Notice of Meeting

Council

A Meeting of the Test Valley Borough Council will be held on

Date: Friday, 23 February 2018

Time: 16:00

Venue: Conference Room 1, Beech Hurst, Weyhill Road, Andover, Hampshire, SP10 3AJ

when your attendance is required to consider the business set out in the agenda.

Karen Dunn

Head of Legal and Democratic Services

For further information or enquiries please contact:
Emma Horbury - **01264 368001**
email ehorbury@testvalley.gov.uk

Legal and Democratic Service
Test Valley Borough Council,
Beech Hurst, Weyhill Road,
Andover, Hampshire,
SP10 3AJ
www.testvalley.gov.uk

PUBLIC PARTICIPATION SCHEME

If members of the public wish to address the meeting they should notify the Legal and Democratic Service at the Council's Beech Hurst office by noon on the working day before the meeting.

Council

Friday, 23 February 2018

AGENDA

ITEM 8 To receive and, where necessary, adopt the following reports of Committees:

To receive and, where necessary, adopt the following reports of Committees:

(Some reports may involve the disclosure of exempt information. If the Council wishes to debate them, for each individual case the Council will need to adopt a suitable motion).

8.1 **To receive the minutes of the following meetings:**

8.1.1 Southern Area Planning Committee – 9 January 2018

8.1.2 Cabinet – 17 January 2018

8.1.3 Overview and Scrutiny Committee – 22 January 2018

8.1.4 Southern Area Planning Committee – 23 January 2018

8.1.5 Southern Area Planning Committee – 30 January 2018

8.1.6 Planning Control Committee – 6 February 2018

8.1.7 Licensing Committee – 13 February 2018

8.1.8 Cabinet – 14 February 2018

8.1.9 Southern Area Planning Committee – 20 February 2018

8.1.10 Overview and Scrutiny Committee – 21 February 2018

(Note: in relation to 8.1.6, 8.1.7, 8.1.8, 8.1.9, and 8.1.10 these minutes are not included in the minute book and will be presented at the next Council meeting but Members are able to ask questions on resolved items.)

8.2 **To adopt recommendations from the following:**

8.2.1 Planning Control Committee – 6 February 2018

Recommendations to follow (if any)

8.2.2 Licensing Committee – 13 February 2018

Re-adoption of Part II of the Local Government (Miscellaneous Provisions) Act 1976) (APPENDIX A)

Recommended:

That the provisions of Part II of the Local Government (Miscellaneous Provisions) Act 1976 be adopted to apply throughout the Borough of Test Valley with effect from 12 May 2018.

8.2.3 Cabinet – 14 February 2018

8.2.3.1 Delegation for Neighbourhood Planning (APPENDIX B)

Recommended:

1. **That for the purposes of Neighbourhood Planning, delegated authority be given to the Head of Planning Policy, in consultation with the Planning Portfolio Holder, to determine whether or not a strategic environmental assessment is required (screening process) and, if required, the scope of the strategic environmental assessment under the Environmental Assessment of Plans and Programme Regulations (2004).**

2. **That for the purposes of Neighbourhood Planning, delegated authority be given to the Head of Planning Policy, in consultation with the Planning Portfolio Holder, to determine whether an Appropriate Assessment is required under the Conservation of Habitats and Species Regulations (2017) as amended.**

8.2.3.2 Treasury Management Strategy Statement and Annual Investment Strategy 2018/19 (APPENDIX C)

Recommended:

1. **That the Treasury Management Strategy Statement and the Annual Investment Strategy for 2018/19 as set out in the report be approved.**

2. **That the Minimum Revenue Provision (MRP) policy be approved.**

3. **That the Prudential Indicators as set out in annex 1 to the report be approved.**

8.2.3.3 Revenue Budget and Council Tax Proposals 2018/19 (APPENDIX D)

Recommended:

1. **That the Revised Forecast for 2017/18 as set out in Column 3 of annex 1 to the report be approved.**

2. **That the Savings Options, Income Generation Proposals and Revenue Pressures as set out in annexes 2 - 4 to the report be approved.**

3. **That subject to recommendation 2 above and taking due regard of the Head of Finance's comments in annex 8 to the report, the budget for 2018/19 as set out in Column 6 of annex 1 to the report be approved.**

4. **That subject to recommendations 2 and 3 above, the revenue estimates for each Service contained in annex 7 to the report be approved.**

5. **That a Council Tax Requirement for 2018/19 of £8,587,690 be approved.**

6. **That a Special Expenses Levy of £296,627 be made in respect of the area of Andover to cover the cost of providing burial grounds, public halls, sports grounds and playgrounds.**

7. **That a general precept of £6,798,851 be levied for the year 2018/19.**

8. **That the Medium Term Forecast contained in annex 6 to the report be noted.**

9. **That a Band D Council Tax excluding Parishes and Special Expenses of £141.41 in 2018/19 be approved – representing an increase of £5, equivalent to less than 10p per week.**

10. **That the transfer to the Capital Receipts Reserve be increased by £1.096M in 2018/19.**

11. **That delegated authority be given to the Head of Finance in consultation with the Leader, Finance Portfolio Holder and the Chief Executive to make changes to the budget following Cabinet to take account of new issues, changes to figures notified by Parish Councils or any late changes in the final Local Government Finance Settlement.**

8.2.3.4 <u>Capital Programme Update – 2017/18 to 2019/20 (APPENDIX E)</u>

Recommended:

1. **That the revised estimates and financing for the 2017/18 to 2019/20 Capital Programme as shown in annex 1 to the report be approved.**

2. **That £3.248M be drawn from the New Homes Bonus Reserve to finance the Capital Investment Programme until 2019/20.**

8.2.4 Southern Area Planning Committee – 20 February 2018

Recommendations to follow (if any)

8.2.5 Overview and Scrutiny Committee – 21 February 2018

Recommendations to follow (if any)

APPENDIX A

ITEM Re-adoption of Part II of the Local Government (Miscellaneous Provisions) Act 1976

Report of the Head of Legal and Democratic (Portfolio: Corporate)

Recommended:

1. **That notice be given of the Council's intention to pass a resolution applying the provisions of Part II of the Local Government (Miscellaneous Provisions) Act 1976 with effect from 12 May 2018.**

2. **That notice of such intention be published for two consecutive weeks in a local newspaper/s circulating in the area.**

3. **That notice of such intention be served upon all parish councils, and on the Chairman of any parish meeting, affected by the resolution.**

Recommended to Council:

That the provisions of Part II of the Local Government (Miscellaneous Provisions) Act 1976 be adopted to apply throughout the Borough of Test Valley with effect from 12 May 2018.

SUMMARY:

- Part II of the 1976 Act contains provisions relating to the licensing of private hire and hackney carriage vehicles, drivers and operators.
- Although previously adopted by the Council, previous case law and a legal challenge involving another local authority necessitate the re-adoption of the legislation.

1 Introduction

1.1 The report provides details of a proposal to readopt the provisions of Part II of the Local Government (Miscellaneous Provisions) Act 1976 within the Borough Council's area.

2 Background

2.1 Part II of the 1976 Act contains provisions in relation to the licensing of private hire and hackney carriage vehicles, drivers and operators. The legislation contains provisions that allow local authorities to control the operation and use of private hire and hackney carriage vehicles and to protect the public by ensuring that vehicles are fit for use as licensed vehicles and drivers are 'fit and proper' to act as such.

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2.2 The Borough Council previously resolved on 8 August 1978 to adopt Part II of the Act and that it would come into force on 9 October 1978. Case law has seen decisions to prosecute for offences under Part II challenged successfully because a Council could not demonstrate – some 35 years after the event – that it had given the appropriate notices in its adoption of Part II; the paperwork was simply not available. A review of the Borough Council's records evidenced the resolution above, but unfortunately there is no evidence of the other aspects of the adoption process as set out in paragraph 2.4 of this report.

2.3 There is a general awareness that these challenges have taken place and in order to have a recent and robust position which would not be challengeable it is suggested that it would be beneficial to readopt the resolution for the purpose of clarity for the future and to ensure certainty in any enforcement action take under the legislation. In doing so, Council records will ensure that the necessary paperwork to evidence the re-adoption is available.

2.4 It is therefore proposed that the Committee recommend to Council that authority be given for the provision of notice of the Council's intention to readopt the provisions of Part II of the 1976 Act. In accordance with the statutory requirements notice will consist of the publication of a notice of intention in a local newspaper for two consecutive weeks and service of the notice on the Parish and Town Councils within the Borough.

3 Corporate Objectives and Priorities

3.1 There are no direct links to the Corporate Plan. Nonetheless re-adoption will help ensure taxi licensing standards within the Borough in addition to ensuring public safety of our community and visitors.

4 Consultations/Communications

4.1 A public notice will be placed in a local newspaper for two consecutive weeks and all Parish and Town Councils will be served with a copy of the notice. No further consultation is necessary as the re-adoption merely confirms the existing position with regard to private hire and hackney carriage licensing.

5 Options and Option Appraisal

5.1 The options are either to readopt the legislation or, not to readopt. Re-adoption of the Act will provide clarification and certainty whereas failure to readopt the legislation may result in uncertainty in the Council's ability to take enforcement action, particularly against unlicensed drivers, vehicle owners and operators. Re-adoption is without prejudice to the Council's previous adoption made pursuant to the Act. There is no intention to change the existing position with respect to Part II of the 1976 Act and therefore all policies, practices, conditions and delegations will continue unchanged.

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6 Resource Implications

6.1 There will be a cost implication relating to the publication of the statutory notice which will be met by existing budgets.

7 Legal Implications

7.1 Where the Town Police Clauses Act 1847 (relating to the licensing of hackney carriages) is in force throughout a District Council, section 45(3) of the 1976 Act provides that a Council may resolve that Part II of the Act is to apply in the area. The Council may not pass a resolution adopting Part II of the 1976 Act unless it has (a) published a notice of intention to pass the resolution in a local newspaper circulating in the area for two consecutive weeks and (b) served a copy of the notice, not later than the date on which it is first published in the newspaper, on each Parish or Community Council within the area to be affected.

8 Equality Issues

8.1 An Equalities Impact Assessment (EQIA) has not been undertaken as the report does not concern the implementation of a new policy or procedure; it is concerned with remedying a specific legal matter only.

9 Other Issues

9.1 Community Safety – none specific.

9.2 Environmental Health Issues – none specific.

9.3 Sustainability and Addressing a Changing Climate – none specific.

9.4 Property Issues – none.

9.5 Wards/Communities Affected – the whole Borough.

10 Conclusion

10.1 Adoption of Part II of the 1976 Act is vital if the Borough Council is to be able to undertake its activities in respect of the licensing of hackney carriage and private hire drivers, vehicles and operators. Unfortunately, some evidence that the adoption process has been fully complied with has not survived in the nearly 40 years since the original adoption. To remedy this it is proposed to readopt the legislation; this is purely an administrative procedure and has no implication for the ongoing provision of the licensing function.

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Background Papers (Local Government Act 1972 Section 100D) Part II Local Government (Miscellaneous Provisions) Act 1976 Council minute dated 8 August 1978 Decision in Aylesbury Vale District Council -v- Call a Cab			
Confidentiality It is considered that this report does not contain exempt information within the meaning of Schedule 12A of the Local Government Act 1972, as amended, and can be made public.			
No of Annexes:	0		
Author:	Michael White	Ext:	8013
File Ref:	MW/		
Report to:	Licensing Committee	Date:	13 February 2018

APPENDIX B

ITEM **Delegation for Neighbourhood Planning**

Report of the Planning Portfolio Holder

Recommended

1. **That the response to the Goodworth Clatford Neighbourhood Plan Request for Screening Opinion (January 2018), as set out in annex 2 to the report, be approved.**

Recommendation to Council:

2. **That for the purposes of Neighbourhood Planning, delegated authority be given to the Head of Planning Policy, in consultation with the Planning Portfolio Holder, to determine whether or not a strategic environmental assessment is required (screening process) and, if required, the scope of the strategic environmental assessment under the Environmental Assessment of Plans and Programme Regulations (2004).**

3. **That for the purposes of Neighbourhood Planning, delegated authority be given to the Head of Planning Policy, in consultation with the Planning Portfolio Holder, to determine whether an Appropriate Assessment is required under the Conservation of Habitats and Species Regulations (2017) as amended.**

SUMMARY:

- To approve the Head of Planning Policy's response to the Goodworth Clatford Neighbourhood Plan Screening Opinion on the requirement for a Strategic Environmental Assessment and Habitats Regulation Assessment.
- That delegated authority be given to the Head of Planning Policy with regards to Strategic Environmental Assessment and Habitats Regulation Assessment in order to respond in a timely manner.

1 Introduction

1.1 The Localism Act 2011 introduced neighbourhood planning to enable local communities to shape development in their areas through the production of Neighbourhood Development Plans. A Neighbourhood Plan must satisfy a number of legal requirements, including the 'basic conditions' for it to finally be 'made' (i.e. adopted) and form part of the development plan. The Council has already put into place processes to ensure that its role in neighbourhood planning can be undertaken efficiently. However, it has been identified that further improvements can be made.

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1.2 The purpose of this report is twofold. Firstly, to seek delegated authority for the Head of Planning Policy to determine requests made under the Environmental Assessment of Plans and Programme Regulations (2004) and the Conservation of Habitats and Species Regulations (2017). Secondly, to determine the Goodworth Clatford request for a Screening Opinion submitted in relation to the Environmental Assessment of Plans and Programme Regulations (2004) and Conservation of Habitats and Species Regulations (2017).

2 Background

2.1 The preparation of a Neighbourhood Plan involves a series of stages as required by legislation before it can be 'made'. To be 'made', a Neighbourhood Plan must meet certain Basic Conditions. These include that the making of the plan *"does not breach, and is otherwise compatible with, EU obligations".*

2.2 One of these obligations is Directive 2001/42/EC 'on the assessment of the effects of certain plans and programmes on the environment'. This is often referred to as the strategic environmental assessment (or SEA) Directive. The SEA Directive seeks "*to provide for a high level of protection of the environment and to contribute to the integration of environmental considerations into the preparation and adoption of plans and programmes."* The SEA Directive is transposed into UK law through the Environmental Assessment of Plans and Programmes Regulations 2004 (the 'SEA Regulations') and it is these Regulations that the neighbourhood plan will need to be compatible with.

2.3 Another key obligation is Directive 92/43/EEC 'on the conservation of natural habitats and of wild fauna and flora', often referred to as the Habitats Directive. This has been translated into UK law via The Conservation of Habitats and Species Regulations 2017. Under the 'Habitats Regulations' an assessment referred to as an Appropriate Assessment must be undertaken if a Neighbourhood Plan is likely to have a significant effect on a European protected wildlife site.

2.4 Under both the SEA and Habitats Regulations it is the Council's role to advise whether further work is required once the first stage, a screening assessment, has been undertaken by the Parish Council on its Neighbourhood Plan.

2.5 The Government has maintained its support for Neighbourhood Planning and has introduced a series of legislative changes which are designed to speed up and simplify the Neighbourhood Planning process.

2.6 To ensure a timely response the Council has delegated certain powers relating to Neighbourhood Planning to the Head of Planning Policy. These currently comprise:-

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i. To determine all matters relevant to the publication and designation of the Neighbourhood Area pursuant to Part 2 of the Neighbourhood Planning (General) Regulations (2012) ("the Regulations").
ii. In consultation with the Planning Portfolio Holder to submit the Local Planning Authority's Consultation response and thereafter secure the publication of the Neighbourhood Plan proposal.
iii. In consultation with the Planning Portfolio Holder to provide the Local Authority's further response and to appoint a person to carry out an examination of the Neighbourhood Plan and thereafter to submit the plan for examination pursuant to the Regulations.

2.7 These powers focus on the key stages of the planning process. However, as our parishes make progress with Neighbourhood Plans, and lessons are learnt from other authorities, it has been identified that there are areas of the Council's processes which could be enhanced.

2.8 On the 8January 2018 Goodworth Clatford submitted a request Screening Opinion on whether a Strategic Environmental Assessment (SEA) is required. A review of the process involved identified that any response under SEA Regulations would require a report to Cabinet. The same issue would exist for any response made under the Habitats Regulations.

2.9 Legal advice has confirmed that neither the current Head of Planning Policy's delegated powers, nor those of the Head of Planning and Building, allow for an efficient way of responding to such requests and that in all instances a report to Cabinet would be triggered. This would not align with the Government's approach of responding in a timely manner.

2.10 It should be noted that a review of the approaches of other Local Planning Authorities has shown that by putting into place comparable delegated powers it allows for an expedient response to such requests.

3 Corporate Objectives and Priorities

3.1 The principles of neighbourhood planning encourage local communities to reach their full potential by taking the initiative in helping to preserve and enhance the natural and built environment and may help create opportunities for homes and employment.

4 Consultations/Communications

4.1 The legislation linked to SEA is explicit that only Natural England, Historic England and Environment Agency are required to be consulted. The legislation does not require notification or consultation of wider public / organisations. The SEA Regulations are not explicit with regards to the length of time to consult with the statutory consultees on screening opinions. It is proposed that a period of 5 weeks is used as this would be consistent with other elements of the Regulations. This approach has been confirmed with the Council's Legal officer as acceptable.

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4.2 With regards to the Habitats Regulations legislation, the Council would consult with Natural England on whether they consider the neighbourhood plan is likely to have a significant effect. Depending on the response, further legal stages would then be triggered.

4.3 With regards to the Goodworth Clatford Screening Opinion, the Council has consulted with the three statutory consultees. At the time of writing Historic England have yet to respond. An update will be provided at the Cabinet meeting.

5 Options

5.1 With regards to the first part, the option to consider is whether to grants delegated authority to the Head of Planning Policy, or not.

5.2 With regards to Goodworth Clatford Screening Opinion request (annex one) the option is whether to respond as proposed in annex two.

6 Option Appraisal

Delegation

6.1 The alternative option is not to amend the Scheme of Delegation and to report each decision making element of the SEA and Habitats Regulations processes to Cabinet. This would result in a delay to the Neighbourhood Plan process and be at odds with the Government's drive to make plan preparation as efficient as possible. As such this is not considered to be an appropriate course of action.

Goodworth Clatford Screening Opinion

6.2 Regulation 9 of the Environmental Assessment of Plans and Programmes Regulations 2004 requires that the responsible authority (Test Valley Borough Council) shall determine whether or not a plan is likely to have significant environmental effects. As part of making this assessment, the responsible authority shall:-

(a) take into account the criteria specified in Schedule 1 to these Regulations; and

(b) consult the consultation bodies.

6.3 Natural England, Environment Agency and Historic England, as the statutory consultation bodies for the Regulations, were consulted on this SEA screening request with Natural England also having the role of highlighting any issues under the Habitats Regulations. The consultation started on 11 January 2018 for a five week period, ending on 15 February 2018.

6.4 Having regard to the letter and associated briefing note that was submitted the consultation responses from Natural England and the Environment Agency indicated that having regard to the matters within their remit, the

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proposed Neighbourhood Plan would not be likely to have significant environmental effects. At the time of writing no response has been received by Historic England. An update will be provided once received and annex two amended.

6.5 The Council has had due regard to the statutory consultee responses and the criteria within Schedule 1 of the Regulations in coming to a view on whether the proposed Neighbourhood Plan is likely to have significant environmental effects. Based on the summary of the proposed Neighbourhood Plan (as provided within the Briefing Note), it is the Council's opinion that the Plan would not be likely to have significant environmental effects due, in part, to the scale of the proposals envisaged; that no allocations are being proposed and that measures are in place through the draft Neighbourhood Plan and the strategic policies of the Local Plan. On this basis, a Strategic Environmental Assessment would not be required for the proposed Goodworth Clatford Neighbourhood Plan. No issue has been raised which would trigger the requirement for an SEA and an alternative response to that proposed in annex two, subject to receipt of the response from Historic England.

6.6 The Regulations advise that where the responsible authority determines that the plan is unlikely to have significant environmental effects (and, accordingly, does not require an environmental assessment) it shall prepare a statement of its reasons for the determination.

6.7 With regards to the need for an appropriate assessment under the Habitats Regulations the Council is guided by Natural England who has not highlighted a need for one to be undertaken. This is coupled with recognising the scale of the draft proposals of the Neighbourhood Plan and that the purpose of an HRA is to protect European designations of which there are none within, or in near vicinity of, the neighbourhood area.

6.8 The Briefing Note refers to potential implications for European sites downstream of the parish. As the draft proposals of the Neighbourhood Plan are consistent with the current Local Plan this issue has already been assessed as part of the Council's Habitat Regulations Assessment (2013 and 2014).

7 Risk Management

7.1 An evaluation of the risks associated with the matters in this report indicate that further risk assessment is not needed because the changes/issues covered do not represent significant risks or have previously been considered by Councillors (April 2014).

8 Resource Implication

8.1 Any resource implications of the proposed delegation would be met within existing budgets.

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9 Legal Implications

9.1 The process which the Council is required to follow is established in the legislation listed in this report. It should also be noted that the National Planning Practice Guidance recognises that the Council can delegate to others in the authority to discharge the duties relating to Neighbourhood Planning.

10 Equality Issues

10.1 The issue of equality would need to be considered as part of any future individual NDP.

11 Other Issues

11.1 Community Safety - none

11.2 Environmental Health Issues – none

11.3 Sustainability and Addressing a Changing Climate - none

11.4 Property Issues - none

11.5 Wards/Communities Affected – The proposed delegation could affect all parishes within the Borough should they choose to undertake a Neighbourhood Plan. The response at annex two is specific to Goodworth Clatford parish.

12 Conclusion and reasons for recommendation

12.1 To ensure that Neighbourhood Plans satisfy the ‘Basic Conditions’ it is required for them to satisfy the obligations of the SEA Regulations and Habitats Regulations. To enable that the Council respond in a timely manner it is proposed to delegate authority to the Head of Planning Policy.

12.2 The Council has undertaken consultation on the Goodworth Clatford Screening Opinion. The proposed response is listed in annex two.

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Background Papers (Local Government Act 1972 Section 100D) Legislation referred to in main report TVBC Community Planning Toolkit (2016)			
Confidentiality It is considered that this report does not contain exempt information within the meaning of Schedule 12A of the Local Government Act 1972, as amended, and can be made public.			
No of Annexes:	2	File Ref:	pp11
(Portfolio: Planning) Councillor Adams-King			
Officer:	Graham Smith	Ext:	8141
Report to:	Cabinet	Date:	14 February 2018

Goodworth Clatford Parish Council

Planning and Building Services
TVBC
Beech Hurst
Andover
SP10 3AJ

8th January 2018

For the attention of Graham Smith, Planning Policy Manager

Dear Mr Smith,

Goodworth Clatford NDP
Request for screening opinion on requirement for Strategic Environmental Assessment (SEA) and Habitat Regulations Assessment (HRA)

As you know, Goodworth Clatford Parish Council is in the process of preparing a Neighbourhood Development Plan (NDP). We have reached the point of having an emerging Plan document, and have recently engaged professional planning support to review the draft policies. We hope to move to the Regulation 14 consultation stage as soon as possible, and by March this year.

We are aware of the need to consider the implications for environmental assessment and have read your helpful guidance note of December 2016.

In line with that guidance, we are now writing to request a screening opinion on the need for SEA and HRA. We enclose a briefing note, prepared by our consultant, which aims to provide sufficient information for you and others to consider whether our NDP is likely to have significant environmental effects.

Please do not hesitate to contact us you need any further information at this stage. You are welcome to contact our consultant direct (his details are at the end of the briefing note); please copy us in to any correspondence.

Yours sincerely,

Bob Wheadon
Clerk to the Council

Kirkby House, Smannell, Andover, Hants, SP11 6JW Telephone: 01264 339365 e-mail: clerk2gcpc@clara.co.uk
Web site: www.goodworthclatford.org.uk

Request for screening opinion on need for Strategic Environmental Assessment and Habitats Regulations Assessment: briefing note

January 2018

Dr DJ Nicholson
DJN Planning Ltd for Goodworth Clatford Parish Council

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1. Introduction

1.1 This note has been prepared to accompany a request by Goodworth Clatford Parish Council to Test Valley Borough Council for a screening opinion as to whether the proposed Goodworth Clatford Neighbourhood Development Plan (NDP) is likely to have significant environmental effects, and so require Strategic Environmental Assessment (SEA).

1.2 The request is made pursuant to Regulation 9 of the Environmental Assessment of Plans and Programmes Regulations 2004.[1] This requires the consideration of specified criteria, listed in Schedule 1 to the Regulations. The Countryside Agency, English Heritage, English Nature, and the Environment Agency should also be consulted (the consultation bodies).

1.3 The Parish Council is also seeking an opinion from the Borough Council as to whether a Habitats Regulations Assessment (HRA) of the NDP will be required.[2] HRA identifies whether a plan is likely to have a significant effect on a European site of nature conservation importance, either alone or in combination with other plans or projects.

1.4 Guidance on these matters has been produced for NDP groups by the Borough Council.[3] It recommends that groups should request a screening opinion from the Borough Council at the earliest stage of plan preparation. Such a request should be accompanied by a report that includes a summary of what the plan is likely to propose (e.g. types of policies and the broad quantum and approximate locations of any potential development) and any features of the Area which may be affected. This briefing note has been prepared to provide this information.

1.5 By way of background, Planning Practice Guidance indicates that SEA may be required where the NDP allocates sites for development, the Neighbourhood Area contains sensitive natural

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[1] SI 2004 No. 1633.
[2] Pursuant to Regulation 102 of the Conservation of Habitats and Species Regulations 2010 SI 2010 No. 490.
[3] Test Valley Borough Council, Neighbourhood Development Plans, Strategic Environmental Assessment and Habitat Regulations Assessment Guidance, December 2016

or heritage assets that may be affected by proposals in the plan, or it is likely to have significant environmental effects that have not already been considered and dealt with through a sustainability appraisal of the Local Plan.[4]

1.6 When the NDP is submitted, it will need to include a statement confirming *inter alia* that the Plan does not breach and is otherwise compatible with EU obligations, and that its making is not likely to have a significant effect on a European site, either alone or in combination with other plans or projects. The provisions for both SEA and HRA stem from European Directives, and the Borough Council's screening opinion as to whether the NDP requires SEA or HRA is the first step in satisfying the above requirement. If likely significant environmental effects are identified, an Environmental Report will need to be prepared and submitted with the proposed NDP. Where it is determined that an NDP is unlikely to have significant environmental effects, a statement of reasons for the determination should be prepared and submitted with the proposed NDP.

1.7 This note provides:

- A summary of the relevant environmental features in the Goodworth Clatford Neighbourhood Area (section 2);
- A summary of what the Goodworth Clatford NDP is likely to propose (section 3); and
- An initial assessment of the potential for significant environmental effects, against the Schedule 1 criteria (section 4).

1.8 For the avoidance of doubt, this note does not constitute a draft of a formal screening determination, but is rather intended to confirm the overall parameters of the proposed NDP and relevant environmental considerations to enable an informed screening opinion on the need for SEA and HRA to be provided.

2. Environmental features in the Goodworth Clatford Neighbourhood Area

2.1 The Neighbourhood Area is shown at Figure 1. It lies to the south of Andover and principally comprises open countryside and woodland, bisected by the valley of the River Anton flowing north-south. The settlement of Goodworth Clatford sits astride the River Anton at a bridging point. The village has generally retained its historic linear form, reflecting the landform of the river valley. More modern development extends up the valley sides, mainly to the west.

[4] Paragraph: 046 Reference ID: 11-046-20150209

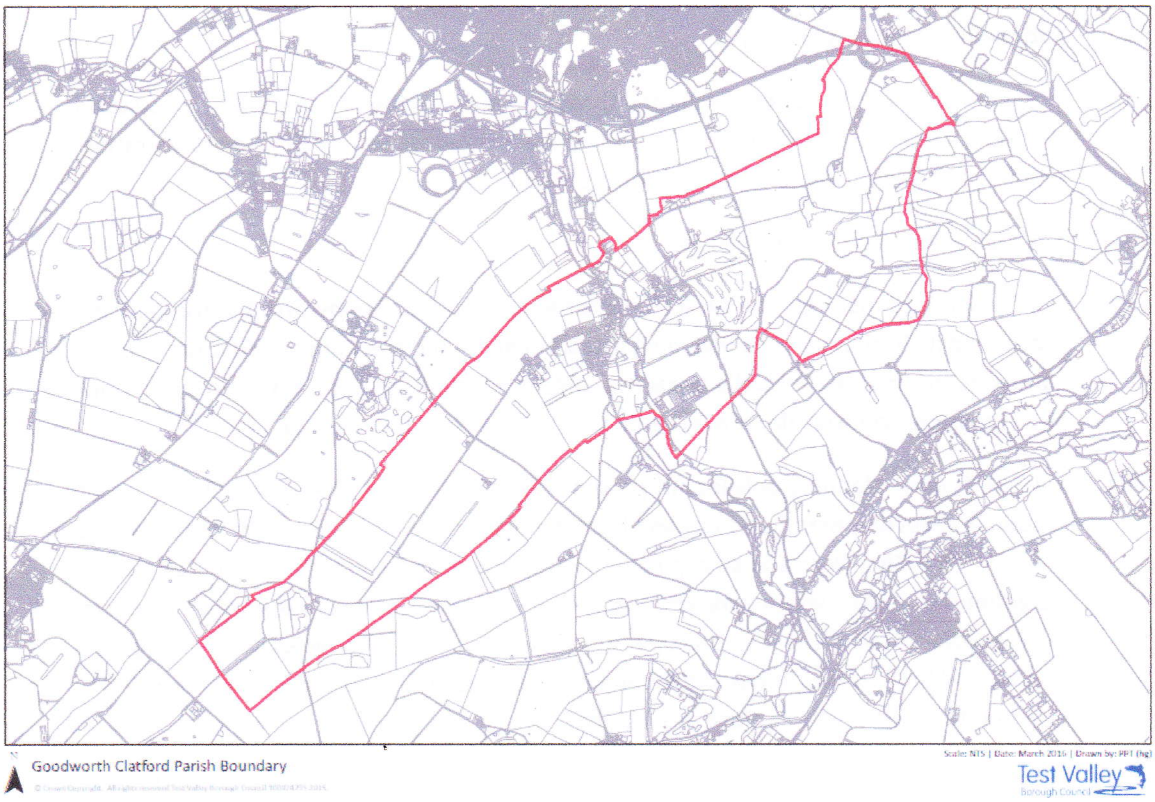

Figure 1: Goodworth Clatford Neighbourhood Area

2.2 In summary, the principal environmental features to be considered are:

- Goodworth Clatford Conservation Area, comprising the historic core of the village on the river valley floor.
- 25 listed buildings, all grade II except for the grade I St. Peter's Church, concentrated in and around the Conservation Area.
- Flood Zones 2 and 3 associated with the corridor of the River Anton.
- Sites of Importance for Nature Conservation:
  - Clatford Oakcuts (mixed deciduous woodland)
  - Harewood Forest (mixed deciduous woodland)
  - River Anton and water meadows. The River Anton is a tributary of the River Test, a Site of Special Scientific Interest (3 km downstream).
- Habitats recorded on Natural England's Magic Map:[5]
  - Ancient, semi-natural and replanted woodland at Harewood Forest and Clatford Oakcuts
  - Floodplain grazing marsh and woodland in the River Anton corridor.

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[5] http://www.natureonthemap.naturalengland.org.uk/MagicMap.aspx

3. Summary of the proposed NDP

3.1 The emerging NDP has been developed through a programme of community consultation, including a questionnaire survey which achieved a response rate of 88%, demonstrating significant community interest in the plan process.

3.2 The Plan's draft vision is as follows:

"Our vision is to maintain the rural character and identity of Goodworth Clatford Parish, preserving its heritage assets including listed buildings and the Conservation Area so that it continues to thrive as a visually attractive, independent settlement, set in unspoilt, tranquil and accessible countryside, providing an excellent quality of life for all."

3.3 The NDP's draft planning policies are presently being finalised. They will seek to promote sustainable development, and will add local detail to those in the adopted Test Valley Local Plan (TVLP), with a clear and strong focus on preserving and enhancing the nature of the Neighbourhood Area whilst promoting appropriate and sensitive growth which respects and takes account of its distinctive and special character. The draft policies cover a range of natural and built environment and community matters, and are available on request if required to inform the screening assessment.

3.4 Strategic policy COM2 in the TVLP identifies Goodworth Clatford as one of a number of "rural villages" in the settlement hierarchy, and provides in Table 7 that the associated scale of housing and economic development will comprise:

- Windfalls
- Rural Affordable Housing sites
- Replacement dwellings
- Community-led Development
- Small business uses
- Re-use of Buildings.

3.5 The TVLP provides a settlement boundary for Goodworth Clatford village (Inset Map 21). Outside the settlement boundary, policy COM2 provides that development is to be restricted to a number of specific circumstances. This is in line with national planning policy to protect the countryside and promote sustainable development in rural areas.

3.6 The NDP endorses this approach. The NDP as drafted does not include any site allocations, and does not propose or anticipate any rural exception affordable housing under Local Plan policy COM8 or community-led development under Local Plan policy COM9.

3.7 New development over the NDP plan period to 2029 will therefore be generally limited to small windfall sites within the village settlement boundary, where these can be brought forward within TVLP policies E1 and E9 (these policies address high quality development and heritage assets respectively).

3.8 Since 2011, 14 new dwellings have been granted planning permission within the village. There is no indication that this rate of organic development will increase in the period up to 2029, bearing in mind the Local Plan policies in place since January 2016 and the emerging policies of the NDP. It can reasonably be taken as an indication of the modest scale of residential development likely to arise in the remainder of the plan period.

3.9 It is not expected that the NDP will include proposals for development in excess of that already considered through the Local Plan process and its environmental assessments.

4. Potential for significant environmental effects

4.1 This section assesses the emerging NDP against each of the criteria for determining the likely significance of effects on the environment, as defined in Schedule 1 to the 2004 Regulations. The assessments given in Table 1 below are offered as a starting point for consideration by the consultation bodies and the Borough Council as the responsible authority.

Criteria	**Assessment of the Goodworth Clatford NDP**	**Significant environmental effect?**
1. The characteristics of plans and programmes, having regard, in particular, to—		
(a) the degree to which the plan or programme sets a framework for projects and other activities, either with regard to the location, nature, size and operating conditions or by allocating resources;	The Goodworth Clatford NDP will include policies against which development proposals in the Neighbourhood Area will be considered, in conjunction with policies in the TVLP and the National Planning Policy Framework (NPPF). The policies will be criteria-based and focus on seeking the protection and enhancement of the existing character of the village and the surrounding countryside. They will not propose new development in addition to or in contradiction to the TVLP. They will provide a basis for decision-making in relation to proposals, rather than setting a framework for projects or allocating resources.	N
(b) the degree to which the plan or programme influences other plans and programmes including those in a hierarchy;	The NDP will, when made, form part of the formal Development Plan. There are no plans or programmes that need to be in conformity with it. The NDP will therefore not significantly influence other plans and programmes.	N

Criteria	Assessment of the Goodworth Clatford NDP	Significant environmental effect?
(c) the relevance of the plan or programme for the integration of environmental considerations in particular with a view to promoting sustainable development;	The NDP will seek to promote sustainable development and include policies to protect and enhance environmental and heritage assets and features. It will have a positive effect on the natural and built environment, adding local detail to TVLP policies and those in the NPPF. Any development proposed will be in accordance with the environmental protection policies of the TVLP and the NPPF, which seek to achieve sustainable development.	N
(d) environmental problems relevant to the plan or programme; and	The Goodworth Clatford village sewerage system is subject to surcharge and there is potential for pollution impacts on the River Anton, a locally-designated Site of Importance for Nature Conservation (SINC). A programme of investment by Southern Water is underway to address this issue. The NDP will include a policy to protect and improve water quality and quantity in local watercourses, helping to enable the Lower River Anton to achieve 'good' ecological status by 2027, in line with the environmental objectives of the South East River Basin Management Plan[6] and the Water Framework Directive.	N
(e) the relevance of the plan or programme for the implementation of Community legislation on the environment (for example, plans and programmes linked to waste management or water protection).	The NDP will contain policies to protect and enhance the natural and built environment, including biodiversity and water quality. As such it will aid in the implementation of EU legislation on the environment dealing with biodiversity and water quality.	N
2. Characteristics of the effects and of the area likely to be affected, having regard, in particular, to—		
(a) the probability, duration, frequency and reversibility of the effects;	The NDP will contain policies whose main focus is the protection and enhancement of the existing character of the village and surrounding countryside. It will not allocate sites for development. The overall effect of the NDP, given its focus on environmental protection and enhancement, is expected to be positive.	N

[6] Environment Agency, South East River Basin Management Plan 2015.

Criteria	Assessment of the Goodworth Clatford NDP	Significant environmental effect?
(b) the cumulative nature of the effects;	The NDP will add local detail and give effect to the NPPF and the TVLP in respect of existing environmental designations/features in the Neighbourhood Area such as the Conservation Area, SINCs and landscape character areas. Reflecting this alignment of plans and policies, any cumulative effects arising from the operation of the NDP with respect to the built and natural environment of the Neighbourhood are expected to be positive.	N
(c) the transboundary nature of the effects;	The NDP will not have any transboundary effects.	N
(d) the risks to human health or the environment (for example, due to accidents);	There are considered to be no risks to human health.	N
(e) the magnitude and spatial extent of the effects (geographical area and size of the population likely to be affected);	The NDP will cover the administrative area of Goodworth Clatford Parish Council. This extends to 1,141 hectares and has an estimated 2016 population of 752. The Area represents 1.8% of that of Test Valley Borough. The NDP has a restricted local focus and as a result the overall environmental effects of the Plan, which are themselves expected to be positive, will be relatively limited in magnitude and spatial extent.	N
(f) the value and vulnerability of the area likely to be affected due to— (i) special natural characteristics or cultural heritage; (ii) exceeded environmental quality standards or limit values; or (iii) intensive land-use; and	(i) relevant characteristics include areas of open countryside and associated features such as agricultural land, woodland, trees, hedgerows and watercourses, notably the River Anton corridor and wetland habitats; a Conservation Area, and 25 listed buildings. The NDP will include policies to protect and enhance these characteristics and assets as relevant; (ii) The Lower River Anton does not meet 'good' ecological status within the Environment Agency's South East River Basin Management Plan 2015. The NDP will include a policy to protect and improve water quality and quantity in local watercourses, helping to secure the Management Plan's objective for the Lower River Anton to achieve 'good' ecological status by 2027. (iii) None identified.	N

Criteria	Assessment of the Goodworth Clatford NDP	Significant environmental effect?
(g) the effects on areas or landscapes which have a recognised national, Community or international protection status.	As considered above and to be addressed in HRA screening for likely significant effects on European sites. The NDP will contain policies which are likely to have a positive effect on the natural and built environment generally.	N

Table 1: Consideration of Goodworth Clatford NDP against Schedule 1 criteria

4.2 The overall conclusion from Table 1 is that the proposed Goodworth Clatford NDP is unlikely to have significant environmental effects and therefore does not require SEA. It is recommended that a determination to this effect is considered.

4.3 In respect of HRA, a screening opinion is required to determine whether the Goodworth Clatford NDP is likely to have a significant effect on a European site. If so, an "appropriate assessment" will be required under Regulation 102 of the Conservation of Habitats and Species Regulations 2010.[7]

4.4 It is noted that there are no European sites within the Neighbourhood Area. The nearest is the Porton Down Special Protection Area which is 6.4 km to the west. Consideration should be given in the screening opinion to any implications for European sites downstream of the Neighbourhood Area, to allow for any relevant hydrological links via the River Anton.

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January 2018

[7] SI 2010 No. 490

Mr Wheadon
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DRAFT – TO BE UPDATED ON RECEIPT OF HISTORIC ENGLAND ADVICE

Dear Mr Wheadon

Goodworth Clatford Neighbourhood Plan
Request for Screening Opinion for Strategic Environmental Assessment (SEA) and Habitats Regulations Assessment (HRA)

I write in response to your request for a screening opinion for Strategic Environmental Assessment in relation to the proposed Goodworth Clatford Neighbourhood Plan. This request was received by the Council on the 8th January 2018.

Regulation 9 of the Environmental Assessment of Plans and Programmes Regulations 2004 requires that the responsible authority (Test Valley Borough Council) shall determine whether or not a plan is likely to have significant environmental effects. As part of making this assessment, the responsible authority shall —
(a) take into account the criteria specified in Schedule 1 to these Regulations; and
(b) consult the consultation bodies.

The Regulations advise that where the responsible authority determines that the plan is unlikely to have significant environmental effects (and, accordingly, does not require an environmental assessment), it shall prepare a statement of its reasons for the determination. This statement will be published on our website.

Natural England, Environment Agency and Historic England, as the statutory consultation bodies for the Regulations, were consulted on this SEA screening request. The consultation started on 11th January 2018 for a five week period, ending on 15th February 2018.

Having regard to the letter and associated briefing note that you provided, the consultation responses from Natural England and the Environment Agency indicated that having regard to the matters within their remit, the proposed Neighbourhood Plan would not be likely to have significant environmental effects.

The Council has had due regard to the statutory consultee responses and the criteria within Schedule 1 of the Regulations in coming to a view on whether the proposed Neighbourhood Plan is likely to have significant environmental effects. Based on the summary of the proposed Neighbourhood Plan (as provided within the Briefing Note), it is the Council's opinion that the Plan would not be likely to have significant environmental effects. On this basis, a Strategic Environmental Assessment would not be required for the proposed Goodworth Clatford Neighbourhood Plan.

With regards to the Habitats Regulations Assessment and whether an Appropriate Assessment is required, the Council concludes that the proposed Neighbourhood Plan is not likely to have a significant effect on European designations.

You are advised that if the anticipated vision and scope of policies for the Neighbourhood Plan are subject to significant change, it would be appropriate to review the Screening Opinion and the position regarding the Habitat Regulations Assessment.

Yours sincerely

Graham Smith
Head of Planning Policy

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ITEM Treasury Management Strategy Statement and Annual Investment Strategy 2018/19

Report of the Finance Portfolio Holder

Recommended:

1. **That the Treasury Management Strategy Statement and the Annual Investment Strategy for 2018/19 as set out in the report be approved.**
2. **That the Minimum Revenue Provision (MRP) policy be approved.**
3. **That the Prudential Indicators as set out in annex 1 be approved.**

Recommendation to Council

SUMMARY:

- This report presents the Treasury Management and Annual Investment Strategies of the Council and has been produced in accordance with the latest statutory requirements and relevant codes of practice.
- Borrowing costs are currently limited to the interest payable on short term borrowing which is used to even out the Council's cashflow throughout the year although prudential borrowing to cover the deficit in the capital programme is permitted in the strategy.
- The major objectives of the Treasury Management Strategy for 2018/19 are:
    - To manage effectively and control the risks associated with treasury management activities.
    - To invest prudently having regard to the security and liquidity of investments and the predictability of returns.
    - To aim to achieve the optimum return on investments commensurate with the proper levels of security, liquidity and protection of capital.
- This report identifies two separate occasions when the Treasury Management Strategy was breached. On both occasions the situation was recovered.

1 Introduction

1.1 Background

The Council is required to operate a balanced budget, which broadly means that cash raised during the year will meet cash expenditure. Part of the treasury management operation is to ensure that this cash flow is adequately planned, with cash being available when it is needed. Surplus monies are invested in low risk counterparties or instruments commensurate with the

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Council's low risk appetite, providing adequate liquidity before considering investment return.

The second main function of the treasury management service is the funding of cash which may involve arranging long or short term loans, or using longer term cash flow surpluses. On occasion any debt previously drawn may be restructured to meet Council risk or cost objectives.

1.2 Reporting requirements

The Council is required to receive and approve, as a minimum, three main reports each year, which incorporate a variety of policies, estimates and actual figures.

Prudential and treasury indicators and treasury strategy (this report) - The first, and most important report covers:

- the capital plans (including prudential indicators);
- a minimum revenue provision (MRP) policy (how residual capital expenditure is charged to revenue over time);
- the treasury management strategy (how the investments and borrowings are to be organised) including treasury indicators;
- and an investment strategy (the parameters on how investments are to be managed).

A mid year treasury management report – This will update Councillors with the progress of the capital programme, amending prudential indicators as necessary, and whether any policies require revision.

An annual treasury report – This provides details of actual prudential and treasury indicators and actual treasury operations compared to the estimates within the strategy.

Capital Strategy
In December 2017, CIPFA issued revised Prudential and Treasury Management Codes. As from 2019-20, all local authorities will be required to prepare an additional report, a Capital Strategy report, which is intended to provide the following:

- a high-level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services
- an overview of how the associated risk is managed
- the implications for future financial sustainability

The aim of this report is to ensure that all elected members on the Council fully understand the overall strategy, governance procedures and risk appetite entailed by this Strategy.

The Capital Strategy will include capital expenditure, investments and liabilities and treasury management in sufficient detail to allow all members to

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understand how stewardship, value for money, prudence, sustainability and affordability will be secured.

1.3 **Treasury Management Strategy for 2018/19**

The strategy for 2018/19 covers two main areas:

Capital issues
- the capital plans and the prudential indicators;
- the MRP strategy.

Treasury management issues
- the current treasury position;
- treasury indicators which limit the treasury risk and activities of the Council;
- prospects for interest rates;
- the borrowing strategy;
- policy on borrowing in advance of need;
- the investment strategy;
- creditworthiness policy; and
- policy on use of external service providers.

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

1.4 **Treasury Management Consultants**

The Council uses Link Asset Services as its external treasury management advisors.

The Council recognises that responsibility for treasury management decisions remains with the organisation at all times and will ensure that undue reliance is not placed upon external service providers.

It also recognises that there is value in employing external providers of treasury management services in order to acquire access to specialist skills and resources. The Council will ensure that the terms of their appointment and the method by which their value will be assessed are properly agreed and documented, and are subject to regular review.

2 Treasury Management Strategy Statement

2.1 CIPFA defines treasury management as:

“The management of the local authority’s investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.”

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

2.3 The Council acknowledges that effective treasury management will provide support towards the achievement of its business and service objectives. It is therefore committed to the principles of achieving value for money in treasury management within the context of effective risk management.

3 Breaches of the Treasury Management Strategy

3.1 During the current year there were two breaches of the Treasury Management Strategy.

3.2 One instance was due to the breaching of the investment group limit - this limit is set to £15m. Overnight the balance on the bank current account exceeded this limit and due to sickness there was no one available to authorise the transfer of funds. This was rectified the following day.

3.3 The second instance was due to an investment being made for a period longer than advised by our consultants. This investment is now within our advised limit.

4 Current Portfolio Position

The Council's treasury portfolio position at 31 December 2017 totalled £71.891M and there was no external borrowing. The entire portfolio was invested in fixed rate cash deposits with varying maturity profiles.

Investment Term	**£'000**
Callable on Demand	5,629
Callable Deposits (10 to 100 days' notice)	25,262
Investments maturing on or before 31 March 2018	14,000
Investments maturing between 1 April 2018 and 31 March 2019	10,000
Investments maturing after 31 March 2019	17,000
Total Investment Portfolio	**71,891**

5 Prudential Indicators, Treasury Limits and MRP Statement

Prudential Indicators

5.1 There are three key prudential indicators that are required to be reported each year. These relate to the affordability of capital expenditure and the impact that capital expenditure has on Council Tax. The prudential indicators and

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borrowing limits are shown in Annex 1 and are relevant for setting an integrated treasury management statement.

5.2 The first indicator is the ratio of financing costs to net revenue stream. This compares the Council's net investment income and borrowing expenditure as a ratio of the budget requirement. A negative figure shows that investment income is greater than borrowing costs.

5.3 The second indicator is the Capital Financing Requirement (CFR). This is the total amount by which the funding of capital expenditure is reliant on external borrowing.

5.4 Despite being debt-free the Council does not strictly comply with this limit because the Council's CFR is currently negative i.e. nil borrowing is greater than the negative CFR balance. This does not cause any operational issues or fetter any part of the Treasury Strategy, but is required to be highlighted as part of this report. For 2018/19 it is expected that the Council will use external borrowing to fund a large project therefore the CFR projections are reported in Annex 1.

5.5 The final indicator is the incremental impact that decisions to commit capital expenditure have on the level of Council Tax. This calculation is based on the amount of interest that is foregone by reducing the level of investments when capital expenditure is committed.

Borrowing Limits

5.6 The operational borrowing boundary is the limit beyond which external debt is not normally expected to exceed. For 2018/19 this is recommended to be set as £15M as shown in Annex 1.

5.7 The authorised limit for external debt is a further prudential indicator that provides a control on the maximum level of borrowing. This represents a limit beyond which external debt is prohibited, and this limit needs to be set or revised by the full Council. It reflects the level of external debt which, while not desired, could be afforded in the short term, but is not sustainable in the longer term.

5.8 The prudential indicators and borrowing limits shown in Annex 1 are relevant for the purposes of setting an integrated treasury management strategy.

The Head of Finance reports that the Council complied with this prudential indicator in the current year and does not envisage difficulties for the future. This view takes into account current commitments, existing plans, and the proposals in the budget report.

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5.9 Minimum Revenue Provision Policy Statement

MRP is the statutory requirement to make a charge to the Council's General Fund to make provision for the repayment of the Council's past capital debt and other credit liabilities.

The scheme of MRP was set out in former regulations 27, 28 and 29 of the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003. This system was radically revised in 2008 by the Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2008, which shifted the emphasis from regulations to guidance. The key principle of the new system and accompanying guidance is that an authority's debt liability should be repaid over a similar period to that which the asset associated with the capital expenditure provides benefits or, in the case of borrowing supported by Revenue Support Grant, in-line with the period implicit in the determination of that grant. Local authorities are asked by the Secretary of State "to prepare an annual statement of their policy on making MRP for submission to their full Council".

The type of approach intended by the MRP guidance is clearly to enable local circumstances and discretion to play a part, as the guidance in general contains a set of recommendations rather than representing a prescriptive process. The guidance makes it clear that councils can follow an alternative approach, provided they still make a prudent provision.

Since 2003 the Council has had no external debt and so has not been required to make MRP. The Council is evaluating funding options to support its programme of capital expenditure and this may involve an element of borrowing. Where any borrowing is taken out this will follow the principles established in the Prudential Code of prudence, affordability and sustainability.

It is recommended that members approve the following MRP policy to be applied form 2018/19 onwards:

- In respect of capital expenditure incurred in 2018/19 and subsequent financial years the MRP policy will be to use the Asset Life Method. MRP will be charged based on the estimated life of the associated assets, calculated on an annuity basis.
- Repayments included in any annual finance leases will be applied as MRP in accordance with the terms of the agreement.

6 Prospects for interest rates

6.1 The Council has appointed Link Asset Services as its treasury advisor and part of their service is to assist the Council to formulate a view on interest rates. Annex 2 draws together a number of current City forecasts for short term bank rate and longer fixed interest rates. The following summary gives the Link central view.

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Forecasted Bank Rate as at:

- 31 March 2018 – 0.50%
- 31 March 2019 – 0.75%
- 31 March 2020 – 1.00%
- 31 March 2021 – 1.25%

6.2 There are a number of factors that could affect the forecast changes to interest rates. A detailed view of the current economic background is contained within Annex 3 to this report.

7 Borrowing Strategy

7.1 The Council is currently debt free and has been since 2003.

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

7.3 Before undertaking any borrowing the Head of Finance will;

- ensure the ongoing revenue liabilities to be created, and the implications for the future plans and budgets have been considered.
- evaluate the economic and market factors that might influence the manner and timing of any decision to borrow.
- consider the merits and demerits of alternative forms of funding and consider the alternative interest rate bases available, the most appropriate periods to fund and the repayment profiles to use.

7.4 **Sensitivity of the forecast –** In normal circumstances the main sensitivities of the forecast are likely to be the two scenarios noted below. Council officers, in conjunction with the treasury advisers, will continually monitor both the prevailing interest rates and the market forecasts, adopting the following responses to a change of interest rate forecast:

- If it were felt that there was a significant risk of a sharp fall in long and short term rates, e.g. due to a marked increase of risks around relapse into recession or of risks of deflation, then long term borrowings will be postponed.
- If it were felt that there was a significant risk of a sharp rise in long and short term rates compared with that currently forecast, then the portfolio position will be re-appraised with the likely action that fixed rate funding will be drawn whilst interest rates were still relatively cheap.

7.5 Against this background and the risks within the economic forecast, caution will be adopted with the 2018/19 treasury operations. The Head of Finance will monitor interest rates in financial markets and adopt a pragmatic approach to changing circumstances, reporting any decisions at the next available opportunity.

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

In determining whether borrowing will be undertaken in advance of need the Council will ensure that there is a clear link between the capital programme and maturity profile of the debt portfolio which supports the need to take funding in advance of need.

7.7 Municipal Bond Agency – it is likely that the Municipal Bond Agency, currently in the process of being set up, will be offering loans to local authorities in the near future. It is also hoped that the borrowing rates will be lower than those offered by the Public Works Loan Board (PWLB). This Authority intends to make use of this new source of borrowing as and when appropriate.

8 Annual Investment Strategy

Investment Policy

8.1 The Council's investment policy has regard to the CLG's Guidance on Local Government Investments ("the Guidance") and the 2011 revised CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes (the CIPFA TM Code). The Council's investment priorities are (in order of importance): -

- The security of capital
- The liquidity of investments
- The return on investments

8.2 In accordance with guidance from the CLG and CIPFA, and in order to minimise the risk to investments, the Council has clearly stipulated below the minimum acceptable credit quality of counterparties for inclusion on the lending list. The creditworthiness methodology used to create the counterparty list fully accounts for the ratings, watches and outlooks published by all three ratings agencies with a full understanding of what these reflect in the eyes of each agency. Link Asset Services monitors ratings on a real-time basis with any changes notified to Council automatically.

8.3 The borrowing of monies purely to invest or on lend and make a return is unlawful and this Council will not engage in such activity.

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8.4 Investment instruments identified for use in the financial year are classified as either 'Specified' or 'Non-Specified' investment categories. Counterparty limits will be as set through the Council's Treasury Management Practices' Schedules. The definitions of Specified and Non-Specified investments are shown below.

8.5 <u>Specified investments</u>

All such investments will be sterling denominated, with maturities up to maximum of 1 year, meeting the minimum rating criteria where applicable.

	Minimum Credit Criteria	**Limits**
Debt Management Agency Deposit Facility	--	No Limit
Term deposits – local authorities	--	No Limit
Term deposits / bonds – banks and building societies *	Per Link colour code (see para.8.9)	£15M total investment
Term deposits – banks backed by UK Government Guarantees **	--	£15M total investment
Money Market Funds	Long term AAA	£15M total investment
UK Government Gilts / Treasury Bills	UK Sovereign Rating	£15M total investment
Bonds issued by multilateral development banks	Long term AAA	£15M total investment
Bonds issued by a financial institution which is guaranteed by the UK government	UK Sovereign Rating	£15M total investment

* If forward deposits are to be made, the forward period plus the deal period will not exceed one year in aggregate.

** Subject to the maximum of any guarantee period in issue by the Government on the date the investment was made.

Whilst these requirements are in place to ensure the safety of the Council's investments it does present an operational difficulty for managing short term (up to one week) funds as these types of accounts are only available from major banks.

The following criteria are proposed for investment accounts for balances held for up to seven days.

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	Minimum 'High' Credit Criteria	Limits
On Call accounts	Short-term F1, Long-term A Individual C, Support 1	£15M total investment
Term deposits – maximum of 7 days	Short-term F1, Long-term A Individual C, Support 1	£15M total investment

8.6 Non-Specified Investments

These are investments which do not meet the Specified Investment criteria. A maximum of 50% will be held in aggregate in non-specified investments with no more than £5M to be held with any one counterparty (excluding other local authorities).

Maturities in excess of 1 year

	Minimum Credit Criteria	Max. maturity period
Term deposits – local authorities	--	60 months
Term deposits - Banks	Per Link colour code	24 months
Fixed term callable deposits with variable rate and variable maturities	Per Link colour code (see para.8.9)	24 months
Certificates of deposits issued by banks	Short-term F1+, Long-term AA- Individual B, Support 2	24 months
UK Government Gilts	UK Sovereign Rating	60 months
Bonds issued by multilateral development banks	AAA	60 months
Bonds issued by a financial institution which is guaranteed by the UK government	AAA	60 months
Sovereign bond issues (i.e. other than the UK govt)	AAA	60 months

8.7 There may be occasions when the counterparty limit will be exceeded as a result of credit interest being applied to deposit balances. Where this occurs, it will be permitted without the need to immediately withdraw the amount by which the gross balance exceeds the counterparty limit.

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Creditworthiness Policy

8.8 This Council applies the creditworthiness service provided by Link Asset Services. This service employs a sophisticated modelling approach utilising credit ratings from the three main credit rating agencies - Fitch, Moody's and Standard & Poor's. The credit ratings of counterparties are supplemented with the following overlays: -

- Credit watches and credit outlooks from credit rating agencies
- Credit default swap (CDS) spreads to give early warning of likely changes in credit ratings
- Sovereign ratings to select counterparties from only the most creditworthy countries

8.9 This modelling approach combines credit ratings, credit watches, credit outlooks and CDS spreads in a weighted scoring system which is then combined with an overlay of CDS spreads for which the end product is a series of colour code bands which indicate the relative creditworthiness of counterparties. These colour codes are also used by the Council to determine the duration for investments and are referred to as durational bands. The Council will therefore use counterparties within the following durational bands.

- Yellow 5 years
- Purple 2 years
- Blue 1 year (only applies to nationalised or semi-nationalised UK Banks)
- Orange 1 year
- Red 6 months
- Green 100 days
- No Colour not to be used

8.10 These durational bands will have precedence over the credit criteria of all investments shown in paragraph 8.5. Should the recommended duration for any colour band change during the year, the investment strategy will allow the updated durations to be used.

8.11 This Council will not use the approach of using the lowest rating from all three rating agencies to determine creditworthy counterparties. The Link creditworthiness service uses a wider array of information than just primary ratings and by using a risk weighted scoring system, does not give undue preponderance to just one agency's ratings.

8.12 All credit ratings will be monitored daily. The Council is alerted to changes to ratings of all three agencies through its use of the Link creditworthiness service.

- If a downgrade results in the counterparty/investment scheme no longer meeting the Council's minimum criteria, its further use for new investments will be withdrawn immediately.

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- In addition to the use of Credit Ratings the Council will be advised of information in movements in Credit Default Swap spreads against the iTraxx benchmark and other market data on a weekly basis. Extreme market movements may result in downgrade of an institution or removal from the Council's lending list.

8.13 Sole reliance will not be placed on the use of this external service. In addition the Council will also use market data and market information, information on government support for banks and the credit ratings of that government support.

Country risk

8.14 The Council has determined that it will only use approved counterparties from countries with a minimum sovereign credit rating of AA- from Fitch Ratings (or equivalent from other agencies if Fitch does not provide).

Investment Strategy

8.15 The Council will continue to manage its investment portfolio using internal resources.

8.16 A mid-year report on investment performance will be presented to the Overview and Scrutiny Committee. At the end of the financial year a report summarising investment activity will be presented to Cabinet as part of the Treasury Management Outturn.

8.17 The Council will avoid locking into longer term deals while investment rates are at historically low levels unless exceptionally attractive rates are available which make longer term deals worthwhile.

8.18 For 2018/19 it is suggested that the Council should budget for an investment return of 0.10% above base rate on investments placed during the financial year.

8.19 For its cash flow generated balances, the Council will seek to utilise its business reserve accounts and short-dated deposits (overnight to three months) in order to benefit from the compounding of interest.

Role of the Section 151 Officer

8.20 The S151 officer is responsible for:

- Recommending treasury management policy / practices for approval, reviewing the same regularly, and monitoring compliance
- Submitting regular treasury management policy reports
- Submitting budgets and budget variations
- Receiving and reviewing management information reports

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- Reviewing the performance of the treasury management function
- Ensuring the adequacy of treasury management resources and skills, and the effective division of responsibilities within the treasury management function
- Ensuring the adequacy of internal audit, and liaising with external audit

9 Risk Management

9.1 Whilst the protection of the authority’s capital and the pursuit of reasonable returns are two vital features of effective treasury management, there is also a need to address other treasury risks. The main treasury management risks have been identified as;

- Liquidity Risk - The risk that cash will not be available when it is needed.
- Interest Rate Risk - The risk that changes in the rates of interest create an unexpected or unbudgeted burden on the Council’s finances.
- Inflation Risk - The risk that growth in the authority’s investment income does not keep pace with the effects of inflation on its expenditure.
- Credit Risk - The risk that a counterparty defaults on its obligations.
- Operational Risk - The risk of loss through fraud, error, corruption, system failure or other eventualities in treasury management dealings, and failure to maintain effective contingency management arrangements.

9.2 Techniques and procedures to manage these risks are in place and include:

- Reliable cash flow forecasting and monitoring;
- Access to reliable and informed sources of information concerning both economic developments and the likely future course of interest rates;
- Managing exposure to interest rates;
- A sound diversification policy for investments;
- Rigorous assessment of credit-worthiness of counterparties;
- Fidelity insurance;
- Suitable treasury management policies, including back-up measures for system failures and staff absences

9.3 Despite these measures, there is a risk of a financial institution collapsing and not repaying a loan to the authority. The current arrangements are designed to reflect this level of risk and reduce the authority’s exposure. However, a residual risk remains, which cannot be fully mitigated, as the authority must undertake a level of Treasury Management activity with its cash surpluses.

10 Resource Implications

10.1 There are no direct resource implications arising from this report. However, the restrictions on the types of investment that can be used identified in this

APPENDIX C

report will have an effect on the return on investments that the Council can expect to achieve in the year.

11 Equality Issues

11.1 An EQIA screening has been completed in accordance with the Council's EQIA methodology and no potential for unlawful discrimination or low level negative impact have been identified, therefore a full EQIA has not been carried out.

12 Consultations

12.1 The Council's treasury advisors, Link Asset Services, have been consulted in the preparation of this report.

13 Conclusion and reasons for recommendation

13.1 This report presents the Council's Treasury Management strategy for 2018/19. Whilst largely unchanged from the 2017/18 strategy, it sets out the criteria within which cash surpluses can be invested and how external borrowing will be managed should the Council choose to take on debt in the year.

13.2 The report and annexes show how the Council plans to minimise its risks to the current economic climate by stipulating creditworthiness requirements on lenders and limiting the maximum amount available to be invested at any one time.

Background Papers (Local Government Act 1972 Section 100D) None			
Confidentiality It is considered that this report does not contain exempt information within the meaning of Schedule 12A of the Local Government Act 1972, as amended, and can be made public.			
No of Annexes:	3	File Ref:	
(Portfolio: Finance) Councillor Giddings			
Officer:	Laura Berntsen	Ext:	8204
Report to:	Cabinet	Date:	14 February 2018

ANNEX 1

PRUDENTIAL INDICATORS

PRUDENTIAL INDICATOR	2016/17	2017/18	2018/19	2019/20	2020/21
EXTRACT FROM BUDGET	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
	Actual	**Forecast**	**Estimate**	**Estimate**	**Estimate**
Capital Expenditure	**11,520**	**22,699**	**25,310**	**9,650**	**1,350**
Ratio of financing costs to net revenue stream	**-4.6%**	**-2.9%**	**-2.2%**	**-2.2%**	**-2.8%**
Net borrowing requirement:					
Brought forward 1 April	-69,261	-63,440	-60,000	-39,600	-45,500
Carried forward 31 March	-63,440	-60,000	-39,600	-48,000	-45.500
In-year short-term borrowing requirement	**5,821**	**3,440**	**20,400**	**- 5,900**	**0**
Capital Financing Requirement b/f	**-678**	**-678**	**-678**	**5,091**	**4,957**
MRP			**-131**	**-134**	**-138**
Capital Financing Requirement c/f	**- 678**	**- 678**	**5,091**	**4,957**	**4,819**
Annual change in Cap. Financing Requirement	**£0**	**£0**	**£5,900**	**- £134**	**- £138**
Impact of new capital investment decisions	**- £0.71**	**-£1.30**	**£2.19**	**£1.89**	**£0.27**
Year-on-year change in council tax (band D) per annum		**-£0.59**	**£3.49**	**- £0.30**	**-£1.62**

PRUDENTIAL INDICATORS

PRUDENTIAL INDICATOR	2016/17	2017/18	2018/19	2019/20	2020/21
TREASURY MANAGEMENT PRUDENTIAL INDICATORS	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
	Actual	**Forecast**	**Estimate**	**Estimate**	**Estimate**
Authorised Limit for external debt	**15,000**	**15,000**	**20,000**	**20,000**	**20,000**
Operational Boundary for external debt	**10,000**	**10,000**	**15,000**	**15,000**	**15,000**
Upper limit for fixed interest rate exposure					
Net principal re fixed rate borrowing / investments	**100 %**	**100 %**	**100 %**	**100 %**	**100 %**
Upper limit for variable rate exposure					
Net principal re variable rate borrowing / investments	**50 %**	**50 %**	**50 %**	**50 %**	**50 %**
Upper limit for total principal sums invested for over 364 days (amount shown subject to being not more that 50% of the portfolio size at the time the investment is placed)	**£35,000**	**£35,000**	**£35,000**	**£35,000**	**£35,000**

Maturity structure of fixed rate borrowing during 2018/19	Upper limit	Lower limit
Less than 1 year	100 %	0 %
1 year to less than 2 years	100 %	0 %
2 years to less than 5 years	100 %	0 %
5 years to less than 10 years	100%	0 %
10 years or longer	100%	0 %

Note: During 2018/19 short term borrowing is expected to meet cash flow requirements and may be used to finance the current temporary deficit on the Capital Programme. A longer term loan has been budgeted to help with the financing of a large project. This means a combination of short-term and longer-term borrowing may be used.

ANNEX 2

Interest Rate Forecasts 2018 – 2020

PWLB rates and forecast shown below have taken into account the 20 basis point certainty rate reduction effective as of the 1st November 2012.

Link Asset Services Interest Rate View	Mar-18	Jun-18	Sep-18	Dec-18	Mar-19	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21
Bank Rate View	0.50%	0.50%	0.50%	0.75%	0.75%	0.75%	0.75%	1.00%	1.00%	1.00%	1.25%	1.25%	1.25%
3 Month LIBID	0.40%	0.40%	0.40%	0.60%	0.60%	0.60%	0.70%	0.90%	0.90%	1.00%	1.20%	1.20%	1.20%
6 Month LIBID	0.50%	0.50%	0.60%	0.80%	0.80%	0.80%	0.90%	1.00%	1.00%	1.10%	1.30%	1.30%	1.40%
12 Month LIBID	0.80%	0.80%	0.90%	1.00%	1.00%	1.10%	1.10%	1.30%	1.30%	1.40%	1.50%	1.50%	1.60%
5yr PWLB Rate	1.60%	1.60%	1.70%	1.80%	1.80%	1.90%	1.90%	2.00%	2.10%	2.10%	2.20%	2.30%	2.30%
10yr PWLB Rate	2.20%	2.30%	2.40%	2.40%	2.50%	2.60%	2.60%	2.70%	2.70%	2.80%	2.90%	2.90%	3.00%
25yr PWLB Rate	2.90%	3.00%	3.00%	3.10%	3.10%	3.20%	3.20%	3.30%	3.40%	3.50%	3.50%	3.60%	3.60%
50yr PWLB Rate	2.60%	2.70%	2.80%	2.90%	2.90%	3.00%	3.00%	3.10%	3.20%	3.30%	3.30%	3.40%	3.40%
Bank Rate													
Link Asset Services	0.50%	0.50%	0.50%	0.75%	0.75%	0.75%	0.75%	1.00%	1.00%	1.00%	1.25%	1.25%	1.25%
Capital Economics	0.50%	0.75%	1.00%	1.25%	1.25%	1.50%	1.50%	1.75%	2.00%	2.00%	2.25%	2.25%	-
5yr PWLB Rate													
Link Asset Services	1.60%	1.60%	1.70%	1.80%	1.80%	1.90%	1.90%	2.00%	2.10%	2.10%	2.20%	2.30%	2.30%
Capital Economics	1.70%	1.90%	2.10%	2.40%	2.40%	2.40%	2.40%	2.40%	2.40%	2.65%	2.65%	2.90%	-
10yr PWLB Rate													
Link Asset Services	2.20%	2.30%	2.40%	2.40%	2.50%	2.60%	2.60%	2.70%	2.70%	2.80%	2.90%	2.90%	3.00%
Capital Economics	2.20%	2.40%	2.60%	2.80%	2.80%	2.80%	2.80%	2.80%	2.80%	3.05%	3.05%	3.30%	-
25yr PWLB Rate													
Link Asset Services	2.90%	3.00%	3.00%	3.10%	3.10%	3.20%	3.20%	3.30%	3.40%	3.50%	3.50%	3.60%	3.60%
Capital Economics	2.60%	2.90%	3.10%	3.30%	3.30%	3.30%	3.35%	3.35%	3.35%	3.60%	3.60%	3.80%	-
50yr PWLB Rate													
Link Asset Services	2.60%	2.70%	2.80%	2.90%	2.90%	3.00%	3.00%	3.10%	3.20%	3.30%	3.30%	3.40%	3.40%

ANNEX 3

ECONOMIC BACKGROUND

GLOBAL OUTLOOK. World growth looks to be on an encouraging trend of stronger performance, rising earnings and falling levels of unemployment. In October, the IMF upgraded its forecast for world growth from 3.2% to 3.6% for 2017 and 3.7% for 2018.

In addition, **inflation prospects are generally muted** and it is particularly notable that **wage inflation** has been subdued despite unemployment falling to historically very low levels in the UK and US. This has led to many comments by economists that there appears to have been a fundamental shift downwards in the Phillips curve (this plots the correlation between levels of unemployment and inflation e.g. if the former is low the latter tends to be high). In turn, this raises the question of what has caused this? The likely answers probably lay in a combination of a shift towards flexible working, self-employment, falling union membership and a consequent reduction in union power and influence in the economy, and increasing globalisation and specialisation of individual countries, which has meant that labour in one country is in competition with labour in other countries which may be offering lower wage rates, increased productivity or a combination of the two. In addition, technology is probably also exerting downward pressure on wage rates and this is likely to grow with an accelerating movement towards automation, robots and artificial intelligence, leading to many repetitive tasks being taken over by machines or computers. Indeed, this is now being labelled as being the start of the **fourth industrial revolution.**

KEY RISKS - central bank monetary policy measures
Looking back on nearly ten years since the financial crash of 2008 when liquidity suddenly dried up in financial markets, it can be assessed that central banks' monetary policy measures to counter the sharp world recession were successful. The key monetary policy measures they used were a combination of lowering central interest rates and flooding financial markets with liquidity, particularly through unconventional means such as Quantitative Easing (QE), where central banks bought large amounts of central government debt and smaller sums of other debt.

The key issue now is that that period of stimulating economic recovery and warding off the threat of deflation is coming towards its close and a new period has already started in the US, and more recently in the UK, on reversing those measures i.e. by raising central rates and (for the US) reducing central banks' holdings of government and other debt. These measures are now required in order to stop the trend of an on-going reduction in spare capacity in the economy, and of unemployment falling to such low levels that the re-emergence of inflation is viewed as a major risk. It is, therefore, crucial that central banks get their timing right and do not cause shocks to market expectations that could destabilise financial markets. In particular, a key risk is that because QE-driven purchases of bonds drove up the price of government debt, and therefore caused a sharp drop in income yields, this then also encouraged investors into a search for yield and into investing in riskier assets such as equities. This resulted in bond markets and equity market prices both rising to historically high valuation levels simultaneously. This, therefore, makes both asset categories vulnerable to a sharp correction. It is important, therefore, that central banks only gradually unwind their holdings of bonds in order to prevent destabilising the financial markets. It is also likely that the timeframe for central banks unwinding their holdings of QE debt purchases will be over several years. They need to balance their timing to neither squash economic recovery by taking too rapid and too strong action, or, alternatively, let inflation run away by taking action that was too slow and/or too weak. **The potential for central banks to get this timing and strength of action wrong are now key risks.**

There is also a potential key question over whether economic growth has become too dependent on strong central bank stimulus and whether it will maintain its momentum against a backdrop of rising interest rates and the reversal of QE. In the UK, a key vulnerability is the **low level of productivity growth**, which may be the main driver for increases in wages; and **decreasing consumer disposable income,** which is important in the context of consumer expenditure primarily underpinning UK GDP growth.

A further question that has come to the fore is whether **an inflation target for central banks of 2%**, is now realistic given the shift down in inflation pressures from internally generated inflation, (i.e. wage inflation feeding through into the national economy), given the above mentioned shift down in the Phillips curve.

- Some economists favour a shift to a **lower inflation target of 1%** to emphasise the need to keep the lid on inflation. Alternatively, it is possible that a central bank could simply 'look through' tepid wage inflation, (i.e. ignore the overall 2% inflation target), in order to take action in raising rates sooner than might otherwise be expected.
- However, other economists would argue for a **shift *UP* in the inflation target to 3%** in order to ensure that central banks place the emphasis on maintaining economic growth through adopting a slower pace of withdrawal of stimulus.
- In addition, there is a strong argument that central banks should **target financial market stability**. As mentioned previously, bond markets and equity markets could be vulnerable to a sharp correction. There has been much commentary, that since 2008, QE has caused massive distortions, imbalances and bubbles in asset prices, both financial and non-financial. Consequently, there are widespread concerns at the potential for such bubbles to be burst by exuberant central bank action. On the other hand, too slow or weak action would allow these imbalances and distortions to continue or to even inflate them further.
- Consumer debt levels are also at historically high levels due to the prolonged period of low cost of borrowing since the financial crash. In turn, this cheap borrowing has meant that **other non-financial asset prices**, particularly house prices, have been driven up to very high levels, especially compared to income levels. Any sharp downturn in the availability of credit, or increase in the cost of credit, could potentially destabilise the housing market and generate a sharp downturn in house prices. This could then have a destabilising effect on consumer confidence, consumer expenditure and GDP growth. However, no central bank would accept that it ought to have responsibility for specifically targeting house prices.

UK. After the UK surprised on the upside with strong economic growth in 2016, **growth in 2017 has confounded pessimistic forecasts of weak growth by coming in at 1.8%, only marginally down on the rate for 2016.** ; quarter 1 came in at only +0.3% (+1.8% y/y), quarter 2 was +0.3% (+1.5% y/y). quarter 3 was +0.4% (+1.5% y/y) and Q4 was +0.5% (+1.5% y/y). The outstanding performance came from the manufacturing sector which showed a 1.3% increase in Q4 and +3.1% y/y helped by an increase in exports due to the lower value of sterling over the last year and robust economic growth in our main trade partners, the EU and US. It is also notable that there has been a progressive acceleration in total GDP growth during the year which gives ground for optimism looking forward into 2018.

While the Bank of England is expected to give forward guidance to prepare financial markets for gradual changes in policy, the **Monetary Policy Committee, (MPC), meeting of 14 September 2017** managed to shock financial markets and forecasters by suddenly switching to a much more aggressive tone in terms of its words around warning that Bank Rate will need to rise soon. The Bank of England Inflation Reports during 2017 have clearly flagged up that it expected CPI inflation to peak at just under 3% in 2017, before falling back to near to its target rate of 2% in two years' time. The Bank revised its forecast for the peak to just over 3% at the 14 September meeting. (Inflation actually came in at 3.1% in November so that may prove now to be the peak. Inflation fell to 3.0% in December.) This marginal revision in the Bank's forecast can hardly justify why the MPC became so aggressive with its wording; rather, the focus was on an emerging view that with unemployment having already fallen to only 4.3%, the lowest level since 1975, and improvements in productivity being so weak, that **the amount of spare capacity in the economy was significantly diminishing** towards a point at which they now needed to take action. In addition, the MPC took a more tolerant view of low wage inflation as this now looks like a common factor in nearly all western economies as a result of automation and globalisation. However, the Bank was also concerned that the withdrawal of the UK from the EU would effectively lead to a *decrease* in such globalisation pressures in the UK, and so this would cause additional inflationary pressure over the next few years.

At its 2 November meeting, the MPC duly delivered a 0.25% increase in Bank Rate. It also gave forward guidance that they expected to increase Bank Rate only twice more in the next three years to reach 1.0% by 2020. This is, therefore, not quite the 'one and done' scenario but is, nevertheless, a very relaxed rate of increase prediction in Bank Rate in line with previous statements that Bank Rate would only go up very gradually and to a limited extent.

However, some forecasters are flagging up that they expect growth to accelerate significantly towards the end of 2017 and then into 2018. This view is based primarily on the coming fall in inflation, (as the effect of the effective devaluation of sterling after the EU referendum drops out of the CPI statistics), which will bring to an end the negative impact on consumer spending power. In addition, a strong export performance will compensate for weak services sector growth. If this scenario was indeed to materialise, then the MPC would be likely to accelerate its pace of increases in Bank Rate during 2018 and onwards.

It is also worth noting the **contradiction within the Bank of England** between action in 2016 and in 2017 **by two of its committees**. After the shock result of the EU referendum, the **Monetary Policy Committee (MPC)** voted in August 2016 for emergency action to cut Bank Rate from 0.50% to 0.25%, restarting £70bn of QE purchases, and also providing UK banks with £100bn of cheap financing. The aim of this was to lower borrowing costs, stimulate demand for borrowing and thereby increase expenditure and demand in the economy. The MPC felt this was necessary in order to ward off their expectation that there would be a sharp slowdown in economic growth. Instead, the economy grew robustly, although the Governor of the Bank of England strongly maintained that this was *because* the MPC took that action. However, other commentators regard this emergency action by the MPC as being proven by events to be a mistake. Then in 2017, we had the **Financial Policy Committee (FPC)** of the Bank of England taking action in June and September over its concerns that cheap borrowing rates, and easy availability of consumer credit, had resulted in too rapid a rate of growth in consumer borrowing and in the size of total borrowing, especially of unsecured borrowing. It, therefore, took punitive action to clamp down on the ability of the main banks to extend such credit! Indeed, a PWC report in October 2017 warned that credit card, car and personal loans and student debt will hit the equivalent of an average of £12,500 per household by 2020. However, averages belie wide variations in levels of debt with much higher exposure being biased towards younger people, especially the 25 - 34 year old band, reflecting their lower levels of real income and asset ownership.

One key area of risk is that consumers may have become used to cheap rates since 2008 for borrowing, especially for mortgages. It is a major concern that **some consumers may have over extended their borrowing** and have become complacent about interest rates going up after Bank Rate had been unchanged at 0.50% since March

2009 until falling further to 0.25% in August 2016. This is why forward guidance from the Bank of England continues to emphasise slow and gradual increases in Bank Rate in the coming years. However, consumer borrowing is a particularly vulnerable area in terms of the Monetary Policy Committee getting the pace and strength of Bank Rate increases right - without causing a sudden shock to consumer demand, confidence and thereby to the pace of economic growth.

Moreover, while there is so much uncertainty around the Brexit negotiations, consumer confidence, and business confidence to spend on investing, it is far too early to be confident about how the next two to three years will actually pan out.

EZ. Economic growth in the eurozone (EZ), (the UK's biggest trading partner), had been lack lustre for several years after the financial crisis despite the ECB eventually cutting its main rate to -0.4% and embarking on a massive programme of QE. However, growth picked up in 2016 and has now gathered substantial strength and momentum thanks to this stimulus. GDP growth was 0.6% in quarter 1 (2.1% y/y), 0.7% in quarter 2 (2.4% y/y) and +0.6% in quarter 3 (2.6% y/y). However, despite providing massive monetary stimulus, the European Central Bank is still struggling to get inflation up to its 2% target and in December inflation was 1.4%. It is therefore unlikely to start on an upswing in rates until possibly 2019. It has, however, announced that it will slow down its monthly QE purchases of debt from €60bn to €30bn from January 2018 and continue to at least September 2018.

USA. Growth in the American economy was notably erratic and volatile in 2015 and 2016. 2017 is following that path again with quarter 1 coming in at only 1.2% but quarter 2 rebounding to 3.1% and quarter 3 coming in at 3.2%. Unemployment in the US has also fallen to the lowest level for many years, reaching 4.1%, while wage inflation pressures, and inflationary pressures in general, have been building. The Fed has started on a gradual upswing in rates with four increases in all and four increases since December 2016; the latest rise was in December 2017 and lifted the central rate to 1.25 – 1.50%. There could then be another four increases in 2018. At its September meeting, the Fed said it would start in October to gradually unwind its $4.5 trillion balance sheet holdings of bonds and mortgage backed securities by reducing its reinvestment of maturing holdings.

CHINA. Economic growth has been weakening over successive years, despite repeated rounds of central bank stimulus; medium term risks are increasing. Major progress still needs to be made to eliminate excess industrial capacity and the stock of unsold property, and to address the level of non-performing loans in the banking and credit systems.

JAPAN. GDP growth has been gradually improving during 2017 to reach an annual figure of 2.1% in quarter 3. However, it is still struggling to get inflation up to its target of 2%, despite huge monetary and fiscal stimulus. It is also making little progress on fundamental reform of the economy.

APPENDIX D

ITEM Revenue Budget and Council Tax Proposals 2018/19

Report of the Finance Portfolio Holder

Recommended:

1. That the Revised Forecast for 2017/18 as set out in Column 3 of annex 1 to the report be approved.

2. That the Savings Options, Income Generation Proposals and Revenue Pressures as set out in annexes 2 - 4 to the report be approved.

3. That subject to recommendation 2 above and taking due regard of the Head of Finance's comments in annex 8 to the report, the budget for 2018/19 as set out in Column 6 of annex 1 to the report be approved.

4. That subject to recommendations 2 and 3 above, the revenue estimates for each Service contained in annex 7 to the report be approved.

5. That a Council Tax Requirement for 2018/19 of £8,604,218 be approved.

6. That a Special Expenses Levy of £296,627 be made in respect of the area of Andover to cover the cost of providing burial grounds, public halls, sports grounds and playgrounds.

7. That a general precept of £6,798,851 be levied for the year 2018/19.

8. That the Medium Term Forecast contained in annex 6 to the report be noted.

9. That a Band D Council Tax excluding Parishes and Special Expenses of £141.41 in 2018/19 be approved – representing an increase of £5, equivalent to less than 10p per week.

10. That the transfer to the Capital Receipts Reserve be increased by £1.123M in 2018/19.

11. That delegated authority be given to the Head of Finance in consultation with the Leader, Finance Portfolio Holder and the Chief Executive to make changes to the budget following Cabinet to take account of new issues, changes to figures notified by Parish Councils or any late changes in the final Local Government Finance Settlement.

Recommendation to Council

SUMMARY:

- This report presents proposals for the final Revenue Budget and Council Tax for the financial year 2018/19.

APPENDIX D

- The report takes into account the previous budget information and options for changes in service delivery that were presented to the Cabinet in November 2017 and January 2018.
- The headline financial figures in the report are :-
    - ♦ Band D Council Tax (excluding Parishes and Special Expenses) of £141.41 – representing an increase of £5, equivalent to less than 10p per week.
    - ♦ Revenue savings proposals totalling £368,140 – Annex 2
    - ♦ Income Generation proposals totalling £613,700 – Annex 3
    - ♦ Additional spending pressures on services of £1,405,450– Annex 4
    - ♦ Forecast additional growth in retained Business Rates income of £995,100.
- The final recommendations arising from this meeting for the Budget and Council Tax for 2018/19 will be considered by Council on 23rd February 2018.

1 Introduction

1.1 The Cabinet considered the Budget Strategy for 2018/19 in November 2017. The report showed a best, middle and worst case scenario of the budget gap the Council expected to face for 2018/19.

1.2 An update of the budget forecast was presented to Cabinet in January 2018 in light of the provisional Local Government Finance Settlement and further work that had been carried out to identify the savings necessary to balance the budget for 2018/19.

1.3 This report presents the proposals for the 2018/19 Revenue Budget and Council Tax to be considered at this meeting before a final recommendation is made to Council.

2 Background

2.1 This report deals with the overall revenue budget and council tax for the Borough for the 2018/19 financial year. The key issue that needs to be considered is how to set a balanced budget with due regard to:-

- The estimated cost of providing existing services at their current levels
- Managing service delivery where external grant funding is reducing considerably
- Predictions of a sustained low level of investment income
- The level of savings to be taken into account in setting the budget
- The availability and use of balances to support revenue spending
- The level of Council Tax to be set for the Borough of Test Valley, and

APPENDIX D

- The impact on budget projections for the medium term.

2.2 It is impractical to examine every possible permutation of the seven items set out above and therefore, this report sets out a specific budget proposal for debate that incorporates all of these items and takes into account discussions that have been held with the Leader and Portfolio Holders.

2.3 The following sections provide more detailed information on the final budget proposals that have been put forward. They compare the figures to those presented to Cabinet on 17 January 2018.

3 2017/18 Revised Forecast

3.1 The original budget for 2017/18 included no draw from general reserves in the year. This continues to be the case and general reserves are expected to remain at £2M at the end of the year.

3.2 The budget monitoring report presented to Cabinet on 18 October 2017 identified additional costs of £52,900 in the cost of services offset by £59,000 additional investment income for the first six months of the year.

3.3 Savings made to date are reflected in the revised forecast shown in the annexes to this report.

3.4 No decisions will be taken on how to deploy any positive variance or cover any negative variance arising in 2017/18 until the outturn position is known. This is due to be reported to Cabinet in May 2018.

4 2018/19 Budget Proposals

4.1 Annex 1 sets out the proposed budget for 2018/19. The figures shown take into account changes in the detailed estimates arising from the budget process together with the savings options and budget pressures set out in the annexes to this report.

4.2 The Net Cost of Services shown in Annex 1 includes some items of expenditure, such as depreciation and capital grants, that do not form part of the Council Tax calculation. These charges can vary significantly and distort the figures shown against each Service. Annex 5 shows the same figures as Annex 1 with these items removed.

4.3 Annex 7 sets out a summary of the estimates by main service area. The figures in Annex 7 exclude capital financing charges and are reconciled to the summary shown in Annex 5.

Overall Budget

4.4 All of the changes outlined in this report are reflected in the figures shown in Annex 1 which represents the proposed budget before the Cabinet. The Net General Fund Requirement is £12.908M and the Council Tax Requirement is

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£8.604M.

The budget gap shown in the January budget update was zero. Since then, there have been a number of movements, but the gap remains closed. A summary of the movements is shown in the following table.

	£'000
Budget Gap per January report	**0**
Additional savings (see Annex 2)	(49)
Additional income (see Annex 3)	(53)
Net reduction in pressures (see Annex 4)	(1)
Forecast additional growth in retained Business Rates Income (see para. 4.5)	(995)
Other budget changes	(25)
Transfer to Capital Receipts Reserve (see para 4.7)	1,123
Final Budget Position	**0**

4.5 Work has continued during January to calculate the impact of the Business Rates Retention Scheme. The budget for 2018/19 now includes an estimate of additional income from this source totalling £995,100 (see paragraphs 4.18 – 4.23 for further details). However, whilst this is clearly beneficial in the short term, these levels of income cannot be relied upon to be generated in the future due to the Government's reset of the Business Rates Retention Scheme in 2020 and a number of other variables outside the Council's control.

4.6 During the detailed budget work, a number of small adjustments have been identified and included in this budget update. These have reduced the budget gap by £25,000.

4.7 The total additional income since the January budget update is £1.123M. It is recommended to transfer this to the Capital Receipts Reserve in 2018/19 as an additional contribution towards the cost of the capital programme as discussed in the Capital Programme Update report elsewhere on this agenda.

Savings made to set a balanced budget

4.8 Annexes 2 and 3 show that the Council has identified a number of areas to reduce its net expenditure in 2018/19. This combination of reduced expenditure and increased income streams is estimated to reduce net costs by £981,800 next year; however, this is just one piece of a much larger budget savings' jigsaw.

The following table shows the savings delivered and additional income generated in recent years in the context of the Council's net budget

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requirement. It also shows the budget reductions in comparison to the increase in Council Tax over the same period.

Year	Net Budget Requirement £'000	Savings Made £'000	Savings as % of Budget Requirement	Council Tax Band D	Council Tax Increase in Year
2008/09	12,325	669	5.43%	£113.31	4.48%
2009/10	12,504	1,729	13.83%	£118.44	4.53%
2010/11	12,966	614	4.74%	£121.41	2.51%
2011/12	11,606	957	8.25%	£121.41	0.00%
2012/13	11,063	1,229	11.11%	£121.41	0.00%
2013/14	11,062	1,249	11.29%	£126.41	4.12%
2014/15	10,452	1,165	11.15%	£126.41	0.00%
2015/16	9,030	905	10.02%	£126.41	0.00%
2016/17	12,064	839	6.95%	£131.41	3.96%
2017/18	12,379	1,419	11.46%	£136.41	3.80%
2018/19	12,908	982	7.61%	£141.41	3.67%

4.9 In each of the last ten years the reductions to net expenditure identified by the Council during its budget setting, most notably as part of the 'Corporate Challenge' process, have considerably outstripped the additional income demanded through Council Tax increases.

4.10 During the period from 2008/09 to present the Council has delivered budget reductions totalling £11.757M, equivalent to more than £1M per year. This includes additional income generated by Project Enterprise (see paragraphs 4.12 – 4.16).

4.11 This clearly demonstrates the efforts the Council has made in recent years to control expenditure and keep Council Tax increases to a minimum.

Project Enterprise

4.12 Project Enterprise was established in 2014 to increase the income generated by the Council from its investments and reduce its reliance on the Government's Revenue Support Grant.

4.13 Since 2014, the Council has invested in a number of properties that have sought to generate additional revenue income. This additional income has been generated by investing the cash reserves held by the Council in projects that will yield greater returns than the current investment portfolio.

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The amount of investment in completed projects is currently £26.817M. Net rental income from these investments is forecast to be £1.905M in 2018/19. This represents an average return on investment of 7.1%.

4.14 In contrast, the Council's cash investment portfolio is forecast to generate an average return of 0.73% in 2018/19. Had the Council not purchased the additional properties and left the investment in cash reserves, this would be expected to generate £196,000 in 2018/19.

4.15 Income from Project Enterprise investments is therefore, expected to be £1.709M greater than would have been achieved by retaining the balances in cash.

4.16 Some of the income generated from the completed investments is used to replenish the Capital Receipts Reserve over the lifetime of the investment. For 2018/19, £412,800 is included within the Transfer to Capital Balances line in Annex 1 for this purpose. The remainder of the income will be used to support Council services.

Business Rates Retention Scheme

4.17 The Government introduced the Business Rates Retention Scheme in 2013. It is a complex scheme with baseline assessments, top ups and tariffs, levy payments and safety nets.

4.18 If this was not complicated enough, the Government has introduced a further layer of complexity in awarding S31 grants to offset the impact of policies aimed at protecting small businesses. This can create apparent surpluses or deficits on the Council's Collection Fund and corresponding deficits or surpluses in the General Fund and volatility in yearly cashflows.

4.19 The Head of Revenues has delegated authority (in consultation with the Head of Finance and the Economic Portfolio Holder) to approve the annual National Non Domestic Rates returns to Central Government. In so doing, this effectively sets the initial shares of income to be allocated to the main preceptors and the Government from the Collection Fund.

4.20 The Head of Finance has consulted with the Acting Head of Revenues (Local Taxation) and reviewed his budget working papers. In the early years of the rates retention scheme, the Council adopted a cautious approach of budgeting for the settlement figure only. However, following the business rates revaluation exercise which was implemented from April 2017, it is estimated that income due to the Council in each of the next 3 years will be as per the following table:

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	2018/19 £'000s	**2019/20 £'000s**	**2020/21 £'000s**
Business rates income	5,237	4,606	2,393
Section 31 grants	1,422	1,413	1,406
2017/18 surplus on collection fund	408	0	0
Provision for levy payable to government	(1,932)	(1,591)	0
Renewable energy rates 100% retained	454	454	454
Total income from business rates retention scheme	**5,589**	**4,882**	**4,253**
Less income from business rates retention scheme included in January report	4,594	4,033	3,602
Growth in retained income from business rates retention scheme	**995**	**849**	**651**

4.21 This additional income has now been built into the Medium Term Forecast. However, this additional income is extremely vulnerable to the level of appeals that may occur as a result of the 2017 revaluation exercise and the Council maintains a Collection Fund Equalisation Reserve in case the level of appeals is higher than estimated. In addition, the Government maintains the power to take away all of the accumulated growth in income generated since 2013 in the reset of the Business Rates Retention Scheme in 2020. Therefore the estimates for 2020/21 exclude any growth in income above the baseline settlement figure.

4.22 The final settlement for 2018/19 was announced on 6 February and is in line with the Medium Term Financial Strategy at £2.29M (£2.22M in 2017/18).

Draws from Reserves

4.23 Draws from reserves are expected to be for one-off or specific expenditure. No further general draws from reserves are budgeted in 2018/19 to close the overall budget gap.

Local Government Finance Settlement

4.24 Full details of the *Provisional* Local Government Finance Settlement were given in the Budget Update report to Cabinet on 17 January and are not repeated here. The *Final* Local Government Finance Settlement was announced on 6 February. The main Settlement Funding Assessment including the Revenue Support Grant was unchanged from the provisional

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figures supplied earlier in the year. However, the Government made changes to tariffs and top-ups to reflect an issue with the VOA data used in the provisional settlement. The Council's tariff payment to the Government has therefore reduced from £16,497,651 to £16,444,561 and this lower figure has been included in the final budget for 2018/19.

Robustness of Estimates and Adequacy of Revenue Reserves

4.25 Section 25 of the Local Government Act 2003 requires the Chief Financial Officer (Head of Finance) to report on the robustness of the budget estimates and adequacy of reserves at the time the Council is deciding the level of Budget Requirement and Council Tax for the forthcoming year. This is shown in full detail in Annex 8.

Council Tax

4.26 Under delegated authority the Head of Revenues, in consultation with the Head of Finance, sets the Council Tax base for the forthcoming financial year. The Council Tax resolution is reported directly to Council for consideration with the budget proposals. This report assumes that the figure prepared for the Council Tax Resolution does not change.

4.27 Should the tax base change, the resultant change in income to the Council will be met by an adjustment to/from the Budget Equalisation Reserve rather than amending the proposed Council Tax charge.

4.28 The Government has implemented a clear shift in council tax policy and has assumed that local authorities will put up their council tax by the maximum they are allowed each year. This Council has received verification that an increase to Council tax of £5 will be allowable without triggering a referendum. The Government has automatically included this increase and the additional income that it generates in its calculations of the spending power of the Council as part of the settlement process. With no Council Tax Freeze Grant on offer from the Government and taking into account proposed changes in Council finances (i.e. the loss of Revenue Support Grant and reduction in New Homes Bonus), this report recommends that the Council duly implements this £5 increase.

4.29 For 2018/19 it is recommended that Council Tax is increased by £5 from £136.41 to £141.41.

4.30 The Andover Special Expenses Levy is reduced slightly from 2017/18 levels (from £21.88 per band D property to £21.75). This will enable the Council to stay within the Council Tax Referendum threshold.

5 Medium Term Forecast and Beyond

5.1 Annex 6 sets out the Medium Term Forecast for the General Fund budget up to the 2020/21 financial year. The figures shown in Annex 6 are reconciled to the revenue summary shown in Annex 5.

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5.2 In order to maintain a balanced budget, current forecasts indicate savings of £670,200 need to be found in 2019/20. This amount decreases by £447,700 to £222,500 which is the level of cumulative savings needed to close the forecast budget gap for 2020/21.

5.3 Work to identify options for Councillors to consider meeting these savings targets will flow from the annual Corporate Challenge process which will commence in May 2018. An initial forecast for 2019/20 based on a best, middle and worst case scenario will be presented to Cabinet in October 2018.

5.4 Looking further ahead, financial forecasts become less certain, but it is inevitable that, with the loss of Revenue Support Grant and fewer opportunities to make savings and efficiencies, pressure will increase on the Council to use its reserves to ensure financial stability.

5.5 Clearly, other factors will come into play, e.g. a move to 75% retention of Business Rates, an expected recovery in interest rates, Government policy and finance changes, but Cabinet is encouraged to keep this longer term uncertainty in mind when recommending a sustainable level of Council Tax for 2018/19 to Council.

6 Corporate Objectives and Priorities

6.1 The Budget encompasses all elements of the Council's activities and therefore contributes to all the Council's Corporate Objectives and Priorities.

7 Consultations

7.1 Consultation on the Budget has been carried out with the Leader, Deputy Leader, individual Portfolio Holders, Overview & Scrutiny Committee, Local Business groups (as detailed in the report to Cabinet in January 2018) and Heads of Service.

8 Risk Management

8.1 A risk assessment has been completed in accordance with the Council's Risk Management Methodology and has identified significant (Red or Amber) risks as detailed in paragraph 2.4 of Annex 8.

9 Equality Issues

9.1 An EQIA screening has been completed in accordance with the Council's EQIA methodology and no potential for unlawful discrimination or negative impact have been identified, therefore a full EQIA has not been carried out.

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10 Conclusion and reasons for recommendation

10.1 This report is the culmination of a process that started in May 2017. It shows the savings and additional income that have been identified to enable the Council to propose a balanced budget for 2018/19.

10.2 If approved, the recommendations of this report will be considered by Council on 23 February 2018.

<table>
<tr><td colspan="4">Background Papers (Local Government Act 1972 Section 100D)
1. “Provisional local government finance settlement 2018 to 2019” - DCLG Consultation December 2017
2. “The Referendums Relating to Council Tax Increases (Principles)(England) Report 2018/19” – DCLG December 2017
3. “Fair Funding Review: A review of relative needs and resources” - DCLG December 2017</td></tr>
<tr><td colspan="4">Confidentiality
It is considered that this report does not contain exempt information within the meaning of Schedule 12A of the Local Government Act 1972, as amended, and can be made public.</td></tr>
<tr><td>No of Annexes:</td><td>8</td><td>File Ref:</td><td></td></tr>
<tr><td colspan="4">(Portfolio: Finance) Councillor Giddings</td></tr>
<tr><td>Officer:</td><td>Jenni Carter</td><td>Ext:</td><td>8236</td></tr>
<tr><td>Report to:</td><td>Cabinet</td><td>Date:</td><td>14 February 2018</td></tr>
</table>

GENERAL FUND REVENUE SUMMARY

(1) Actual Spend 2016/17 £'000	(2) Original Estimate 2017/18 £'000	(3) Forecast 2017/18 £'000		(4) Gross Expend. 2018/19 £'000	(5) Gross Income 2018/19 £'000	(6) Original Estimate 2018/19 £'000
			Service Requirements			
517.2	596.9	549.4	Chief Executive's Office & Planning Policy	2,487.6	(1,898.9)	588.7
3,982.6	3,598.8	4,875.8	Community & Leisure	4,099.4	(1,373.5)	2,725.9
5,147.2	4,762.5	4,839.0	Environmental Service	7,987.2	(3,060.4)	4,926.8
(5,592.1)	(5,701.0)	(5,664.1)	Estates, Economic Development & Transport	8,000.1	(13,763.4)	(5,763.3)
5.8	0.0	7.0	Finance	988.6	(988.1)	0.5
1,777.6	3,297.8	2,163.5	Housing & Environmental Health	5,171.5	(2,336.2)	2,835.3
40.8	1.9	32.8	I.T.	1,502.5	(1,502.3)	0.2
383.1	303.9	367.0	Legal & Democratic	1,714.2	(1,367.4)	346.8
2,127.5	1,573.4	1,636.9	Planning & Building	3,527.8	(1,796.3)	1,731.5
1,453.3	1,364.5	1,236.6	Revenues	2,801.0	(1,510.4)	1,290.6
9,843.0	**9,798.7**	**10,043.9**		**38,279.9**	**(29,596.9)**	**8,683.0**
			Other Requirements			
(313.2)	(200.0)	(200.0)	Net Cost of Benefit Payments	31,230.0	(31,430.0)	(200.0)
2,952.2	4,048.4	4,106.8	Corporate & Democratic Core	4,740.0	(469.3)	4,270.7
12,482.0	**13,647.1**	**13,950.7**	**Net Cost of Services**	**74,249.9**	**(61,496.2)**	**12,753.7**
			Corporate Requirements			
0.0	522.4	196.5	Contingency Provision	441.6	0.0	441.6
(3,462.7)	(4,475.4)	(4,308.9)	Depreciation Reversal and Deferred Charges	0.0	(4,847.2)	(4,847.2)
(559.5)	(337.1)	(351.5)	Investment Income	0.0	(426.8)	(426.8)
0.0	0.0	0.0	Borrowing Costs	157.5	0.0	157.5
0.0	0.0	0.0	Minimum Revenue Provision	130.8	0.0	130.8
(53.8)	(53.6)	(53.6)	Transition Grant	0.0	0.0	0.0
(573.0)	(680.9)	(680.9)	Small Business Rate Relief	0.0	(1,201.8)	(1,201.8)
(138.7)	(178.8)	(178.8)	Other Government Grants	0.0	(273.3)	(273.3)
(4,797.9)	(4,916.1)	(4,921.4)	New Homes' Bonus	0.0	(3,836.7)	(3,836.7)
613.8	1,497.5	1,497.5	Provision for NDR surplus 'levy'	1,931.2	0.0	1,931.2
(46.5)	(359.0)	(903.0)	100% Retention of NDR from Renewable Energy	0.0	(454.0)	(454.0)
(7.0)	0.0	0.0	Year End Write Offs	0.0	0.0	0.0
3,456.7	**4,666.1**	**4,246.6**	**Net General Fund Expenditure**	**76,911.0**	**(72,536.0)**	**4,375.0**
5,991.3	5,381.2	5,620.7	Transfer to Earmarked Reserves	3,895.0	(557.6)	3,337.4
702.2	1,117.1	716.3	Transfer to Asset Management Reserve	2,117.1	0.0	2,117.1
2,057.0	1,214.5	1,795.3	Transfer to Capital Balances	3,078.9	0.0	3,078.9
(107.7)	0.0	0.0	Transfer to Pension Reserve	0.0	0.0	0.0
0.0	0.0	0.0	Transfer to / (from) General Reserves	0.0	0.0	0.0
12,099.5	**12,378.9**	**12,378.9**	**General Fund Requirements**	**86,002.0**	**(73,093.6)**	**12,908.4**
(1,012.2)	(417.5)	(417.5)	Revenue Support Grant	0.0	(56.0)	(56.0)
(3,308.2)	(4,447.1)	(4,447.1)	Business Rates Retained	16,444.6	(21,681.2)	(5,236.6)
1,343.7	1,403.5	1,403.5	Parish Precepts	1,508.7	0.0	1,508.7
(135.5)	(132.9)	(132.9)	Surplus on Previous Years' Collection Fund - Ctax	0.0	(112.7)	(112.7)
(1,240.0)	(634.4)	(634.4)	Surplus on Previous Years' Collection Fund - NDR	0.0	(407.6)	(407.6)
7,747.3	**8,150.5**	**8,150.5**	**Council Tax Requirement**	**103,955.3**	**(95,351.1)**	**8,604.2**
(6,102.5)	(6,454.2)	(6,454.2)	Test Valley Borough Council Precept	0.0	(6,798.9)	(6,798.9)
(1,343.7)	(1,403.5)	(1,403.5)	Parish Precepts	0.0	(1,508.7)	(1,508.7)
(301.1)	(292.8)	(292.8)	Andover Special Expenses Levy	0.0	(296.6)	(296.6)
(7,747.3)	**(8,150.5)**	**(8,150.5)**	**Summary of Council Tax Requirement**	**0.0**	**(8,604.2)**	**(8,604.2)**

ANNEX 2

SUMMARY OF CORPORATE CHALLENGE SAVINGS OPTIONS

Service / Ref	Service	Function	Savings Option Proposed	2018/19 £	2019/20 £	2020/21 £
Efficiency Savings:						
IT01	IT	Third Party payments	Cancel software escrow accounts	2,040	2,040	2,040
FIN01	Finance	Employee costs	Extend secondment arrangements in Accountancy until March 2019.	15,000	0	0
FIN02	Finance	Supplies and Services	Reduce corporate subscriptions budget following review.	4,000	4,000	4,000
REV01	Revenues	Employee costs	Delete vacant post in Local Taxation/CSU	27,700	27,700	27,700
REV02	Revenues	Employee costs	Delete vacant post and terminate two temporary contracts in Benefits	75,100	75,100	75,100
REV03	Revenues	Employee costs	Reduce temporary staffing budgets	15,000	15,000	15,000
REV04	Revenues	Employee costs	Delete vacant Recovery Officer post	24,700	24,700	24,700
ES01	Environmental	Transport	Reduce annual running costs following installation of vehicle tracking systems	5,000	5,000	5,000
CL01	Community & Leisure	Employee costs	Reduce staffing costs following review of the Community Engagement Team (Cabinet 17/5/17 - Minute 32 refers)	20,000	20,000	20,000
				188,540	**173,540**	**173,540**
Budget Realignment Savings:						
IT02	IT	Supplies and Services	Reduce telephone land line charges budget to align with current spend	7,000	7,000	7,000
IT03	IT	Supplies and Services	Reduce corporate printing budget	5,000	5,000	5,000

ANNEX 2

SUMMARY OF CORPORATE CHALLENGE SAVINGS OPTIONS

Service / Ref	Service	Function	Savings Option Proposed	2018/19 £	2019/20 £	2020/21 £
FIN03	Finance	Supplies and Services	Delete overprovision in Finance Software maintenance budget	3,000	3,000	3,000
				15,000	**15,000**	**15,000**
Items to be financed from reserves:						
ES02	Environmental	Transport	Finance cyclical vehicle maintenance from the Asset Management Plan	100,000	100,000	100,000
Total Saving Options in November Budget Strategy				**303,540**	**288,540**	**288,540**
FIN06	Corporate	Supplies and Services	Reduction in external audit fees	10,000	10,000	10,000
FIN07	Corporate	Supplies and Services	Reduce bank charges budget to align with current spend	5,500	5,500	5,500
Total Saving Options in January Budget Strategy				**15,500**	**15,500**	**15,500**
FIN12	ALL	Supplies and Services	Procurement savings from new personal protective equipment contract	7,100	7,100	7,100
FIN13	Corporate	Contibution to Capital	Reduction in annual revenue contibution to capital due to items being fully repaid by March 2018	42,000	42,000	42,000
Total Saving Options in this update				**49,100**	**49,100**	**49,100**
Total Saving Options				**368,140**	**353,140**	**353,140**

ANNEX 3

SUMMARY OF CORPORATE CHALLENGE INCOME GENERATION PROPOSALS

Service / Ref	Service	Function	Savings Option Proposed	2018/19 £	2019/20 £	2020/21 £
EST01	Estates & Econ Development	Corporate Properties	Additional income following rent reviews	10,000	10,000	10,000
EST02	Estates & Econ Development	Facilities Management	Additional income from new lettings	50,000	50,000	50,000
ENV03	Environmental Service	Vehicle Workshop	Increase in MOT testing income	2,500	2,500	2,500
ENV04	Environmental Service	Garden Waste	Additional income from increase in garden waste subscriptions	30,000	30,000	30,000
ENV05	Environmental Service	Garden Waste	Increase annual garden waste charge	20,000	20,000	20,000
ENV06	Environmental Service	Street Sweeping	Additional income primarily from returned shopping trolleys and management of new dogs bins	15,000	15,000	15,000
Total Income Generation Proposals in November Budget Strategy				**127,500**	**127,500**	**127,500**
EST07	Estates & Econ Development	Investment Properties	Additional rental income	292,500	292,500	292,500
LD04	Legal & Democatic	Legal Service	Align legal fee income to actuals	7,000	7,000	7,000
EST09	Estates & Econ Development	Transport	Net income from bus shelters	6,500	6,500	6,500
FIN10	Corporate	Investment Income	Increase in investment income due to increase in interest rates	119,900	119,900	119,900
FIN11	Corporate	Investment Income	Interest on loans	6,900	6,900	6,900
Total Income Generation Proposals in January Budget Strategy				**432,800**	**432,800**	**432,800**

ANNEX 3

SUMMARY OF CORPORATE CHALLENGE INCOME GENERATION PROPOSALS

Service / Ref	Service	Function	Savings Option Proposed	2018/19 £	2019/20 £	2020/21 £
FIN14	Corporate	Government grants	Align the council tax annex discount grant to current levels	53,400	53,400	53,400
Total Income Generation Proposals in this update				**53,400**	**53,400**	**53,400**
Total Income Generation Proposals				**613,700**	**613,700**	**613,700**

SUMMARY OF REVENUE PRESSURES

Service / Ref	Service	Item	2018/19 £	2019/20 £	2020/21 £
Pressures previously identified in February 17 Budget Strategy:					
FIN04	Corporate	Withdrawal of Government's transition grant which was paid to ease the reduction in RSG during 2016-18	53,600	53,600	53,600
FIN05	ALL	Increase in Employers' pension contributions resulting from 2016 Pension Fund actuarial revaluation	126,000	252,000	252,000
REV05	Revenues	Reduction in Housing Benefits Administration grant	30,500	64,400	64,400
REV06	Revenues	Reduction in Council Tax Support Administration grant	22,500	32,500	32,500
			232,600	**402,500**	**402,500**
Pressures identified in November 17 Budget Strategy:					
CEX01	Chief Executives	Ongoing costs of Digital Transformation (originally financed from the Capacity Building Reserve for fifteen months).	26,600	37,900	37,900
EST03	Estates & Econ Development	Various posts regraded following job evaluations.	25,700	25,700	25,700
EST04	Estates & Econ Development	Deferral of Commercial Rent offset by draw from the Income Equalisation Reserve.	91,000	45,500	19,500
CL02	Community & Leisure	The Lights Theatre - Removal of ticket booking fees.	9,000	9,000	9,000

ANNEX 4

SUMMARY OF REVENUE PRESSURES

Service / Ref	Service	Item	2018/19 £	2019/20 £	2020/21 £
ALL	ALL	Additional transfer to Asset Management Reserve to cover expected peak in work programme in 2018-2020.	900,000	900,000	0
			1,052,300	**1,018,100**	**92,100**
Draw from reserves to offset pressures:					
FIN05a	ALL	Draw from Pension Equalisation Reserve	(100,000)	(100,000)	0
EST04a	Estates & Econ Development	Draw from Income Equalisation Reserve	(91,000)	(45,500)	(19,500)
			(191,000)	**(145,500)**	**(19,500)**
Total Pressures identified in November Budget Strategy			**1,093,900**	**1,275,100**	**475,100**
ENV08	Environmental Service	Incremental cost of additional waste collection coverage re. new properties	20,000	40,000	60,000
EST06	Estates & Econ Development	Reduce room booking income to align to actual	13,500	13,500	13,500
EST08	Estates & Econ Development	Independent Retailer Grants (IRGs) to be funded from the New Homes Bonus Reserve	20,000	0	0
EST09	Estates & Econ Development	Additional utility charges	11,100	11,100	11,100
LD01	Legal & Democratic	Reduce land charges income to align with actuals	30,000	30,000	30,000

SUMMARY OF REVENUE PRESSURES

Service / Ref	Service	Item	2018/19 £	2019/20 £	2020/21 £
LD02	Legal & Democratic	Software licence costs relating to new Electoral Registration tablet PCs	12,500	12,500	12,500
LD03	Legal & Democratic	Temporary additional legal support - 9 months	46,300	0	0
PB01	Planning & Building	Maintenance for S106 / CIL software	6,000	6,000	6,000
PB02	Planning & Building	Reduction in legal fee income	10,000	10,000	10,000
REV07	Revenues	"My Council Services" annual charge offset by reduction in employee costs within the Revenues service	35,500	35,500	35,500
REV08	Revenues	Increase in postage costs	14,800	14,800	14,800
EST10	Estates & Econ Development	Loss of income following termination of contract	15,400	15,400	15,400
EST11	Estates & Econ Development	Reduction in Parking Charge Notice income	9,800	9,800	9,800
FIN08	ALL	Increase in insurance premiums	54,500	54,500	54,500
FIN09	ALL	Net increase in employee costs due to auto enrolment in pension scheme	32,800	32,800	32,800
			332,200	**285,900**	**305,900**
Draw from reserves to offset pressures:					
EST08a	Estates & Econ Development	Draw from New Homes Bonus Reserve re. IRGs shown above	(20,000)	0	0
			(20,000)	**0**	**0**
Total Pressures identified in January Budget Strategy			**312,200**	**285,900**	**305,900**

ANNEX 4

SUMMARY OF REVENUE PRESSURES

Service / Ref	Service	Item	2018/19 £	2019/20 £	2020/21 £
REV05a	Revenues	Higher than anticpated Housing Benefits Administration grant	(6,200)	0	0
REV06a	Revenues	Higher than anticipated Council Tax Support Administration grant	(17,850)	0	0
CORP1	Corporate	Romsey Future	10,000	10,000	10,000
EST12	Estates & Econ Development	Temporary administration support	25,900	13,600	0
LD02a	Legal & Democratic	Reverse pressure for software licence costs relating to new Electoral Registration tablet PCs	(12,500)	(12,500)	(12,500)
Total Pressures identified in this update			**(650)**	**11,100**	**(2,500)**
Total Pressures			**1,405,450**	**1,572,100**	**778,500**

GENERAL FUND REVENUE SUMMARY

(1) Actual Spend 2016/17 £'000	(2) Original Estimate 2017/18 £'000	(3) Forecast 2017/18 £'000		(4) Gross Expend. 2018/19 £'000	(5) Gross Income 2018/19 £'000	(6) Original Estimate 2018/19 £'000
			Service Requirements			
414.9	596.9	549.4	Chief Executive's Office & Planning Policy	2,487.6	(1,898.9)	588.7
2,805.4	2,610.8	3,571.0	Community & Leisure	3,062.9	(1,373.5)	1,689.4
4,225.0	4,115.8	4,145.9	Environmental Service	7,250.4	(3,060.4)	4,190.0
(6,355.1)	(6,353.2)	(6,319.0)	Estates, Economic Development & Transport	7,213.3	(13,763.4)	(6,550.1)
(46.4)	0.0	7.0	Finance	988.6	(988.1)	0.5
1,800.2	1,772.8	1,702.5	Housing & Environmental Health	4,169.9	(2,336.2)	1,833.7
(109.4)	(104.8)	(74.9)	I.T.	1,388.1	(1,502.3)	(114.2)
319.3	303.9	367.0	Legal & Democratic	1,714.2	(1,367.4)	346.8
1,979.9	1,564.3	1,627.8	Planning & Building	3,527.8	(1,796.3)	1,731.5
1,332.2	1,364.5	1,236.6	Revenues	2,801.0	(1,510.4)	1,290.6
6,366.0	**5,871.0**	**6,813.3**		**34,603.8**	**(29,596.9)**	**5,006.9**
			Other Requirements			
(313.2)	(200.0)	(200.0)	Net Cost of Benefit Payments	31,230.0	(31,430.0)	(200.0)
3,899.5	4,000.7	4,059.1	Corporate & Democratic Core	4,692.3	(469.3)	4,223.0
9,952.3	**9,671.7**	**10,672.4**	**Net Cost of Services**	**70,526.1**	**(61,496.2)**	**9,029.9**
			Corporate Requirements			
0.0	522.4	196.5	Contingency Provision	441.6	0.0	441.6
(559.5)	(337.1)	(351.5)	Investment Income	0.0	(426.8)	(426.8)
0.0	0.0	0.0	Borrowing Costs	157.5	0.0	157.5
0.0	0.0	0.0	Minimum revenue Provision	130.8	0.0	130.8
(53.8)	(53.6)	(53.6)	Transition Grant	0.0	0.0	0.0
(573.0)	(680.9)	(680.9)	Small Business Rate Relief	0.0	(1,201.8)	(1,201.8)
(138.7)	(178.8)	(178.8)	Other Government Grants	0.0	(273.3)	(273.3)
(4,797.9)	(4,916.1)	(4,921.4)	New Homes' Bonus	0.0	(3,836.7)	(3,836.7)
613.8	1,497.5	1,497.5	Provision for NDR surplus 'levy'	1,931.2	0.0	1,931.2
(46.5)	(359.0)	(903.0)	100% Retention of NDR from Renewable Energy	0.0	(454.0)	(454.0)
(7.0)	0.0	0.0	Year End Write Offs	0.0	0.0	0.0
4,389.7	**5,166.1**	**5,277.2**	**Net General Fund Expenditure**	**73,187.2**	**(67,688.8)**	**5,498.4**
5,888.3	5,381.2	5,620.7	Transfer to Earmarked Reserves	3,895.0	(557.6)	3,337.4
702.2	1,117.1	716.3	Transfer to Asset Management Reserve	2,117.1	0.0	2,117.1
1,119.3	714.5	764.7	Transfer to Capital Balances	1,955.5	0.0	1,955.5
0.0	0.0	0.0	Transfer to General Reserves	0.0	0.0	0.0
12,099.5	**12,378.9**	**12,378.9**	**General Fund Requirements**	**81,154.8**	**(68,246.4)**	**12,908.4**
(1,012.2)	(417.5)	(417.5)	Revenue Support Grant	0.0	(56.0)	(56.0)
(3,308.2)	(4,447.1)	(4,447.1)	Business Rates Retained	16,444.6	(21,681.2)	(5,236.6)
1,343.7	1,403.5	1,403.5	Parish Precepts	1,508.7	0.0	1,508.7
(135.5)	(132.9)	(132.9)	Surplus on Previous Years' Collection Fund - Ctax	0.0	(112.7)	(112.7)
(1,240.0)	(634.4)	(634.4)	Surplus on Previous Years' Collection Fund - NDR	0.0	(407.6)	(407.6)
7,747.3	**8,150.5**	**8,150.5**	**Council Tax Requirement**	**99,108.1**	**(90,503.9)**	**8,604.2**
(6,102.5)	(6,454.2)	(6,454.2)	Test Valley Borough Council precept	0.0	(6,798.9)	(6,798.9)
(1,343.7)	(1,403.5)	(1,403.5)	Parish Precepts	0.0	(1,508.7)	(1,508.7)
(301.1)	(292.8)	(292.8)	Andover Special Expenses Levy	0.0	(296.6)	(296.6)
(7,747.3)	**(8,150.5)**	**(8,150.5)**	**Summary of Council Tax Requirement**	**0.0**	**(8,604.2)**	**(8,604.2)**

ANNEX 6

MEDIUM TERM FINANCIAL PLAN

	Original Estimate 2018/19 £'000	Base Changes £'000	Budget Forecast 2019/20 £'000	Base Changes £'000	Budget Forecast 2020/21 £'000
Service Requirements					
Chief Executive's Office & Planning Policy	588.7	(170.4)	418.3	0.0	418.3
Community & Leisure	1,689.4	(718.2)	971.2	(344.2)	627.0
Environmental Service	4,190.0	20.0	4,210.0	20.0	4,230.0
Estates, Economic Development & Transport	(6,550.1)	(99.8)	(6,649.9)	(67.4)	(6,717.3)
Finance	0.5	141.0	141.5	0.0	141.5
Housing & Environmental Health	1,833.7	0.0	1,833.7	0.0	1,833.7
I.T.	(114.2)	0.0	(114.2)	0.0	(114.2)
Legal & Democratic	346.8	(46.3)	300.5	0.0	300.5
Planning & Building	1,731.5	(11.1)	1,720.4	0.0	1,720.4
Revenues	1,290.6	68.0	1,358.6	0.0	1,358.6
Inflation		500.0	500.0	500.0	1,000.0
	5,006.9	**(316.8)**	**4,690.1**	**108.4**	**4,798.5**
Other Requirements					
Net Cost of Benefit Payments	(200.0)	0.0	(200.0)	0.0	(200.0)
Corporate & Democratic Core	4,223.0	0.0	4,223.0	0.0	4,223.0
Net Cost of Services	**9,029.9**	**(316.8)**	**8,713.1**	**108.4**	**8,821.5**
Corporate Requirements					
Contingency Provision	441.6	0.0	441.6	0.0	441.6
Investment Income	(426.8)	0.0	(426.8)	0.0	(426.8)
Borrowing Costs	157.5	(4.5)	153.0	(4.6)	148.4
Minimum Revenue Provision	130.8	3.5	134.3	3.6	137.9
Small Business Rate Relief	(1,201.8)	0.0	(1,201.8)	0.0	(1,201.8)
Other Government Grants	(273.3)	8.7	(264.6)	7.1	(257.5)
New Homes' Bonus	(3,836.7)	(29.1)	(3,865.8)	111.6	(3,754.2)
Provision for NDR Levy	1,931.2	(340.4)	1,590.8	(1,590.8)	0.0
100% Retention of NDR from Renewable Energy	(454.0)	0.0	(454.0)	0.0	(454.0)
Net General Fund Expenditure	**5,498.4**	**(678.6)**	**4,819.8**	**(1,364.7)**	**3,455.1**
Transfer to Earmarked Reserves	3,337.4	309.4	3,646.8	42.2	3,689.0
Transfer to Asset Management Reserves	2,117.1	0.0	2,117.1	(900.0)	1,217.1
Transfer to Capital Reserves	1,955.5	(274.6)	1,680.9	(198.4)	1,482.5
Transfer to General Reserves	0.0	0.0	0.0	0.0	0.0
Total General Fund Expenditure	**12,908.4**	**(643.8)**	**12,264.6**	**(2,420.9)**	**9,843.7**
FURTHER SAVINGS TO BE IDENTIFIED	**0.0**	**(670.2)**	**(670.2)**	**447.7**	**(222.5)**
General Fund Requirements	**12,908.4**	**(1,314.0)**	**11,594.4**	**(1,973.2)**	**9,621.2**

ANNEX 7

GENERAL FUND REVENUE ACCOUNT

SUMMARY ESTIMATES

Service Requirements	Final Outturn 2016/17 £'000	Original Estimate 2017/18 £'000	Forecast 2017/18 £'000	Original Estimate 2018/19 £'000
Chief Executive's Office	414.9	596.9	549.4	588.7
Community & Leisure	2,805.4	2,610.8	3,571.0	1,689.4
Environmental Service	4,225.0	4,115.8	4,145.9	4,190.0
Estates & Economic Development	(6,355.1)	(6,353.2)	(6,319.0)	(6,550.1)
Finance	(46.4)	0.0	7.0	0.5
Housing & Environmental Health	1,800.2	1,772.8	1,702.5	1,833.7
IT	(109.4)	(104.8)	(74.9)	(114.2)
Legal & Democratic	319.3	303.9	367.0	346.8
Planning & Building	1,979.9	1,564.3	1,627.8	1,731.5
Revenues	1,332.2	1,364.5	1,236.6	1,290.6
	6,366.0	**5,871.0**	**6,813.3**	**5,006.9**
Other Requirements				
Net Cost of Benefit Payments	(313.2)	(200.0)	(200.0)	(200.0)
Corporate & Democratic Core	3,899.5	4,000.7	4,059.1	4,223.0
Net Cost of Services	**9,952.3**	**9,671.7**	**10,672.4**	**9,029.9**

ANNEX 7

CHIEF EXECUTIVE'S OFFICE

SUMMARY ESTIMATES

Principal Activities	**Final Outturn 2016/17 £'000**	**Original Estimate 2017/18 £'000**	**Forecast 2017/18 £'000**	**Original Estimate 2018/19 £'000**
Chief Executive's Office	(54.7)	6.2	96.7	7.9
Human Resources Service	(7.6)	(14.3)	3.5	(13.0)
Human Resources Function	(0.5)	14.3	20.0	15.0
Planning Policy	417.3	499.8	385.9	417.9
Local Development Framework	60.4	78.9	43.3	148.9
Climate Change	0.0	12.0	0.0	12.0
Net Total Expenditure	**414.9**	**596.9**	**549.4**	**588.7**

COMMUNITY & LEISURE SERVICE

SUMMARY ESTIMATES

Principal Activities	**Final Outturn 2016/17 £'000**	**Original Estimate 2017/18 £'000**	**Forecast 2017/18 £'000**	**Original Estimate 2018/19 £'000**
Leisure Management	**(11.4)**	**(1.7)**	**0.0**	**1.4**
Parks, Countryside & Sport				
Managed Sports Facilities	936.3	513.7	1,163.1	(652.2)
Outdoor Sports Facilities	153.3	116.2	170.8	149.3
Playgrounds	(460.9)	14.4	14.0	24.8
Sports Development	21.2	32.9	30.7	35.2
Cemeteries	(38.8)	(65.7)	(47.2)	(63.2)
Grounds Maintenance	142.6	73.6	127.2	85.7
Nature Reserves	90.0	75.8	125.7	96.1
Urban Parks & Open Spaces	486.7	368.6	476.4	429.9
Total - Parks, Countryside & Sport	**1,330.4**	**1,129.5**	**2,060.6**	**105.6**
Community Development				
Community Engagement	1,034.9	1,069.4	1,072.3	1,126.9
Total - Community Development	**1,034.9**	**1,069.4**	**1,072.3**	**1,126.9**
Arts & Culture				
Andover Summit Events	12.9	11.3	12.6	11.4
Arts Function	21.8	33.6	41.7	46.6
The Lights	363.4	314.9	333.4	342.5
Heritage	53.5	53.8	50.5	55.0
Total - Arts & Culture	**451.6**	**413.6**	**438.2**	**455.5**
Net Total Expenditure	**2,805.4**	**2,610.8**	**3,571.0**	**1,689.4**

ANNEX 7

ENVIRONMENTAL SERVICE

SUMMARY ESTIMATES

Principal Activities	Final Outturn 2016/17 £'000	Original Estimate 2017/18 £'000	Forecast 2017/18 £'000	Original Estimate 2018/19 £'000
Grounds Maintenance	1,119.6	1,085.9	1,080.1	1,111.1
Waste Collection	2,058	1,917.0	1,901.4	1,968.6
Green Waste Collection	(66.3)	(14.1)	(48.6)	(45.6)
Street Cleansing	1,019.5	1,043.7	1,045.6	1,047.3
Vehicle Workshop	81.6	63.7	117.4	73.2
Depot costs	12.9	19.6	50.0	35.4
Net Total Expenditure	**4,225.0**	**4,115.8**	**4,145.9**	**4,190.0**

ESTATES & ECONOMIC DEVELOPMENT SERVICE

SUMMARY ESTIMATES

Principal Activities	Final Outturn 2016/17 £'000	Original Estimate 2017/18 £'000	Forecast 2017/18 £'000	Original Estimate 2018/19 £'000
Estates Support Unit	**531.7**	**537.7**	**622.4**	**663.7**
Rental Income				
Andover Market	(19.2)	(19.3)	(17.6)	(19.3)
Business Park Development	(5,907.5)	(6,049.2)	(6,130.1)	(6,530.6)
Union Street	(76.8)	(89.8)	(89.6)	(89.8)
Chantry Centre	(223.1)	(491.5)	(491.5)	(355.6)
Corporate Properties	(310.1)	(289.1)	(307.8)	(305.8)
Total - Rental Income	**(6,536.7)**	**(6,938.9)**	**(7,036.6)**	**(7,301.1)**
Economic Development and Promotion	89.5	98.4	139.9	101.6
Promotion of Tourism	99.1	96.8	104.4	102.3
Total Economic Development and Promotion	**188.6**	**195.2**	**244.3**	**203.9**
Town Centre Management	**40.9**	**39.6**	**34.5**	**35.6**
Premises Management				
Public Halls	171.4	166.5	227.6	189.6
Leisure Facilities	31.6	54.0	43.0	47.0
Public Conveniences	256.3	197.2	222.8	197.6
Office Accommodation	(126.5)	(106.3)	(177.7)	(191.3)
Andover Magistrates Court	52.8	43.9	43.2	39.0
Depot Costs	(153.5)	(58.3)	(55.2)	(69.7)
Andover Bus Station	35.2	2.1	15.7	14.3
Building Maintenance	202.0	217.0	236.8	256.1
Building Cleaning	66.4	55.3	55.1	54.2
Maintenance Works	0.0	330.4	161.7	302.7
Total - Premises Management	**535.7**	**901.8**	**773.0**	**839.5**
Transport				
Engineers	63.7	48.0	91.4	66.1
Highways	92.9	117.8	145.9	128.4
Parking	(1,324.0)	(1,315.4)	(1,248.9)	(1,247.2)
Community Transport	52.0	61.0	55.0	61.0
Total - Transport	**(1,115.3)**	**(1,088.6)**	**(956.6)**	**(991.7)**
Net Total Income	**(6,355.1)**	**(6,353.2)**	**(6,319.0)**	**(6,550.1)**

FINANCE SERVICE

SUMMARY ESTIMATES

Principal Activities	Final Outturn 2016/17 £'000	Original Estimate 2017/18 £'000	Forecast 2017/18 £'000	Original Estimate 2018/19 £'000
Finance Service	(46.4)	0.0	7.0	0.5
Net Total Expenditure / (Income)	**(46.4)**	**0.0**	**7.0**	**0.5**

HOUSING & ENVIRONMENTAL HEALTH SERVICE

SUMMARY ESTIMATES

Principal Activities	Final Outturn 2016/17 £'000	Original Estimate 2017/18 £'000	Forecast 2017/18 £'000	Original Estimate 2018/19 £'000
General Management	(6.9)	0.0	0.0	0.0
Housing Options	652.4	661.4	499.7	704.4
Hampshire Home Choice	4.1	3.8	3.6	5.4
Housing Development	59.2	70.2	69.2	78.7
Business Support Team	(6.3)	0.0	0.0	0.0
Pest Control	97.4	79.2	105.3	86.6
Environmental Protection	265.0	257.5	323.9	275.6
Housing Standards	330.9	272.8	298.5	226.7
Animal Welfare	102.3	107.0	110.0	112.0
Health Protection	302.1	320.9	292.3	344.3
Net Total Expenditure	**1,800.2**	**1,772.8**	**1,702.5**	**1,833.7**

ANNEX 7

I.T. SERVICE

SUMMARY ESTIMATES

Principal Activities	Final Outturn 2016/17 £'000	Original Estimate 2017/18 £'000	Forecast 2017/18 £'000	Original Estimate 2018/19 £'000
Management	(734.2)	(781.5)	(769.5)	(801.1)
Service Desk	0.4	11.7	5.0	2.6
Infrastructure	417.5	456.7	467.7	478.9
Corporate Services	207.0	208.3	221.9	205.4
Net Total Income	**(109.4)**	**(104.8)**	**(74.9)**	**(114.2)**

ANNEX 7

LEGAL & DEMOCRATIC SERVICE

SUMMARY ESTIMATES

Principal Activities	Final Outturn 2016/17 £'000	Original Estimate 2017/18 £'000	Forecast 2017/18 £'000	Original Estimate 2018/19 £'000
Legal Service	14.2	7.0	38.5	2.3
Land Charges	(74.6)	(100.1)	(74.6)	(72.5)
Council Elections	273.0	254.5	267.9	264.4
Registration of Electors	154.6	157.4	148.1	164.2
Lotteries, Amusements and Gaming Permits	23.3	26.2	27.1	27.8
Alcohol and Entertainment Licensing	(61.7)	(43.7)	(45.1)	(47.9)
Scrap Metal Dealers	0.0	2.0	2.2	2.1
Hackney Carriages and Private Hire Vehicles	(9.5)	0.6	2.9	6.4
Net Total Expenditure	**319.3**	**303.9**	**367.0**	**346.8**

ANNEX 7

PLANNING & BUILDING SERVICE

SUMMARY ESTIMATES

Principal Activities	Final Outturn 2016/17 £'000	Original Estimate 2017/18 £'000	Forecast 2017/18 £'000	Original Estimate 2018/19 £'000
Development Control & Enforcement	1,923.7	1,500.4	1,600.8	1,657.2
Building Control	56.2	63.9	27.0	74.3
Net Total Expenditure	**1,979.9**	**1,564.3**	**1,627.8**	**1,731.5**

ANNEX 7

REVENUES SERVICE

SUMMARY ESTIMATES

Principal Activities	Final Outturn 2016/17 £'000	Original Estimate 2017/18 £'000	Forecast 2017/18 £'000	Original Estimate 2018/19 £'000
Customer Services Unit	(29.5)	(0.7)	(25.1)	(35.6)
Local Taxation Services	752.6	676.9	687.5	730.5
Council Tax Support Administration	229.7	405.8	378.9	357.6
Benefit Fraud	12.0	11.3	0.0	0.0
Housing Benefit - Rent Allowances Administration	367.4	271.2	195.3	238.1
Net Total Expenditure	**1,332.2**	**1,364.5**	**1,236.6**	**1,290.6**

NET COST OF BENEFITS PAYMENTS

SUMMARY ESTIMATES

Principal Activities	Final Outturn 2016/17 £'000	Original Estimate 2017/18 £'000	Forecast 2017/18 £'000	Original Estimate 2018/19 £'000
Council Tax Benefits	17.5	0.0	0.0	0.0
Housing Benefit - Rent Allowances	(330.7)	(200.0)	(200.0)	(200.0)
Net Total Income	**(313.2)**	**(200.0)**	**(200.0)**	**(200.0)**

ANNEX 7

CORPORATE & DEMOCRATIC CORE

SUMMARY ESTIMATES

Principal Activities	**Final Outturn 2016/17 £'000**	**Original Estimate 2017/18 £'000**	**Forecast 2017/18 £'000**	**Original Estimate 2018/19 £'000**
Corporate Management				
Corporate Management	1,204.1	1,228.1	1,227.8	1,282.2
Delivering Public Services Electronically	39.9	43.2	59.2	45.6
Corporate Public Relations, Information and Consultation	115.2	135.6	135.7	149.3
Best Value & Performance	87.5	67.9	70.9	73.8
Emergency Planning	33.4	34.4	32.3	33.9
Net Total Expenditure	**1,480.1**	**1,509.2**	**1,525.9**	**1,584.8**
Democratic Representation and Management				
Councillors	758.0	752.4	763.9	782.8
Councillor Meetings	414.5	407.1	402.9	422.9
Mayoral Office	99.2	102.6	97.8	104.7
Civic Ceremonies	7.8	6.5	7.0	6.6
Subscriptions	18.3	22.6	23.3	19.4
Representing Local Interests	6.5	6.3	6.3	6.5
Other Democratic Activities	133.7	131.1	129.4	139.7
Net Total Expenditure	**1,438.0**	**1,428.6**	**1,430.6**	**1,482.6**
Allocated Central Overheads	**(30.5)**	**(36.8)**	**0.2**	**(29.8)**
Non-Distributable Costs	**1,011.9**	**1,099.7**	**1,102.4**	**1,185.4**
Net Total Expenditure	**3,899.5**	**4,000.7**	**4,059.1**	**4,223.0**

ANNEX 8

Statement on the Robustness of Estimates and Adequacy of Revenue Reserves

1. Introduction

1.1 There are a range of safeguards in place to help prevent local authorities over-committing themselves financially. These include:

- the balanced budget requirement (England, Scotland and Wales) (sections 32, 43 and 93 of the Local Government Finance Act 1992)
- the chief finance officer's duty to report on robustness of estimates and adequacy of reserves (under section 25 of the Local Government Act 2003) when the authority is considering its budget requirement (England and Wales)
- legislative requirements for each local authority to make arrangements for the proper administration of their financial affairs and that the chief finance officer (CFO) / proper officer has responsibility for the administration of those affairs (section 151 of the Local Government Act 1972)
- the requirements of the Prudential Code
- auditors' consideration of whether audited bodies have established adequate arrangements to ensure that their financial position is soundly based, in the context of auditors' statutory responsibility to satisfy themselves that the body has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources (the value for money conclusion).

1.2 These requirements are reinforced by section 114 of the Local Government Finance Act 1988 which requires the CFO in England and Wales to report to all the authority's councillors, in consultation with the Monitoring Officer, if (in broad terms) there is or is likely to be unlawful expenditure or an unbalanced budget.

Local Government Act 2003

1.3 The 2003 Local Government Act places specific responsibilities on Chief Finance Officers in England and Wales. The Act requires the CFO to report on the robustness of the budget and the adequacy of proposed financial reserves. This statement meets this statutory requirement and **the Council is required to have regard to this report when it sets the budget.**

2. Robustness of Estimates

2.1 In terms of the robustness of the estimates, all known factors have been considered and the financial implications have been assessed at the point of preparation. Various budget assumptions have been made including the treatment of inflation and interest rates, estimates on the level and timing of capital receipts, the treatment of demand-led pressures, the treatment of planned efficiency savings/productivity gains and levels of income, financial risks inherent in any new arrangements and capital developments and the availability of funds to deal with major contingencies and the need for any provisions. In each of these areas the Council's financial standing, management and track record has been considered in order to prepare robust budget proposals.

2.2 The draft budget has been prepared in conjunction with the Heads of Service and individual business unit managers. The savings / additional income were proposed by / agreed with the relevant Head of Service / business unit manager and all relevant officers have been fully consulted in the estimates now presented to the Cabinet.

2.3 I have discussed the estimates with my Accountancy staff to the extent that I deem necessary. The processes followed are sound and well established and identical to those that have produced robust estimates in the past. The Council has also demonstrated that it has a sound system of internal control in place. I am therefore satisfied that the draft budgets are sufficient to meet the expenditure commitments, of which I have been made aware, for next year and are adequate for the purpose of setting the council tax rate for 2018/19. Subject to some important reservations listed in paragraph 2.4 below, a reasonable degree of assurance can be given about the robustness of the estimates and the adequacy of reserves.

2.4 The exceptions relate to the provision of estimates for items outside the direct control of the Council:

- Income from fees and charges.
- Income from grants provided by external funders.
- Demand for an increased level of existing services.
- External competition and changing markets, e.g. commercial rents.
- Macro-economic factors - Changes in interest rates have a major impact on the investment returns expected. The returns are controlled by market interest rates available. The Council has tried to maximise returns by careful consideration of the timing and duration of investments. Returns will continue to be monitored regularly and reviewed quarterly to identify any major shortfall, or excess, as soon as possible. A mid-year review of Treasury Management activities will be reported to the Council's Overview and Scrutiny Committee.
- The impact of continuing cuts in Government funding.
- The impact of local business rates retention – It is nearly five years since the new scheme was introduced and monitoring its effect is still proving to be a challenge. The rates income is volatile and can fluctuate significantly in year as it is influenced by changes in the business rates base, business rates relief, losses on collection and losses due to appeals many of which go back a number of years.
- The impact of the introduction of Universal Credit.
- Proposed changes to increase the locally retained share of business rate income to 75% by the end of this Parliament in exchange for as yet unidentified new responsibilities.
- The Government's "fair funding review" of authorities' funding needs.

In view of these uncertainties, it will be important for the Cabinet and Overview and Scrutiny Committee to maintain a diligent budget monitoring regime during 2018/19.

3. Adequacy of Revenue Reserves

3.1 Reserves are an integral part of the annual and medium term financial planning process and are held for two main purposes:

- A working balance to help cushion the impact of uneven cash flows and minimise unnecessary temporary borrowing, and

- A means of building up funds to meet known or predicted liabilities. These are known as earmarked reserves.

In addition, the Council builds a small contingency into its budget each year to cushion the impact of unexpected events or emergencies.

3.2 Taking into account the revenue draws that are shown in the budget forecast for 2017/18, 2018/19 and over the remainder of the medium term plan, there will be an estimated working balance at the end of 2020/21 of £2M. I consider that, given my comments in the previous section on the robustness of the estimates and the uncertainties surrounding the next three-year period, this represents a prudent minimum level of working balances.

3.3 I have also reviewed the Council's estimated earmarked reserves to assess their adequacy and appropriateness over the medium term. It is clear that if these reserves are to fulfil their purpose, i.e. to meet known or predicted liabilities, then the amount held in them must be sufficient to meet these liabilities.

3.4 The Council currently has a range of earmarked revenue reserves with balances and projected balances as follows:

	Earmarked Revenue Reserves:	At 31/3/17 £000s	At 31/3/21 £000s
a)	Developer commuted sums	5,876	5,000
b)	Investment Equalisation Reserve	250	250
c)	Budget Equalisation Reserve	682	600
d)	Income Equalisation Reserve	300	120
e)	Pension Equalisation Reserve	200	0
f)	Collection Fund Equalisation Reserve	2,411	3,680
g)	Capacity Building Reserve	254	60
h)	Special Projects Reserve	252	130
i)	Asset Management Plan	2,604	1,220
j)	Local Development Framework	97	0
k)	All risks self-insurance reserve	152	50
l)	New Homes Bonus	7,954	12,500
m)	Enterprise and Innovation Reserve	416	0
n)	Benefit Reform Reserve	160	0
o)	Other earmarked reserves	494	100
p)	Valley Housing Ltd. Reserve	250	0
	Total:	22,352	23,710

3.5 The Council has faced severe financial challenges over the spending review period. Over the last five years, it has delivered net budget reductions of over £5.6M. In order to be in a position to set a balanced budget for 2018/19, it has had to find another £0.98M worth of savings and additional income. Looking forward over the next two years to 2021, Government cuts will continue and savings will still need to be identified.

3.6 Inevitably, this task will become more difficult as opportunities to make efficiencies become harder to achieve. Some of the earmarked reserves above have been specifically established to help with the transition period, and all of the "equalisation" reserves will be available to smooth the impact of spending reductions over the medium term.

3.7 Other earmarked reserves, such as the Asset Management Plan reserve also have an important role to play as they have been set up to ensure that the Council has adequate financing available for planned maintenance and renewal of assets.

3.8 The New Homes Bonus will become increasingly important to the Council, not only as a source of financing for the Community Asset and Revenue Funds, but also as a reserve contingency against planned cuts to Local Government resources by Central Government and additional financing for the Capital Investment Programme.

3.9 On a positive note, the Council has benefitted from growth in business rates income and has been able to use this as an alternative source of financing to balance the budget over the medium term. It has also taken the opportunity this year to recommend that some of this growth is used to reflate the Capital Receipts Reserve to fully finance the Capital Investment Programme over the medium term. This comes with its own set of risks as the Government maintains the power to reset the system in 2020 taking away all of the accumulated growth generated since 2013. The Government has also recently announced its intention to proceed with a “fair funding review” and, as it collates details of local authority relative needs and resources, there is continuing uncertainty about the effects that this might have on the Council’s finances from 2020 onwards.

3.10 I am satisfied that the earmarked revenue reserves are adequate for their particular purposes, but given the uncertainties highlighted in paragraph 2.4, there is little room for manoeuvre. With this in mind, I have to emphasise the importance of:

- achieving all of the savings options put forward for 2018/19,
- continuing with the systematic review of all services through the corporate challenge process,
- seizing procurement and capital investment opportunities,
- generating new income streams through Project Enterprise,
- exploring different ways of working,
- keeping financial forecasts up-to-date in order to plan and adapt to changing circumstances, and
- maintaining firm budgetary control and effective monitoring processes.

William Fullbrook
Head of Finance

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ITEM 13 Capital Programme Update – 2017/18 to 2019/20

Report of the Finance Portfolio Holder

Recommended :

1. **That the revised estimates and financing for the 2017/18 to 2019/20 Capital Programme as shown in annex 1 to the report, be approved.**
2. **That £3.248M is drawn from the New Homes Bonus Reserve to finance the Capital Investment Programme until 2019/20.**

Recommendation to Council

SUMMARY:

- This report updates Councillors on the progress of the existing 2017/18 Capital programme and includes forecast changes to its timescale and total cost.
- It updates Councillors on projects where the timetable has changed from that currently approved, in particular where projects are expected to slip from the current year.

1 Introduction

1.1 The progress of the Capital Programme is reported to Councillors each year in June, November and February.

1.2 The last update was presented on 15 November 2017 and gave details of the overall expenditure and financing of the Capital Programme for 2017/18 to 2019/20.

1.3 This report provides an update on the Capital Programme presented to that meeting and also examines how the costs of the proposed new programme will be financed.

2 Background

2.1 It is always difficult to assess accurately the cost, timescale and progress of a project when an initial bid is made. This is exacerbated by the fact that bids are often made a year before a project is expected to commence and before exact costs have been agreed.

2.2 As a result of this the timing and total cost of the approved Capital Programme is constantly changing.

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2.3 All capital budget holders have been asked to review the projects under their control. The objective is to provide an up to date assessment of the latest estimate for the total cost and timescale for each project.

2.4 Major changes to schemes need to be reported in accordance with the schedule of limits in the Council's Financial Regulations.

3 Existing Capital Programme

3.1 The following paragraphs summarise the main changes to the Capital Programme since the November report. A full breakdown of each Service's Capital Programme and a summary of the General Fund Capital Programme Financing are shown in Annex 1.

3.2 The table below analyses the movement in the capital programme since the November 2017 update.

	£'000
2017/18 to 2019/20 capital budget per November report	**49,608.4**
Savings on the bespoke building at Knightwood	(88.1)
Footpath link – Smannell to Augusta Park	164.0
Chantry Centre – Share of capital works	143.9
Savings on the Strategic Land Purchase	(31.0)
Former George Yard Toilet	19.0
Generator – Business Continuity	40.0
Investment properties – savings on purchase price	(175.1)
Additional Investment property (Council Minute 189 – 8/11/17 refers)	203.5
CCTV for vehicles	96.0
2017/18 to 2019/20 capital budget per Annex 1	**49,980.6**

3.3 The paragraphs below provide some detail of the reasons for the above changes to budgets and also identifies projects that are expected to slip from 2017/18 to 2018/19. A summary of project slippage is shown in Annex 2.

3.4 <u>Asset Management Projects</u>

The Asset Management Plan (AMP) was presented to Cabinet on 15 November 2017.

The report identified a number of projects that fall into one of three main categories; land and buildings, vehicles and plant and IT equipment. Some of these projects are revenue in nature (and will be included in the revenue

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budget report) whilst others represent capital expenditure.

The total cost of the capital items is summarised by category in Annex 1. The detailed expenditure across all AMP projects will be reported at the end of the financial year.

3.5 Community & Leisure

Savings of £88,100 have been made for the site for Knightwood Day Nursery, due to the reduction of costs, making the project delivery under budget.

The new project for a Footpath Link from Smannell to Augusta Park has been added to the programme at a cost of £164,000. This project will be part funded by S106 contributions currently totalling £58,000. The balance will be met from the New Homes Bonus Reserve pending receipt of further contributions.

Slippage has been identified in the following projects:

East Anton Public Art project has slipped by a further £13,000 due to unforeseen delays.

Saxon Fields car park project is on hold due to the necessity of an assessment for the need of a car park extension. This is due to the addition of pitches following the adoption of the sites at Picket Twenty and Augusta Park – following this many matches are now being played on these new sites thereby removing the pressure of car parking at Saxon Fields.

Contracts have been awarded for the Skate Parks at Romsey Sports Centre and Knightwood, but are still waiting for planning permission. The expectation is that these projects will slip into 2018/19.

Andover War Memorial – works underway but expected to slip into 18/19.

Leisure Contract – works underway but due to the delay caused by the discovery of more asbestos than expected, the programme is behind schedule. The contractor is hoping to recover this delay in the course of the development programme.

3.6 Estates, Economic Development & Transport

An addition of £143,900 has been made for capital spend costs expected from the Chantry Centre management company. This is an estimated figure for the unit re-configuration and cladding works – further details and costings have been requested from the management company.

Two further new projects have been added to the programme

Former George Yard Toilet demolition and site clearance, at the cost of £19,000.

Purchase of a generator, costing £40,000, to enable business continuity in the event of a power failure at Beech Hurst.

A saving of £31,000 has been forecast for the purchase of the Strategic Land & Building.

Slippage totalling £19,200 has been identified due to further discussions with regard to the Town Mill Access project resulting in potential changes to the plan.

The project of Romsey Enhancement works is being led by Hampshire County Council and the expectation is that our contribution will now be made in 2018/19.

Project Enterprise Projects

The purchase costs of Investment properties 2, 5 and 6 were £20,700 less than budgeted.

A further saving of £3,400 was made on the Solar Panel project.

The purchase cost of Investment Property 7 was £151,000 less than budgeted.

Investment Property 8 was added to the programme at the cost of £203,500. This project was approved by the Member panel for property investments in September 2017 and reported to Council on the 8 November 2017.

IT

An additional sum £96,000 has been added for the provision of CCTV for Test Valley commercial vehicles for 2018/19.

4 Resource Implications

4.1 The Capital Strategy is based on the principle that the Capital Programme will be self-financing over the medium to long-term. The strategy permits expenditure ahead of receiving capital receipts which creates a temporary deficit on the programme.

4.2 The current deficit of funding for the Capital Programme to 2019/20 is £5.044M. This is in line with the assumptions included in the budget strategy which allows for prudential borrowing or use of balances to be utilised to bridge this gap.

Slippage within the Capital Programme

4.3 Some slippage within a Capital Programme is entirely normal. Expenditure can be delayed for many reasons and this is frequently outside the Council's control.

4.4 This report identifies seven additional projects that are expected to slip to

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2018/19. The net slippage identified is £2,016,500 as shown in Annex 2. The reasons for the slippage have been explained in the paragraphs above.

5 Financing the Capital Programme

5.1 It is recommended that the new capital bids are financed from external funding, the Capital Receipts Reserve and the New Homes Bonus Reserve (NHB).

Capital Receipts Reserve

5.2 The balance on the Capital Receipts Reserve as at 1 April 2017 was £18.658M.

5.3 In an effort to reduce the deficit to a more manageable and sustainable level, the Revenue budget report elsewhere on this agenda recommends a transfer from revenue to the Capital Receipts Reserve, and this report recommends a draw of £3.248M from the New Homes Bonus Reserve to fully fund the Capital Investment programme to 2019/20.

5.4 The maximum use of grants and contributions from external bodies and other internal reserves has been taken into account in the proposed financing of the Capital Programme.

5.5 The following table shows the level of capital receipts available to allocate to capital projects after considering the implications of past years' expenditure and the recommendations of this report.

Existing Capital Programme	**£'000**
Balance Capital Receipts Reserve (CRR) as at 1 April 2017	18,658.0
Total Capital Expenditure 2017/18 – 2019/20	(49,980.6)
Total Capital Financing 2017/18 – 2019/20	26,128.6
Forecast Deficit on CRR at 31 March 2020	**(5,194.0)**
Additional contribution from New Homes Bonus	3,248.4
Additional contribution from Revenue 2018/19 & 2019/20	1,945.6
Capital Receipts Reserve as at 31 March 2020	**0.0**

6 Revenue Consequences of the Capital Programme

6.1 The ongoing revenue impact of the capital bids has been built into Service estimates for 2018/19 and will be monitored throughout the year.

7 Corporate Objectives and Priorities

7.1 The capital programme enables capital investment to support the Council's priorities and to maintain its assets so that services may continue

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uninterrupted in the future.

8 Risk Analysis

8.1 The schemes laid out in the proposed capital programme for the coming years are reliant on future capital receipts – the timing and extent of which are by no means certain. This risk is mitigated by cautious valuations of receipt values and through cashflow management to ensure schemes are not delayed for financial reasons.

8.2 Each individual project will have specific risks attached to it. These will be identified by the responsible officer at the start of each project.

8.3 The Capital Programme presented for approval takes into account all known future capital receipts. With no obvious future sources of capital receipts, there is a risk that the Council will not be able to fund a sustainably financed Capital Programme beyond 2019/20.

9 Equality Issues

9.1 An EQIA screening has been completed in accordance with the Council's EQIA methodology and no potential for unlawful discrimination or negative impact has been identified, therefore a full EQIA has not been carried out.

10 Consultations

10.1 Ward members, Heads of Service and project managers were consulted in the update of the 2017/18 to 2019/20 Capital Programme.

11 Conclusion and reasons for recommendations

11.1 This report identifies new capital bids with a total cost of £666,400 (net cost of £608,400 allowing for funding from external sources). These bids will help to deliver the Council's key priorities and are recommended to be added to the Capital Programme.

The report also provides an update on the existing approved Capital Programme.

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Background Papers (Local Government Act 1972 Section 100D) None			
Confidentiality It is considered that this report does not contain exempt information within the meaning of Schedule 12A of the Local Government Act 1972, as amended, and can be made public.			
No of Annexes:	2	File Ref:	
(Portfolio: Finance) Councillor Giddings			
Officer:	Laura Berntsen	Ext:	8204
Report to:	Cabinet	Date:	14 February 2018

ANNEX 1

CAPITAL PROGRAMME AND FINANCING

Approved Projects

	November 2017				February 2018			
	2017/18 £'000	2018/19 £'000	2019/20 £'000	Total £'000	2017/18 £'000	2018/19 £'000	2019/20 £'000	Total £'000
CAPITAL EXPENDITURE								
Asset Management Projects	2,177.5	2,335.6	0.0	4,513.1	2,177.5	2,335.6	0.0	4,513.1
Community & Leisure	9,198.4	12,192.5	861.8	22,252.7	7,561.0	13,905.8	861.8	22,328.6
Estates,Economic Development & Transport	935.9	613.1	0.0	1,549.0	940.6	780.3	0.0	1,720.9
Project Enterprise	13,835.0	0.0	0.0	13,835.0	7,893.4	5,970.0	0.0	13,863.4
Housing & Environmental Health	919.1	950.0	0.0	1,869.1	919.1	950.0	0.0	1,869.1
IT	0.0	12.0	0.0	12.0	0.0	108.0	0.0	108.0
Affordable Housing	507.5	1,110.0	810.0	2,427.5	207.5	1,110.0	1,110.0	2,427.5
Total	**27,573.4**	**17,213.2**	**1,671.8**	**46,458.4**	**19,699.1**	**25,159.7**	**1,971.8**	**46,830.6**
CAPITAL FINANCING								
Capital Grants	777.1	850.0	0.0	1,627.1	777.1	850.0	0.0	1,627.1
Capital Receipts	354.0	50.0	50.0	454.0	375.8	50.0	50.0	475.8
PWLB Loan	0.0	5,900.0	0.0	5,900.0	0.0	5,900.0	0.0	5,900.0
Capital Contributions	11,867.0	4,658.3	701.6	17,226.9	11,375.2	10,022.7	1,921.8	23,319.7
Total	**12,998.1**	**11,458.3**	**751.6**	**25,208.0**	**12,528.1**	**16,822.7**	**1,971.8**	**31,322.6**
Contribution (to) / from balances	14,575.3	5,754.9	920.2	21,250.4	7,171.0	8,337.0	0.0	15,508.0
Total Financing	**27,573.4**	**17,213.2**	**1,671.8**	**46,458.4**	**19,699.1**	**25,159.7**	**1,971.8**	**46,830.6**

ANNEX 1

CAPITAL PROGRAMME AND FINANCING

Schemes yet to be identified

	November 2017				February 2018			
	2017/18 £'000	**2018/19 £'000**	**2019/20 £'000**	**Total £'000**	**2017/18 £'000**	**2018/19 £'000**	**2019/20 £'000**	**Total £'000**
CAPITAL EXPENDITURE								
Community & Leisure	0.0	150.0	0.0	150.0	0.0	150.0	0.0	150.0
Project Enterprise	3,000.0	0.0	0.0	3,000.0	3,000.0	0.0	0.0	3,000.0
Affordable Housing	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total	**3,000.0**	**150.0**	**0.0**	**3,150.0**	**3,000.0**	**150.0**	**0.0**	**3,150.0**
CAPITAL FINANCING								
Capital Grants	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Capital Receipts	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Capital Contributions	0.0	0.0	0.0	0.0	0.0	150.0	0.0	150.0
Total	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**150.0**	**0.0**	**150.0**
Contribution (to) / from balances	3,000.0	150.0	0.0	3,150.0	3,000.0	0.0	0.0	3,000.0
Total Financing	**3,000.0**	**150.0**	**0.0**	**3,150.0**	**3,000.0**	**150.0**	**0.0**	**3,150.0**

ASSET MANAGEMENT PROJECTS
CAPITAL PROGRAMME

ANNEX 1

		November 2017				February 2018			
Ref	**Scheme**	**2017/18 £'000**	**2018/19 £'000**	**2019/20 £'000**	**Total £'000**	**2017/18 £'000**	**2018/19 £'000**	**2019/20 £'000**	**Total £000**
1	Land and Property Projects	1,336.4	1,306.8		2,643.2	1,336.4	1,306.8		2,643.2
2	Vehicle and Plant Projects	674.3	985.8		1,660.1	674.3	985.8		1,660.1
3	IT Equipment Projects	166.8	43.0		209.8	166.8	43.0		209.8
	Total AMP Capital Programme	**2,177.5**	**2,335.6**	**0.0**	**4,513.1**	**2,177.5**	**2,335.6**	**0.0**	**4,513.1**

COMMUNITY & LEISURE
CAPITAL PROGRAMME

ANNEX 1

Ref	Scheme	November 2017				February 2018			
		2017/18 £'000	**2018/19 £'000**	**2019/20 £'000**	**Total £'000**	**2017/18 £'000**	**2018/19 £'000**	**2019/20 £'000**	**Total £000**
1	Urban Realm (Lights - Bus Station access)		15.0		15.0		15.0		15.0
2	Valley Park Woodland	12.0			12.0	12.0			12.0
3	Community Asset Fund - New projects 2017/18	150.0			150.0	150.0			150.0
3a	Community Asset Fund - O/s projects	163.7			163.7	163.7			163.7
4	MUGA Picket Twenty		155.0		155.0		155.0		155.0
5	Play Areas Picket Twenty/Urban Park	114.0	60.0		174.0	114.0	60.0		174.0
6	Ganger Farm - Sports & Recreation		640.0		640.0		640.0		640.0
7	East Anton Public Art	63.0	19.0		82.0	50.0	32.0		82.0
8	Saxon Fields Car Park	63.0			63.0		63.0		63.0
9	Charlton Lakes Footpath	50.0			50.0	50.0			50.0
10	RSC Skate Park	180.0			180.0	6.0	174.0		180.0
11	Knightwood Skate Park	160.0			160.0	6.0	154.0		160.0
12	Andover War Memorial	25.0			25.0	15.0	10.0		25.0
13	Andover Fitness Trail	45.0			45.0	45.0			45.0
14	Town Mill River Improvements		70.0		70.0		70.0		70.0
15	Upgrade War Memorial Park Play area	60.0			60.0	60.0			60.0
16	Leisure Contract	7,504.9	10,950.3	742.0	19,197.2	6,369.6	12,085.6	742.0	19,197.2
17	Site for Knightwood Day Nursery	507.8			507.8	419.7			419.7
18	Fitness Equipment - Valley Park		20.0		20.0		20.0		20.0
19	Footpath link - Knightwood Leisure centre		58.2		58.2		58.2		58.2
20	Play Areas - Jubilee Park, Nursling		70.0		70.0		70.0		70.0
21	Fishlake Meadows	100.0	135.0	119.8	354.8	100.0	135.0	119.8	354.8
22	Footpath link - Smannell to Augusta						164.0		164.0
	Total Approved Projects	**9,198.4**	**12,192.5**	**861.8**	**22,252.7**	**7,561.0**	**13,905.8**	**861.8**	**22,328.6**
	Community Asset Fund Projects - yet to be identified		150.0		150.0		150.0		150.0
	Total C&L Capital Programme	**9,198.4**	**12,342.5**	**861.8**	**22,402.7**	**7,561.0**	**14,055.8**	**861.8**	**22,478.6**

ANNEX 1

ESTATES, ECONOMIC DEVELOPMENT & TRANSPORT SERVICE CAPITAL PROGRAMME

Ref	Scheme	November 2017				February 2018			
		2017/18 £'000	2018/19 £'000	2019/20 £'000	Total £000	2017/18 £'000	2018/19 £'000	2019/20 £'000	Total £000
1	Hampshire Community Bank	125.0	250.0		375.0	125.0	250.0		375.0
2	Boom Lift	16.9			16.9	16.9			16.9
3	Chantry Centre Enhancement				0.0	143.9			143.9
4	Strategic Land and Building purchase	594.0			594.0	563.0			563.0
5	Town Mill Access & Environmental Enhancement	20.0	113.1		133.1	0.8	132.3		133.1
6	Romsey Enhancement Works - Phase 3	150.0			150.0	2.0	148.0		150.0
7	Romsey Flood Alleviation Scheme		250.0		250.0		250.0		250.0
8	Bus Shelter Purchase	30.0			30.0	30.0			30.0
9	George Yard Toilet Scheme					19.0			19.0
10	Generator - Business Continuity					40.0			40.0
	Total Estates Capital Programme	**935.9**	**613.1**	**0.0**	**1,549.0**	**940.6**	**780.3**	**0.0**	**1,720.9**

ANNEX 1

PROJECT ENTERPRISE
CAPITAL PROGRAMME

Ref	Scheme	November 2017				February 2018			
		2017/18 £'000	2018/19 £'000	2019/20 £'000	Total £000	2017/18 £'000	2018/19 £'000	2019/20 £'000	Total £000
1	Walworth Business Park Investment	255.8			255.8	255.8			255.8
2	Walworth Business Park Investment 2	6,000.0			6,000.0	30.0	5,970.0		6,000.0
3	Investment property 2	190.0			190.0	191.9			191.9
4	Hambridge Lane, Newbury	10.6			10.6	10.6			10.6
5	Solar Panels Portway	54.3			54.3	50.9			50.9
6	Investment property 5	176.4			176.4	165.2			165.2
7	Investment property 6	192.9			192.9	181.5			181.5
8	Investment property 7	6,955.0			6,955.0	6,804.0			6,804.0
9	Investment property 8				0.0	203.5			203.5
	Total Approved Projects	**13,835.0**	**0.0**	**0.0**	**13,835.0**	**7,893.4**	**5,970.0**	**0.0**	**13,863.4**
	Purchase of Investment properties - yet to be identified	3,000.0			3,000.0	3,000.0			3,000.0
	Total Estates Capital Programme	**16,835.0**	**0.0**	**0.0**	**16,835.0**	**10,893.4**	**5,970.0**	**0.0**	**16,863.4**

ANNEX 1

HOUSING & ENVIRONMENTAL HEALTH SERVICE
CAPITAL PROGRAMME

Ref	Scheme	November 2017				February 2018			
		2017/18 £'000	2018/19 £'000	2019/20 £'000	Total £000	2017/18 £'000	2018/19 £'000	2019/20 £'000	Total £000
1	Renovations and Minor Works Grants	142.0	100.0		242.0	142.0	100.0		242.0
2	Disabled Facilities Grants/Loans	777.1	850.0		1,627.1	777.1	850.0		1,627.1
	Total H & EH Capital Programme	**919.1**	**950.0**	**0.0**	**1,869.1**	**919.1**	**950.0**	**0.0**	**1,869.1**

ANNEX 1

INFORMATION TECHNOLOGY SERVICE CAPITAL PROGRAMME

Ref	Scheme	November 2017				February 2018			
		2017/18 £'000	2018/19 £'000	2019/20 £'000	Total £000	2017/18 £'000	2018/19 £'000	2019/20 £'000	Total £000
1	Sharepoint Server		12.0		12.0		12.0		12.0
2	CCTV for commercial vehicles						96.0		96.0
	Total IT Capital Programme	**0.0**	**12.0**	**0.0**	**12.0**	**0.0**	**108.0**	**0.0**	**108.0**

ANNEX 1

AFFORDABLE HOUSING CAPITAL PROGRAMME

Ref	Scheme	November 2017				February 2018			
		2017/18 £'000	2018/19 £'000	2019/20 £'000	Total £000	2017/18 £'000	2018/19 £'000	2019/20 £'000	Total £000
	Testway Covenant								
1	Rosalind Hill House, Stockbridge	140.0			140.0	140.0			140.0
2	Braishfield Road, Braishfield	67.5			67.5	67.5			67.5
3	Nightingale Lodge		810.0	810.0	1,620.0		810.0	810.0	1,620.0
4	Registered providers	300.0	300.0		600.0		300.0	300.0	600.0
	Total Approved Projects	**507.5**	**1,110.0**	**810.0**	**2,427.5**	**207.5**	**1,110.0**	**1,110.0**	**2,427.5**
	Schemes to be identified				0.0				0.0
	Ringfenced Right-To-Buy Receipts				0.0				0.0
	Total Affordable Housing Capital Programme	**507.5**	**1,110.0**	**810.0**	**2,427.5**	**207.5**	**1,110.0**	**1,110.0**	**2,427.5**

ANNEX 2

SUMMARY OF SLIPPAGE IN THE CAPITAL PROGRAMME

Service	Project	Amount £'000	Amount £'000
Community & Leisure	Urban Realm (Lights - Bus Station access)	15.0	
	MUGA Picket Twenty	155.0	
	Play Areas Picket Twenty/Urban Park	60.0	
	Ganger Farm - Sports & Recreation	640.0	
	East Anton Public Art	19.0	
	Town Mill River Improvements	70.0	959.0
Estates, Economic Development & Transport	Hampshire Community Bank	250.0	
	Town Mill Access & Environmental Enhancement	113.1	
	Romsey Flood Alleviation Scheme	250.0	613.1
IT	Sharepoint Server	12.0	12.0
Affordable Housing	Nightingale Lodge	810.0	810.0
Slippage identified in November report			**2,394.1**
Community & Leisure	East Anton Public Art	13.0	
	Saxon Fields Car Park	63.0	
	RSC Skate Park	174.0	
	Knightwood Skate Park	154.0	
	Andover War Memorial	10.0	
	Leisure Contract	1,135.3	1,549.3
Estates, Economic Development & Transport	Town Mill Access & Environmental Enhancement	19.2	
	Romsey Enhancement Works - Phase 3	148.0	167.2
Affordable Housing	Registered Providers	300.0	300.0
Slippage identified in the February report			**2,016.5**
TOTAL SLIPPAGE IDENTIFIED			**4,410.6**

ITEM 9

To Adopt a Resolution Relating to the Council Tax for 2018/19

Report of the Finance Portfolio Holder

Recommended:

SUMMARY:

- A copy of the recommendation will be circulated at the meeting as the Council is waiting for confirmation of the County Precept.

Background Papers (Local Government Act 1972 Section 100D)			
Confidentiality It is considered that this report does not contain exempt information within the meaning of Schedule 12A of the Local Government Act 1972, as amended, and can be made public.			
No of Annexes:	-	File Ref:	
(Portfolio: Finance) Councillor Giddings			
Officer:	Will Fullbrook	Ext:	8201
Report to:	Council	Date:	23 February 2018

ITEM 10 **Pay Policy Statement 2018/19**

Report of the Leader

Recommended:

That the Pay Policy Statement attached at Annex 1 to the report be approved.

SUMMARY:

- The Council is required in accordance with section 38 of the Localism Act 2011 to prepare and publish an annual Pay Policy Statement.
- Attached to this report is the statement for 2018/19 for approval.

1 Introduction

1.1 Section 38 (1) of the Localism Act 2011, requires English and Welsh local authorities to produce and publish a pay policy statement for 2012/13 and for each financial year thereafter. As a minimum, the pay policy statement must set out the Council's policies for the financial year relating to:

- The remuneration of its chief officers
- The remuneration of its lowest paid employees
- The relationship between the remuneration of its chief officers and the remuneration of its employees who are not chief officers

1.2 The remuneration in the pay policy statement for 2018/19 relates to that payable to chief officers and other officers in the financial year 2018/19 and also to the recruitment and appointment of all chief or other officers during that year. All decisions on pay and reward (including severance) of chief officers must comply with the current pay policy statement.

1.3 The Council's Pay Policy Statement was first published in March 2012 following approval at full Council. These Statements must be approved by full Council in their open meeting by the end of March each year (it cannot be delegated to a sub-committee). Statements may be updated during the year. They are to be accessible to local taxpayers so they can take an informed view on whether local decisions on all aspects of remuneration are fair and make the best use of public funds.

1.4 The information contained within the Pay Policy Statement should link with data published under the Local Government Transparency Code 2015 which aims to increase the transparency of how taxpayers' money is used. Data on senior salaries higher than £50,000 is published each year in the Council's annual accounts.

2 Background

2.1 The Pay Policy Statement for 2017/18 was duly approved by Council on the 24 February 2017.

2.2 The Pay Policy Statement for 2018/19, attached at Annex 1, updates the 2017/18 statement and sets out to meet the requirements of Section 38. Once again, the Statement does not contain anything ‘new’, but rather it gathers the information required by the Act into a single document from a number of the Council’s existing approved policies and decisions.

3 Legal Implications

3.1 The requirement to prepare an annual Pay Policy Statement is a statutory requirement placed upon the Council by the Localism Act 2011.

4 Conclusion

4.1 The Pay Policy Statement at Annex 1 assembles the required statutory information from the Council’s existing policies and presents them as a single document to meet the requirements of the Localism Act.

Background Papers (Local Government Act 1972 Section 100D) None			
Confidentiality It is considered that this report does not contain exempt information within the meanir of Schedule 12A of the Local Government Act 1972, as amended, and can be mad public.			
No of Annexes:	1	File Ref:	
Portfolio: Leader Councillor North			
Officer:	Alex Rowland	Ext:	8251
Report to:	Council	Date:	23 February 2018

ANNEX

Pay Policy Statement 2018/19

1. INTRODUCTION

1.1 This is the statement for Test Valley Borough Council

1.2 The Localism Act 2011 requires each council to produce and publish annually a pay policy statement. The statement must be approved by 31 March each year, by a meeting of the full Council, and must then be published on their website. The pay policy statement may be amended during the year by further resolution of the Council.

1.3 The pay policy statement must as a minimum include details of the Council's policy on:

- the remuneration of its chief officers
- the remuneration of its lowest-paid employees
- the relationship between the remuneration of its chief officers and other officers.

1.4 For the purposes of the Localism Act 2011 and this statement, the term "chief officers" is defined by Section 2 of the Local Government and Housing Act 1989. For this Council, the term "chief officers" refers to the Chief Executive, Corporate Directors, Heads of Service and the Head of Planning Policy. These officers make up the Officers' Management Team for Test Valley Borough Council.

1.5 Test Valley Borough Council recognises that our employees make a critical contribution towards the realisation of the Council's vision – to be an organisation of excellence committed to improving the quality of life of all the people of Test Valley. The Council needs to have flexibility and capability to be able to adapt to change and meet the needs of our customers. Our approach to rewarding staff aims to ensure fairness, equity and transparency and to retain good staff by sensible and proportionate pay and reward strategies appropriate for their role.

1.6 Each council has the autonomy to make decisions on pay that are appropriate to their local circumstances and which deliver value for money to local taxpayers. The localism act ensures local authorities are open about their local policies and how these decisions are made.

2. REMUNERATION OF CHIEF (AND OTHER) OFFICERS

2.1 Decisions on pay and reward for all employees including Chief Officers are made in an open and accountable way through the General Purposes Committee. The Committee comprises elected Councillors and has responsibility for local terms and conditions of employment for staff.

2.2 The Council's pay framework, implemented prior to 1991, is based on locally agreed pay arrangements for all employees. Remuneration levels are approved by the General Purposes Committee. The Council's pay framework is based on the

Hay Job Evaluation Scheme where the grade for each role is determined by a fair and consistent job evaluation process. There are 16 grades in total in the pay framework, grade 2 being the lowest and grade CE being the highest. With the exception of apprentices each employee will be on one of the grades based on the evaluation of their role. Employees can progress to the salary grade maximum of their grade subject to assessment of their performance and in accordance with the Council's general pay policy.

2.3 The annual cost of living pay award is considered for all employees in conjunction with the recognised trade unions, UNISON, UNITE and GMB. Any cost of living award is approved by the General Purposes Committee who take account of national and local considerations in making their decision including the national joint council (NJC) pay award, inflation, earnings growth, and salaries in the comparable market. Local and national pay benchmarking is undertaken to provide comparison and assurance of both value of remuneration and competitiveness within the comparable market. All employees received a cost of living award of 2.5% in 2017/18.

2.4 Chief Officer salaries are detailed in the table below and their earnings are published each year in the Council's Statement of Accounts along with details of senior staff earning over £50,000.

Role	Salary Range
Chief Executive (1)	£98,560 - £120,416
Corporate Director (2)	£82,234 - £100,458
Head of Service (10) (8.5 FTE)	£62,841 - £76,775
Head of Planning Policy (1)	£55,808 - £68,185

2.5 The salaries remunerate Chief Officers for their full range of duties and hours of work. The Council does not offer performance related pay to any employee. Chief Officers have the option of either a lease car or a cash alternative. A small number of other officers hold a contractual entitlement to a lease car which will not pass onto their successor. All officers, where there is a requirement for their role, have paid membership of a relevant professional body and are reimbursed for business mileage at the relevant HMRC rate. Some non-chief officer roles, have use of a Council Vehicle or an essential car user allowance where there is a regular and essential driving requirement as part of the role.

2.6 Any allowance or other payment made to chief and other officers will only be made to an employee in connection with their role or the pattern of hours they work and must be in accordance with the Council's employment policies, national agreements in respect of 'subsistence' meal allowances and individual contractual requirements.

2.7 Honorarium are paid when an officer undertakes all or some of the duties of a higher graded post. This is a temporary arrangement and their total pay inclusive of the honorarium cannot exceed the rate for the post they are covering if promoted to it. The Council operates a recognition scheme which provides a one-off recognition payment for outstanding performance of up to £1000. A manager may recommend an employee for a recognition payment where they have demonstrated outstanding performance in undertaking additional projects or tasks or for outstanding performance in undertaking duties and responsibilities which fall outside the scope of their post.

2.8 The Council operates a small range of flexible benefits to all staff including salary sacrifice bicycle schemes and government childcare vouchers.

2.9 The Council may consider the use of market supplements for specific posts in the event of recruitment difficulties. Supplements will be time limited and subject to the provision of objective market evidence to support payment.

2.10 All employees are automatically enrolled in the local government pension scheme when they join the Council, they may opt out if they wish. All employee's contributions are determined by their salary and the rules of the scheme. The Council made a pension contribution of 14.1% of pensionable pay in 2017/18 towards the pension for each member of the scheme. More comprehensive details of the scheme are available from the Hampshire Pension Service website. The Council publishes its policy on discretionary aspects of the scheme on its website.

2.11 All chief officers are subject to the same performance management process as other employees. Targets and objectives are set and performance is assessed through a performance review process.

2.12 For nationally advertised posts above Grade 9, a payment may occasionally be offered to new employees moving within 20 miles of the Council offices to take up a position. Payments are detailed in the Council's relocation policy.

2.13 The Chief Executive has been appointed as the Council's returning officer. He may employ other officers to support him in his work. Any fees for elections are paid separately. The amount of the fee is not fixed and is based on electorate/postal votes and the type of election. Any fees payable are calculated in accordance with the statutory rules and recommendations of the Hampshire and Isle of White Election Fees Working Party for all local government elections and by Central Government for Parliamentary and other national elections.

2.14 The Council has an agreed approach to organisational change which it applies to all employees without differentiation. In cases of redundancy those employees with 2 or more years' continuous service have an entitlement to a redundancy payment.

2.15 The Council does not normally provide any additional payment to employees leaving the Council's employment other than in respect of accrued leave which by agreement is untaken at the date of leaving.

2.16 In exceptional circumstances the Council may agree for an employee's employment to come to end by way of a Settlement Agreement which may involve the payment of severance pay. In calculating any severance package the Council will take into account any contractual and statutory entitlements and value for money.

2.17 It is not normal practice for the Council to re-employ or re-engage a chief officer following a severance or redundancy payment on either a new contract of employment or a contract for services. Where the Council employs a chief or other officer following receipt of a redundancy payment from an organisation covered under the National Modification Order we would ensure the rules of the Order are applied. Where chief or other officers are in receipt of a Local Government Pension and there are restrictions on their earnings, we would comply with the Local Government Pension Scheme Regulations.

3. REMUNERATION OF THE LOWEST-PAID EMPLOYEES

3.1 The lowest paid employees refer to those staff employed on grade 2 of the Council's pay framework. The definition has been adopted because grade 2 is the lowest grade on which employees are paid within the Council's pay framework. The lowest paid employees do not include apprentices for whom there are separate pay arrangements.

3.2 Pay scale on Grade 2 ranges from £16,473 to £18,026. The Council has agreed to pay a minimum salary of £16,473 or £8.54 an hour.

4 REMUNERATION OF CHIEF OFFICERS COMPARED WITH OTHER OFFICERS

4.1 The Council are required to publish the pay multiple defined as the ratio between the highest paid taxable earnings for the given year including variable pay, allowances and the cash value of any benefits in kind compared with the median earnings of the whole of the Council's workforce.

4.2 The median earnings for all officers is £24,162. The Chief Executive's total remuneration is 5.3 times the median earnings of the whole of the workforce.

4.3 Please note the Council does not set the remuneration of any individual or group of posts by reference to a multiple of another post or group of posts. Pay multiples do not capture the complexities of a dynamic and highly varied workforce in terms of job content and skills required. In terms of overall remuneration packages the Council has a local pay framework which is fair and equitable where roles are evaluated using the HAY job evaluation framework to ensure pay levels reflect differences in roles and responsibilities.

Last updated: 08/12/2017

Item 13 **Notice of Motion – Rule 12**

Councillor Lovell will move that:

That TVBC will celebrate the centenary this month, of the Representation of the People Act 1918, which for the first time gave some women over 30 the right to vote in parliamentary elections, by supporting a community led event, to pay tribute to the many inspirational women of Test Valley, who have made a difference and influenced positive change for good in our society.

Councillor Celia Dowden will second the motion.