fund liability, and have adequately considered the qualifications of the specialists in determining the amounts and disclosures included in the financial statements and the underlying accounting records. We did not give or cause any instructions to be given to the specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an effect on the independence or objectivity of the specialists.

### J. Estimates

#### Valuation of property, plant and equipment, and valuation of pension fund liability

1. We believe that the measurement processes, including related assumptions and models, used to determine the accounting estimates have been consistently applied and are appropriate in the context of the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.
2. We confirm that the significant assumptions used in making the estimate of the valuation of property, plant and equipment, and valuation of pension fund liability appropriately reflect our intent and ability to carry out specific courses of action on behalf of the entity.
3. We confirm that the disclosures made in the financial statements with respect to the accounting estimates are complete and made in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.
4. We confirm that no adjustments are required to the accounting estimates and disclosures in the financial statements due to subsequent events.

### K. Retirement benefits

1. On the basis of the process established by us and having made appropriate enquiries, we are satisfied that the actuarial assumptions underlying the scheme liabilities are consistent with our knowledge of the business. All significant retirement benefits and all settlements and curtailments have been identified and properly accounted for.

Yours faithfully,

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Chris Ward

(Borough Treasurer and Section 151 Officer)



## Appendix D

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I confirm that this letter has been discussed and agreed at the Policy & Organisation Board on 27 September 2017

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Councillor M. Hook

(Chair of the Policy & Organisation Board)

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ED None

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**GOSPORT BOROUGH COUNCIL**

<b>BOARD:</b>	<b>POLICY &amp; ORGANISATION BOARD</b>
<b>DATE OF MEETING:</b>	<b>27 SEPTEMBER 2017</b>
<b>TITLE:</b>	<b>FINAL ACCOUNTS 2016/17</b>
<b>AUTHOR:</b>	<b>BOROUGH TREASURER</b>
<b>STATUS:</b>	<b>FOR APPROVAL</b>

**Purpose**

This report summarises the outturn position for the 2016/17 financial year and recommends the approval of the Statement of Accounts for 2016/17.

**Recommendations**

- The Board approve the accounting policies contained within the Statement of Accounts (Appendix F, page 21)
- The Board approves the Statement of Accounts for 2016/17 at Appendix F
- The Board note the outturn position contained in the report and Appendices including
  - The capital programme slippage detailed in Appendix C
  - The write offs approved under delegated authority at Appendix D
- The Board approve the Letter of Representation at Appendix E

**1.0 Background**

- 1.1 The Accounts and Audit Regulations 2015 require the annual Statement of Accounts to be formally approved by members after the external audit has taken place with the subsequent publication of the statement taking place by the end of September. Members therefore receive and approve a final Statement that has been amended for any items arising out of the audit.

**2.0 Report**

- 2.1 The audit of the accounts was undertaken by Ernst and Young (the Council's external auditors) during the period July to September and formally concludes when the audit opinion is issued prior to publication of the statement.
- 2.2 The accounts were available for formal public inspection during July and August and the Council's auditor was available to receive

questions from any Gosport local elector. The relevant dates were published in the Hampshire Independent and on the Council website.

- 2.3 Standards and Governance Committee members have received Ernst and Young's Audit Results Report for comment (this is the formal report from the auditors to 'those charged with governance'). The report noted that, subject to satisfactory completion of the outstanding audit work, Ernst and Young planned to issue an unqualified audit opinion by 30 September after Policy and Organisation Board has formally approved the final financial statements. Additionally, their report is expected to issue the Council with an unmodified Value for Money conclusion.
- 2.4 The formal statutory Statement of Accounts for 2016/17 which includes any amendments arising from the external audit is included at Appendix F. The key points affecting the Council's finances are summarised below.

### **OUTTURN 2016/17**

- 2.5 A summary of the key outturn figures for the General Fund, Housing Revenue Account and Major Reserves is shown at Appendix A.

### **GENERAL FUND REVENUE BUDGET**

- 2.6 The Council's revenue budget for 2016/17 before transfers to or from reserves was £11,322,100, the actual net expenditure for the year was £10,690,251 giving an under spending of £631,849 which has been transferred to the Revenue Financing Reserve (RFR) in line with Council policy.

Subsequent to the finalisation of the accounts for 2016/17, Revenue budget carry forwards totalling £299,143 have been approved - this expenditure will form part of the 2017/18 accounts resulting in an overall improvement in the Council's financial position of £332,706.

- 2.7 Appendix B indicates the main areas of under and over spending.

### **GENERAL FUND RESERVES**

- 2.8 The Council has three main General Fund revenue reserves
- The General Fund working balance at 31 March 2017 is £890,000 as projected in the Budget Report for 2017/18 and in line with Council policy.
  - The Revenue Financing Reserve (RFR) - which is used to fund annual variations in expenditure and income, uninsurable risks and

spend to save initiatives – is £3,288,920 at 31 March 2017. This includes the budgeted contribution from the reserve of £507,550 and the net underspending on the General Fund budget of £729,048 after allowing for Business Rate accounting timing differences. The balance at year end of £3,288,920 includes the revenue carry forwards of £299,143 which will be drawn down in 2017/18.

- The Stability and Resilience Reserve – which is used to cover the risk and volatility arising from the Business Rate Retention and Council Tax Support schemes together with the uncertainties in future levels of Revenue Support Grant – is £1,134,660 at 31 March 2017, this includes the budgeted transfer from the reserve for 2016/17.

## **HOUSING REVENUE ACCOUNT**

- 2.9 The Housing Revenue Account (HRA) was forecast to have a revenue surplus of £193,000 for 2016/17 with this sum being transferred into the Major Repairs, New Build and Loan Repayment Reserve.
- 2.10 The actual surplus was £99,721 - a decrease of £93, 279 – primarily due to restructuring costs.
- 2.11 The HRA has two revenue reserves
- The HRA balance – effectively the working balance carried forward – this is £991,738 at 31 March 2017 as budgeted.
  - The Major Repairs, New Build and Loan Repayment Reserve – to be used as per it's title – this is £2,461,925 at 31 March 2017 and includes the HRA surplus for the year and the funding contribution towards the HRA capital programme.

## **CAPITAL PROGRAMME**

- 2.12 The revised Capital Programme for 2016/17 was budgeted at £9,158,540. The actual capital spend detailed in Appendix C is £6,905,578 and scheme slippage, carried forward into 2017/18 is £2,283,701.
- 2.13 The update capital programme for 2017/18 and beyond is being reported separately to this Board.

## **TREASURY MANAGEMENT**

- 2.14 The table below summarises the Council's net borrowing position as included in the balance sheet within the financial statements.

31-Mar-16 £'000	31-Mar-17 £'000
8,027 Short Term Investments	8,024
3,902 Cash and Cash Equivalents	267
(3,456) Short Term Borrowing	(6,352)
(71,490) Long Term Borrowing	(66,249)
<b>(63,017) Net Borrowing position</b>	<b>(64,310)</b>

- 2.15 The Long Term Borrowing figure represents Public Works Loan Board borrowing payable after 2017/18. The borrowing figures include approximately £57 million taken in 2011/12 to finance the settlement payment to the government for HRA Self Financing.
- 2.16 The Board is receiving the Treasury Management Annual Review and progress report separately on the agenda.

### COLLECTION FUND

- 2.17 Following the introduction of Business Rate Retention financing from 1 April 2013, the balance on the Collection Fund, now represents the difference between estimated and actual income for
- Council Tax (shared between Gosport Borough, Hampshire County Council, Hampshire Police and Crime Commissioner and Hampshire Fire and Rescue Authority) and
  - Business Rates (shared between Gosport Borough, Hampshire County Council, Hampshire Fire and Rescue Authority and the Government)
- 2.18 The year end balances included in the Statement of Accounts are
- Business Rates £0.957 million surplus
  - Council Tax £0.290 million surplus
- 2.19 The rates of Council Tax and Business Rates collection for 2016/17 were 96.03% (2015/16 96.02%) and 97.79% (2015/16 95.79%) respectively.

### WRITE OFFS

- 2.20 Under Financial Regulations, the Borough Treasurer has delegated authority to approve write offs up to £20,000. These are summarised on Appendix D for 2016/17 along with figures for the previous year for comparison. The Council bears approximately 40% and 14% respectively of Business Rates and Council Tax write offs. In terms of the sums due to be collected the amounts written off represent a fraction of 1%.

## LETTER OF REPRESENTATION

- 2.21 The Letter of Representation is the formal letter from the Council to the Council's external auditors (Ernst and Young) that provides assurances on key matters that are contained in the audited Statement of Accounts for 2016/17.
- 2.22 It is a requirement of the external audit to assist in determining whether the financial statements give a true and fair view of the financial position of the Council at 31 March 2017 and once approved it is signed by the Borough Treasurer and the Chairman of Policy and Organisation Board.

## 3.0 RISK ASSESSMENT

- 3.1 Council budgets operate in what can be a changing and demand led environment and some service areas may be deemed to have a higher risk of significant budgetary variation against actuals than others.
- 3.2 While informed and realistic budgets are set and monitored against, in practice there will always be variations between budgets and outturn figures as managers seek to deliver services with scarce resources.

## 4.0 CONCLUSION

- 4.1 This report summarises the outturn position for 2016/17 and requests members to approve the formal Statement of Accounts for 2016/17.

Financial Implications	As set out in the report
Legal Implications:	The Council is required to approve and publish the Statement of Accounts for 2016/17 by 30 September 2017
Crime and Disorder:	N/A
Equality and Diversity:	N/A
Equality Impact Assessment	N/A
Service Improvement Plan	This report and the Statement of Accounts reflect both service improvement plans and the corporate plan.
Corporate Plan:	
Risk Assessment:	Section 3 of the report
Background papers:	Final Accounts working papers

Appendices	A Outturn 2016/17 – Summary B General Fund Variances C Capital Programme 2016/17 D Write Offs E Letter of Representation F Statement of Accounts 2016/17
Report Author/Lead Officer	John Norman

27 September 2017

Helen Thompson  
Ernst & Young LLP  
Wessex House  
19 Threefield Lane  
Southampton  
SO14 3QB

This letter of representations is provided in connection with your audit of the financial statements of Gosport Borough Council ("the Council") for the year ended 31 March 2017. We recognise that obtaining representations from us concerning the information contained in this letter is a significant procedure in enabling you to form an opinion as to whether the financial statements give a true and fair view of the financial position of Gosport Borough Council as of 31 March 2017 and of its income and expenditure for the year then ended in accordance with CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

We understand that the purpose of your audit of our financial statements is to express an opinion thereon and that your audit was conducted in accordance with International Standards on Auditing (UK and Ireland), which involves an examination of the accounting system, internal control and related data to the extent you considered necessary in the circumstances, and is not designed to identify - nor necessarily be expected to disclose - all fraud, shortages, errors and other irregularities, should any exist.

Accordingly, we make the following representations, which are true to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

**A. Financial Statements and Financial Records**

1. We have fulfilled our responsibilities, under the relevant statutory authorities, for the preparation of the financial statements in accordance with the Accounts and Audit Regulations 2015 and CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.
2. We acknowledge, as members of management of the Council, our responsibility for the fair presentation of the financial statements. We believe the financial statements referred to above give a true and fair view of the financial position, financial performance (or results of operations) and cash flows of the Council in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17. We have approved the financial statements.
3. The significant accounting policies adopted in the preparation of the financial statements are appropriately described in the financial statements.
4. As members of management of the Council, we believe that the Council has a system of internal controls adequate to enable the preparation of accurate financial statements in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17, that are free from material misstatement, whether due to fraud or error.

5. There are no unadjusted audit differences identified during the current audit and pertaining to the latest period presented.

## **B. Fraud**

1. We acknowledge that we are responsible for the design, implementation and maintenance of internal controls to prevent and detect fraud.
2. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
3. We have disclosed to you all significant facts relating to any frauds, suspected frauds or allegations of fraud known to us that may have affected the Council (regardless of the source or form and including, without limitation, allegations by “whistle-blowers”), whether involving management or employees who have significant roles in internal control. Similarly, we have disclosed to you our knowledge of frauds or suspected frauds affecting the entity involving others where the fraud could have a material effect on the financial statements. We have also disclosed to you all information in relation to any allegations of fraud or suspected fraud communicated by employees, former employees, analysts, regulators or others, that could affect the financial statements.

## **C. Compliance with Laws and Regulations**

1. We have disclosed to you all identified or suspected non-compliance with laws and regulations whose effects should be considered when preparing the financial statements.

## **D. Information Provided and Completeness of Information and Transactions**

1. We have provided you with:
  - Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
  - Additional information that you have requested from us for the purpose of the audit; and
  - Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
2. All material transactions have been recorded in the accounting records and are reflected in the financial statements.
3. We have made available to you all minutes of the meetings of the Council, Standards and Governance Committee and Policy and Organisation Board (or summaries of actions of recent meetings for which minutes have not yet been prepared) held through the year to the most recent meeting on the following date:
  - Full Council – 19 July 2017
  - Standards and Governance Committee – 05 July 2017

- Policy and Organisation Board – 27 September 2017

4. We confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you the identity of the Council's related parties and all related party relationships and transactions of which we are aware, including sales, purchases, loans, transfers of assets, liabilities and services, leasing arrangements, guarantees, non-monetary transactions and transactions for no consideration for the period ended, as well as related balances due to or from such parties at the period end. These transactions have been appropriately accounted for and disclosed in the financial statements.
5. We believe that the significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.
6. We have disclosed to you, and the Council has complied with, all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.

#### **E. Liabilities and Contingencies**

1. All liabilities and contingencies, including those associated with guarantees, whether written or oral, have been disclosed to you and are appropriately reflected in the financial statements.
2. We have informed you of all outstanding and possible litigation and claims, whether or not they have been discussed with legal counsel.
3. We have recorded and/or disclosed, as appropriate, all liabilities related litigation and claims, both actual and contingent, and have disclosed all guarantees that we have given to third parties.
4. No other claims in connection with litigation have been or are expected to be received.

#### **F. Subsequent Events**

1. Other than as described in Note 5 to the financial statements, there have been no events subsequent to period end which require adjustment of or disclosure in the financial statements or notes thereto.

#### **G. Other information**

1. We acknowledge our responsibility for the preparation of the other information. The other information comprises the Narrative Statement and Annual Governance Statement.
2. We confirm that the content contained within the other information is consistent with the financial statements.

#### **H. Comparative information – corresponding financial information**

1. There have been changes to the structure of the Financial Statements during 2016/17 with the introduction of the Expenditure and Funding Analysis (EFA).

The financial statements for 2015/16 have been restated to incorporate these changes. The comparative amounts have been correctly restated to reflect the above matter and appropriate note disclosure of this restatement has also been included in the current year's financial statements.

#### **I. Use of the Work of a Specialist**

1. We agree with the findings of the specialists that we engaged to evaluate the valuation of property, plant and equipment, and the pension fund liability, and have adequately considered the qualifications of the specialists in determining the amounts and disclosures included in the financial statements and the underlying accounting records. We did not give or cause any instructions to be given to the specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an effect on the independence or objectivity of the specialists.

#### **J. Estimates**

Valuation of property, plant and equipment, and valuation of pension fund liability

1. We believe that the measurement processes, including related assumptions and models, used to determine the accounting estimates have been consistently applied and are appropriate in the context of the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.
2. We confirm that the significant assumptions used in making the estimate of the valuation of property, plant and equipment, and valuation of pension fund liability appropriately reflect our intent and ability to carry out specific courses of action on behalf of the entity.
3. We confirm that the disclosures made in the financial statements with respect to the accounting estimates are complete and made in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.
4. We confirm that no adjustments are required to the accounting estimates and disclosures in the financial statements due to subsequent events.

#### **K. Retirement benefits**

1. On the basis of the process established by us and having made appropriate enquiries, we are satisfied that the actuarial assumptions underlying the scheme liabilities are consistent with our knowledge of the business. All significant retirement benefits and all settlements and curtailments have been identified and properly accounted for.

Yours faithfully,

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Chris Ward  
(Borough Treasurer and Section 151 Officer)

I confirm that this letter has been discussed and agreed at the Policy & Organisation Board on 27 September 2017

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Councillor M. Hook  
(Chairman of the Policy & Organisation Board)

<b>Board</b>	<b>POLICY AND ORGANISATION BOARD</b>
<b>Date of meeting:</b>	<b>27 SEPTEMBER 2017</b>
<b>Title:</b>	<b>TREASURY MANAGEMENT ANNUAL REVIEW 2016/17, PROGRESS REPORT 2017/18, &amp; PRUDENTIAL INDICATORS</b>
<b>Author:</b>	<b>BOROUGH TREASURER</b>
<b>Status:</b>	<b>FOR NOTING</b>

### **Purpose**

The annual treasury report is a requirement of the Council's reporting procedures and covers the treasury activity for 2016/17 together with a review of 2017/18 to date. The report also includes the Prudential Indicators for 2016/17 in accordance with the requirements of the Prudential Code.

### **Recommendations**

The Board note

- The Treasury Management outturn report 2016/17 as identified in 2.2
- The latest Treasury Management position for 2017/18 as identified in 2.3
- The Prudential Indicators outturn report 2016/17 as identified in 2.4

## **1 Background**

- 1.1 The Council is required by regulations issued under the Local Government Act 2003 to produce an annual treasury management review of activities and the actual prudential and treasury indicators for 2016/17. This report meets the requirements of both the CIPFA Code of Practice on Treasury Management (the Code) and the CIPFA Prudential Code for Capital Finance in Local Authorities (the Prudential Code).
- 1.2 During 2016/17 the minimum reporting requirements were that the Council should receive the following reports:
  - an annual treasury strategy in advance of the year (Council 10 February 2016)
  - a mid-year treasury update report (P&O 21 September 2016)
  - an annual review following the end of the year describing the activity compared to the strategy (this report)
  - this report also includes a 2017/18 mid-year treasury update

- 1.3 The Council's treasury management strategy for 2016/17 was approved at a meeting of Council on 10<sup>th</sup> February 2016. The Council has borrowed and invested substantial sums of money and is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of risk are therefore central to the Council's treasury management strategy.
- 1.4 The report compares the approved prudential indicators with the outturn position for 2016/17.
- 1.5 Actual figures have been taken from or prepared on a basis consistent with the Council's pre-audited statement of accounts.

## **2.0 Report**

### **2.1 EXTERNAL CONTEXT**

(The following narrative was provided by Arlingclose Ltd as a general background description to the public sector treasury management environment in 2016/17).

- 2.1.1 *Economic background: Politically, 2016/17 was an extraordinary twelve month period which defied expectations when the UK voted to leave the European Union and Donald Trump was elected the 45th President of the USA. Uncertainty over the outcome of the US presidential election, the UK's future relationship with the EU and the slowdown witnessed in the Chinese economy in early 2016 all resulted in significant market volatility during the year. Article 50 of the Lisbon Treaty, which sets in motion the 2-year exit period from the EU, was triggered on 29th March 2017.*

*UK inflation had been subdued in the first half of 2016 as a consequence of weak global price pressures, past movements in sterling and restrained domestic price growth. However the sharp fall in the Sterling exchange rate following the referendum had an impact on import prices which, together with rising energy prices, resulted in CPI rising from 0.3% year/year in April 2016 to 2.3% year/year in March 2017.*

*In addition to the political fallout, the referendum's outcome also prompted a decline in household, business and investor sentiment. The repercussions on economic growth were judged by the Bank of England to be sufficiently severe to prompt its Monetary Policy Committee (MPC) to cut the Bank Rate to 0.25% in August and embark on further gilt and corporate bond purchases as well as provide cheap funding for banks via the Term Funding Scheme to maintain the supply of credit to the economy.*

*Despite growth forecasts being downgraded, economic activity was fairly buoyant and GDP grew 0.6%, 0.5% and 0.7% in the second, third and fourth calendar quarters of 2016. The labour market also proved resilient,*

*with the ILO unemployment rate dropping to 4.7% in February, its lowest level in 11 years.*

*Following a strengthening labour market, in moves that were largely anticipated, the US Federal Reserve increased rates at its meetings in December 2016 and March 2017, taking the target range for official interest rates to between 0.75% and 1.00%.*

*Financial markets: Following the referendum result, gilt yields fell sharply across the maturity spectrum on the view that Bank Rate would remain extremely low for the foreseeable future. After September there was a reversal in longer-dated gilt yields which moved higher, largely due to the MPC revising its earlier forecast that Bank Rate would be dropping to near 0% by the end of 2016. The yield on the 10-year gilt rose from 0.75% at the end of September to 1.24% at the end of December, almost back at pre-referendum levels of 1.37% on 23rd June. 20- and 50-year gilt yields also rose in Q3 2017 to 1.76% and 1.70% respectively, however in Q4 yields remained flat at around 1.62% and 1.58% respectively.*

*After recovering from an initial sharp drop in Q2, equity markets rallied, although displaying some volatility at the beginning of November following the US presidential election result. The FTSE-100 and FTSE All Share indices closed at 7342 and 3996 respectively on 31st March, both up 18% over the year. Commercial property values fell around 5% after the referendum, but had mostly recovered by the end of March.*

*Money market rates for overnight and one week periods remained low since Bank Rate was cut in August. 1- and 3-month LIBID rates averaged 0.36% and 0.47% respectively during 2016-17. Rates for 6- and 12-months increased between August and November, only to gradually fall back to August levels in March, they averaged 0.6% and 0.79% respectively during 2016-17.*

*Credit background: Various indicators of credit risk reacted negatively to the result of the referendum on the UK's membership of the European Union. UK bank credit default swaps saw a modest rise but bank share prices fell sharply, on average by 20%, with UK-focused banks experiencing the largest falls. Non-UK bank share prices were not immune, although the fall in their share prices was less pronounced.*

*Fitch and Standard & Poor's downgraded the UK's sovereign rating to AA. Fitch, S&P and Moody's have a negative outlook on the UK. Moody's has a negative outlook on those banks and building societies that it perceives to be exposed to a more challenging operating environment arising from the 'leave' outcome.*

*None of the banks on the Council's lending list failed the stress tests conducted by the European Banking Council in July and by the Bank of England in November, the latter being designed with more challenging stress scenarios, although Royal Bank of Scotland was one of the weaker banks in both tests. The tests were based on banks' financials as at 31st December 2015, 11 months out of date for most. As part of its creditworthiness research and advice, the Council's treasury advisor Arlingclose regularly undertakes analysis of relevant ratios - "total loss*

*absorbing capacity" (TLAC) or "minimum requirement for eligible liabilities" (MREL) - to determine whether there would be a bail-in of senior investors, such as local Council unsecured investments, in a stressed scenario.*

## 2.2 TREASURY MANAGEMENT OUTTURN REPORT 2016/17

2.2.1 The Council's debt and investment position is organised in order to ensure adequate liquidity for revenue and capital activities, security for investments and to manage risks within all treasury management activities. Procedures and controls to achieve these objectives are well established both through member reporting detailed in the summary, and through officer activity detailed in the Council's Treasury Management Practices. On 31st March 2017, the Council had net borrowing of £64.0m arising from its revenue and capital income and expenditure, an increase of £0.8m on the previous year.

Details behind the borrowing and investing activity are set out below.

### 2.2.2 Borrowing Activity

At 31<sup>st</sup> March 2017, the Council held £72.491m loans a decrease of £2.334m on the previous year. The year end position is summarised below with 2015/16 figures for comparison.

2016/17	General Fund			HRA			Total		
	31-Mar	Rate	Avge	31-Mar	Rate	Avge	31-Mar	Rate	Avge
	£'000	%	Life (Yrs)	£'000	%	Life (Yrs)	£'000	%	Life (Yrs)
<b>Fixed rate borrowing:</b>									
PWLB	12,622	2.94%	11.74	58,869	3.02%	24.86	71,491	3.01%	22.54
Market	-	-	-	-	-	-	-	-	-
<b>Variable rate borrowing:</b>									
Local Authority	1,000	0.45%	0.03	-	-	-	1,000	0.45%	0.03
<b>Gross borrowing</b>	<b>13,622</b>			<b>58,869</b>			<b>72,491</b>		

2015/16	General Fund			HRA			Total		
	31-Mar	Rate	Avge	31-Mar	Rate	Avge	31-Mar	Rate	Avge
	£'000	%	Life (Yrs)	£'000	%	Life (Yrs)	£'000	%	Life (Yrs)
<b>Fixed rate borrowing:</b>									
PWLB	12,785	2.94%	13.22	59,940	3.00%	25.41	72,725	2.98%	23.16
Market	1,500	1.40%	0.61	600	1.30%	0.59	2,100	1.37%	0.60
<b>Variable rate borrowing:</b>									
	-	-	-	-	-	-	-	-	-
<b>Gross borrowing</b>	<b>14,285</b>			<b>60,540</b>			<b>74,825</b>		

(Fixed rate borrowings are those where the rate of interest is fixed for at least 12 months, measured from the start of the financial year or the transaction date if later. All other borrowings are classified as variable)

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

In furtherance of these objectives, no new fixed rate borrowing was undertaken in 2016/17, while existing loans were allowed to mature without replacement. This strategy enabled the Council to reduce net borrowing costs (despite foregone investment income) and reduce overall treasury risk.

The "cost of carry" analysis performed by the Council's treasury management advisor Arlingclose did not indicate any value in borrowing in advance for future years' planned expenditure and therefore none was taken.

The Council's current strategy is to maintain borrowing and investments below their underlying levels, sometimes known as internal / under borrowing, in order to reduce risk and keep interest costs low. At the 31<sup>st</sup> March 2017 the Council was under borrowed by £7.654m an increase of £1.775m during 2016/17.

Following Housing Finance reform, two separate pools are being operated for Council debt and these are set out below. The Council is also limited to a maximum HRA Borrowing / CFR of £63.067m (the 'debt cap') through the HRA self-financing regime.

### **2.2.3 Investment Activity**

Bank Rate remained at its historic low of 0.5% throughout the year until, after approximately seven years it was reduced to 0.25% by the Bank of England Monetary Policy Committee on 4th August 2016.

The Council holds invested funds, representing income received in advance of expenditure plus balances and reserves held.

The Council's investment balance during 2016/17 are summarised in the table below and vary due to timing differences between income and expenditure.

The average return on investments during the year was 0.51% compared with 0.59% the previous year.

Investment Position at	Banks & Buidling Societies (Unsecured) £	Rate %	Local Authorities £	Rate %	Money Market Funds £	Rate %	Total Investment £	Average Rate %
31/03/2016	10,111	0.68%	-	-	1,500	0.45%	11,611	0.65%
Qtr1 (end)	12,692	0.62%	1,000	0.50%	4,500	0.47%	18,192	0.58%
Qtr2 (end)	10,000	0.58%	1,000	0.50%	7,000	0.33%	18,000	0.48%
Qtr3 (end)	11,000	0.61%	-	-	6,000	0.30%	17,000	0.50%
31/03/2017	8,000	0.68%	-	-	450	0.24%	8,450	0.66%

All investments undertaken during 2016/17 were in line with the Council's investment strategy.

Both the CIPFA Code and government guidance require the Council to invest its funds prudently, and to have regard to the security and liquidity of its investments before seeking the highest rate of return, or yield. The Council's objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income.

#### 2.2.4 Treasury Management Indicators

**Maturity Structure of Borrowing:** This indicator is set to control the Council's exposure to refinancing risk. The upper and lower limits on the maturity structure of fixed rate borrowing were:

The Maturity Structure of fixed rate Borrowing	31-Mar-17 Actual %	2016/17 Lower Limit %	2016/17 Upper Limit %	Complied
Under 12 months	7%	6%	12%	✓
12 months and within 24 months	5%	4%	14%	✓
24 months and within 5 years	17%	15%	24%	✓
5 years and within 10 years	24%	21%	31%	✓
10 years and above	47%	42%	54%	✓

**Interest Rate Exposures:** This indicator is set to control the Council's exposure to interest rate risk. The upper limits on fixed and variable rate interest rate exposures, expressed as [the amount / the proportion] of [principal borrowed / interest payable] was:

The exposure to fixed and variable rates was as follows	2016/17 Actual £'000	2016/17 Upper Limit %	Complied
<b>Borrowing</b>			
Fixed rate	98.60%	100%	✓
Variable rate	1.40%	15%	✓
<b>Investments</b>			
Fixed rate	0%	100%	✓
Variable rate	100%	100%	✓

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

## 2.3 THE TREASURY POSITION IN 2017/18

At 14<sup>th</sup> August 2017 the Council's treasury position was as follows

14th August 2017	General Fund			HRA			Total		
	£000's	Rate %	Avg Life (Yrs)	£000's	Rate %	Avg Life (Yrs)	£000's	Rate %	Avg Life (Yrs)
<b>Fixed rate borrowing:</b>									
PWLB	11,227	3.10%	12.79	58,263	3.03%	24.73	69,490	3.04%	22.80
Market	-	-	-	-	-	-	-	-	-
<b>Variable rate borrowing:</b>	-	-	-	-	-	-	-	-	-
<b>Gross borrowing</b>	<b>11,227</b>			<b>58,263</b>			<b>69,490</b>		
<b>CFR</b>	<b>18,127</b>			<b>62,018</b>			<b>80,145</b>		
<b>Over / (under) borrowing</b>	<b>(6,900)</b>			<b>(3,755)</b>			<b>(10,655)</b>		
<b>Total investments</b>							<b>(14,795)</b>	0.40%	
<b>Net borrowing</b>							<b>54,695</b>		

**Borrowing** – The following loans have matured during 2017/18

PWLB 5 year loan of £2million (1.67%) matured on the 7<sup>th</sup> June 2017  
 Local Authority loan of £1million (0.45%) matured on 10<sup>th</sup> April 2017

No new borrowing to date has taken place during 2017/18.

**Investments** - the following table summarises the investments of short term surplus funds at 14<sup>th</sup> August 2017. All investments are in line with the Council's investment strategy.

Investment Position	31/3/17 Balance £000's	2017/18 Movement £000's	14/8/17 Balance £000's	14/8/17 Rate %
Banks & Building Societies (unsecured)	8,000	(5,000)	3,000	0.70%
Local Authorities	0	3,000	3,000	0.45%
Money Market Funds	450	8,345	8,795	0.28%
<b>Total</b>	<b>8,450</b>	<b>6,345</b>	<b>14,795</b>	<b>0.40%</b>

## 2.4 THE PRUDENTIAL INDICATORS OUTTURN REPORT 2016/17

2.4.1 The Local Government Act 2003 requires the Council to have regard to the Chartered Institute of Public Finance and Accountancy's Prudential Code for Capital Finance in Local Authorities (the Prudential Code) when determining how much money it can afford to borrow. The objectives of the Prudential Code are to ensure, within a clear framework, that the capital investment plans of local authorities are affordable, prudent and sustainable, and that treasury management decisions are taken in accordance with good professional practice. To demonstrate that the Council has fulfilled these objectives, the Prudential Code sets out the following indicators that must be set and monitored each year.

This report compares the approved indicators with the outturn position for 2016/17.

## 2.4.2 THE COUNCIL'S CAPITAL EXPENDITURE AND FINANCING 2016/17

The table below shows the actual capital expenditure which was financed and unfinanced during the year.

Capital Expenditure	2016/17 Revised £'000	2016/17 Actual £'000	Difference £'000
<b><u>General Fund (GF)</u></b>			
<b>Capital expenditure</b>	<b>3,809</b>	<b>1,631</b>	<b>(2,178)</b>
Financed in year	(2,338)	(1,631)	707
<b>Unfinanced capital expenditure</b>	<b>1,471</b>	<b>0</b>	<b>(1,471)</b>
<b><u>Housing Revenue Account (HRA)</u></b>			
<b>Capital expenditure</b>	<b>5,349</b>	<b>5,275</b>	<b>(74)</b>
Financed in year	(5,349)	(5,275)	74
<b>Unfinanced capital expenditure</b>	<b>0</b>	<b>0</b>	<b>0</b>

- 2.4.3 Capital Financing Requirement:** The Capital Financing Requirement (CFR) measures the Council's underlying need to borrow for a capital purpose.

	2016/17 Revised £'000	2016/17 Actual £'000	Difference £'000
General Fund	19,688	18,127	(1,561)
HRA	62,017	62,018	1
<b>Total CFR</b>	<b>81,705</b>	<b>80,145</b>	<b>(1,560)</b>

The CFR was £1.560m less than estimated, this was mainly due to slippage with the 2016/17 capital programme which resulted in existing capital resources being sufficient to fully fund the 2016/17 capital expenditure.

- 2.4.4 Gross Debt and the Capital Financing Requirement:** In order to ensure that over the medium term debt will only be for a capital purpose, the Council should ensure that debt does not, except in the short term, exceed the total of capital financing requirement in the preceding year (2016/17) plus the estimates of any additional capital financing requirement for the current and next two financial years. This essentially means that the Council is not borrowing to support revenue expenditure. This is a key indicator of prudence.

Debt and CFR	2016/17 Revised £'000	2016/17 Actual £'000	Difference £'000
Total Debt	71,490	72,491	1,001
Capital Financing requirement	81,705	80,145	(1,560)
<b>Under / (Over) Borrowing</b>	<b>10,215</b>	<b>7,654</b>	<b>(2,561)</b>
Split between			
General Fund	(7,066)	(4,505)	2,561
HRA	(3,149)	(3,149)	0

The debt remained below the CFR during the forecast period.

#### **2.4.5 THE AUTHORISED LIMIT AND OPERATIONAL BOUNDARY FOR EXTERNAL DEBT**

**Authorised Limit for External Debt:** The authorised limit is the affordable borrowing limit determined in compliance with the [Local Government Act 2003. It is the maximum amount of debt that the Council can legally owe. The authorised limit provides headroom over and above the operational boundary for unusual cash movements.

**Operational Boundary for External Debt:** The operational boundary is based on the Council's estimate of most likely (i.e. prudent but not worst case) scenario for external debt. It links directly to the Council's estimates of capital expenditure, the capital financing requirement and cash flow requirements, and is a key management tool for in-year monitoring.

Authorised Limit, Operational Boundary and Total Debt	2016/17 Limits £000's	Maximum Debt 2016/17 £000's	Complied
Operational boundary	81,700	74,825	✓
Authorised Limit	87,900	74,825	✓

**2.4.6 Actual financing costs as a proportion of net revenue stream** - this prudential indicator identifies the trend in the cost of capital (borrowing and other long term obligation costs net of investment income) against the net revenue stream.

Ratio of Financing Costs to Net Revenue Stream	2016/17 Revised %	2016/17 Actual %	Difference %
General Fund	5.0%	5.3%	0.3%
HRA	30.2%	30.1%	-0.1%

### 3 Risk Assessment

- 3.1 The Council has complied with the relevant statutory and regulatory requirements, which limit the levels of risk associated with its treasury management activities. In particular its adoption and implementation of both the Prudential Code and the Code of Practice for Treasury Management means both that its capital expenditure is prudent, affordable and sustainable, and its treasury practices demonstrate a low risk approach.
- 3.2 The Council is aware of the risks of passive management of the treasury portfolio and, with the support of Arlingclose Ltd, the Council's advisers, has proactively managed the debt and investments over the year.

### 4 Conclusion

- 4.1 This report summaries the treasury activities and prudential indicators for 2016/17 and reviews the treasury activities for 2017/18 to date. It is a key governance report for the Treasury Management function.

Financial Services comments:	As contained in the report.
Legal Services comments:	It is a legal requirement that an annual Treasury Management report is considered by the Council
Crime and Disorder:	N/A
Equality and Diversity:	N/A
Service Improvement Plan implications:	This report is required in order that to fulfil statutory requirements associated with the achievement of both service improvement plan and corporate plan targets.
Corporate Plan	
Risk Assessment	As contained in the report
Background papers:	Budget and Final Accounts working papers
Appendices/Enclosures:	None
Report Author / Lead Officer::	John Norman

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

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

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

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

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

Item No	SCHEME	Progress Category	Project total (where appropriate) £,000	Revised 2017/18 £,000	Estimate 2018/19 £,000	Estimate 2019/20 £,000	Estimate 2020/21 £,000	Local Resources			
								2017/18	2018/19	2019/20	2020/21
								£,000	£,000	£,000	£,000
1	ALVER VALLEY COUNTRY PARK	P	1,160	573				442			
2	BMX NATIONAL CENTRE ALVER VALLEY	P	152	147				(3)			
3	RIVER HAMBLE TO PORTCHESTER CFERM STRATEGY	E	-	56							
4	FORTON COASTAL FLOOD & EROSION RISK MANAGEMENT SCHEME	E	-	73	69	423					
5	ALVERSTOKE COASTAL FLOOD & EROSION RISK MANAGEMENT SCHEME	E	-	73	69	437					
6	SEAFIELD COASTAL FLOOD & EROSION RISK MANAGEMENT SCHEME	E	-	73	69	993	1,380	26	25	357	497
7	HILL HEAD TO PORTSMOUTH HARBOUR ENTRANCE BEACH MANAGEMENT PLAN	E	-	59		30	25				
8	CAR PARK RESURFACING & UPGRADING	E	-	215	40	40	40	215	40	40	40
9	PROVIDE LIGHTING TO PATHWAYS WITHIN LEISURE PARKS, GARDENS & OPEN SPACES	P	197	167							
10	PUBLIC CONVENIENCES REFURBISHMENT	E	-	80	60	60	60	80	60	60	60
11	TRANSFER OF PLAY AREAS AT PRIDDYS HARD	P	22	8				1			
12	PRIVETT PARK PROTECTIVE FENCE	P	27	2				2			
13	PLAYGROUNDS - IMPROVEMENTS TO EXISTING FACILITIES	E	-	38	20	20	20	38	20	20	20
14	ESSENTIAL PAVING IMPROVEMENTS & UPGRADES	E	-	70	30	30	30	70	30	30	30
15	STOKES BAY - WET & DRY PLAY AREA	E	-	25				25			
16	STANLEY PARK - PHASED REFURBISHMENT	P	72	55				55			
17	RENEW INTERPRETATION BOARDS ACROSS THE BOROUGH	P	31	31				31			
18	ICE RINK REFURBISHMENT & IMPROVEMENT	P	100	62				62			
19	STOKES BAY GOLF CLUB - DRAINAGE WORKS	P	17	17				17			
20	ANN'S HILL CEMETERY WAITING ROOM	P	6	6				6			
21	BRIDGEMARY SKATE PARK (TO INCLUDE BMX & SCOOTERS)	P	140	140				85			

Item No	SCHEME	Progress Category	Project total (where appropriate) £,000	Revised 2017/18 £,000	Estimate 2018/19 £,000	Estimate 2019/20 £,000	Estimate 2020/21 £,000	Local Resources			
								2017/18	2018/19	2019/20	2020/21
								£,000	£,000	£,000	£,000
22	COCKLE POND - WATER CIRCULATION SCHEME	P	100	100				100			
23	COCKLE POND - FOOTWAY REPAIRS	P	100	100				100			
24	COMMUNITY SPACE MANOR WAY	P	100	100				100			
25	PARHAM ROAD - FLOOD MEASURES	P	25	25				25			
26	CROWN HOUSE CONVERSION TO FLAT	P	90	89				89			
27	CHILWORTH GROVE FOOTPATH RENEWAL	P	26	26				26			
28	ALVERBANK EAST AND WEST CAR PARKS, STOKES BAY ROAD - DRAINAGE UPGRADE	P	40	40				40			
29	CAR PARK TICKET MACHINES - PHASED UPGRADE OF ALL MACHINES	P	131	33	33	33	32	33	33	33	32
30	LEESLAND ROAD PLAY AREA - REFURBISHMENT	I	81		81				81		
31	LEISURE CENTRE EXTENSION	P	1,185	1,182				1,182			
32	ST LUKES ROAD IMPROVEMENTS FOR LEASE TO 12TH SCOUTS	P		9							
33	ALLOTMENTS - MANAGEMENT AND ERADICATION OF JAPANESE KNOTWEED	I	65	65				65			
34	LEE-ON- SOLENT SPLASH POOL	I			400				400		
Board Total				3,739	871	2,066	1,587	2,912	689	540	679

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

Item No	SCHEME	Progress Category	Project total (where appropriate) £,000	Revised 2017/18 £,000	Estimate 2018/19 £,000	Estimate 2019/20 £,000	Estimate 2020/21 £,000	Local Resources			
								2017/18	2018/19	2019/20	2020/21
								£,000	£,000	£,000	£,000
1	WATERFRONT REGENERATION	D	1,180	23		1,000		23		1,000	
2	ALVERBANK HOTEL - EXTERNAL REPAIRS & REDECORATION	I	60		60				60		
3	FORTON LAKE OPENING BRIDGE - RENEWAL OF MOTORS, GEARS, SPROCKETS AND CHAINS	P	246	246				246			
4	FORTON LAKE OPENING BRIDGE - ELECTRICAL UPGRADE	I	105		105				105		
Board Total				269	165	1,000		269	165	1,000	

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

Item No	SCHEME	Progress Category	Project total (where appropriate) £,000	Revised 2017/18 £,000	Estimate 2018/19 £,000	Estimate 2019/20 £,000	Estimate 2020/21 £,000	Local Resources			
								2017/18	2018/19	2019/20	2020/21
								£,000	£,000	£,000	£,000
1	CCTV - REPLACEMENT & UPGRADES	E	-	46	15	15	15	46	15	15	15
2	IT - PC REPLACEMENT PROGRAMME	E	-	10	10	10	10	10	10	10	10
3	IT - SERVER REPLACEMENT	E	-	64	40	40	40	64	40	40	40
4	IT - SYSTEM UPGRADES	E	-	33	40	40	40	33	40	40	40
5	TOWN HALL MAJOR REPAIRS - ELECTRICS	E	-	10	10	10	10	10	10	10	10
6	TOWN HALL MAJOR REPAIRS - INTERNAL DECORATIONS	E	-	15	15	15	15	15	15	15	15
7	TOWN HALL MAJOR REPAIRS - HEALTH & SAFETY	E	-	10	10	10	10	10	10	10	10
8	TOWN HALL MAJOR REPAIRS - ADAPTIONS	E	-	15	15	15	15	15	15	15	15
9	TOWN HALL PASSENGER LIFT - MAJOR REFURBISHMENT / RENEWAL	E	-	75				75			
10	TOWN HALL SOUTH ELEVATION - EXTERNAL DECORATION	E	-		30				30		
11	FINANCIAL MANAGEMENT SYSTEM V.5 UPGRADE	P	-	39			50	39			50
12	IT - GENERAL DATA PROTECTION REGULATION (GDPR) UPGRADES	I	-	100				100			
13	REPLACEMENT OF NNDR SYSTEM	I	-		100				100		
14	DIGITAL STRATEGY (CHANNELSHIFT)	I	-		75	75			75	75	
<b>Board Total</b>				<b>417</b>	<b>360</b>	<b>230</b>	<b>205</b>	<b>417</b>	<b>360</b>	<b>230</b>	<b>205</b>

Item No	SCHEME	Progress Category	Project total (where appropriate) £,000	Revised 2017/18 £,000	Estimate 2018/19 £,000	Estimate 2019/20 £,000	Estimate 2020/21 £,000	Local Resources			
								2017/18	2018/19	2019/20	2020/21
								£,000	£,000	£,000	£,000
	Total Capital Programme			9,011	6,203	7,613	5,869	7,268	5,344	5,410	4,284

## SUMMARY FINANCING STATEMENT

	2017/18 £,000	2018/19 £,000	2019/20 £,000	2020/21 £,000	Total £'000
<b>EXTERNAL RESOURCES</b>					
SPECIFIC CAPITAL GRANTS - GF	916	677	677	677	2,947
DEVELOPER CONTRIBUTIONS - OPEN SPACES - GF	307				307
OTHER GRANTS AND CONTRIBUTIONS - GF	520	182	1,526	908	3,136
<b>LOCAL RESOURCES</b>					
DEPRECIATION - HRA	2,500	2,500	2,500	2,500	10,000
REVENUE CONTRIBUTION - HRA	650	800			1,450
RESERVES - HRA	520	830	1,140	900	3,390
RESERVES - HRA (TO GF PROGRAMME)	26	25	357	497	905
CAPITAL RECEIPTS - GF	982	115	116	117	1,330
CAPITAL FUNDING REQUIREMENT - GF	2,590	1,074	1,297	270	5,231
<b>Total Funding</b>	<b>9,011</b>	<b>6,203</b>	<b>7,613</b>	<b>5,869</b>	<b>28,696</b>

## KEY TO PROGRESSION CATEGORIES

I - INCEPTION

D - DESIGN

P - PROGRESSING

C - COMPLETE

F- FINAL

E. EXEMPT FROM PROGRESSION CATEGORIES

<b>Board/Committee:</b>	Policy and Organisation Board
<b>Date of Meeting:</b>	27 September 2017
<b>Title:</b>	Capital Programme 2017/18 to 2020/21
<b>Author:</b>	Borough Treasurer
<b>Status:</b>	For Decision

## **1. PURPOSE**

- 1.1 To seek Board approval for the Capital Programme 2017/18 to 2020/21 and to recommend the programme to Council for approval

## **2. RECOMMENDATION**

- 2.1 The proposed Capital Programme 2017/18 to 2020/21 is recommended to Council for approval

## **3. BACKGROUND**

- 3.1 The Council's current Capital Programme 2016/17 to 2019/20 was approved at Council on 8 February 2017.
- 3.2 This report sets out an outline Capital Strategy that is fully aligned with the Council's Medium Term Financial Strategy for the period 2017/18 to 2020/21. In accordance with the proposed Capital Strategy, the Capital Programme has been reviewed and update to include new Capital Investment as well as any necessary changes to the existing Capital Programme arising from slippage, changes in cost and deletions where schemes are unlikely to proceed in the short to medium term.

## **4. OUTLINE CAPITAL STRATEGY 2017/18 TO 2020/21**

- 4.1 The Capital Programme is a vital component of the Council's Medium Term Financial Strategy. It is proposed that the Council's overall Capital Strategy has 3 core aims as follows:

### **Core Aim 1 - A Medium Term Strategy:**

- Properly aligned funding and spending (i.e. does not apply future (longer term) funding to current (near term) investment), thus leaving known and unfunded obligations in the future

- Provides funding for future years for critical Capital Investment (ensuring that in years where capital resources are limited, critical investment can continue to be made)
- Revenue Contributions to Capital are considered to "smooth out" any significant gaps between capital investment needs and capital resources available

Core Aim 2 - Maximise the Capital Resources Available and the flexibility of their application:

- Setting capital funding aside for "match funding" opportunities where these are aligned with the Council's strategic objectives in order to take advantage of "free" funding
- Periodic review of contractually uncommitted schemes against newly emerging capital investment priorities
- Avoidance of ring-fencing of capital resources, except where statutory
- Use of Prudential Borrowing for "Invest to Save" Schemes

Core Aim 3 - Targeted Capital Investment (prioritised categories):

- **Category 1 -** Programmes of a recurring nature that are essential to maintain operational effectiveness
- **Category 2 -** Specific schemes that:
  - Have a significant catalytic potential to unlock the regeneration of the Borough
  - Are significant in terms of the Council strategies that they serve
  - Are significantly income generating or efficiency generating
  - If not implemented would cause severe disruption to Service delivery

4.2 The Council's strategy is to maximise the capital resources available and then target the investment of those resources to those areas that will both stimulate the local economy and generate income for the Council so that the Council's income and funding base is sufficient to continue to provide high quality public services within the Borough. Additionally, the Council will continue to invest where it would be significant in terms of the contribution to the Council's overall strategic objectives.

## 5. CAPITAL PROGRAMME 2017/18 TO 2020/21

## Corporate Capital Resources

5.1 The Council's available capital resources continue to be constrained and are generally limited to Capital Grants (usually ring-fenced for a particular purpose and the subject of successful bids to Government), contributions from the revenue budget but within affordability constraints, the sale of assets and developer contributions.

5.2 The proposed Capital Programme attached has been comprehensively reviewed and revised for all known changes to the approved Capital Programme as well as providing new capital investment for the following:

- Improvements to Housing Stock - £3.5m is provided to continue the programme of repairs and improvements through to 2020/21
- Waterfront Re-generation - £1m has been provided to enable this key site in the Borough to reach its potential. This represents the Council's investment into the area which it intends to use as funding to lever in both further grant funding as well as private sector funding for a comprehensive re-development
- Coastal Flood and Erosion Schemes - £3.8m (largely grant funded) to maintain the integrity of the Borough's coastline and protect homes and businesses
- Continuation of Rolling Programmes - £0.5m has been provided to continue the essential programmes of activity that maintain the Council's operational property and systems as well as funding to improve the Borough's environment. This includes maintenance and upgrades to public conveniences, paving improvements, car park re-surfacing and health and safety obligations across the Council's buildings
- Splash Pool - £0.4m to provide a facility to improve the attractiveness and opportunities to make better use of the seafront in Lee-On -Solent
- Funding to replace obsolete and critical risk IT systems in order to ensure that data and systems are adequately supported, protected and resilient
- Digital Strategy (Channel Shift) - £150,000 to enhance the customer experience with the Council. To residents to be able to transact and communicate with the Council simply at times of their convenience by improving the Council's website functionality generally, to bill electronically, to take payments more flexibly over the internet and by telephone, use mobile technology to communicate and report incidents to the Council

- 5.3 The review of the Capital Programme has also considered those schemes that were not likely to be delivered in the short term and which therefore were "tying up" resources that could otherwise be re-directed towards economically productive uses in order to provide a stimulus to the Borough. Schemes that have been removed from the programme include Privett Park and Kerbside & Glass Collection, neither of which have a realistic prospect of deliver over the next 2 to 3 years. Nevertheless, both schemes remain a priority of the Administration to be re-introduced when there is greater certainty of delivery.

## **6. RISK ASSESSMENT**

- 6.1 Should the Policy & Organisation Board not approve or delay the proposed Capital Programme 2017/18 to 2020/21, plans for the regeneration and associated employment opportunities of the Borough would be delayed, plans for repairs to Housing will need to be reduced and re-prioritised, the risk of flood will increase and Council efficiency initiatives that will avoid service reductions will not be realised.

## **7. CONCLUSION**

- 7.1 In summary, the recommended Capital Programme comprise a balanced and medium term set of proposals which:
- Continue to invest and improve the Housing in the Borough
  - Seek to improve the Council's Waterfront assets as a key driver for regeneration
  - Improve the customer experience and make the Council's services more efficient
  - Further enhance the built environment
  - Ensure the medium term resilience of essential core services

<b>Financial implications:</b>	The capital investment proposals can be met from the available capital resources. Some proposals will have a positive effect on the Council's funding in the medium term. Some proposals will improve the efficiency of the Council and lead to savings in the revenue budget over the medium term
<b>Legal implications:</b>	The Council has to set a balanced budget which includes the capital programme and is also under

	an obligation to carry out its functions effectively, efficiently and economically
<b>Equality and Diversity</b>	The capital programme reflects both service improvement plans and the corporate plan and has no material adverse equality and diversity impact
<b>Service Improvement Plan implications:</b>	
<b>Corporate Plan:</b>	
<b>Risk Assessment:</b>	The report includes an assessment of the risks in the capital programme.
<b>Background papers:</b>	Budget working papers
<b>Appendices</b>	A – Capital Programme 2017/18 to 2020/21

## AGENDA ITEM NO 10

<b>Board/Committee:</b>	Policy and Organisation Board
<b>Date Of Meeting:</b>	27 September 2017
<b>Title:</b>	Discretionary Rate Relief
<b>Author:</b>	Borough Treasurer
<b>Status:</b>	For Decision

### **Purpose**

The purpose of this report is to consider proposed additions to the Council's Discretionary Rate Relief Policy relating to Local Newspaper Relief, Public Houses Relief, Supporting Small Businesses Relief and Discretionary Revaluation Relief

### **Recommendation**

The Board is requested to consider and approve:-

- (i) The Discretionary Rate Relief Policies relating to Local Newspaper Relief, Public Houses Relief, Supporting Small Businesses Relief and Discretionary Revaluation Relief as detailed in Appendices A to D

### **1.0 Background**

- 1.1 Section 47(3) of the Local Government Finance Act 1988 (LGFA) as amended permits the billing authority to grant discretionary rate relief. In the Government's Spring Budgets of 2016 and 2017, new temporary rate reliefs were announced. The Council will be compensated by Central Government through a grant under Section 31 of the Local Government Act 2003
- 1.2 Gosport Borough Council's policy does not allow for the granting of these temporary reliefs at present.

### **2.0 Report**

- 2.1 **Local Newspaper Relief** - is intended to support a strong and vibrant local press. This is a temporary relief for 2017-18 and 2018-19. Central Government will reimburse local authorities that use their discretionary relief powers (under section 47(3)) of LGFA 1988 to grant relief in line with the eligibility criteria set out in Appendix A
- 2.2 **Public House Relief** - is a temporary relief for 2017-18. Central Government will reimburse local authorities that use their discretionary relief powers (under section 47(3)) of LGFA 1988 to grant relief in line with the eligibility criteria set out in Appendix B
- 2.3 **Supporting Small Businesses Relief** - Central Government increased the thresholds for Small Business Rate Relief from 1<sup>st</sup> April 2017 to £12,000 for the 100% relief and £15,000 for the tapered relief.

Unfortunately, despite these changes, some small businesses may lose their entitlement to the relief due to increases in Rateable Values through the revaluation on 1<sup>st</sup> April 2017.

- 2.4 The transitional relief scheme (provided under the Non-Domestic Rating (Chargeable Amounts) (England) Regulations 2016 no 1265) does not provide support in respect of changes in reliefs. Therefore, those ratepayers who have lost some or all of their small business rate relief may face large percentage increases in bills from 1<sup>st</sup> April 2017.
- 2.5 In view of this, Central Government announced that a new scheme of relief would be made available to those ratepayers facing large increases as a result of the loss of small business rate relief due to revaluation. Central Government will reimburse local authorities that use their discretionary relief powers (under section 47(3)) of LGFA 1988 to grant relief in line with the eligibility criteria set out in Appendix C
- 2.6 **Discretionary Revaluation Relief** - in March 2017, Central Government announced that it would make available a discretionary fund of £300 million over four years from 2017/18 to support those businesses that faced the steepest increases in business rates bills as a result of the revaluation. Each authority within England has been allocated a share of the £300 million and this is to be administered through the billing authority's discretionary relief powers under Section 47 of LGFA 1988.
- 2.7 Funding - the funding is not to be provided equally over the four year period and Gosport Borough Council has been allocated the following:

Year	2017-18	2018-19	2019-20	2020-21
Amount of Discretionary pot awarded	£118,000	£57,000	£24,000	£3,000

The council will be compensated for any relief granted under Section 31 of the Local Government Act 2003. It appears unlikely that any underspend can be transferred from one year to the next and underspends will have to be returned to the Treasury, although final confirmation is still awaited from Central Government. Any overspend will not be funded.

The council is also required to consult with its major precepting authorities when formulating the scheme.

- 2.5 Consultation – The council has consulted with the major preceptors in relation to this scheme and has taken their comments into account when determining the eligibility criteria. This is an essential part of the Discretionary Revaluation Relief scheme and is in line with the grant

determination issued by the Department of Communities and Local Government (DCLG) no 31/3071

The grant determination states that a condition of the fund is that consultation is undertaken with “relevant authorities” Relevant authorities for the purposes of this scheme means:

- a) Any major precepting authority and
- b) Any combined authority

In the case of Gosport Borough Council only major precepting authorities have been consulted namely:

- a) Hampshire County Council;
- b) Hampshire Police Authority; and
- c) Hampshire Fire and Rescue Service

- 2.8 Decisions by the Council – it should be noted that whilst the funding from Central Government for Discretionary Revaluation Relief is limited, the decision of the Council whether to award any relief under this scheme **will not take account** of the level of any funding. Please refer to Appendix D for the eligibility criteria.
- 2.9 The scheme be approved for the current financial year and then reviewed for each subsequent year of the funding.

### **3.0 Risk Assessment**

- 3.1 Failure to add Local Newspaper Relief, Public Houses Relief, Supporting Small Businesses Relief and Discretionary Revaluation 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 the 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.

<b>Financial Services comments:</b>	As detailed in report
<b>Legal Services comments:</b>	None for the purposes of this report
<b>Crime and Disorder:</b>	None
<b>Equality and Diversity:</b>	None
<b>Service Improvement Plan</b>	None

<b>implications:</b>	
<b>Corporate Plan:</b>	Enabling Local businesses to be granted the additional business rate reliefs identified within the report will assist the Strategic Priority relating to Prosperity.
<b>Risk Assessment:</b>	Please see Section 3 of the report.
<b>Background papers:</b>	Central Government Guidance and Appendix E consultation response
<b>Appendices/Enclosures:</b>	Appendices A to D -Proposed Additions to the Discretionary Rate Relief Policy relating to Local Newspaper Relief, Public Houses Relief, Supporting Small Businesses Relief and Discretionary Revaluation Relief
<b>Report Author/Lead Officer</b>	Chris Ward

# **Appendix A**

## **Local Newspaper Relief**

### **Eligibility Criteria**

The scheme will provide up to £1,500 relief for office space occupied by local newspapers in England, up to a maximum of one discount per local newspaper title and per hereditament, up to state aid limits, for 2 years from 1 April 2017.

### **Local Newspapers**

The relief is to be specifically for local newspapers and by that, the Council means what would be considered a “traditional local newspaper” The relief will not be available to magazines or on-line only publications.

### **Office Space**

The hereditament **must** be occupied by a local newspaper and wholly or mainly used as office premises for journalists and reporters.

### **Amount of Relief**

The amount of relief is limited to a maximum of one discount per newspaper and will be subject state aid limits

### **Recalculation of Relief**

The amount of discretionary relief awarded may be recalculated in the event of a change of circumstances. This could include, for example, a backdated change to the rateable value of the hereditament, an adjustment to the liability or the awarding of another relief. This change of circumstances could arise during the year in question or during a later year.

In effect, the relief will be calculated on a daily basis taking into account the above

### **Backdating of Relief**

Where applications are received after 30<sup>th</sup> September in any year, backdating of a claim is restricted to the 1<sup>st</sup> of April of that year. For applications received before 30<sup>th</sup> September then claims may be backdated to 1<sup>st</sup> April of the previous financial year if applicable. This is accordance with Regulation 47 of The Local Government Finance Act 1988.

# **Appendix B**

## **Public House Relief**

### **Eligibility Criteria**

The scheme will provide up to £1,000 relief for one year only (1<sup>st</sup> April 2017 to 31<sup>st</sup> March 2018) for all eligible public houses who have a rateable value of less than £100,000 on 1<sup>st</sup> April 2017 subject to state aid limits.

### **Public House**

The definition of a “Public House” means any premises as defined in the Licensing Act 2003, which has a premises license authorising sale by retail of alcohol for consumption on the premises. In addition, the premises **must** be used principally for retail sales of alcohol to members of the public for consumption on the premises, and sales must not be subject to the condition that buyers reside at or consume food on the premises. No relief will be given where the premises are unoccupied.

A Public House for the purposes of this relief will exclude:

- restaurants
- cafes
- nightclubs
- hotels
- snack bars
- guesthouses
- boarding houses
- sporting venues
- music venues
- festival sites
- theatres
- museums
- exhibition halls
- cinemas
- concert halls
- casinos

This list is not exhaustive and the Council will decide whether any premise falls within the above definition.

## **Enterprise Zones**

Where an eligible property is also eligible for Enterprise Zone relief, then Enterprise Zone relief should be granted and this will be funded under the rates retention scheme by a deduction from the central share. Local authorities should not provide pub relief to properties which would otherwise qualify for Enterprise Zone Government funded relief.

## **Other Reliefs**

Public House relief will be granted after applying any other mandatory reliefs and reductions.

## **State Aid**

Pubs are within the scope of State Aid law as companies within the hospitality sector can and do set up business in other Member States as they trade on a market. Linked enterprises are considered as one single undertaking for the application of the *de minimis* rule, therefore can receive €200,000 *de minimis* aid (including that outside of business rates relief) over three years.

## **Recalculation of Relief**

The amount of discretionary relief awarded may be recalculated in the event of a change of circumstances. This could include, for example, a backdated change to the rateable value of the hereditament, an adjustment to the liability or the awarding of another relief. This change of circumstances could arise during the year in question or during a later year.

In effect, the relief will be calculated on a daily basis taking into account the above

## **Backdating of Relief**

Where applications are received after 30<sup>th</sup> September in any year, backdating of a claim is restricted to the 1<sup>st</sup> of April of that year. For applications received before 30<sup>th</sup> September then claims may be backdated to 1<sup>st</sup> April of the previous financial year if applicable. This is accordance with Regulation 47 of The Local Government Finance Act 1988.

# **Appendix C**

## **Supporting Small Businesses Relief**

Supporting Small Businesses relief is to help those ratepayers who as a result of the change in their rateable value at the revaluation are losing some or all of their small business relief and, as a result, are facing large increases in their bills.

The increase will be limited to the greater of:

- a) a percentage increase p.a. of 5%, 7.5%, 10%, 15% and 15% 2017/18 to 2021/22 all plus inflation. Unlike the transitional relief scheme, for the first year of the scheme the percentage increase is taken against the bill for 31 March 2017 after small business rate relief or
- b) a cash value of £600 per year (£50 per month). This cash minimum increase ensures that those ratepayers paying nothing or very small amounts in 2016/17 after small business rate relief are brought into paying something.

In the first year of the scheme, this means all ratepayers losing some or all of their small business rate relief will have the increase in their bill capped at £600. The cash minimum increase is £600 per year thereafter. This means that ratepayers who are currently paying nothing under small business rate relief and are losing all of their entitlement to relief (i.e. moving from £6,000 rateable value or less to more than £15,000) would under this scheme be paying £3,000 in year 5.

Those on the Supporting Small Businesses relief scheme whose 2017 rateable values are £51,000 or more will not be liable to pay the supplement (1.3p) to fund small business rate relief while they are eligible for the Supporting Small Businesses relief scheme.

Ratepayers remain in the Supporting Small Businesses relief scheme for either 5 years or until they reach the bill they would have paid without the scheme (this would be the charge payable as their true rates payable or the charge calculated under the Non-Domestic Rating (Chargeable Amounts) (England) Regulations 2016).

A change of ratepayers will not affect eligibility for the Supporting Small Businesses relief scheme but eligibility will be lost if the hereditament (property) falls vacant or becomes occupied by a charity or Community Amateur Sports Club.

There is no 2nd property test for eligibility for the Supporting Small Businesses Relief scheme. However, those ratepayers who during 2016/17 lost entitlement to small business rate relief because they failed the 2nd property test but have, under the rules for small business rate relief, been given a 12 month period of grace before their relief ended can continue on the scheme for the remainder of their 12 month period of grace.

## **Other Reliefs**

Properties eligible for Charity or Community Amateur Sports Club Relief or properties which are unoccupied are not eligible for Supporting Small Business Relief. The presence of a Section 44a certificate will not further reduce the bill found under the Supporting Small Business scheme.

All other discretionary reliefs, will be considered after the application of Supporting Small Business Relief in accordance with Central Government guidelines.

## **Granting of the relief and State Aid**

Relief will granted in accordance with Central Government guidelines .The relief will be subject to state aid regulations.

## **Recalculation of Relief**

The amount of discretionary relief awarded may be recalculated in the event of a change of circumstances. This could include, for example, a backdated change to the rateable value of the hereditament, an adjustment to the liability or the awarding of another relief. This change of circumstances could arise during the year in question or during a later year.

In effect, the relief will be calculated on a daily basis taking into account the above

## **Backdating of Relief**

Where applications are received after 30<sup>th</sup> September in any year, backdating of a claim is restricted to the 1<sup>st</sup> of April of that year. For applications received before 30<sup>th</sup> September then claims may be backdated to 1<sup>st</sup> April of the previous financial year if applicable. This is accordance with Regulation 47 of The Local Government Finance Act 1988.

## **Central Government Guidelines:**

### **Eligibility for the Scheme**

Day 1 - For 1 April 2017, the supporting small businesses (SSB) relief scheme applies to hereditaments for which<sup>1</sup>:

- a. the chargeable amount for 31 March 2017 is calculated in accordance with section 43(4B) or (6B),
- b. in relation to 43(4B) the value of E for 31 March 2017 is greater than 1,
- c. the chargeable amount for 1 April 2017 is found in accordance with section 43(4), 43(4B), 43(6A) or where regulations 12(3), 12(7) or 12(9) of the Non-Domestic Rating (Chargeable Amounts) (England) Regulations 2016 No. 1265 applies, and

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<sup>1</sup> unless otherwise stated, references are to the Local Government Finance Act 1988

d. the chargeable amount for 1 April 2017 is more than (£600/365) higher than the chargeable amount for 31 March 2017.

Where for 31 March 2017 the chargeable amount has been found under section 47, then eligibility for SSB should be determined as if section 47 did not apply.

Where the hereditament is shown in a local list for the area of a special authority (i.e. the City of London), then eligibility for SSB should be determined as if the special authority's small business non-domestic rating multiplier was 48.4p for 2016/17 and 46.6p for 2017/18.

## **Continued eligibility for the scheme after 1 April 2017**

After 1 April 2017, the Supporting Small Businesses (SSB) scheme will cease to apply where:

a. the chargeable amount for a day found under the SSB scheme is the same as or more than the chargeable amount found in the absence of the SSB scheme. This ensures that where, for example, the minimum increase in the chargeable amount in the SSB scheme would take the bill above the level it would otherwise have been then the hereditament will drop out of the SSB scheme. It also ensures that where, for example, with effect from after 1/4/17, the hereditament becomes eligible for 100% Small Business Rate Relief then they also fall out of the SSB scheme,

b. the chargeable amount for a day would otherwise fall to be found by section 43(5) or where paragraph 12(5) or sub-paragraphs 2(4), 3(4), 4(4), 5(4) of Schedule 2 of the Non-Domestic Rating (Chargeable Amounts) (England) Regulations 2016 No. 1265 applies (charities or registered community amateur sports clubs), or

c. the hereditament for a day is unoccupied.

Furthermore, where the ratepayer during 2016/17 lost entitlement to small business rate relief because they failed the 2nd property test but have, under the rules for small business rate relief, been given a 12 month period of grace before their relief ended (and therefore was still entitled to small business rate relief on 31 March 2017), then eligibility for the SSB scheme will cease at the end of that 12 months period of grace.

Hereditaments which cease to be entitled to Supporting Small Businesses for a day cannot return to eligibility if their circumstances change from a later day. For example, if a property falls unoccupied it will not then be eligible for Supporting Small Businesses relief if it subsequently becomes occupied again.

## **Chargeable Amount under the Supporting Small Businesses Scheme**

Where the Supporting Small Businesses scheme applies then DCLG will fund local authorities to apply a chargeable amount under section 47 of the 1988 Act for the period 1 April 2017 to 31 March 2022 found in accordance with the rules in [Part 1 to Part 3 of]

the Non-Domestic Rating (Chargeable Amounts) (England) Regulations 2016 No. 1265 subject to the following changes:

- a. BL for 2017/18 is the chargeable amount for 31 March 2017 x 365 (on the assumption that section 47 did not apply for 31 March 2017 and on the assumption in the City of London that the special authority's small business non-domestic rating multiplier was 48.4p for 2016/17). This ensures the starting base liability for hereditaments eligible for SSB include the SBRR or rural rate relief for 31 March,
- b. Where a certificate has been issued under regulations 17 or 18 then BL for 2017/18 should be found in line with a) above but on the assumption that the rateable value in the rating list was the rateable values as certified,
- c. References to "(BL x AF)" are to "(BL x AF) or (BL + 600) whichever is the greater". This ensures the bill increase is the greater or £600 or the increase under the caps in the transitional relief scheme,
- d. AF is found in accordance with regulation 10(6) irrespective of the rateable value of the hereditament for 1 April 2017. This ensures only the cap on increases for small properties is applied in the SSB scheme irrespective of the actual rateable value of the hereditament
- e. regulation 12(6)(b) is omitted. This ensures SBRR is not also applied to the capped bill in the SSB scheme. This avoids double counting of relief as illustrated at paragraph 23 above,
- f. the reference to "2" in regulation 12(8) is "1". This ensures rural rate relief is not also applied to the capped bill in the SSB scheme. This avoids double counting of relief,
- g. "U" is taken to have a value of 0 throughout. This ensures that any hereditament whose rateable value is £51,000 or more does not have to pay the 1.3p supplement whilst eligible for SSB relief,
- h. for a year (the year concerned) other than 2017/18, BL is (BL x AF) or (BL + 600) from the year immediately the year concerned whichever is the greater.

No change is made to the meaning of NCA. However, as discussed above, eligibility for Supporting Small Businesses relief ceases when the chargeable amount for a day found under the Supporting Small Businesses scheme is the same as or more than the chargeable amount found outside the scheme.

Regulation 6 (special authorities) will apply as normal under the Supporting Small Businesses scheme. This ensures ratepayers in the City of London continue to pay any additional amount attributable to the City multiplier.

For the avoidance of doubt, the rules for changes in rateable value with effect from after 1 April 2017 (regulation 13) will continue to apply as normal subject to the amendments in paragraph 35 above. This ensures that, for example, later increases in rateable value are paid in full in the normal way<sup>2</sup>.

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<sup>2</sup> based on the small business non-domestic multiplier. This is because U is taken to have a value of 0 throughout.

## **Splits and mergers**

The SSB scheme will apply to hereditaments:

- a. coming into existence because of the circumstances described in paragraph 1 of Schedule 2 of Non-Domestic Rating (Chargeable Amounts) (England) Regulations 2016 No. 1265,
- b. where one of the hereditaments from which the new hereditament was formed in whole or in part was for the day immediately before the creation day eligible for the SSB scheme, and
- c. the circumstances described at paragraph 32 above do not apply for the creation day in respect of the hereditament.

After the creation day, the SSB scheme will cease to apply in the circumstances described in paragraph 32 above.

The number of hereditaments eligible for SSB which then split or merge is likely to be very small and devising rules in particular for mergers with properties outside of the SSB scheme would be complex. Therefore, in discussions with local authority stakeholders, DCLG has concluded it would be disproportionate to devise detailed rules to prescribe the chargeable amounts in the various circumstances which could arise from a split or a merger.

Instead, for hereditaments meeting the criteria in paragraph 39 and 40 above, DCLG will fund local authorities to apply a chargeable amount under section 47 of the 1988 Act found in accordance with the following principle:

- a. that the protection offered by the SSB scheme (that the bill will not rise by the greater of £600 p.a. or the transitional relief caps) will continue to apply in principle to that part of the newly created hereditament which was immediately before the creation day in the SSB scheme, and
- b. that increases (or reductions) in overall rateable value arising from the split or merger are not subject to the protection of the SSB scheme.

For simple splits of hereditaments previously eligible for SSB, authorities may wish to simply apportion the chargeable amount in the SSB scheme for the hereditament before the split in line with the change in rateable value from the split (i.e. in line with the principle in Schedule 2 of Non-Domestic Rating (Chargeable Amounts) (England) Regulations 2016 No. 1265).

For mergers and reorganisations, authorities will have to estimate the degree to which, in line with the principle of the SSB scheme, that part of the hereditament which was formerly eligible for SSB should continue to receive support under the SSB scheme. DCLG does not expect authorities to seek any formal apportionments of the rateable value for this purpose.

# Appendix D

## Discretionary Revaluation Relief 2017/18

Relief will only be granted for 2017/18 after which the policy will be reviewed and new applications will be required. Funding for this relief is being provided by Central Government up to a fixed level. In 2018/19 the amount of funding provided will be halved and the Discretionary Revaluation Relief will take this into account. Businesses should not therefore assume they will receive the same level of support in 2018/19.

- a) The scheme is designed to assist ratepayers who have suffered significant increases in rate liability due to the revaluation and the subsequent increase to their rateable value.
- b) Relief will not be awarded where the 2017 rateable value is over £200,000
- c) Relief will not be awarded where Mandatory relief is granted.
- d) In assessing any potential entitlement to an award under this scheme the Council will compare the following:
  - The rate liability of the ratepayer at 31<sup>st</sup> March 2017 after any reliefs and reductions x 365 (**A**); and
  - The rate liability of the ratepayer at 1<sup>st</sup> April 2017 after any reliefs and reductions x 365 (**B**)
- e) Relief will be awarded where the calculation **A – B** in the above paragraph would result in an increase above 10.0%
- f) Relief will only be given to premises which are liable for occupied rates. No relief within this scheme will be granted for unoccupied properties.
- g) Relief will only be granted to ratepayers who were in occupation at 31<sup>st</sup> March 2017 and in occupation on 1<sup>st</sup> April 2017 and for each day subsequently.
- h) Ratepayers taking up occupation on or after 1<sup>st</sup> April 2017 will **not** be eligible for relief on the basis that new ratepayers would not have suffered from increases due to a revaluation
- i) Relief may be awarded for more than one premises as long as all other criteria are met.
- j) Relief will not be awarded where the ratepayer has applied for a reduction under S44a of the Local Government Finance Act 1988
- k) Relief will not be awarded where the ratepayer is entitled to Supporting Small Business or Public House Rate Relief
- l) Relief will be targeted to local businesses and not those businesses that are national or multi-national in nature. Local businesses are, for the purposes of this scheme, those which have premises wholly in the Councils area
- m) Relief will not be awarded for hereditaments wholly or mainly used for;
  - a. Accountants and Accountancy Firms including Financial Advisors
  - b. Banks and Building Societies
  - c. Betting and Gambling establishments
  - d. Cash Machines and ATMS
  - e. Charity Shops (Whether Mandatory relief is given or not)
  - f. Doctors and GP surgeries, and other publically funded service providers

- g. Foreign Exchange Bureaus
- h. Insurance Agents
- i. Pawn Brokers, Cheque encashment and Pay Day lenders
- j. Solicitors and Law Firms/Agencies
- k. Supermarkets and Discount Stores and
- l. Telecommunications hereditaments including cable and networking
- m. Businesses that received 100% Enterprise Zone Rate Relief in 2016/17

### **Amount of Relief awarded**

Relief will be awarded as follows:

- Where the percentage increase is over 50% then 55% of the amount of increase payable will be awarded
- Where the percentage increase is over 20% but under 50% then 50% of the amount of increase payable will be awarded
- Where the percentage increase is over 10% but under 20% then 45% of the amount of increase payable will be awarded

### **Recalculation of Relief**

The amount of discretionary relief awarded may be recalculated in the event of a change of circumstances. This could include, for example, a backdated change to the rateable value of the hereditament, an adjustment to the liability or the awarding of another relief. This change of circumstances could arise during the year in question or during a later year.

In effect, the relief will be calculated on a daily basis taking into account the above

### **Backdating of Relief**

Where applications are received after 30<sup>th</sup> September in any year, backdating of a claim is restricted to the 1<sup>st</sup> of April of that year. For applications received before 30<sup>th</sup> September then claims may be backdated to 1<sup>st</sup> April of the previous financial year if applicable. This is accordance with Regulation 47 of The Local Government Finance Act 1988.