

Notice of Meeting

Council

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

Date: Wednesday 26 February 2020

Time: 5.30 pm

Venue: Upper Guildhall, High Street, Andover, Hampshire SP10 1NT

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



Head of Legal and Democratic Services

For further information or enquiries please contact:

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Legal and Democratic Service

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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

Wednesday 26 February 2020

AGENDA

**The order of these items may change as a result of members
of the public wishing to speak**

- 1 Prayers**
- 2 Apologies**
- 3 Public Participation**
- 4 Declarations of Interest**
- 5 To approve the minutes of the meeting of the Council
held on 29 January 2020**
- 6 Mayor's Announcements**
- 7 To receive and adopt Committee reports 5 - 82**

To receive and, where necessary, adopt reports of
Committees
- 8 Questions under Rule 11.1**
- 9 Questions under Rule 11.2**
- 10 Notice of Motion - Rule 12**
- 11 To adopt a resolution relating to the Council Tax for
2020/21**

A copy of the recommendation will be circulated at the meeting as the Council is waiting for confirmation of the latest precept figure.

- | | | |
|-----------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------|
| 12 | <u>Pay Policy Statement 2020/21</u> | 83 - 88 |
| | To approve the Pay Policy Statement for 2020/21 which has been prepared in accordance with the requirements of the Localism Act 2011. | |
| 13 | <u>Amendment to the Council's Public Participation Scheme</u> | 89 - 97 |
| | To consider the introduction of new procedure rules to the Council's Constitution, regarding non-committee Members and additional parishes making a statement to Area Planning Committees on items of business. | |
| 14 | <u>Review of Area Planning Committees</u> | 98 - 100 |
| | To consider postponing the review of the New Development Management Committee Structure. | |
| 15 | <u>Change to the Delegation to the Head of Planning and Building Services</u> | 101 - 109 |
| | To consider a change to the delegation to the Head of Planning and Building Services. | |
| 16 | <u>Change to Committee Membership</u> | 110 - 112 |
| | To consider a change to the membership of the Council's Southern Area Planning Committee, Overview and Scrutiny Committee and General Purposes Committee. | |
| 17 | <u>Change to the Overview & Scrutiny Committee Membership</u> | 113 - 114 |
| | To consider a change to the Overview & Scrutiny Committee membership. | |
| 18 | <u>Delegation of Authority to the Council's General Purposes Committee</u> | 115 - 117 |
| | To consider a delegation to the Council's General Purposes Committee. | |
| 19 | <u>Exclusion of the Public</u> | 118 - 120 |

The following items are confidential.

20 **CCTV System** **121 - 129**

To consider the renewal of Town Centre CCTV Systems.

21 **Portersbridge Street Properties** **130 - 132**

The confidential annex relating to Item 7.2.1.3,
Portersbridge Street Properties.

ITEM 7 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).

7.1 To receive the minutes of the following meetings:

7.1.1 Cabinet – 15 January 2020

7.1.2 Overview & Scrutiny Committee – 22 January 2020

7.1.3 Southern Area Planning Committee – 28 January 2020

7.1.4 Cabinet – 12 February 2020

7.1.5 Southern Area Planning Committee – 18 February 2020

7.1.6 Overview & Scrutiny Committee – 19 February 2020

(Note: in relation to 7.1.4, 7.1.5 and 7.1.6 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.)

7.2 To adopt recommendations from the following:

7.2.1 Cabinet – 12 February 2020

7.2.1.1 Revenue Budget and Council Tax Proposals 2020/21 (APPENDIX A)

Consideration was given to the report of the Finance Portfolio Holder which presented proposals for the final Revenue Budget and Council Tax for the financial year 2020/21.

The proposed budget took into account changes in the detailed estimates arising from the budget process together with savings options and budget pressures. Since the January budget update, the budget gap had been closed.

Having considered the options and for the reasons set out in the report, Cabinet agreed to the following:

Recommended:

- 1. That the Revised Forecast for 2019/20 as set out in Column 3 of Annex 1 to the report be approved.**
- 2. That a transfer to the Town Centres Rejuvenation Reserve of £65,600 in 2020/21 be approved as detailed in paragraph 4.10, subject to it not being required to offset any significant changes in the Final Local Government Finance Settlement.**
- 3. That the Savings Options, Income Generation Proposals and Revenue Pressures as set out in Annexes 2 – 4 to the report be approved.**
- 4. That subject to recommendation 3 above and taking due regard of the Head of Finance's comments in Annex 8 to the report, the budget for 2020/21 as set out in Column 6 of Annex 1 be approved.**
- 5. That subject to recommendations 3 and 4 above, the revenue estimates for each Service contained in Annex 7 to the report be approved.**
- 6. That a Council Tax Requirement for 2020/21 of £9,360,605 be approved.**
- 7. That a Special Expenses Levy of £344,513 be made in respect of the area of Andover to cover the cost of providing burial grounds, public halls, sports grounds and playgrounds as detailed in Annex 9 to the report.**
- 8. That a general precept of £7,299,271 be levied for the year 2020/21.**
- 9. That the Medium Term Forecast contained in Annex 6 to the report be noted.**
- 10. That a Band D Council Tax excluding Parishes and Special Expenses of £146.41 in 2020/21 be approved – an increase of £5 on 2019/20 levels.**
- 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.**

7.2.1.2 Treasury Management and Annual Investment Strategies 2020/21 (APPENDIX B)

Consideration was given to a report of the Finance Portfolio Holder which presented the Treasury Management and Annual Investment Strategies of the Council for 2020/21.

Borrowing costs were currently limited to the interest payable on short term borrowing which was used to even out the Council's cash flow throughout the year although prudential borrowing to cover the deficit in the capital programme was permitted in the strategy.

Having considered the options and for the reasons set out in the report, Cabinet agreed to the following:

Recommended:

- 1. That the Treasury Management Strategy Statement and the Annual Investment Strategy for 2020/21 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**

7.2.1.3 Portersbridge Street Properties (APPENDIX C – CONFIDENTIAL ANNEX)

Consideration was given to the report of the Finance Portfolio holder which presented options for how the Council could bring back in to use properties that it owns on Portersbridge Street, Romsey.

The Council owns seven houses in Portersbridge Street which had been let to Aster since 2003 and were in the process of being returned to the Council.

Having considered the options and for the reasons set out in the report, Cabinet agreed to the following:

Recommended:

- 1. That the budget set out in paragraph 1.9 of the confidential annex to the report be added to the Capital Programme for works to Portersbridge Street properties.**
- 2. That the expenditure be financed from the budget allocated in the Capital Programme to Project Enterprise projects identified in the year.**

7.2.2 Southern Area Planning Committee – 18 February 2020

Recommendations to follow (if any)

7.2.3 Overview & Scrutiny Committee – 19 February 2020

Recommendations to follow (if any)

APPENDIX A

Revenue Budget and Council Tax Proposals 2020/21

Report of the Finance Portfolio Holder

Recommended:

1. That the Revised Forecast for 2019/20 as set out in Column 3 of Annex 1 to the report be approved.
2. That a transfer to the Town Centres Rejuvenation Reserve of £65,600 in 2020/21 be approved as detailed in paragraph 4.10, subject to it not being required to offset any significant changes in the Final Local Government Finance Settlement.
3. That the Savings Options, Income Generation Proposals and Revenue Pressures as set out in Annexes 2 – 4 to the report be approved.
4. That subject to recommendation 3 above and taking due regard of the Head of Finance's comments in Annex 8 to the report, the budget for 2020/21 as set out in Column 6 of Annex 1 be approved.
5. That subject to recommendations 3 and 4 above, the revenue estimates for each Service contained in Annex 7 to the report be approved.
6. That a Council Tax Requirement for 2020/21 of £9,360,605 be approved.
7. That a Special Expenses Levy of £344,513 be made in respect of the area of Andover to cover the cost of providing burial grounds, public halls, sports grounds and playgrounds as detailed in Annex 9 to the report.
8. That a general precept of £7,299,271 be levied for the year 2020/21.
9. That the Medium Term Forecast contained in Annex 6 to the report be noted.
10. That a Band D Council Tax excluding Parishes and Special Expenses of £146.41 in 2020/21 be approved – an increase of £5 on 2019/20 levels.
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 2020/21.
- The report takes into account the previous budget information and options for changes in service delivery that were presented to the Cabinet in November 2019 and January 2020.

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- The headline financial figures in the report are :-
 - ◆ Band D Council Tax (excluding Parishes and Special Expenses) to be increased by £5 to £146.41.
 - ◆ Revenue savings proposals totalling £396,500 – Annex 2
 - ◆ Income Generation proposals totalling £530,000 – Annex 3
 - ◆ Additional spending pressures on services of £1.347M – Annex 4
- The final recommendations arising from this meeting for the Budget and Council Tax for 2020/21 will be considered by Council on 26 February 2020.

1 Introduction

- 1.1 The Cabinet considered the Budget Strategy for 2020/21 in November 2019. The report showed a best, middle and worst case scenario of the budget gap the Council expected to face for 2020/21.
- 1.2 An update of the budget forecast was presented to Cabinet in January 2020 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 2020/21.
- 1.3 This report presents the proposals for the 2020/21 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 2020/21 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 has reduced 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
 - 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 15 January 2020.

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3 2019/20 Revised Forecast

- 3.1 The original budget for 2019/20 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 6 November 2019 identified additional income and savings of £110,000 in Services and £99,000 additional investment income to the end of September.
- 3.3 Savings made to date are reflected in the revised forecast shown in the annexes to this report.
- 3.4 It is currently anticipated that a positive variance will arise when the outturn position is known, although the final value will not be known until outturn is reported to Cabinet in May 2020.
- 3.5 No decisions will be taken on how to deploy any further positive variance or cover any negative variance arising in 2019/20 until the outturn position is known.

4 2020/21 Budget Proposals

- 4.1 Annex 1 sets out the proposed budget for 2020/21. 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 £11.538M and the Council Tax Requirement is £9.361M.

The budget gap shown in the January budget update was £58,000. Since then, there have been a number of movements, and the gap has now been closed. A summary of the movements is shown in the following table.

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	£'000
Budget Gap per January report	58
Additional savings (see Annex 2)	(166)
Additional pressures (see Annex 4)	32
Forecast reduction in retained Business Rates Income (see para. 4.5)	105
Additional investment income	(68)
Increase in Council Tax Base	(5)
Reduction in income from Andover Special Expenses Levy	2
Other budget changes	(24)
Transfer to Town Centres Rejuvenation Reserve (see para 4.10)	66
Final Budget Position	0

- 4.5 Work has continued during January to calculate the impact of the Business Rates Retention Scheme. The budget for 2020/21 now includes an estimate of a reduction in income from this source totalling £105,200 (see paragraphs 4.21 – 4.25 for further details).
- 4.6 Additional investment income of £68,300 is expected as a result of an increase in the average portfolio and the current interest rate position.
- 4.7 The final Council Tax base figures have resulted in an increase in Council Tax income of £5,200,
- 4.8 Income from the Andover Special Expenses Levy has reduced by £2,300 following a triennial review (see Annex 9).
- 4.9 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 £23,500.
- 4.10 The above adjustments have resulted in a surplus of £65,600. It is recommended to transfer this to the Town Centres Rejuvenation Reserve, subject to it not being required to offset any significant changes in the Final Local Government Finance Settlement when it has been announced (see paragraph 4.27).

APPENDIX A**Savings made to set a balanced budget**

- 4.11 Annexes 2 and 3 show that the Council has identified a number of areas to reduce its net expenditure in 2020/21. This combination of reduced expenditure and increased income streams is estimated to reduce net costs by £926,500 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 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%
2019/20	11,902	635	5.34%	£141.41	0.00%
2020/21	11,538	927	8.03%	£146.41	3.5%

- 4.12 In each of the last twelve 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.
- 4.13 During the period from 2008/09 to present the Council has delivered budget reductions totalling £13.319M, equivalent to more than £1M per year. This includes additional income generated by Project Enterprise (see paragraphs 4.15 – 4.20).

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- 4.14 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

- 4.15 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.
- 4.16 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 cash investment portfolio.
- 4.17 The amount of investment in completed projects is currently £27.973M. This excludes investment in development projects which generate a capital receipt and a small ground rent. Net rental income from these completed investments is forecast to be £2.010M in 2020/21. This represents an average return on investment of 7.2%.
- 4.18 In contrast, the Council's cash investment portfolio is forecast to generate an average return of 0.77% in 2020/21. Had the Council not purchased the additional properties and left the investment in cash reserves, this would be expected to generate £215,400 in 2020/21.
- 4.19 Income from Project Enterprise investments is therefore expected to be £1.795M greater than would have been achieved by retaining the balances in cash.
- 4.20 Some of the income generated from the completed investments is used to replenish the Capital Receipts Reserve over the lifetime of the investment. For 2020/21, £480,700 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

- 4.21 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.
- 4.22 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.
- 4.23 The Head of Revenues has delegated authority (in consultation with the Head of Finance and the Finance 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.

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- 4.24 The Head of Finance has consulted with the Head of Revenues 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. 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:

	2020/21	2021/22	2022/23
	£'000s	£'000s	£'000s
Business rates income	4,897	2,364	2,405
Section 31 grants *	2,130	0	0
2019/20 deficit on collection fund	(1,102)	0	0
Provision for levy payable to government	(2,120)	0	0
Renewable energy rates 100% retained	420	428	437
Total income from business rates retention scheme	4,225	2,792	2,842
Less income from business rates retention scheme included in January report	4,330	4,296	4,352
Reduction in retained income from business rates retention scheme	(105)	(1,504)	(1,510)

* assumes Section 31 grants are rolled up into the baseline business rates income from 2021/22

- 4.25 This income is built into the Medium Term Forecast. It is extremely vulnerable to both the level of appeals that may occur as a result of the 2017 revaluation exercise and the reset of the Business Rates Retention Scheme which has been delayed to 2021 in which the Government maintains the power to take away all of the accumulated growth in income generated since 2013. The estimates for 2021/22 and 2022/23 are a worst case scenario and exclude any growth in income above the baseline settlement figure and any transition or damping arrangements. The Council maintains a Collection Fund Equalisation Reserve to mitigate this volatility.

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Draws from Reserves

- 4.26 Draws from reserves are expected to be for one-off or specific expenditure. No further general draws from reserves are budgeted in 2020/21 to close the overall budget gap.

Local Government Finance Settlement

- 4.27 Full details of the *Provisional* Local Government Finance Settlement were given in the Budget Update report to Cabinet on 15th January and are not repeated here. The *Final* Local Government Finance Settlement has not yet been released but no significant changes are expected from the Provisional Settlement.

Robustness of Estimates and Adequacy of Revenue Reserves

- 4.28 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

- 4.29 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.
- 4.30 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.
- 4.31 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. This report recommends that the Council duly implements this £5 increase.
- 4.32 For 2020/21 it is recommended that the Band D Council Tax charge is increased by £5 from £141.41 to £146.41.
- 4.33 The background to the Andover Special Expenses Levy was detailed in a report to Cabinet on 15 February 2017. The calculation has been reviewed for 2020/21 and is detailed in Annex 9. The levy required to cover the costs is £344,513 (£21.12 per Band D property), a reduction of £0.63 per property.

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5 Medium Term Forecast and Beyond

- 5.1 Annex 6 sets out the Medium Term Forecast for the General Fund budget up to the 2022/23 financial year. The figures shown in Annex 6 are reconciled to the revenue summary shown in Annex 5.
- 5.2 In order to maintain a balanced budget, current forecasts indicate a deficit of £1.789M in 2021/22 decreasing by £198,100 to a deficit of £1.591M in 2022/23. This is the level of cumulative savings needed to close the forecast budget gap for 2022/23.
- 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 2020. An initial forecast for 2021/22 based on a best, middle and worst case scenario will be presented to Cabinet in November 2020.
- 5.4 Looking further ahead, financial forecasts become less certain, but it is inevitable that, with 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, uncertainty over 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 2020/21 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 2020) 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.

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10 Conclusion and reasons for recommendation

- 10.1 This report is the culmination of a process that started in May 2019. It shows the savings and additional income that have been identified to enable the Council to propose a balanced budget for 2020/21.
- 10.2 If approved, the recommendations of this report will be considered by Council on 26 February 2020.

Background Papers (Local Government Act 1972 Section 100D)

“Provisional local government finance settlement: England 2020 to 2021” - MHCLG Consultation December 2019

2. “Fair Funding Review: A review of local authorities’ relative needs and resources” - MHCLG December 2018

3. “Business Rates Retention Reform: Sharing risk and reward, managing volatility and setting up the reformed system” – MHCLG December 2018

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:	9	File Ref:	N/A
(Portfolio: Finance) Councillor M Flood			
Officer:	Jenni Carter	Ext:	8236
Report to:	Cabinet	Date:	12 February 2020

GENERAL FUND REVENUE SUMMARY

(1) Actual Spend 2018/19 £'000	(2) Original Estimate 2019/20 £'000	(3) Forecast 2019/20 £'000		(4) Gross Expend. 2020/21 £'000	(5) Gross Income 2020/21 £'000	(6) Original Estimate 2020/21 £'000
Service Requirements						
180.0	0.0	0.0	Chief Executive's Office	1,727.3	(1,727.3)	0.0
2,619.3	2,225.1	3,343.1	Community & Leisure	5,850.4	(3,667.4)	2,183.0
5,404.4	5,018.8	5,211.7	Environmental Service	8,906.9	(3,532.4)	5,374.5
16.5	0.0	0.0	Finance	968.6	(968.6)	0.0
1,108.0	3,189.2	3,406.5	Housing & Environmental Health	6,766.9	(2,847.3)	3,919.6
127.2	0.0	0.0	I.T.	1,450.8	(1,450.8)	0.0
553.6	0.0	0.0	Legal & Democratic	1,647.5	(1,647.5)	0.0
2,385.5	1,662.4	2,109.3	Planning & Building	3,870.0	(1,817.6)	2,052.4
860.9	925.7	1,221.9	Planning Policy & Economic Development	1,134.4	(54.6)	1,079.8
(7,181.5)	(5,341.1)	(6,273.6)	Property & Asset Management	11,036.7	(17,110.1)	(6,073.4)
1,685.4	2,366.2	1,591.1	Revenues	3,012.2	(1,427.8)	1,584.4
7,759.3	10,046.3	10,610.0		46,371.7	(36,251.4)	10,120.3
Other Requirements						
(155.3)	(200.0)	(200.0)	Net Cost of Benefit Payments	31,230.0	(31,430.0)	(200.0)
4,819.0	2,770.6	3,232.7	Corporate & Democratic Core	6,226.4	(4,182.1)	2,044.3
12,423.0	12,616.9	13,642.7	Net Cost of Services	83,828.1	(71,863.5)	11,964.6
Corporate Requirements						
0.0	612.8	250.7	Contingency Provision	440.7	0.0	440.7
(2,744.7)	(4,659.8)	(5,506.4)	Depreciation Reversal and Deferred Charges	0.0	(5,250.0)	(5,250.0)
(595.5)	(568.1)	(727.7)	Investment Income	0.0	(636.4)	(636.4)
15.9	158.1	166.6	Borrowing Costs	161.7	0.0	161.7
0.0	130.6	187.0	Minimum revenue Provision	191.2	0.0	191.2
(1,444.4)	(1,390.9)	(1,390.9)	Small Business Rate Relief	0.0	(1,484.7)	(1,484.7)
(286.5)	(848.0)	(881.1)	Other Government Grants	0.0	(698.7)	(698.7)
(3,836.7)	(3,788.2)	(3,788.2)	New Homes' Bonus	0.0	(3,560.8)	(3,560.8)
1,607.5	2,037.8	2,037.8	Provision for NDR surplus 'levy'	2,119.8	0.0	2,119.8
(35.9)	(35.9)	0.0	Levy surplus allocation	0.0	0.0	0.0
(770.4)	(436.2)	(436.2)	100% Retention of NDR from Renewable Energy	0.0	(419.6)	(419.6)
25.3	0.0	0.0	Year End Write Offs	0.0	0.0	0.0
4,357.6	3,829.1	3,554.3	Net General Fund Expenditure	86,741.5	(83,913.7)	2,827.8
4,380.2	3,249.5	3,862.6	Transfer to Earmarked Reserves	4,517.1	(527.1)	3,990.0
3,885.8	2,117.1	1,561.9	Transfer to Asset Management Reserve	2,217.1	0.0	2,217.1
2,721.9	2,706.1	2,923.0	Transfer to Capital Balances	2,502.9	0.0	2,502.9
(2,514.3)	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
12,831.2	11,901.8	11,901.8	General Fund Requirements	95,978.6	(84,440.8)	11,537.8
(56.0)	0.0	0.0	Revenue Support Grant	0.0	0.0	0.0
(5,159.4)	(4,576.4)	(4,576.4)	Business Rates Retained	17,150.7	(22,047.9)	(4,897.2)
1,508.7	1,597.6	1,597.6	Parish Precepts	1,716.8	0.0	1,716.8
(112.7)	(111.9)	(111.9)	Surplus on Previous Years' Collection Fund - Ctax	0.0	(99.1)	(99.1)
(407.6)	57.6	57.6	(Surplus)/Deficit on Previous Years' Collection Fund - NDR	1,102.3	0.0	1,102.3
8,604.2	8,868.7	8,868.7	Council Tax Requirement	115,948.4	(106,587.8)	9,360.6
(6,798.9)	(6,924.3)	(6,924.3)	Test Valley Borough Council precept	0.0	(7,299.3)	(7,299.3)
(1,508.7)	(1,597.6)	(1,597.6)	Parish Precepts	0.0	(1,716.8)	(1,716.8)
(296.6)	(346.8)	(346.8)	Andover Special Expenses Levy	0.0	(344.5)	(344.5)
(8,604.2)	(8,868.7)	(8,868.7)	Summary of Council Tax Requirement	0.0	(9,360.6)	(9,360.6)

SUMMARY OF CORPORATE CHALLENGE SAVINGS OPTIONS

Service / Ref	Service	Function	Savings Option Proposed	2020/21 £	2021/22 £	2022/23 £
Efficiency Savings:						
IT01	IT	Supplies and Services	Various operational efficiencies re. Vodafone PSN, Network Switch Support and SafeNet.	20,000	20,000	20,000
PPE01	Planning Policy & Economic Development	Supplies and Services	Fund CIL work funded from reserves	13,000	13,000	13,000
REV01	Revenues	Employee costs	Salary savings linked to the implementation of a new service structure.	33,800	33,800	33,800
LD01	Legal and Democratic	Supplies and Services	Reduce subscriptions budget	6,000	6,000	6,000
				72,800	72,800	72,800
Budget Realignment Savings:						
FIN01	Finance	Transfer Payments	Reduce Added Year Pension Budget to align with actual costs	20,000	20,000	20,000
PB01	Planning and Building	Employee costs	Realign mileage budgets to actuals	3,500	3,500	3,500
				23,500	23,500	23,500
Other Non-Corporate Challenge Savings:						
FIN02a	Finance	Transfer Payments	Reduced Employers' pension contributions following triennial Pension Fund Revaluation in 2019.	744,600	744,600	744,600
				744,600	744,600	744,600
Total Saving Options in November Budget Strategy				840,900	840,900	840,900
Transfers to Reserves:						
FIN02b	Reserves	Appropriations	Transfers to Reserves	(744,600)	(744,600)	(744,600)
				(744,600)	(744,600)	(744,600)

SUMMARY OF CORPORATE CHALLENGE SAVINGS OPTIONS

Service / Ref	Service	Function	Savings Option Proposed	2020/21 £	2021/22 £	2022/23 £
Saving Options in January Update:						
CORP01	ALL	Supplies and Services	Savings in photocopier costs following award of new contract	16,800	16,800	16,800
ENV06	Environmental Services	Glass collection costs	Net savings resulting from bringing glass collection in-house	37,000	37,000	37,000
LD01a	Legal and Democratic	Supplies and Services	Reverse reduction in subscriptions budget	(6,000)	(6,000)	(6,000)
REV01a	Revenues	Employee costs	Further salary savings linked to the implementation of a new service structure.	19,700	19,700	19,700
P&B01	Planning & Building	Supplies and Services	Savings in project consultancy to part fund new Ecologist post	27,900	27,900	27,900
CORP02	ALL	Inflation	Saving on unallocated inflation assumption	39,100	39,100	39,100
Total of New Savings Options identified in January Update				134,500	134,500	134,500
Total Saving Options in January Update				975,400	975,400	975,400
Total Saving Options Net of Transfers to Reserves in January Update				230,800	230,800	230,800
Saving Options in this Update:						
CORP04	ALL	Insurance Premiums	Expected reduction in insurance premiums following retender of contract	165,700	165,700	165,700
Total of New Savings Options identified in this Update				165,700	165,700	165,700
Total Saving Options in this Update				1,141,100	1,141,100	1,141,100
Total Saving Options Net of Transfers to Reserves in this Update				396,500	396,500	396,500

SUMMARY OF CORPORATE CHALLENGE INCOME GENERATION PROPOSALS

Service / Ref	Service	Function	Savings Option Proposed	2020/21 £	2021/22 £	2022/23 £
PAM01	Property & Asset Management	Estates	Corporate Properties additional income from rent reviews etc.	146,000	146,000	146,000
PAM02	Property & Asset Management	Project Enterprise	Additional income from new investments	100,000	100,000	100,000
REV02	Revenues	Specific Grants	Reflect likely additional income to be received from Central Government based on previous years	75,000	75,000	75,000
ENV01	Environmental Services	Abandoned Trolleys	Income to be re-aligned with expectation	10,000	10,000	10,000
ENV02	Environmental Services	Private MOT testing	Income to be re-aligned with expectation	5,000	5,000	5,000
ENV03	Environmental Services	Garden Waste Collections	Income to be re-profiled based on expectation	35,000	35,000	35,000
ENV04	Environmental Services	Recycling Income	Income to be aligned based on expectation	15,000	15,000	15,000
LD02	Legal and Democratic	Licensing	Realign Liquor licensing income to budget	8,000	8,000	8,000
Total Income Generation Proposals in November Budget Strategy				394,000	394,000	394,000
Income Generation Proposals in January Update:						
ENV03a	Environmental Services	Garden Waste Collections	Further income to be re-aligned with expectation	18,500	18,500	18,500
PAM01a	Property & Asset Management	Estates	Further Corporate Properties additional income from rent reviews etc.	99,200	99,200	99,200
PAM03	Property & Asset Management	Estates	Net additional income from the Chantry Centre	111,100	0	0
P&B01a	Planning & Building	Admin income	New Forest Mitigation income to part fund new Ecologist post	18,300	18,300	18,300
Total of New Income Generation Proposals identified in January Update				247,100	136,000	136,000

SUMMARY OF CORPORATE CHALLENGE INCOME GENERATION PROPOSALS

Service / Ref	Service	Function	Savings Option Proposed	2020/21 £	2021/22 £	2022/23 £
<i>Transfers to Reserves:</i>						
PAM03*	Reserves	Appropriations	Transfers to Reserves	(111,100)	0	0
				(111,100)	0	0
Total Income Generation Proposals in January Update				641,100	530,000	530,000
Total Income Generation Proposals Net of Transfers to Reserves in January Update				530,000	530,000	530,000
Income Generation Proposals in this Update:						
HEH03	Housing & Environmental Health	Government Grants	Ringfenced Homelessness Grants	300,600	0	0
Total of New Income Generation Proposals identified in this Update				300,600	0	0
<i>Transfers to Reserves:</i>						
HEH03*	Reserves	Appropriations	Transfers to Reserves	(300,600)	0	0
				(300,600)	0	0
Total Income Generation Proposals in this Update				941,700	530,000	530,000
Total Income Generation Proposals Net of Transfers to Reserves in this Update				530,000	530,000	530,000

SUMMARY OF REVENUE PRESSURES

Service / Ref	Service	Item	2020/21 £	2021/22 £	2022/23 £
<i>Pressures previously identified in February 19 Budget Strategy:</i>					
ENV05	Environmental	Incremental cost of additional waste collection coverage re. new properties	20,000	40,000	60,000
			20,000	40,000	60,000
<i>Pressures identified in November Budget Strategy:</i>					
ALL01	Asset Management Plan	Additional costs in relation to premises, vehicles, plant and IT maintenance and replacement schedules for 2020/21	1,000,000	0	0
ENV05	Environmental Services	Expected reduction in recycling related income as a result of Hampshire County Council's T21 savings options	0	539,000	539,000
			1,000,000	539,000	539,000
Total of New Pressures identified in November Budget Strategy			1,000,000	539,000	539,000
<i>Pressures identified in January Update:</i>					
CORP03	ALL	Salary regrades and increments net of vacancy management target adjustment	26,600	26,600	26,600
CEX01	Chief Executives	2/3 of new Communications Officer post financed from the New Homes Bonus	26,700	26,700	26,700
CEX02	Chief Executives	Project Manager post financed from the New Homes Bonus	59,900	59,900	59,900
PPE02	Planning Policy & Economic Development	Project Consultancy costs financed from the Local Development Framework Reserve	40,300	0	0
PAM04	Property & Asset Management	Reduction in car parking income to align with current position	129,000	129,000	129,000
ENV07	Environmental Services	Anticipated reduction in income from dry mixed recycling	113,000	113,000	113,000
P&B01b	Planning & Building	New Ecologist financed from savings in project consultancy and New Forest Mitigation income	46,200	46,200	46,200

SUMMARY OF REVENUE PRESSURES

Service / Ref	Service	Item	2020/21 £	2021/22 £	2022/23 £
HEH01	Housing & Environmental Health	Eight new posts financed from the Homelessness Reserve as approved by Cabinet 13/3/19 and 17/4/19	208,000	0	0
HEH02	Housing & Environmental Health	Homelessness grants & contributions financed from the Homelessness Reserve	100,500	0	0
Total of New Pressures identified in January Update			750,200	401,400	401,400
Draw from reserves to offset pressures:					
CEX01/02*	Chief Executives	Draw from New Homes Bonus re two posts	(86,600)	(86,600)	(86,600)
PPE02*	Planning Policy & Economic Development	Draw from LDF reserve to finance consultancy costs	(40,300)	0	0
HEH01*	Housing & Environmental Health	Draw from Homelessness reserve to finance eight new posts and grants & contributions	(308,500)	0	0
			(435,400)	(86,600)	(86,600)
Total of New Pressures in January Update			1,750,200	940,400	940,400
Total of New Pressures Net of Transfers from Reserves in January Update			1,314,800	853,800	853,800
Pressures identified in this Update:					
PAM04a	Property & Asset Management	Reduction in car parking income following tariff review	32,000	32,000	32,000
Total of New Pressures identified in this Update			32,000	32,000	32,000
Total of New Pressures in this Update			1,782,200	972,400	972,400
Total of New Pressures Net of Transfers from Reserves in this Update			1,346,800	885,800	885,800

GENERAL FUND REVENUE SUMMARY

(1) Actual Spend 2018/19 £'000	(2) Original Estimate 2019/20 £'000	(3) Forecast 2019/20 £'000		(4) Gross Expend. 2020/21 £'000	(5) Gross Income 2020/21 £'000	(6) Original Estimate 2020/21 £'000
<u>Service Requirements</u>						
19.2	0.0	0.0	Chief Executive's Office	1,727.3	(1,727.3)	0.0
2,804.8	1,161.5	1,892.3	Community & Leisure	4,628.4	(3,667.4)	961.0
4,285.6	4,275.8	4,515.5	Environmental Service	8,101.7	(3,532.4)	4,569.3
(77.2)	0.0	0.0	Finance	968.6	(968.6)	0.0
1,559.0	2,064.1	2,479.9	Housing & Environmental Health	5,476.3	(2,847.3)	2,629.0
(53.8)	(74.1)	(108.6)	I.T.	1,392.0	(1,450.8)	(58.8)
462.5	0.0	0.0	Legal & Democratic	1,647.5	(1,647.5)	0.0
2,111.6	1,662.4	2,109.3	Planning & Building	3,870.0	(1,817.6)	2,052.4
812.3	925.7	1,221.9	Planning Policy & Economic Development	1,134.4	(54.6)	1,079.8
(9,157.7)	(5,936.6)	(7,338.4)	Property & Asset Management	10,173.0	(17,110.1)	(6,937.1)
1,491.6	2,366.2	1,591.1	Revenues	3,012.2	(1,427.8)	1,584.4
4,257.9	6,445.0	6,363.0		42,131.4	(36,251.4)	5,880.0
<u>Other Requirements</u>						
(155.3)	(200.0)	(200.0)	Net Cost of Benefit Payments	31,230.0	(31,430.0)	(200.0)
4,282.1	2,712.1	3,185.6	Corporate & Democratic Core	6,216.7	(4,182.1)	2,034.6
8,384.7	8,957.1	9,348.6	Net Cost of Services	79,578.1	(71,863.5)	7,714.6
<u>Corporate Requirements</u>						
0.0	612.8	250.7	Contingency Provision	440.7	0.0	440.7
(595.5)	(568.1)	(727.7)	Investment Income	0.0	(636.4)	(636.4)
15.9	158.1	166.6	Borrowing Costs	161.7	0.0	161.7
0.0	130.6	187.0	Minimum revenue Provision	191.2	0.0	191.2
(1,444.4)	(1,390.9)	(1,390.9)	Small Business Rate Relief	0.0	(1,484.7)	(1,484.7)
(286.5)	(848.0)	(881.1)	Other Government Grants	0.0	(698.7)	(698.7)
(3,836.7)	(3,788.2)	(3,788.2)	New Homes' Bonus	0.0	(3,560.8)	(3,560.8)
1,607.5	2,037.8	2,037.8	Provision for NDR surplus 'levy'	2,119.8	0.0	2,119.8
(35.9)	(35.9)	0.0	Levy surplus allocation	0.0	0.0	0.0
(770.4)	(436.2)	(436.2)	100% Retention of NDR from Renewable Energy	0.0	(419.6)	(419.6)
25.3	0.0	0.0	Year End Write Offs	0.0	0.0	0.0
3,064.0	4,829.1	4,766.6	Net General Fund Expenditure	82,491.5	(78,663.7)	3,827.8
4,380.2	3,249.5	3,862.6	Transfer to Earmarked Reserves	4,517.1	(527.1)	3,990.0
3,885.8	2,117.1	1,561.9	Transfer to Asset Management Reserve	2,217.1	0.0	2,217.1
1,501.2	1,706.1	1,710.7	Transfer to Capital Balances	1,502.9	0.0	1,502.9
0.0	0.0	0.0	Transfer to General Reserves	0.0	0.0	0.0
12,831.2	11,901.8	11,901.8	General Fund Requirements	90,728.6	(79,190.8)	11,537.8
(56.0)	0.0	0.0	Revenue Support Grant	0.0	0.0	0.0
(5,159.4)	(4,576.4)	(4,576.4)	Business Rates Retained	17,150.7	(22,047.9)	(4,897.2)
1,508.7	1,597.6	1,597.6	Parish Precepts	1,716.8	0.0	1,716.8
(112.7)	(111.9)	(111.9)	Surplus on Previous Years' Collection Fund - Ctax	0.0	(99.1)	(99.1)
(407.6)	57.6	57.6	(Surplus)/Deficit on Previous Years' Collection Fund - NDI	1,102.3	0.0	1,102.3
8,604.2	8,868.7	8,868.7	Council Tax Requirement	110,698.4	(101,337.8)	9,360.6
(6,798.9)	(6,924.3)	(6,924.3)	Test Valley Borough Council precept	0.0	(7,299.3)	(7,299.3)
(1,508.7)	(1,597.6)	(1,597.6)	Parish Precepts	0.0	(1,716.8)	(1,716.8)
(296.6)	(346.8)	(346.8)	Andover Special Expenses Levy	0.0	(344.5)	(344.5)
(8,604.2)	(8,868.7)	(8,868.7)	Summary of Council Tax Requirement	0.0	(9,360.6)	(9,360.6)

MEDIUM TERM FINANCIAL PLAN

	Original Estimate 2020/21 £'000	Base Changes £'000	Budget Forecast 2021/22 £'000	Base Changes £'000	Budget Forecast 2022/23 £'000
<u>Service Requirements</u>					
Chief Executive's Office	0.0	0.0	0.0	0.0	0.0
Community & Leisure	961.0	379.8	1,340.8	(371.3)	969.5
Environmental Service	4,569.3	559.0	5,128.3	20.0	5,148.3
Finance	0.0	0.0	0.0	0.0	0.0
Housing & Environmental Health	2,629.0	(7.9)	2,621.1	0.0	2,621.1
I.T.	(58.8)	0.0	(58.8)	0.0	(58.8)
Legal & Democratic	0.0	0.0	0.0	0.0	0.0
Planning & Building	2,052.4	(5.0)	2,047.4	0.0	2,047.4
Planning Policy & Economic Development	1,079.8	(40.3)	1,039.5	0.0	1,039.5
Property & Asset Management	(6,937.1)	33.2	(6,903.9)	0.0	(6,903.9)
Revenues	1,584.4	0.0	1,584.4	0.0	1,584.4
Inflation	0.0	600.0	600.0	600.0	1,200.0
	5,880.0	1,518.8	7,398.8	248.7	7,647.5
<u>Other Requirements</u>					
Net Cost of Benefit Payments	(200.0)	0.0	(200.0)	0.0	(200.0)
Corporate & Democratic Core	2,034.6	0.0	2,034.6	0.0	2,034.6
Net Cost of Services	7,714.6	1,518.8	9,233.4	248.7	9,482.1
<u>Corporate Requirements</u>					
Contingency Provision	440.7	0.0	440.7	0.0	440.7
Investment Income	(636.4)	0.0	(636.4)	0.0	(636.4)
Borrowing Costs	161.7	(5.2)	156.5	(5.2)	151.3
Minimum Revenue Provision	191.2	4.3	195.5	4.4	199.9
Small Business Rate Relief	(1,484.7)	1,484.7	0.0	0.0	0.0
Other Government Grants	(698.7)	645.3	(53.4)	0.0	(53.4)
New Homes' Bonus	(3,560.8)	1,985.8	(1,575.0)	774.4	(800.6)
Provision for NDR Levy	2,119.8	(2,119.8)	0.0	0.0	0.0
100% Retention of NDR from Renewable Energy	(419.6)	(8.0)	(427.6)	(9.0)	(436.6)
Net General Fund Expenditure	3,827.8	3,505.9	7,333.7	1,013.3	8,347.0
Transfer to Earmarked Reserves	3,990.0	(1,866.0)	2,124.0	(774.4)	1,349.6
Transfer to Asset Management Reserves	2,217.1	(1,000.0)	1,217.1	0.0	1,217.1
Transfer to Capital Reserves	1,502.9	0.0	1,502.9	0.0	1,502.9
Transfer to General Reserves	0.0	0.0	0.0	0.0	0.0
Total General Fund Expenditure	11,537.8	639.9	12,177.7	238.9	12,416.6
Revenue Pressures	0.0	0.0	0.0	0.0	0.0
Savings Options	0.0	0.0	0.0	0.0	0.0
Income Generation Proposals	0.0	0.0	0.0	0.0	0.0
Revised Net Budget	11,537.8	639.9	12,177.7	238.9	12,416.6
FURTHER SAVINGS TO BE IDENTIFIED	0.0	(1,789.4)	(1,789.4)	198.1	(1,591.3)
General Fund Requirements	11,537.8	(1,149.5)	10,388.3	437.0	10,825.3

GENERAL FUND REVENUE ACCOUNT

SUMMARY ESTIMATES

	Final Outturn 2018/19 £'000	Original Estimate 2019/20 £'000	Forecast 2019/20 £'000	Original Estimate 2020/21 £'000
Service Requirements				
Chief Executive's Office	19.2	0.0	0.0	0.0
Community & Leisure	2,804.8	1,161.5	1,892.3	961.0
Environmental Service	4,285.6	4,275.8	4,515.5	4,569.3
Finance	(77.2)	0.0	0.0	0.0
Housing & Environmental Health	1,559.0	2,064.1	2,479.9	2,629.0
IT	(53.8)	(74.1)	(108.6)	(58.8)
Legal & Democratic	462.5	0.0	0.0	0.0
Planning & Building	2,111.6	1,662.4	2,109.3	2,052.4
Planning Policy & Economic Development	812.3	925.7	1,221.9	1,079.8
Property & Asset Management	(9,157.7)	(5,936.6)	(7,338.4)	(6,937.1)
Revenues	1,491.6	2,366.2	1,591.1	1,584.4
	4,257.9	6,445.0	6,363.0	5,880.0
Other Requirements				
Net Cost of Benefit Payments	(155.3)	(200.0)	(200.0)	(200.0)
Corporate & Democratic Core	4,282.1	2,712.1	3,185.6	2,034.6
Net Cost of Services	8,384.7	8,957.1	9,348.6	7,714.6

CHIEF EXECUTIVE'S OFFICE**SUMMARY ESTIMATES**

Principal Activities	Final Outturn 2018/19 £'000	Original Estimate 2019/20 £'000	Forecast 2019/20 £'000	Original Estimate 2020/21 £'000
Chief Executive's Office	21.4	0.0	0.0	0.0
Human Resources Service	(9.5)	(40.1)	(37.0)	(40.7)
Human Resources Function	7.3	40.1	37.0	40.7
Net Total Expenditure	19.2	0.0	0.0	0.0

COMMUNITY & LEISURE SERVICE

SUMMARY ESTIMATES

Principal Activities	Final Outturn 2018/19 £'000	Original Estimate 2019/20 £'000	Forecast 2019/20 £'000	Original Estimate 2020/21 £'000
Leisure Management	(20.4)	0.0	0.0	3.3
Parks, Countryside & Sport				
Managed Sports Facilities	(160.9)	(1,316.0)	(1,258.6)	(1,743.6)
Outdoor Sports Facilities	224.0	189.0	297.3	200.8
Playgrounds	32.4	11.3	42.9	13.0
Sports Development	31.6	18.1	25.1	26.0
Cemeteries	(12.9)	(85.4)	(16.0)	(79.1)
Grounds Maintenance	348.2	100.0	365.4	113.3
Nature Reserves	103.7	113.2	192.9	131.9
Urban Parks & Open Spaces	436.6	360.1	423.0	390.0
Total - Parks, Countryside & Sport	1,002.7	(609.8)	72.0	(947.7)
Community Development				
Community Engagement	1,207.2	1,174.3	1,221.5	1,277.4
Total - Community Development	1,207.2	1,174.3	1,221.5	1,277.4
Arts & Culture				
Andover Summit Events	13.6	11.2	13.8	15.6
Arts Function	28.3	26.3	10.3	28.3
The Lights	521.9	500.5	517.4	523.7
Heritage	51.5	59.0	57.3	60.4
Total - Arts & Culture	615.3	597.0	598.8	628.0
Net Total Expenditure	2,804.8	1,161.5	1,892.3	961.0

ENVIRONMENTAL SERVICE**SUMMARY ESTIMATES**

Principal Activities	Final Outturn 2018/19 £'000	Original Estimate 2019/20 £'000	Forecast 2019/20 £'000	Original Estimate 2020/21 £'000
Grounds Maintenance	1,146.7	1,199.0	1,158.1	1,138.6
Waste Collection	2,158.6	2,009.6	2,291.6	2,232.5
Green Waste Collection	(102.9)	(146.1)	(120.0)	(134.6)
Street Cleansing	973.4	1,073.6	1,035.1	926.2
Vehicle Workshop	110.7	115.4	126.6	106.3
ES Technical	0.0	0.0	0.0	287.3
Depot costs	(0.9)	24.3	24.1	13.0
Net Total Expenditure	4,285.6	4,275.8	4,515.5	4,569.3

FINANCE SERVICE
SUMMARY ESTIMATES

Principal Activities	Final Outturn 2018/19 £'000	Original Estimate 2019/20 £'000	Forecast 2019/20 £'000	Original Estimate 2020/21 £'000
Finance Service	(77.2)	0.0	0.0	0.0
Net Total Expenditure / (Income)	(77.2)	0.0	0.0	0.0

HOUSING & ENVIRONMENTAL HEALTH SERVICE**SUMMARY ESTIMATES**

Principal Activities	Final Outturn 2018/19 £'000	Original Estimate 2019/20 £'000	Forecast 2019/20 £'000	Original Estimate 2020/21 £'000
General Management	(10.3)	0.0	0.0	1.7
Housing Options	453.2	649.5	940.0	1,026.9
Hampshire Home Choice	7.0	1.7	1.0	1.9
Housing Development	48.0	179.8	147.1	185.9
Business Support Team	(6.4)	0.0	0.0	1.6
Pest Control	114.7	68.1	133.4	114.3
Environmental Protection	286.9	340.1	405.7	398.8
Housing Standards	291.8	218.9	210.0	273.7
Animal Welfare	98.6	110.3	124.5	118.2
Health Protection	275.5	495.7	518.2	506.0
Net Total Expenditure	1,559.0	2,064.1	2,479.9	2,629.0

I.T. SERVICE

SUMMARY ESTIMATES

Principal Activities	Final Outturn 2018/19 £'000	Original Estimate 2019/20 £'000	Forecast 2019/20 £'000	Original Estimate 2020/21 £'000
Management	(770.6)	(990.6)	(988.0)	(978.3)
Service Desk	(18.0)	66.7	51.5	70.5
Infrastructure	466.7	520.7	484.0	509.2
Corporate Services	268.1	329.1	343.9	339.8
Net Total Income	(53.8)	(74.1)	(108.6)	(58.8)

LEGAL & DEMOCRATIC SERVICE**SUMMARY ESTIMATES**

Principal Activities	Final Outturn 2018/19 £'000	Original Estimate 2019/20 £'000	Forecast 2019/20 £'000	Original Estimate 2020/21 £'000
Legal				
Legal Service	134.4	(277.9)	(361.3)	(134.2)
Land Charges	(81.4)	(90.8)	(82.2)	(74.2)
Democratic				
Council Elections	258.6	326.3	380.6	152.1
Registration of Electors	160.1	80.8	84.6	85.7
Lotteries, Amusements and Gaming Permits	24.2	(7.2)	(7.0)	(7.2)
Alcohol and Entertainment Licensing	(47.9)	(33.7)	(28.2)	(35.0)
Scrap Metal Dealers	2.1	(0.1)	1.0	2.3
Hackney Carriages and Private Hire Vehicles	12.4	2.6	12.5	10.5
Net Total Expenditure	462.5	0.0	0.0	0.0

PLANNING & BUILDING SERVICE**SUMMARY ESTIMATES**

Principal Activities	Final Outturn 2018/19 £'000	Original Estimate 2019/20 £'000	Forecast 2019/20 £'000	Original Estimate 2020/21 £'000
Development Control & Enforcement	2,077.8	1,691.9	2,131.0	2,052.3
Building Control	33.8	(29.5)	(21.7)	0.1
Net Total Expenditure	2,111.6	1,662.4	2,109.3	2,052.4

PLANNING POLICY & ECONOMIC DEVELOPMENT SERVICE

SUMMARY ESTIMATES

Principal Activities	Final Outturn 2018/19 £'000	Original Estimate 2019/20 £'000	Forecast 2019/20 £'000	Original Estimate 2020/21 £'000
Planning Policy	464.8	577.0	744.6	768.7
Local Development Framework	88.1	144.2	190.5	108.1
Climate Change	0.8	11.0	11.0	0.0
Total Planning Policy	553.7	732.2	946.1	876.8
Economic Development and Promotion	108.3	76.2	82.2	80.9
Promotion of Tourism	114.7	98.0	172.3	101.4
Total Economic Development and Promotion	223.0	174.2	254.5	182.3
Town Centre Management	35.6	19.3	21.3	20.7
Net Total Expenditure	812.3	925.7	1,221.9	1,079.8

PROPERTY & ASSET MANAGEMENT SERVICE

SUMMARY ESTIMATES

Principal Activities	Final Outturn 2018/19 £'000	Original Estimate 2019/20 £'000	Forecast 2019/20 £'000	Original Estimate 2020/21 £'000
Estates Support Unit	863.6	1,934.2	59.9	51.3
Rental Income				
Andover Market	(20.0)	(30.1)	71.9	70.5
Business Park Development	(5,723.6)	(5,903.3)	(5,640.9)	(5,769.2)
Union Street	(82.2)	(76.6)	(36.4)	(39.4)
Chantry Centre	(1,375.2)	(371.4)	(713.1)	(414.2)
Investment Properties	(1,061.3)	(1,138.9)	(1,055.6)	(1,189.1)
Corporate Properties	(324.5)	(576.5)	(495.9)	(507.5)
Total - Rental Income	(8,586.8)	(8,096.8)	(7,870.0)	(7,848.9)
Premises Management				
Public Halls	271.1	51.1	295.2	241.0
Leisure Facilities	47.6	45.1	35.6	38.5
Public Conveniences	201.3	144.1	190.3	176.4
Office Accommodation	(1,413.4)	514.0	101.9	117.0
Andover Magistrates Court	66.5	67.3	74.5	67.7
Depot Costs	(71.6)	(75.8)	4.5	(3.5)
Andover Bus Station	15.2	15.9	110.5	95.2
Building Maintenance	204.8	109.0	164.9	199.0
Building Cleaning	62.3	2.7	91.2	93.1
Maintenance Works	0.0	395.7	106.5	302.7
Total - Premises Management	(616.2)	1,269.1	1,175.1	1,327.1
Transport				
Engineers	13.0	169.5	268.0	291.8
Highways	160.4	7.8	11.3	13.8
Parking	(1,046.5)	(1,281.4)	(1,037.7)	(827.2)
Community Transport	54.8	61.0	55.0	55.0
Total - Transport	(818.3)	(1,043.1)	(703.4)	(466.6)
Net Total Income	(9,157.7)	(5,936.6)	(7,338.4)	(6,937.1)

REVENUES SERVICE
SUMMARY ESTIMATES

Principal Activities	Final Outturn 2018/19 £'000	Original Estimate 2019/20 £'000	Forecast 2019/20 £'000	Original Estimate 2020/21 £'000
Customer Services Unit	101.5	965.0	0.0	9.7
Local Taxation Services	759.5	636.2	773.3	918.0
Council Tax Support Administration	411.7	426.1	452.0	445.5
Housing Benefit - Rent Allowances Administration	218.9	338.9	365.8	211.2
Net Total Expenditure	1,491.6	2,366.2	1,591.1	1,584.4

NET COST OF BENEFITS PAYMENTS**SUMMARY ESTIMATES**

Principal Activities	Final Outturn 2018/19 £'000	Original Estimate 2019/20 £'000	Forecast 2019/20 £'000	Original Estimate 2020/21 £'000
Council Tax Benefits	(8.5)	0.0	0.0	0.0
Housing Benefit - Rent Allowances	(146.8)	(200.0)	(200.0)	(200.0)
Net Total Income	(155.3)	(200.0)	(200.0)	(200.0)

CORPORATE & DEMOCRATIC CORE
SUMMARY ESTIMATES

Principal Activities	Final Outturn 2018/19 £'000	Original Estimate 2019/20 £'000	Forecast 2019/20 £'000	Original Estimate 2020/21 £'000
Corporate Management				
Corporate Management	1,259.8	489.3	714.1	606.6
Delivering Public Services Electronically	43.9	12.0	12.0	12.0
Corporate Public Relations, Information and Consultation	165.5	12.3	14.5	14.8
Best Value & Performance	79.8	11.5	12.0	11.6
Emergency Planning	32.6	33.6	35.3	33.8
Net Total Expenditure	1,581.6	558.7	787.9	678.8
Democratic Representation and Management				
Councillors	832.4	458.8	480.6	471.0
Councillor Meetings	453.7	403.4	430.1	420.8
Mayoral Office	87.2	38.2	36.6	38.0
Civic Ceremonies	10.6	6.5	7.0	7.5
Subscriptions	22.5	22.3	22.0	23.0
Representing Local Interests	6.2	0.0	0.0	0.0
Other Democratic Activities	135.3	19.9	18.5	21.1
Net Total Expenditure	1,547.9	949.1	994.8	981.4
Allocated Central Overheads	(10.7)	(18.1)	164.0	158.2
Non-Distributable Costs	1,163.3	1,222.4	1,238.9	216.2
Net Total Expenditure	4,282.1	2,712.1	3,185.6	2,034.6

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 2020/2021. 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 changes in Government funding.
 - The impact of local business rates retention – It is nearly seven 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 roll-out and transition to Universal Credit on both customers and staff resources.
 - Proposed changes to increase the locally retained share of business rate income to 75% in exchange for as yet unidentified new responsibilities.
 - The Government's "fair funding review" of authorities' funding needs coupled with a reset of the business rates baseline.

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 2020/21.

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 2019/20, 2020/21 and over the remainder of the medium term plan, there will be an estimated working balance at the end of 2022/23 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:

<i>Earmarked Revenue Reserves:</i>	At 31/3/19 £000s	At 31/3/23 £000s
a) Developer commuted sums	5,304	4,250
b) Investment Equalisation Reserve	250	250
c) Budget Equalisation Reserve	682	680
d) Income Equalisation Reserve	300	300
e) Pension Equalisation Reserve	100	500
f) Collection Fund Equalisation Reserve	3,616	3,460
g) Capacity Building Reserve	389	180
h) Special Projects Reserve	339	150
i) Asset Management Plan	2,954	1,220
j) Local Development Framework	524	0
k) All risks self-insurance reserve	96	100
l) New Homes Bonus	3,721	9,490
m) Enterprise and Innovation Reserve	330	0
n) Benefit Reform Reserve	78	0
o) Other earmarked reserves	912	100
p) Valley Housing Ltd. Reserve	250	0
q) Housing Reserve	362	0
r) Chantry Centre Planned Maintenance Reserve	1,349	0
Total:	21,556	20,680

- 3.5 The Council has faced severe financial challenges over the spending review period. Over the last five years, support from the Government has reduced as Revenue Support Grant has been phased out. In order to be in a position to set a balanced budget for 2020/21, it has had to find another £0.927M worth of savings and additional income. Looking forward over the next two years to 2023, the Government will be reviewing how local authorities are financed through its “Fair Funding Review”.
- 3.6 Initial proposals suggest that this will have a significantly adverse effect on the Council’s finances. Areas of particular concern are a flatter distribution of funding which takes into account and assumes maximum council tax increases to preserve spending power, a full baseline reset of business rates in April 2021 and the gradual removal of the New Homes Bonus.
- 3.7 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.
- 3.8 Other earmarked reserves, such as the Asset Management Plan reserve and the Chantry Centre Planned Maintenance 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.
- 3.9 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 reductions to local government resources by Central Government and additional financing for the Capital Investment Programme.
- 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 2020/21,
 - 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.
- 3.11 The Government has said that it plans to consult on changes to Local Government Financing over the summer of 2020, and I would urge all Members to familiarise themselves with these proposals as they come forward and understand the impact that they might have on the Council’s financial stability and resilience from 2021 onwards.

William Fullbrook
Head of Finance

Andover Special Expenses Levy Calculation

Overview

The Andover Special Expenses Levy for 2020/21 has been calculated using the 2020/21 budget for each relevant cost centre.

Depreciation and capital charges have been excluded as these are excluded from the calculation of council tax.

Planned and reactive maintenance costs which are budgeted as a general expense within the Property and Asset Management Service are recharged to the relevant cost centres during the year.

The proposed levy for 2020/21 has been calculated as follows:

Description	Levy
Cemeteries	(£53,655)
Grounds Maintenance	£164,631
Outdoor Sports Facilities	£65,202
Playgrounds	£5,247
Public Halls	£21,770
Urban Parks & Open Spaces	£141,318
Grand Total	£344,513
<i>Andover Tax base 2020/21</i>	<i>16,313</i>
Levy per Band D property	£21.12

This represents a reduction of £0.63 per Band D property, and a reduction in income to the Council of £2.3k.

Cemeteries

The costs for Andover and Charlton cemeteries are included in full. Although Charlton cemetery is not in the Andover Town Council area it is considered to be the main burial ground for the people of Andover.

Romsey and Woodley cemeteries are excluded in full as they are not in Andover.

ANNEX 9

58.1% of the cemeteries general costs are included as the Andover and Charlton cemeteries form 58.1% of the total cemeteries budgeted costs in 2020/21.

Cost centre	20/21 Budget £'000s	Charge / (credit) to Levy £'000s
Andover Cemetery	(5.7)	(5.7)
Charlton Cemetery	(51.9)	(51.9)
Cemeteries - General	6.8	3.9
Romsey and Woodley Cemeteries	(41.6)	0.0
Total	(92.4)	(53.7)

Grounds Maintenance

Grounds Maintenance costs are budgeted separately, rather than being allocated to the various activities that they cover. In order to split these out across the activities relevant to the levy, grounds maintenance staffing costs have been split between the different activities and these percentages have then been applied to the total grounds maintenance costs.

This has then been split further based on the relevant percentages for the purpose of the levy as per the following table:

Activity	% of GM	Share of GM costs £'000s	Relevant %	Charge to Levy £'000s
HCC / Verges	25.6%	296.0	0%	0.0
Playgrounds	9.8%	112.8	58.5%	65.9
Sports facilities	12.8%	148.0	33.5%	49.6
Cemeteries	7.3%	84.5	58.1%	49.1
GM / Tractor	22.0%	253.7	0%	0.0
Other	22.5%	260.7	0%	0.0
Total	100%	1,155.7		164.6

ANNEX 9**Outdoor Sport Facilities**

The costs included in the levy are in respect of London Road, Saxon Fields, Picket Twenty, Picket Piece and East Anton sports grounds and the sports pavilions at East Anton and Picket Twenty, all of which lie within the Andover Town Council area. In addition, 33.5% of the general outdoor sports facilities expenses are included as these sports grounds make up 33.5% of the total sports facilities costs for 2020/21.

Charlton Sports Centre, Romsey Sports Centre, Hunts Farm Sports Centre and Abbotswood Pavilion are all excluded.

Outdoor Sports Facilities	20/21 Budget £'000s	Charge to Levy £'000s
Charlton Sports Centre	25.3	0.0
East Anton Sports Ground & Pavilion	0.6	0.6
Hunts Farm	7.0	0.0
London Road	9.4	9.4
Picket Twenty Sports Ground & Pavilion	4.4	4.4
Picket Piece	3.3	3.3
Romsey Sports Centre	7.3	0.0
Saxon Fields	2.3	2.3
Outdoor Sports Facilities - General	135.0	45.2
Total	194.6	65.2

Playgrounds

The number of playgrounds that the Council maintains in Andover is 62. The total number of playgrounds that the Council maintains across the borough is 106. Therefore 58.5% of the total playgrounds costs of £9.0k are relevant to the levy at £5.2k.

Public Halls

The costs included in the levy are in respect of the Rendezvous, Longmeadow Hall, St Ann's Hall, King Arthur's Way Hall, Picket Twenty Community Centre, East Anton Community Centre, Burghclere Down Community Centre and the Phoenix Centre as per the following table:

ANNEX 9

Public Halls	Charge to Levy £'000s
The Rendezvous	2.9
Longmeadow Hall	9.7
King Arthur's Hall	2.2
St Ann's Hall	2.0
Picket Twenty Community Centre	1.6
East Anton Community Centre	3.1
Burghclere Down Community Centre	0.2
Phoenix Centre	0.1
Total	21.8

Andover Guildhall is excluded as it is of borough wide significance, rather than comparable with a local village hall.

Crosfield Hall, Valley Park Community Centre and Abbotswood Community Centre are excluded as they are not in the Andover Town Council area.

Urban Parks and Open Spaces

The budget for urban parks and open spaces general costs totals £286.1k and has been apportioned to the levy using the same percentage as the playgrounds, 58.5% giving a charge of £141.3k.

Costs for the adopted woodland at Valley Park, Abbotswood Basin and the War Memorial Park have been excluded in full.

Treasury Management Strategy Statement and Annual Investment Strategy 2020/21

Report of the Finance Portfolio Holder

Recommended:

- 1. That the Treasury Management Strategy Statement and the Annual Investment Strategy for 2020/21 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**

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 cash flow 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 2020/21 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.

1 Introduction

- 1.1** The Council is required to operate a balanced budget, which broadly means that cash raised during the year will meet cash expenditure. Part of the treasury management operation is to ensure that this cash flow is adequately planned, with cash being available when it is needed. Surplus monies are invested in low risk counterparties or instruments commensurate with the Council's low risk appetite, providing adequate liquidity before considering investment return.
- 1.2** The second main function of the treasury management service is the funding of the Council's capital plans. These capital plans provide a guide to the borrowing need of the Council, essentially the longer term cash flow planning, to ensure that the Council can meet its capital spending obligations, which may involve arranging long or short term loans, or using longer term cash flow surpluses. On occasion, when prudent and economic, any debt previously drawn may be restructured to meet Council risk or cost objectives.

APPENDIX B

- 1.3 The contribution the treasury management function makes to the authority is critical, as the balance of debt and investment operations ensure liquidity or the ability to meet spending commitments as they fall due, either on day-to-day revenue or for larger capital projects. The treasury operations will see a balance of the interest costs of debt and the investment income arising from cash deposits affecting the available budget. Since cash balances generally result from reserves and balances, it is paramount to ensure adequate security of the sums invested, as a loss of principal will in effect result in a loss to the General Fund Balance.
- 1.4 Whilst any commercial initiatives or loans to third parties will impact on the treasury function, these activities are generally classed as non-treasury activities, (arising usually from capital expenditure), and are separate from the day to day treasury management activities.
- 1.5 Chartered Institute of Public Finance and Accountancy (CIPFA) defines treasury management as:

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

2 Reporting Requirements

2.1 Capital Strategy

- 2.1.1 The CIPFA revised 2017 Prudential and Treasury Management Codes require, for 2019-20, all local authorities to prepare a capital strategy report, which will provide the following:
- a high-level long term 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
- 2.1.2 The aim of this capital strategy is to ensure that all elected members on the full Council fully understand the overall long-term policy objectives and resulting capital strategy requirements, governance procedures and risk appetite.
- 2.1.3 This capital strategy is reported separately from the Treasury Management Strategy Statement (TMSS) and is currently being revised so will be reported later in the year; non-treasury investments will be reported through TMSS. This ensures the separation of the core treasury function under security, liquidity and yield principles, and the policy and commercialism investments usually driven by expenditure on an asset. The capital strategy will show:
- The corporate governance arrangements for these types of activities;
 - Any service objectives relating to the investments;
 - The expected income, costs and resulting contribution;

APPENDIX B

- The debt related to the activity and the associated interest costs;
- The payback period (MRP policy);
- For non-loan type investments, the cost against the current market value;
- The risks associated with each activity.

2.1.4 Where a physical asset is being bought, details of market research, advisers used, (and their monitoring), ongoing costs and investment requirements and any credit information will be disclosed, including the ability to sell the asset and realise the investment cash.

2.1.5 Where the Council has borrowed to fund any non-treasury investment, there should also be an explanation of why borrowing was required and why the MHCLG Investment Guidance and CIPFA Prudential Code have not been adhered to.

2.1.6 If any non-treasury investment sustains a loss that is reported as part of final accounts and audit process, the strategy and revenue implications will be reported through the same procedure as the capital strategy.

2.1.7 To demonstrate the proportionality between the treasury operations and the non-treasury operation, high-level comparators are shown throughout this report.

2.2 Treasury Management Reporting

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

- (a) **Prudential and treasury indicators and treasury strategy** (this report) – The first, and most important report is forward looking and 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).
- (b) **A mid-year treasury management report** – this is primarily a progress report and will update Councillors with the progress of the capital programme, amending prudential indicators as necessary, and whether any policies require revision.
- (c) **An annual treasury report** – this is a backward looking review document and provides details of actual prudential and treasury indicators and actual treasury operations compared to the estimates within the strategy.

2.3 Treasury Management Strategy for 2020/21

2.3.1 The strategy for 2020/21 covers two main areas:

(a) Capital issues

- The capital expenditure plans and the associated prudential indicators;
- The minimum revenue provision (MRP) policy

(b) 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;
- debt rescheduling;
- the investment strategy;
- creditworthiness policy; and
- the policy on use of external service providers.

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

2.4 Treasury Management Consultants

2.4.1 The Council uses Link Asset Services, Treasury Solutions as its external treasury management advisors.

2.4.2 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 the services of the external service providers. All decisions will be undertaken with regards to all available information, including, but not solely, our treasury advisers.

2.4.3 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.

2.4.4 The scope of investments within the Council's operations now includes both conventional treasury investments, (the placing of residual cash from the Council's functions), and more commercial type investments, such as investment properties. The commercial type investments require specialist advisors, and the Council uses appropriate external advisors in relation to this activity.

APPENDIX B**3 Breaches of the Treasury Management Strategy**

- 3.1 During the year there were two breaches of the Treasury Management Strategy.
- 3.2 Both were due to breaching the investment group limit - this limit is set to £15m. The first instance occurred when overnight the balance on the bank current account exceeded this limit by £481k due to a grant being received earlier than forecast - this was rectified the following day. The second breach was caused by a bank counterparty returning an investment in total when the instructions were that they re-invest £7M of the original sum and return the balance of £500k plus interest. This caused a breach of the limit of £15M by £3.6M for the period from 24 December 2019 to 2 January 2020.

4 Prudential Indicators, Treasury Limits and MRP Statement**The Capital Prudential Indicators 2020/21 – 2021/22****4.1 Capital Expenditure**

- 4.1.1 This prudential indicator is a summary of the Council's capital expenditure plans, both those agreed previously, and those forming part of this budget cycle. Members are asked to approve the capital expenditure forecasts:

Capital expenditure £000	2018/19 Actuals	2019/20 Estimate	2020/21 Estimate	2021/22 Estimate
Services	23,592.8	12,004.8	8,289.0	550.0
Commercial Activities/non-financial investments	4,948.0	4,622.7	3,196.5	3,000.0
Total	28,540.8	16,627.5	11,485.5	3,550.0

The table below summarises the above capital expenditure plans and how these plans are being financed by capital or revenue resources. Any shortfall of resources results in a funding borrowing need.

Financing of capital expenditure £000	2018/19 Actuals	2019/20 Estimate	2020/21 Estimate	2021/22 Estimate
Capital Expenditure	28,540.8	16,627.5	11,485.5	3,550.0
Financed by:				
Capital receipts	5,052.3	6,453.2	50.0	50.0
Capital receipts reserve	4,952.0	(127.4)	3,226.1	2,348.1
Capital grants	566.3	750.0	850.0	0.0
External Contributions	621.1	2,427.4	1,948.1	300.0
External financing	5,900.0	0.0	0.0	0.0
Revenue/General Fund	11,449.1	5,574.3	5,411.3	851.9
Net financing need for the year	0.0	1,550.0	0.0	0.0

APPENDIX B**4.2 The Council's borrowing need (the Capital Financing Requirement)**

4.2.1 The second prudential indicator is the Council's Capital Financing Requirement (CFR). The CFR is simply the total historic outstanding capital expenditure which has not yet been paid for from either revenue or capital resources. It is essentially a measure of the Council's indebtedness and so the underlying borrowing need. Any capital expenditure above, which has not immediately been paid for, will increase the CFR.

4.2.2 The CFR does not increase indefinitely, as the minimum revenue provision (MRP) is a statutory annual revenue charge which broadly reduces the indebtedness in line with each assets life, and so charges the economic consumption of capital assets as they are used.

4.2.3 The CFR includes any other long-term liabilities (e.g. finance leases). Whilst these increase the CFR, and therefore the Council's borrowing requirement, these types of scheme include a borrowing facility by the lease provider and so the Council is not required to separately borrow for these schemes. The Council currently has no such schemes within the CFR.

4.2.4 The Council is asked to approve the CFR projections below:

	2018/19 Actuals £'000	2019/20 Estimate £'000	2020/21 Estimate £'000	2021/22 Estimate £'000
CFR b/f	(678.0)	5,222.0	6,585.0	6,393.8
Net CapEx/Financing need for year - Services	5,900.0			
Net CapEx/Financing need for year – Commercial		1,550.0		
Less MRP and other financing movements		(187.0)	(191.2)	(195.5)
Total CFR	5,222.0	6,585.0	6,393.8	6,198.3
<i>Movement in CFR</i>	<i>5,900.0</i>	<i>1,363.0</i>	<i>(191.2)</i>	<i>(195.5)</i>

4.2.5 A key aspect of the regulatory and professional guidance is that elected members are aware of the size and scope of any commercial activity in relation to the authority's overall financial position. The capital expenditure figures shown in 4.1.1 and the details above demonstrate the scope of this activity and that the scale is proportionate to the Authority's remaining activity.

4.3 Minimum Revenue Provision (MRP) Policy Statement

4.3.1 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.

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- 4.3.2 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".
- 4.3.3 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.
- 4.3.4 From 2003 to 2017/18 the Council had no external debt and so had not been required to make MRP. The Council borrowed £5.9M in 2018/19, to fund the construction of the new Andover Leisure Centre. In 2019/20 borrowing has been required to purchase retail units in Andover Town Centre. Where borrowing is taken out, the principles established in the Prudential Code of prudence, affordability and sustainability will be followed.
- 4.3.5 It is recommended that Members approve the following MRP policy to be applied from 2019/20 onwards:
- In respect of capital expenditure incurred in 2019/20 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 finance leases will be applied as MRP in accordance with the terms of the agreement.

5 Borrowing

- 5.1 The capital expenditure plans set out in paragraph 4.1.1 provide details of the service activity of the Council. The treasury management function ensures that the Council's cash is organised in accordance with the relevant professional codes, so that sufficient cash is available to meet this service activity and the Council's capital strategy. This will involve both the organisation of the cash flow and, where capital plans require, the organisation of appropriate borrowing facilities. The strategy covers the relevant treasury / prudential indicators, the current and projected debt positions and the annual investment strategy.

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5.2 Portfolio position as at 31 December 2019

Treasury Portfolio	
Treasury Investments	£'000
Callable on Demand	9,140
Callable Deposits (10 to 100 days' notice)	34,077
Investments maturing on or before 31 March 2020	13,500
Investments maturing between 1 April 2020 and 31 March 2021	25,000
Investments maturing after 31 March 2021	5,000
Total Investment Portfolio	86,717
Treasury External Borrowing	
PWLB	7,450
Total External Borrowing	7,450
Net Treasury investments/(borrowing)	79,267

5.3 Within the range of prudential indicators there are a number of key indicators to ensure that the Council operates its activities within well-defined limits. One of these is that the Council needs to ensure that its gross debt does not, except in the short term, exceed the total of the CFR in the preceding year plus the estimates of any additional CFR for 2020/21 and the following two financial years. This allows some flexibility for limited early borrowing for future years, but ensures that borrowing is not undertaken for revenue or speculative purposes.

5.4 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 this budget report.

5.5 Treasury Indicators: limits to borrowing activity

5.5.1 **The operational boundary.** This is the limit beyond which external debt is not normally expected to exceed. In most cases, this would be a similar figure to the CFR, but may be lower or higher depending on the levels of actual debt and the ability to fund under-borrowing by other cash resources.

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5.5.2 **The authorised limit for external debt.** This is a key prudential indicator and represents a control on the maximum level of borrowing. This represents a legal 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.

- This is the statutory limit determined under section 3 (1) of the Local Government Act 2003. The Government retains an option to control either the total of all councils' plans, or those of a specific council, although this power has not yet been exercised.
- The Council is asked to approve the authorised limit stated in Annex1.

5.6 Prospects for interest rates

5.6.1 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 together with the Link central view, for short term bank rate and longer fixed interest rates.

5.6.2 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.

5.7 Investment and borrowing rates

- Investment returns are likely to remain low during 2020/21 but to be on a gently rising trend over next few years. However, if major progress was made with an agreed Brexit, then there is upside potential for earnings.
- Borrowing interest rates were on a major falling trend during the first half of 2019-20 but then jumped up by 1.00% on 9 October 2019. The policy of avoiding new borrowing by running down spare cash balances has served local authorities well over the last few years. However, the unexpected increase of 1.00% in PWLB rates requires a major rethink of local authority treasury management strategy and risk management.
- There will remain a cost of carry, (the difference between higher borrowing costs and lower investment returns), to any new long-term borrowing that causes a temporary increase in cash balances as this position will, most likely, incur a revenue cost.

5.8 Borrowing Strategy

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

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5.8.2 When borrowing the Head of Finance will;

- ensure the ongoing revenue liabilities to be created, and the implications for 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.

5.8.3 In normal circumstances the main sensitivities of the economic 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 was felt that there was a significant risk of a sharp FALL in long and short term rates, (e.g. due to a marked increase of risks around relapse into recession or of risks of deflation), then long term borrowings will be postponed, and potential rescheduling from fixed rate funding into short term borrowing will be considered.*
- *if it was felt that there was a significant risk of a much sharper RISE in long and short term rates than that currently forecast, perhaps arising from an acceleration in the rate of increase in central rates in the USA and UK, an increase in world economic activity, or a sudden increase in inflation risks, then the portfolio position will be re-appraised. Most likely, fixed rate funding will be drawn whilst interest rates are lower than they are projected to be in the next few years.*

5.8.4 Against this background and the risks within the economic forecast, caution will be adopted with the 2020/21 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.

5.9 Policy on borrowing in advance of need

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

5.9.2 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.

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5.9.3 Debt rescheduling

Rescheduling of current borrowing in our debt portfolio is unlikely to occur as the 1.00% increase in PWLB rates only applied to new borrowing rates and not to premature debt repayment rates.

5.10 Municipal Bond Agency

5.10.1 It is possible that the Municipal Bond Agency will be offering loans to local authorities in the future. The Agency hopes 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.

6 Annual Investment Strategy

Investment Policy – management of risk

- 6.1 The MHCLG and CIPFA have extended the meaning of ‘investments’ to include both financial and non-financial investments. This report deals solely with financial investments, (as managed by the treasury management team). Non-financial investments, essentially the purchase of income yielding assets, are covered in a separate report.
- 6.2 The Council’s investment policy has regard to the following: -
- MHCLG’s Guidance on Local Government Investments (“the Guidance”)
 - CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes 2017 (“the Code”)
 - CIPFA Treasury Management Guidance Notes 2018
- 6.3 The Council’s investment priorities will be security first, portfolio liquidity second and then yield.
- 6.4 The above guidance from the MHCLG and CIPFA, place a high priority on the management of risk. This authority has adopted a prudent approach to managing risk and defines its risk appetite by the following means: -
- Minimum acceptable **credit criteria** are applied in order to generate a list of highly creditworthy counterparties. This also enables diversification and thus avoidance of concentration risk. The key ratings used to monitor counterparties are the short term and long-term ratings.
 - **Other information:** ratings will not be the sole determinant of the quality of an institution; it is important to continually assess and monitor the financial sector on both a micro and macro basis and in relation to the economic and political environments in which institutions operate. The assessment will also take account of information that reflects the opinion of the markets. To achieve this consideration the Council will engage with its advisors to maintain a monitor on market pricing such as “credit default swaps” and overlay that information on top of the credit ratings.

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- **Other information sources** used will include the financial press, share price and other such information pertaining to the banking sector in order to establish the most robust scrutiny process on the suitability of potential investment counterparties.
- This authority has defined the list of **types of investment instruments** that the treasury management team are authorised to use. There are two lists below under the categories of 'specified' and 'non-specified' investments.
- **Specified investments** are those with a high level of credit quality and subject to a maturity limit of one year.
- **Non-specified investments** are those with less high credit quality, may be for periods in excess of one year, and/or are more complex instruments which require greater consideration by members and officers before being authorised for use.

6.5 Specified Investments

- 6.5.1 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(para 6.8)	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 6.7.2)	£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.

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- 6.5.2 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.

	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

6.6 Accounting treatment of investments

The accounting treatment may differ from the underlying cash transactions arising from investment decisions made by this Council. To ensure that the Council is protected from any adverse revenue impact, which may arise from these differences, we will review the accounting implications of new transactions before they are undertaken.

6.7 Non-Specified Investments

	Minimum Credit Criteria (para.6.8)	Max. maturity period
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.		
Term deposits – local authorities	--	60 months

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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.5.7.2)	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

6.7.1 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.

6.8 Creditworthiness Policy

6.8.1 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.

6.8.2 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.

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- 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

6.8.3 The Link Asset Services' creditworthiness service uses a wider array of information other than just primary ratings. Furthermore, by using a risk weighted scoring system, it does not give undue preponderance to just one agency's ratings.

6.8.4 Typically the minimum credit ratings criteria the Council use will be a Short Term rating (Fitch or equivalents) of F1 and a Long Term rating of A-. There may be occasions when the counterparty ratings from one rating agency are marginally lower than these ratings but may still be used. In these instances, consideration will be given to the whole range of ratings available, or other topical market information, to support their use.

6.8.5 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.
- 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.

6.8.6 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.

6.8.7 **Country risk**

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).

7 **Investment Strategy**

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

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- 7.2 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.
- 7.3 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.

Investment returns expectations.

- 7.4 On the assumption that the UK and EU agree a Brexit deal including the terms of trade by the end of 2020 or soon after, then Bank Rate is forecast to increase only slowly over the next few years to reach 1.25% by quarter 1 2023. Bank Rate forecasts for financial year ends (March) are:
- Q1 2021 0.75%
 - Q1 2022 1.00%
 - Q1 2023 1.25%
- 7.5 For 2020/21 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.
- 7.6 The overall balance of risks to economic growth in the UK is probably to the downside due to the weight of all the uncertainties over Brexit, as well as a softening global economic picture.
- 7.7 The balance of risks to increases in Bank Rate and shorter term PWLB rates, are broadly similarly to the downside.
- 7.8 In the event that a Brexit deal is agreed with the EU and approved by Parliament, the balance of risks to economic growth and to increases in Bank Rate is likely to change to the upside.

8 Investment performance / risk benchmarking

This Council will use an investment benchmark to assess the investment performance of its investment portfolio of 7 day, LIBID compounded.

Role of the Section 151 Officer

- 8.1 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
 - Reviewing the performance of the treasury management function

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- 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
- Recommending the appointment of external service providers.

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

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

APPENDIX B**11 Equality Issues**

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 Consultation

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 2020/21. Whilst largely unchanged from the 2019/20 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:

N/A

(Portfolio: Finance) Councillor M Flood

Officer:

Laura Berntsen

Ext:

8204

Report to:

Cabinet

Date:

12 February 2020

PRUDENTIAL INDICATORS

PRUDENTIAL INDICATOR	2018/19	2019/20	2020/21	2021/22	2022/23
EXTRACT FROM BUDGET	£'000	£'000	£'000	£'000	£'000
	Actual	Forecast	Estimate	Estimate	Estimate
Capital Expenditure	28,541	16,627	11,485	3,550	1,250
Ratio of financing costs to net revenue stream	-4.5%	-3.1%	-3.4%	-3.6%	-3.6%
Capital Financing Requirement (CFR) b/f	-678	5,222	6,585	6,394	6,198
Minimum Revenue Provision		(187)	(191)	(196)	(196)
External Debt in year	5,900	1,550			
Capital Financing Requirement (CFR) c/f	5,222	6,585	6,394	6,198	6,002
Gross debt <= CFR actuals + 3 years					
Gross debt		7,248			
CFR + 3 years movement		<u>6,585</u>			
Difference		(663)			
Gross debt higher than CFR due to negative CFR b/f.					

PRUDENTIAL INDICATORS

PRUDENTIAL INDICATOR	2018/19	2019/20	2020/21	2021/22	2022/23
TREASURY MANAGEMENT PRUDENTIAL INDICATORS	£'000	£'000	£'000	£'000	£'000
	Actual	Forecast	Estimate	Estimate	Estimate
Authorised Limit for external debt	20,000	20,000	20,000	20,000	20,000
Operational Boundary for external debt	15,000	15,000	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 than 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 2020/21	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 2020/21 short term borrowing is expected to meet cash flow requirements and may be used to finance the current temporary deficit on the Capital Programme.					

Annex 2 - Interest Rate Forecasts 2020 – 2023

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-20	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23
Bank Rate View	0.75	0.75	0.75	0.75	1.00	1.00	1.00	1.00	1.00	1.25	1.25	1.25	1.25
3 Month LIBID	0.70	0.70	0.80	0.90	1.00	1.00	1.00	1.10	1.20	1.30	1.30	1.30	1.30
6 Month LIBID	0.80	0.80	0.90	1.00	1.10	1.10	1.20	1.30	1.40	1.50	1.50	1.50	1.50
12 Month LIBID	1.00	1.00	1.10	1.20	1.30	1.30	1.40	1.50	1.60	1.70	1.70	1.70	1.70
5yr PWLB Rate	2.40	2.40	2.50	2.50	2.60	2.70	2.80	2.90	2.90	3.00	3.10	3.20	3.20
10yr PWLB Rate	2.70	2.70	2.70	2.80	2.90	3.00	3.10	3.20	3.20	3.30	3.30	3.40	3.50
25yr PWLB Rate	3.30	3.40	3.40	3.50	3.60	3.70	3.70	3.80	3.90	4.00	4.00	4.10	4.10
50yr PWLB Rate	3.20	3.30	3.30	3.40	3.50	3.60	3.60	3.70	3.80	3.90	3.90	4.00	4.00
Bank Rate													
Link Asset Services	0.75%	0.75%	0.75%	0.75%	1.00%	1.00%	1.00%	1.00%	1.00%	1.25%	1.25%	25.00%	1.25%
Capital Economics	0.75%	0.75%	0.75%	0.75%	0.75%	1.00%	1.00%	1.00%	-	-	-	-	-
5yr PWLB Rate													
Link Asset Services	2.40%	2.40%	2.50%	2.50%	2.60%	2.70%	2.80%	2.90%	2.90%	3.00%	3.10%	3.20%	3.20%
Capital Economics	2.40%	2.50%	2.50%	2.60%	-	-	-	2.80%	-	-	-	-	-
10yr PWLB Rate													
Link Asset Services	2.70%	2.70%	2.70%	2.80%	2.90%	3.00%	3.10%	3.20%	3.20%	3.30%	3.30%	3.40%	3.50%
Capital Economics	2.60%	2.70%	2.80%	2.80%	-	-	-	3.10%	-	-	-	-	-
25yr PWLB Rate													
Link Asset Services	3.30%	3.40%	3.40%	3.50%	3.60%	3.70%	3.70%	3.80%	3.90%	4.00%	4.00%	4.10%	4.10%
Capital Economics	3.00%	3.10%	3.20%	3.20%	-	-	-	3.40%	-	-	-	-	-
50yr PWLB Rate													
Link Asset Services	3.20%	3.30%	3.30%	3.40%	3.50%	3.60%	3.60%	3.70%	3.80%	3.90%	3.90%	4.00%	4.00%
Capital Economics	3.00%	3.10%	3.20%	3.20%	-	-	-	3.50%	-	-	-	-	-

ECONOMIC BACKGROUND

UK. Brexit. 2019 has been a year of upheaval on the political front as Theresa May resigned as Prime Minister to be replaced by Boris Johnson on a platform of the UK leaving the EU on 31 October 2019, with or without a deal. However, MPs blocked leaving on that date and the EU agreed an extension to 31 January 2020. In late October, MPs approved an outline of a Brexit deal to enable the UK to leave the EU on 31 January. Now that the Conservative Government has gained a large overall majority in the **general election** on 12 December, this outline deal will be passed by Parliament by that date. However, there will still be much uncertainty as the detail of a trade deal will need to be negotiated by the current end of the transition period in December 2020, which the Prime Minister has pledged he will not extend. This could prove to be an unrealistically short timetable for such major negotiations that leaves open two possibilities; one, the need for an extension of negotiations, probably two years, or, a no deal Brexit in December 2020.

GDP growth has taken a hit from Brexit uncertainty during 2019; quarter three 2019 surprised on the upside by coming in at +0.4% q/q, +1.1% y/y. However, the peak of Brexit uncertainty during the final quarter appears to have suppressed quarterly growth to probably around zero. The economy is likely to tread water in 2020, with tepid growth around about 1% until there is more certainty after the trade deal deadline is passed.

While the Bank of England went through the routine of producing another **quarterly Inflation Report**, (now renamed the Monetary Policy Report), on 7 November, it is very questionable how much all the writing and numbers were worth when faced with the uncertainties of where the UK will be after the general election. The Bank made a change in their Brexit assumptions to now include a deal being eventually passed. Possibly the biggest message that was worth taking note of from the Monetary Policy Report, was an increase in concerns among MPC members around weak global economic growth and the potential for Brexit uncertainties to become entrenched and so delay UK economic recovery. Consequently, the MPC voted 7-2 to maintain Bank Rate at 0.75% but two members were sufficiently concerned to vote for an immediate Bank Rate cut to 0.5%. The MPC warned that if global growth does not pick up or Brexit uncertainties intensify, then a rate cut was now more likely. Conversely, if risks do recede, then a more rapid recovery of growth will require gradual and limited rate rises. The speed of recovery will depend on the extent to which uncertainty dissipates over the final terms for trade between the UK and EU and by how much global growth rates pick up. The Bank revised its inflation forecasts down – to 1.25% in 2019, 1.5% in 2020, and 2.0% in 2021; hence, the MPC views inflation as causing little concern in the near future.

The **MPC meeting of 19 December** repeated the previous month's vote of 7-2 to keep Bank Rate on hold. Their key view was that there was currently 'no evidence about the extent to which policy uncertainties among companies and households had declined' i.e. they were going to sit on their hands and see how the economy goes in the next few months. The two members who voted for a cut were concerned that the labour market was faltering. On the other hand, there was a clear warning in the minutes that the MPC were concerned that "domestic unit labour costs have continued to grow at rates above those consistent with meeting the inflation target in the medium term".

If economic growth were to weaken considerably, the MPC has relatively little room to make a big impact with Bank Rate still only at 0.75%. It would therefore, probably

suggest that it would be up to the Chancellor to provide help to support growth by way of a **fiscal boost** by e.g. tax cuts, increases in the annual expenditure budgets of government departments and services and expenditure on infrastructure projects, to boost the economy. The Government has already made moves in this direction and it made significant promises in its election manifesto to increase government spending by up to £20bn p.a., (this would add about 1% to GDP growth rates), by investing primarily in infrastructure. This is likely to be announced in the next Budget, probably in February 2020. The Chancellor has also amended the fiscal rules in November to allow for an increase in government expenditure.

As for **inflation** itself, CPI has been hovering around the Bank of England's target of 2% during 2019, but fell again in both October and November to a three-year low of 1.5%. It is likely to remain close to or under 2% over the next two years and so, it does not pose any immediate concern to the MPC at the current time. However, if there was a hard or no deal Brexit, inflation could rise towards 4%, primarily because of imported inflation on the back of a weakening pound.

With regard to the **labour market**, growth in numbers employed has been quite resilient through 2019 until the three months to September where it fell by 58,000. However, there was an encouraging pick up again in the three months to October to growth of 24,000, which showed that the labour market was not about to head into a major downturn. The unemployment rate held steady at a 44-year low of 3.8% on the Independent Labour Organisation measure in October. Wage inflation has been steadily falling from a high point of 3.9% in July to 3.5% in October (3-month average regular pay, excluding bonuses). This meant that in real terms, (i.e. wage rates higher than CPI inflation), earnings grew by about 2.0%. As the UK economy is very much services sector driven, an increase in household spending power is likely to feed through into providing some support to the overall rate of economic growth in the coming months. The other message from the fall in wage growth is that employers are beginning to find it easier to hire suitable staff, indicating that supply pressure in the labour market is easing.

USA. President Trump's massive easing of fiscal policy in 2018 fuelled a temporary boost in consumption in that year which generated an upturn in the rate of growth to a robust 2.9% y/y. **Growth** in 2019 has been falling after a strong start in quarter 1 at 3.1%, (annualised rate), to 2.0% in quarter 2 and then 2.1% in quarter 3. The economy looks likely to have maintained a growth rate similar to quarter 3 into quarter 4; fears of a recession have largely dissipated. The strong growth in employment numbers during 2018 has weakened during 2019, indicating that the economy had been cooling, while inflationary pressures were also weakening. However, CPI inflation rose from 1.8% to 2.1% in November, a one year high, but this was singularly caused by a rise in gasoline prices.

The Fed finished its series of increases in rates to 2.25 – 2.50% in December 2018. In July 2019, it cut rates by 0.25% as a 'midterm adjustment' but flagged up that this was not intended to be seen as the start of a series of cuts to ward off a downturn in growth. It also ended its programme of quantitative tightening in August, (reducing its holdings of treasuries etc.). It then cut rates by 0.25% again in September and by another 0.25% in its October meeting to 1.50 – 1.75%.. At its September meeting it also said it was going to **start buying Treasuries again**, although this was not to be seen as a resumption of quantitative easing but rather an exercise to relieve liquidity pressures in the repo market. Despite those protestations, this still means that the Fed is again expanding its balance sheet holdings of government debt. In the first month, it will buy \$60bn, whereas it had been reducing its balance sheet by \$50bn per month during 2019. As it will be buying only short-term (under 12 months)

Treasury bills, it is technically correct that this is not quantitative easing (which is purchase of long term debt). The Fed left rates unchanged in December. However, the accompanying statement was more optimistic about the future course of the economy so this would indicate that further cuts are unlikely.

Investor confidence has been badly rattled by the progressive ramping up of increases in tariffs President Trump has made on Chinese imports and China has responded with increases in tariffs on American imports. This **trade war** is seen as depressing US, Chinese and world growth. In the EU, it is also particularly impacting Germany as exports of goods and services are equivalent to 46% of total GDP. It will also impact developing countries dependent on exporting commodities to China. However, in November / December, progress has been made on agreeing a phase one deal between the US and China to roll back some of the tariffs; this gives some hope of resolving this dispute.

EUROZONE. Growth has been slowing from +1.8 % during 2018 to around half of that in 2019. Growth was +0.4% q/q (+1.2% y/y) in quarter 1, +0.2% q/q (+1.2% y/y) in quarter 2 and then +0.2% q/q, +1.1% in quarter 3; there appears to be little upside potential in the near future. German GDP growth has been struggling to stay in positive territory in 2019 and fell by -0.1% in quarter 2; industrial production was down 4% y/y in June with car production down 10% y/y. Germany would be particularly vulnerable to a no deal Brexit depressing exports further and if President Trump imposes tariffs on EU produced cars.

The European Central Bank (ECB) ended its programme of quantitative easing purchases of debt in December 2018, which then meant that the central banks in the US, UK and EU had all ended the phase of post financial crisis expansion of liquidity supporting world financial markets by quantitative easing purchases of debt. However, the downturn in EZ growth in the second half of 2018 and into 2019, together with inflation falling well under the upper limit of its target range of 0 to 2%, (but it aims to keep it near to 2%), has prompted the ECB to take new measures to stimulate growth. At its March meeting it said that it expected to leave interest rates at their present levels "at least through the end of 2019", but that was of little help to boosting growth in the near term. Consequently, it announced a **third round of TLTROs**; this provides banks with cheap borrowing every three months from September 2019 until March 2021 that means that, although they will have only a two-year maturity, the Bank was making funds available until 2023, two years later than under its previous policy. As with the last round, the new TLTROs will include an incentive to encourage bank lending, and they will be capped at 30% of a bank's eligible loans. However, since then, the downturn in EZ and world growth has gathered momentum; at its meeting on 12 September it cut its deposit rate further into negative territory, from -0.4% to -0.5%, and announced a **resumption of quantitative easing purchases of debt for an unlimited period**. At its October meeting it said these purchases would start in November at €20bn per month - a relatively small amount compared to the previous buying programme. It also increased the maturity of the third round of TLTROs from two to three years. However, it is doubtful whether this loosening of monetary policy will have much impact on growth and, unsurprisingly, the ECB stated that governments would need to help stimulate growth by 'growth friendly' fiscal policy.

There were no policy changes in the December meeting, which was chaired for the first time by the new President of the ECB, Christine Lagarde. However, the outlook continued to be down beat about the economy; this makes it likely there will be further monetary policy stimulus to come in 2020. She did also announce a thorough

review of how the ECB conducts monetary policy, including the price stability target. This review is likely to take all of 2020.

On the political front, Austria, Spain and Italy have been in the throes of **forming coalition governments** with some unlikely combinations of parties i.e. this raises questions around their likely endurance. The latest results of German state elections has put further pressure on the frail German CDU/SDP coalition government and on the current leadership of the CDU. The results of the Spanish general election in November have not helped the prospects of forming a stable coalition.

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 shadow banking systems. In addition, there still needs to be a greater switch from investment in industrial capacity, property construction and infrastructure to consumer goods production.

JAPAN - has been struggling to stimulate consistent significant GDP growth and 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.

WORLD GROWTH. Until recent years, world growth has been boosted by increasing **globalisation** i.e. countries specialising in producing goods and commodities in which they have an economic advantage and which they then trade with the rest of the world. This has boosted worldwide productivity and growth, and, by lowering costs, has also depressed inflation. However, the rise of China as an economic superpower over the last thirty years, which now accounts for nearly 20% of total world GDP, has unbalanced the world economy. The Chinese government has targeted achieving major world positions in specific key sectors and products, especially high tech areas and production of rare earth minerals used in high tech products. It is achieving this by massive financial support, (i.e. subsidies), to state owned firms, government directions to other firms, technology theft, restrictions on market access by foreign firms and informal targets for the domestic market share of Chinese producers in the selected sectors. This is regarded as being unfair competition that is putting western firms at an unfair disadvantage or even putting some out of business. It is also regarded with suspicion on the political front as China is an authoritarian country that is not averse to using economic and military power for political advantage. The current trade war between the US and China therefore needs to be seen against that backdrop. It is, therefore, likely that we are heading into a period where there will be a **reversal of world globalisation and a decoupling of western countries** from dependence on China to supply products. This is likely to produce a backdrop in the coming years of weak global growth and so weak inflation. **Central banks are, therefore, likely to come under more pressure to support growth by looser monetary policy measures and this will militate against central banks increasing interest rates.**

The trade war between the US and China is a major concern to **financial markets** due to the synchronised general weakening of growth in the major economies of the world, compounded by fears that there could even be a recession looming up in the US, though this is probably overblown. These concerns resulted in **government bond yields** in the developed world falling significantly during 2019. If there were a major worldwide downturn in growth, central banks in most of the major economies will have limited ammunition available, in terms of monetary policy measures, when rates are already very low in most countries, (apart from the US). There are also

concerns about how much distortion of financial markets has already occurred with the current levels of quantitative easing purchases of debt by central banks and the use of negative central bank rates in some countries. The latest PMI survey statistics of economic health for the US, UK, EU and China have all been predicting a downturn in growth; this confirms investor sentiment that the outlook for growth during the year ahead is weak.

INTEREST RATE FORECASTS

The interest rate forecasts provided by Link Asset Services are **predicated on an assumption of an agreement being reached on Brexit between the UK and the EU**. On this basis, while GDP growth is likely to be subdued in 2019 and 2020 due to all the uncertainties around Brexit depressing consumer and business confidence, an agreement on the detailed terms of a trade deal is likely to lead to a boost to the rate of growth in subsequent years. This could, in turn, increase inflationary pressures in the economy and so cause the Bank of England to resume a series of gentle increases in Bank Rate. Just how fast, and how far, those increases will occur and rise to, will be data dependent. The forecasts in this report assume a modest recovery in the rate and timing of stronger growth and in the corresponding response by the Bank in raising rates.

- In the event of an **orderly non-agreement exit in December 2020**, it is likely that the Bank of England would take action to cut Bank Rate from 0.75% in order to help economic growth deal with the adverse effects of this situation. This is also likely to cause short to medium term gilt yields to fall.
- If there were a **disorderly Brexit**, then any cut in Bank Rate would be likely to last for a longer period and also depress short and medium gilt yields correspondingly. Quantitative easing could also be restarted by the Bank of England. It is also possible that the government could act to protect economic growth by implementing fiscal stimulus.

The balance of risks to the UK

- The overall balance of risks to economic growth in the UK is probably even, but dependent on a successful outcome of negotiations on a trade deal.
- The balance of risks to increases in Bank Rate and shorter term PWLB rates are broadly similarly to the downside.
- In the event that a Brexit deal was agreed with the EU and approved by Parliament, the balance of risks to economic growth and to increases in Bank Rate is likely to change to the upside.

One risk that is both an upside and downside risk, is that all central banks are now working in very different economic conditions than before the 2008 financial crash as there has been a major increase in consumer and other debt due to the exceptionally low levels of borrowing rates that have prevailed since 2008. This means that the neutral rate of interest in an economy, (i.e. the rate that is neither expansionary nor deflationary), is difficult to determine definitively in this new environment, although central banks have made statements that they expect it to be much lower than before 2008. Central banks could therefore either over or under do increases in central interest rates.

Downside risks to current forecasts for UK gilt yields and PWLB rates currently include:

- **Brexit** – if it were to cause significant economic disruption and a major downturn in the rate of growth.

- **Bank of England** takes action too quickly, or too far, over the next three years to raise Bank Rate and causes UK economic growth, and increases in inflation, to be weaker than we currently anticipate.
- A resurgence of the **Eurozone sovereign debt crisis**. In 2018, Italy was a major concern due to having a populist coalition government which made a lot of anti-austerity and anti-EU noise. However, in September 2019 there was a major change in the coalition governing Italy which has brought to power a much more EU friendly government; this has eased the pressure on Italian bonds. Only time will tell whether this new coalition based on an unlikely alliance of two very different parties will endure.
- Weak capitalisation of some **European banks**, particularly Italian banks.
- **German minority government**. In the German general election of September 2017, Angela Merkel's CDU party was left in a vulnerable minority position dependent on the fractious support of the SPD party, as a result of the rise in popularity of the anti-immigration AfD party. The CDU has done badly in recent state elections but the SPD has done particularly badly and this has raised a major question mark over continuing to support the CDU. Angela Merkel has stepped down from being the CDU party leader but she intends to remain as Chancellor until 2021.
- **Other minority EU governments**. Austria, Finland, Sweden, Spain, Portugal, Netherlands and Belgium also have vulnerable minority governments dependent on coalitions which could prove fragile.
- **Austria, the Czech Republic, Poland and Hungary** now form a strongly anti-immigration bloc within the EU. There has also been rising anti-immigration sentiment in Germany and France.
- In October 2019, the IMF issued a report on the World Economic Outlook which flagged up a synchronised slowdown in world growth. However, it also flagged up that there was **potential for a rerun of the 2008 financial crisis**, but this time centred on the huge debt binge accumulated by corporations during the decade of low interest rates. This now means that there are corporates who would be unable to cover basic interest costs on **some \$19trn of corporate debt in major western economies**, if world growth was to dip further than just a minor cooling. This debt is mainly held by the shadow banking sector i.e. pension funds, insurers, hedge funds, asset managers etc., who, when there is \$15trn of corporate and government debt now yielding negative interest rates, have been searching for higher returns in riskier assets. Much of this debt is only marginally above investment grade so any rating downgrade could force some holders into a fire sale, which would then depress prices further and so set off a spiral down. The IMF's answer is to suggest imposing higher capital charges on lending to corporates and for central banks to regulate the investment operations of the shadow banking sector. In October 2019, the deputy Governor of the Bank of England also flagged up the dangers of banks and the shadow banking sector lending to corporates, especially highly leveraged corporates, which had risen back up to near pre-2008 levels.
- **Geopolitical risks**, for example in North Korea, but also in Europe and the Middle East, which could lead to increasing safe haven flows.

Upside risks to current forecasts for UK gilt yields and PwLB rates

- **Brexit** – if agreement was reached all round that removed all threats of economic and political disruption between the EU and the UK.
- The **Bank of England is too slow** in its pace and strength of increases in Bank Rate and, therefore, allows inflationary pressures to build up too

strongly within the UK economy, which then necessitates a later rapid series of increases in Bank Rate faster than we currently expect.

- **UK inflation**, whether domestically generated or imported, returning to sustained significantly higher levels causing an increase in the inflation premium inherent to gilt yields.

Portersbridge Street Properties

Report of the Finance Portfolio Holder

Recommended:

- 1. That the budget set out in paragraph 1.9 of the confidential annex be added to the Capital Programme for works to Portersbridge Street properties.**
- 2. That the expenditure be financed from the budget allocated in the Capital Programme to Project Enterprise projects identified in the year.**

Recommendation to Council

SUMMARY:

- The report considers options for how the Council can bring back in to use seven properties that it owns on Portersbridge Street, Romsey.

1 Introduction

- 1.1 The Council owns seven houses in Portersbridge Street, Romsey. They have been let to Aster since 2003 and are in the process of being returned to the Council.
- 1.2 This report presents options for how the Council can return the properties into use.

2 Background

- 2.1 The houses are small period properties located near the centre of the town. They each have a self-contained back yard but do not have any allocated parking. The houses have steep stairs to small bedrooms and most have ground floor bathrooms in rear extensions.
- 2.2 There are six three-bedroom houses and one two-bedroom house.
- 2.3 The properties are being returned to the Council at the end of a lease to Aster Communities.
- 2.4 There will be a range of lease-end dilapidation works that Aster will be required to undertake before the properties can be handed back. The exact nature of these works will, to a certain extent, be informed by the Council's decision on how it wants to return the properties to use. This is discussed in more detail in the confidential annex.

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3 Corporate Objectives and Priorities

- 3.1 The recommended option will help to deliver the Council's Corporate Plan objective of growing the potential of people to be able to live well and fulfil their aspirations.

4 Options

- 4.1 The Council has the choice of whether to sell the properties to generate a one-off capital receipt or retain the properties as residential dwellings and lease them to Valley Housing Ltd (VHL), the Council's 100%-owned housing management company, for letting in the local housing market.

- 4.2 Further consideration has been given as to whether a better return would be achieved from retaining the properties in their existing layout or by undertaking an extension project to increase the living space on the ground floor and move the bathrooms to a more traditional first-floor position.

- 4.3 The options are summarised as:

Option 1 – sell the properties in their current condition

Option 2 – refurbish the properties and lease them to VHL (Recommended)

Option 3 – extend the properties then sell them

Option 4 – extend the properties then lease them to VHL

Option 5 – extend the properties, then sell some and lease the remainder to VHL.

- 4.4 Advice has been sought from a local architect and estate agent to inform the options appraisal and calculate the estimated return for each option.

5 Option Appraisal

Option 1 – sell the properties in their current condition

- 5.1 This option would enable the Council to generate a one-off capital receipt. However, it would also mean disposing of a valuable asset close to Romsey town centre.

- 5.2 The ongoing revenue impact (see paragraph 7) of this option is expected to be considerably less favourable than the recommended option.

- 5.3 This option is not recommended.

Option 2 – refurbish the properties and lease them to VHL (Recommended)

- 5.4 This option enables the Council to retain a valuable asset close to Romsey Town Centre and generate an ongoing revenue income.

- 5.5 The financial appraisal shows that this option will generate the highest level of revenue income to the Council over the medium-term.

- 5.6 If market conditions change in the future, the Council will be able to sell the houses (subject to any lease requirements with VHL) at a more opportune time.

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5.7 Historically, house price inflation has outstripped general inflation, so deferring any sale is likely to lead to a better return. However, the Council would also bear the risk of any downturn in values in the property market by retaining the houses.

5.8 The directors of VHL have indicated that they will be willing to include these properties in their portfolio. This option would help to provide some geographical balance to the company portfolio which is currently centred around properties in Andover.

5.9 This is the recommended option.

Option 3 – extend the properties then sell them

5.10 The financial forecast shows that the estimated cost of an extension project would not be fully recovered by an increased sales value. This is explained in more detail in the confidential annex.

5.11 This option is not recommended.

Option 4 – extend the properties then lease them to VHL

5.12 Similar to option 3, the expected increase in monthly rent that could be demanded following an extension project would not be sufficient to recover the capital cost in an acceptable timeframe. This is principally due to the financing costs that would be required to cover the cost of borrowing that the project would require.

5.13 This option is not recommended.

Option 5 – extend the properties, then sell some and lease the remainder to VHL

5.14 This option is a hybrid of options 3 and 4. The advantage of this option is that selling three of the properties is expected to generate a sufficient income to recover the cost of the refurbishment programme, effectively leaving the other four houses to generate an ongoing rental income without the budget requirement to meet borrowing costs.

5.15 However, the financial analysis shows that this option would generate less income for the Council than the recommended option and therefore this option is not recommended.

5.16 A summary of the key assumptions used in the options appraisal is shown in the confidential annex.

6 Risk Management

6.1 There is a risk that, once tendered, the works required to refurbish the properties will be more than is recommended to be approved in the Capital Programme. A contingency has been included in the estimate to help mitigate this risk.

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6.2 It is also possible that the sales / rental markets will move over the period of the project to refurbish the properties, affecting the figures used in the business case. However, it is considered highly unlikely that this would be sufficient to change the recommendation of this report.

7 Resource Implications

7.1 The principal assumptions used in calculating the potential return on investment for each of the options are shown in the confidential annex.

7.2 The results in the table below show the estimated revenue income that will be generated over the next 25 years, together with an average annual income for the first ten years.

7.3 For options 1 and 3, the revenue income is the expected return on investment from having an increased cash investment portfolio. For options 2, 4 and 5 the income represents the annual rental income that would be generated, net of management and maintenance charges and financing costs.

Option	Average annual income (first ten years) £'000	Total revenue income over 25 years £'000
Option 1 – sell now	29	730
Option 2 – lease to VHL now (recommended)	61	1,644
Option 3 – extend then sell	25	571
Option 4 – extend then lease to VHL	23	640
Option 5 – extend then sell 3 / lease 4 to VHL	47	1,210

7.4 The table shows that the recommended option is expected to generate the highest level of revenue income for the Council. The estimated payback period is only 3.3 years. This option will also see the Council retain the freehold of the underlying asset.

7.5 It should be noted that for options 2, 4 and 5, the figures shown represent the net income of VHL through its management of the properties. As the 100% shareholder of the company, it is assumed that, ultimately, this income shall all vest in the Council.

7.6 The above income will be included in future budget reports after the completion of the refurbishment and following the lease to VHL.

APPENDIX C**8 Legal Implications**

- 8.1 Approval is already in place for VHL to include the Portersbridge Street properties in its business plan (Cabinet – 19 April 2017).
- 8.2 Leases to VHL can be completed under existing delegated authority.

9 Equality Issues

- 9.1 The recommended option will change the properties from temporary accommodation use to private market rental. This will not affect the Council's ability to continue to meet its obligations to secure temporary accommodation for priority households experiencing homelessness.

10 Conclusion and reasons for recommendation

- 10.1 The financial analysis shows that the highest level of return will be generated by refurbishing the properties and letting them in the local property market through Valley Housing Ltd.
- 10.2 It is recommended that the project set out in the confidential annex be added to the Capital Programme, to be financed from the Project Enterprise budget that is already approved.

<u>Background Papers (Local Government Act 1972 Section 100D)</u>			
None			
<u>Confidentiality</u>			
<u>Report</u>			
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.			
<u>Annex</u>			
It is considered that this report contains exempt information within the meaning of paragraph 3 of Schedule 12A of the Local Government Act 1972, as amended. It is further considered that the public interest in maintaining the exemption outweighs the public interest in disclosing the information because the budget detail that is disclosed may fetter the Council's ability to achieve best value in procuring the recommended works.			
No of Annexes:	1	File Ref:	N/A
(Portfolio: Finance) Councillor M Flood			
Officer:	Carl Whatley	Ext:	8540
Report to:	Cabinet	Date:	12 February 2020

ITEM 12

Pay Policy Statement 2020/21

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 2020/21 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 All decisions on pay and reward (including severance) of chief officers must comply with the current pay policy statement. This includes all remuneration decisions made during recruitment and appointment of all chief or other officers during that year.
- 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 2019/20 was duly approved by Council on the 25 February 2019.
- 2.2 The Pay Policy Statement for 2020/21 is attached at Annex 1 updates the 2019/20 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.

<u>Background Papers (Local Government Act 1972 Section 100D)</u>			
None			
<u>Confidentiality</u>			
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:	1	File Ref:	N/A
(Portfolio: Leader) Councillor P North			
Officer:	Alex Rowland	Ext:	8251
Report to:	Council	Date:	26 February 2020

Pay Policy Statement 2020/21

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 and Heads of Service. 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 and employees on protected spot salaries 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. Employees on Grade 6 and below received a cost of living award of 4% in 2019/20. All other employees received a cost of living award of 2.5% in 2019/20.
- 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 from 01 April 2019
Chief Executive (1)	£115,027 - £126,512
Corporate Director (2)	£95,976 - £105,544
Head of Service (10) (9.5 FTE)	£73,319 - £80,662

- 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 have entitlement to either a lease car or cash alternative and some officers have historic entitlement to an essential car user allowance. Some non-chief officer roles, have use of a Council Vehicle where there is a regular and essential driving requirement as part of the role. 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.
- 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 and individual contractual requirements.

- 2.7 Honoraria 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 a salary sacrifice bicycle scheme.
- 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 employees' contributions are determined by their salary and the rules of the scheme. The Council made a pension contribution of 16.1% of pensionable pay in 2019/20 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 Wight 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 for Grade 2 ranges from £17,561 to £19,216. The Council has agreed to pay a minimum salary of £17,561 or £9.10 an hour from 01 April 2019. Any pay award from 01 April 2020 has yet to be agreed.

4 REMUNERATION OF CHIEF OFFICERS COMPARED WITH OTHER OFFICERS

- 4.1 The Council is 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 £26,611. The Chief Executive's total remuneration is 5.0 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: 16/01/2020

ITEM 13 Amendment to the Council's Public Participation Scheme

Report of the Planning Portfolio Holder

Recommended:

That the Council's Public Participation Scheme is amended as set out in the Annex to this report.

SUMMARY:

- Following the changes made to the structure of the Council's Area Planning Committees in April 2019 it is proposed that the Council's Public Participation Scheme is amended to make specific provision for Ward Members to address Area Planning Committees in their role as Ward Advocates (when they are not members of the Committee).
- Two other amendments to the Public Participation Scheme are also proposed. Firstly, providing for the Chairman of all Committees and Sub-Committees to extend the time allowed for public speaking in exceptional circumstances and secondly, again in exceptional circumstances, to extend Parish Council contributions to Planning Committee.

1 Introduction

- 1.1 The Council's Constitution sets out the Rules of Procedure which all committees are required to follow in order to ensure that meetings comply with legislation and any decisions taken are lawful and not open to challenge.
- 1.2 The rules for speaking at a meeting for those who are not Committee members are set out in the Council's Public Participation Scheme (PPS).

2 Background

- 2.1 Following the introduction of the new structure of the Council's Area Planning Committees in 2019, queries have arisen regarding formalising the provision for non-Committee Ward Members to address Planning Committee in their capacity of Ward Advocate.
- 2.2 It is therefore proposed that a new category is added to the list of speakers at Area Planning Committees to cater for non-Committee Member Ward Advocates.

- 2.3 Two further amendments to the PPS are also proposed. Firstly making provision for Parish Councils who are not, on strict interpretation, the “relevant Parish Council” but nonetheless have an interest in the application to make representations. Secondly extending the current provision enabling the Mayor at Full Council to extend time for public speaking in exceptional circumstances to all Committees and Sub-Committees.

3 Options

3.1 Non-Committee Ward Members speaking at Planning Committee

- 3.2 Currently six defined groups are permitted to make presentations to the Committee; Members with a personal interest who object to the application, Members with a personal interest who support the application, the relevant Parish Council, Objectors, Supporters and the Applicant (including agent).

- 3.3 It is suggested that a seventh group is added to the order of speaking as follows:

- Representations from Members with a personal interest who object to the application;
- Representations from Members with a personal interest who support the application;
- Parish Council representations;
- Objectors’ representations;
- Supporters’ representations;
- Applicants’ representations;
- **Relevant Ward Members who are not committee members**

- 3.4 The group of relevant Ward Members who are not Committee members will be limited to those Members who have been elected to the Ward within which the application site is located and who are not members of the Area Planning Committee.

- 3.5 It is proposed that the time allowed for speaking for those members will be five minutes where there is only one relevant Ward Member and three minutes each where there is more than one relevant Ward Member who is not a Committee member wishing to speak.

- 3.6 There will be no requirement for relevant Ward Members who are not Committee members to register their intention to speak at the specified Committee.

- 3.7 Statements by Members should only be made in respect of items on the agenda and the content of address must be kept to the material issues involved.

- 3.8 After Ward Members who are not Committee members have made their statement, they may be asked questions on the content of their statement by members of the Committee.

Relevant Parish Council speaking at Area Planning Committees

- 3.9 Currently the PPS allows for the “relevant Parish Council” to make representations on an item at an Area Planning Committee. The relevant Parish Council is that Parish Council in whose area the application site is located.
- 3.10 In some exceptional circumstances an application may arise which is close to or on the parish border and/or may impact on communities in a neighbouring or other parish, both within Test Valley but also parishes outside the Borough.
- 3.11 It is proposed that the relevant Parish Council group is extended to allow for additional Parishes to speak in exceptional circumstances where the Chairman considers it appropriate
- 3.12 It is proposed that any additional Parishes having been granted permission to speak, will be given three minutes, which must be shared in the event of there being more than one Parish Council wishing to make representations.

Extending speaking time at all Committees

- 3.13 Currently the Public Participation Scheme provides for the Mayor at meetings of Full Council to extend the time for public speaking in exceptional circumstances. It is proposed that this provision is applied to all meetings of the Cabinet and the Council’s committees and any sub-committees; Overview and Scrutiny Committee, Northern Area Planning, Southern Area Planning, Licensing Committee and General Purposes Committee as set out in the attached Annex.
- 3.14 The options are therefore:-
- 3.15 Option 1: To retain the Public Participation Scheme in its current form.
- 3.16 Option 2: To amend the Public Participation Scheme as set out in this report and the attached Annex.

4 Option Appraisal

- 4.1 The adoption of the proposed procedures will make formal provision for non-Committee-member Ward Members to address Committee in their capacity as Ward Advocate.
- 4.2 Having such a procedure in place will allow the Chairman to better manage participation at committee meetings and provide transparency for members of the public
- 4.3 The proposed further two amendments of providing an extension to Parish Council speaking and extension of the total time for public speaking in exceptional circumstances would provide enhanced flexibility to deal with public speaking issues which may arise in the case of certain applications.
- 4.4 For the above reasons Option 2 is the recommended Option.

5 Risk Management

- 5.1 A Risk Management questionnaire has been completed and indicates this report is for information purposes so the Council's Risk management process does not need to be applied

6 Resource Implications

- 6.1 There are no resource implications resulting from these changes.

7 Legal Implications

- 7.1 There are no legal implications resulting from the changes. A resolution of Council is required to amend the Public Participation Scheme.

8 Equality Issues

- 8.1 No Equality issues are identified.

9 Other Issues

- 9.1 None identified.

10 Conclusion and reasons for recommendation

- 10.1 For the reasons set out in this report, it is recommended that the proposed amendments to the Public Participation Scheme as set out in the Annex to this report are approved.

<u>Background Papers (Local Government Act 1972 Section 100D)</u>			
The Scheme of Delegation to Officers			
<u>Confidentiality</u>			
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:	1	File Ref:	N/A
(Portfolio: Planning)Councillor N Adams-King			
Officer:	Karen Dunn	Ext:	8401
Report to:	Council	Date:	26 February 2019

Public Participation Scheme

INTRODUCTION

1. The Council wishes to give those who are interested the opportunity to make a statement on any item on the agenda for any meeting of the Council, Cabinet, or any of the following Committees:
 - Overview & Scrutiny;
 - Northern Area Planning;
 - Southern Area Planning;
 - Licensing Committee (except when hearing licence applications to which the relevant Licensing Procedure Rules apply); or
 - General Purposes Employment Appeals & Ethics Sub-Committee (subject to the restrictions set out in paragraph 4 under Provisions for Specific Meetings).
2. The Public Participation Scheme is in addition to any other practice or procedure which the Council is required to follow.
3. The Scheme also applies to Members who have a personal interest to which paragraph 5.6 of the Members' Code of Conduct applies (which expression includes those Members who have prejudged a planning application or a licensing application to the hearing of which the Licensing Procedure Rules do not apply) in an item on the agenda.
- 3.4. The Scheme also applies to relevant Ward Members who are not Area Planning Committee Members who wish to make a statement to an Area Planning Committee on an item on the agenda.
- 4.5. Details of the Scheme and explanatory leaflets are available from the Council offices at Andover and Romsey.

GENERAL PROVISIONS

1. Rules for Speaking

- (a) Statements - These can only be made in respect of items on the agenda for a meeting. Copies of the agendas will be available for inspection 5 clear working days before the relevant meeting at the Council offices at Andover and Romsey.
- (b) Content of address – Speakers (public, ~~and~~ Members with a personal interest and relevant Ward Members who are not Area Planning Committee Members) must keep their address to the material issues involved. There will be no opportunity to present background or supporting material. There are

restrictions in relation to some Committees and these are set out in the Provisions for Specific Meetings below.

- (c) Questions of Speakers – After they have made their statements, speakers (public and Members with a personal interest) may be asked questions on the content of their statements by the Members.
- (d) Notice of intention to speak (the public): in order to make a statement, oral or written notice must be given to Committee Services at the Council Offices, Beech Hurst, Weyhill Road, Andover by 12 noon on the previous working day. Notice to speak will not be accepted until an agenda has been published or, exceptionally, no more than a month in advance of a meeting, and only then if it is known that the subject matter is going to appear.
- (e) Representation by Members: in addition, or as an alternative to speaking directly to the meeting, members of the public may wish to consult with a local or any Member before the meeting to request them to represent their views to the meeting. It should however be noted that Members are not required to do so.
- (f) Planning Committees: it should be understood that, in relation to Planning Committees, Members are prevented by their Local Planning Code of Conduct from taking a view for or against any particular item until they have heard all the views that may be expressed at the relevant Committee meeting, otherwise they may not be able to take part in the meeting.
- (g) Licensing Committee: has its own procedure rules and Ward Members have a representational role but do not take part in decisions in their Ward. Speakers may be asked to clarify matters of fact by Members; there will be no debate between speakers (the public or Members) and the meeting.

2. Procedure at Meetings

- (a) Public speakers should arrive at least 10 minutes before the start of the meeting and register with the Committee Officer.
- (b) The Chairman will invite the speakers (public, ~~and~~ Members with a personal interest and relevant Ward Members who are not Area Planning Committee Members) when the agenda item is called.
- (c) Public speakers may remain for the debate but may not speak during the debate.
- (d) After making their statement, Members with a personal interest must leave the room for the duration of the item in which they have the interest.
- (e) The Chairman has discretion to decide the order of agenda items.

PROVISIONS FOR SPECIFIC MEETINGS

1. Northern and Southern Area Planning Committees

(a) The Council will allow the following ~~seven~~ groups to make presentations:

- Members with a personal interest who object to the application
- ~~Members with a personal interest who support the application~~
- The relevant Parish Council
- Objectors
- Supporters
- ~~Applicant (including agent)~~
- Relevant Ward Members who are not Committee Members

~~(b)~~ (b) The onus is on Parish Councils, applicants, objectors and supporters to enquire as to the progress of the matter in question. The dates of forthcoming meetings can be obtained from the Council offices and officers will be able to advise on the progress of applications.

~~(c)~~ (c) The relevant Parish Council is the Parish Council in whose area the application falls within. In exceptional circumstances the Chairman (whose decision on the matter will be final) may judge that allow additional Parish Councils should be allowed to speak, in which case any those additional pParishes shall be given a maximum of 3three minutes to speak which they must share.

(c) The order of speaking is as follows:

- Announcement of item by Chairman giving basic details;
- Introduction by an officer, drawing attention to significant issues and giving updated information;
- Representations from Members with a personal interest;
- Parish Council representations;
- Objectors' representations;
- Supporters' representations;
- ~~Applicants' representations;~~
- Relevant Ward Members who are not Committee Members;
- _____

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- Further comments by officer;
- Debate and decision.

2. Licensing Committee

The Licensing Procedure Rules will apply when the Licensing Committee sits to hear licensing applications.

3. General Purposes Employment Appeals & Ethics Sub-Committee

Statements cannot be made on items on the agenda that relate to the conduct of individual Members of Test Valley Borough Council, Independent Persons of the General Purposes Employment Appeals & Ethics Sub-Committee, or Members of Parish Councils within the Test Valley Borough area.

LENGTH OF STATEMENT

1. Council, Cabinet and Committees and sub-Committees other than Planning Committees

- A total of 15 minutes will be set aside for each item for each of the two categories of public and Members with a personal interest.
- ~~At Council meetings only, the~~ Mayor or Chairman may use his/her discretion to extend the total time in exceptional circumstances. The Mayor or Chairman's decision as to what constitutes exceptional circumstances and the length of such extension shall be final. The total time for Members with a personal interest shall only be extended if there is an equivalent extension for the total time for the public.
- Individual statements will be limited to a maximum of three minutes for members of the public.
- The Mayor or Chairman may limit the length of statements to less than three minutes if a large number of people wish to speak on a particular item.
- A device of green, amber and red lights to indicate times will be provided.

2. Northern and Southern Area Planning Committees

- Each group will have a maximum of three minutes, with the exception of Relevant Ward Members who are not Committee Members who will have a maximum of 5five minutes. Where there is more than one Relevant Ward Member who is not Committee Member who wishes to speak they will have a maximum of 3three minutes each.
- The Chairman may limit the length of statements to less than three minutes if a large number of people wish to speak on a particular item.
- The Chairman may use their discretion to extend the total time for public speaking in exceptional circumstances. The Chairman's decision as to what constitutes exceptional circumstances and the length of such extension shall

be final. The total time for Members with a personal interest shall only be extended if there is an equivalent extension for the total time for the public.

~~(b)~~—

~~(c)~~(d) A device of green, amber and red lights to indicate times will be provided.

ITEM 14 Review of Area Planning Committees

Report of the Planning Portfolio Holders

Recommended:

- 1. That the review of the performance of the new Development Management Committee Structure be postponed.**
- 2. The review be undertaken once the Committees have received 'business as usual' for a period of 12 months after the date at which in the opinion of the Head of Planning and Building Service in consultation with the Planning Portfolio Holder, measures have been established to adequately address the issue of nitrate neutrality in planning applications.**

SUMMARY:

- At Council on 10 April 2019 it was resolved that the existing Development Management Committee system be abolished and replaced with a new system.
- As part of the introduction of the new system, it was agreed that its performance would be reviewed ahead of Annual Council 2020.
- Due to advice issued by Natural England regarding the impact in the Solent of nitrates from new developments, the number and type of applications considered by the Committees does not accurately reflect typical business; therefore it is proposed that the review be delayed until such time as normal business has resumed for a period of 12 months.

1 Introduction

- 1.1 At Council on 10 April 2019 it was resolved that the existing Development Management Committee system of Northern Area Planning Committee, Southern Area Planning Committee and Planning Control Committee be abolished and replaced with two Development Management Committees; Northern Area and Southern Area, each reflecting the representation of local ward members and each comprising thirteen Members.
- 1.2 It was also resolved that the performance of the new Committee structure would be reviewed prior to Annual Council 2020.

2 Background

- 2.1 The new Development Management Committees came in to effect from 9 May 2019.
- 2.2 It was originally agreed that the performance of the new arrangements would be reviewed ahead of Annual Council 2020 after they had been operating for 12 months.

- 2.3 In June 2019, Natural England issued updated advice regarding the impact of nutrients from new development on the international nature conservation designations, within and around the Solent. Due to the uncertainty that new development will not cause further adverse impact, the recommended approach is for new development to achieve nutrient neutrality.
- 2.4 As a result of this advice the Council has not been determining planning applications for development covered by the advice, unless nutrient neutrality can be demonstrated, such that it is satisfied that this would be Habitats Regulations compliant.
- 2.5 This has had an impact on the Development Management Committees. The number of applications presented for consideration by the Committees has reduced significantly with nearly a third of scheduled meetings cancelled due to lack of business.
- 2.6 Business being considered by the Committees does not reflect the typical applications that would normally be considered.

3 Options

- 3.1 In order to effectively evaluate the performance of the new Development Management Committee Structure, a period of time is required when the Committees have been operating under typical circumstances to accurately reflect the workloads and applications that have in the past been considered by Committee Members. Postponing the review would allow for this.
- 3.2 To undertake a review of the performance of the new Development Management Committee Structure as planned, ahead of Annual Council 2020.

4 Option Appraisal

- 4.1 It is recommended that the review be delayed as undertaking an assessment at the current time would not accurately reflect the operation and performance of the Committee under typical circumstances.
- 4.2 Both the number and type of applications received by the Committees since May 2019 is not considered to be normal business for the Committees.

5 Risk Management

- 5.1 An evaluation of the risks associated with the matters in this report has previously been reported to Members as part of the Review of Area Planning Committees presented to Council on 10 April 2019.

6 Resource Implications

- 6.1 None

7 Legal Implications

7.1 None

8 Equality Issues

8.1 None

9 Other Issues

9.1 Community Safety - none

9.2 Environmental Health Issues - none

9.3 Sustainability and Addressing a Changing Climate - none

9.4 Property Issues - none

9.5 Wards/Communities Affected - none

10 Conclusion and reasons for recommendation

10.1 It is recommended that the review of the performance of the new Development Management Committee Structure be postponed until nitrate neutrality can be demonstrated on relevant applications and the Committees have received 'business as usual' for a period of 12 months in order for performance to be effectively reviewed when the Committees are operating under normal conditions.

<u>Background Papers (Local Government Act 1972 Section 100D)</u>			
None			
<u>Confidentiality</u>			
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	File Ref:	N/A
(Portfolio: Planning) Councillor N Adams-King			
Officer:	Karen Dunn	Ext:	8401
Report to:	Council	Date:	26 February 2020

ITEM 15 Change to the Delegation to the Head of Planning and Building Services

Report of the Planning Portfolio Holder

Recommended:

That the Delegation to the Head of Planning and Building Services contained in the Council's Scheme of Delegations to Officers be amended as set out in the Annex to this report.

SUMMARY:

- In June 2019 Natural England issued advice to Local Planning Authorities that all residential development within the catchment of rivers discharging into the Solent should be nutrient neutral.
- The Council has not been determining applications falling within the scope of the Natural England Guidance which do not demonstrate nutrient neutrality.
- The Head of Planning and Building Services holds delegated power to determine applications for development (subject to exceptions).
- A change to the delegated powers of the Head of Planning and Building Services is proposed to allow Ward Members to request that applications which the Head of Planning and Building Services recommends for refusal solely on the basis of nutrient neutrality be submitted to the relevant Area Planning Committee for determination.

1 Introduction

- 1.1 The Council as a Local Planning Authority finds itself in an unusual situation as a result of Natural England's advice on the impact of nutrients from development on the ecosystem of the Solent.
- 1.2 This report recommends a change to the Scheme of Officer Delegations to enable Ward Members to call applications to committee for determination within 72 hours of notification that the Head of Building and Planning Service recommends refusal of the application on the basis of nutrient neutrality alone.

2 Background

- 2.1 On 2 June 2019, Natural England issued updated advice to Local Planning Authorities regarding the impact of nutrients from new development on the international conservation designations within and around the Solent.
- 2.2 On the basis of the uncertainty as to whether and to what extent new development in the catchment of rivers ultimately discharging into the Solent would cause further adverse impact to the Solent, Natural England advises:

“one way to address this uncertainty is for new development to achieve nutrient neutrality. Nutrient neutrality is a means of ensuring that development does not add to existing nutrient burdens and this provides certainty that the whole of the scheme is deliverable in line with the requirements of the Conservation of Habitats and Species Regulations 2017 (as amended)”.

- 2.3 As such, the Council has not been determining applications for development within scope of the Natural England advice unless nutrient neutrality is demonstrated.
- 2.4 Subject to specified exceptions (as set out in the Scheme of Officer Delegations contained in the Council’s Constitution) authority to make decisions on applications, notifications, consultations, negotiations, serving of notices and other activities carried out under the Town and Country Planning legislation is delegated to the Head of Planning and Building Services.
- 2.5 Providing that no other exemptions to his delegation apply, the Head of Planning and Building Services may refuse an application on the basis of its failure to achieve nutrient neutrality.
- 2.6 If an application so rejected overcame its nutrient neutrality deficiency and was resubmitted, then it would likely be deemed unreasonable to challenge the application on any other basis if the sole reason for refusal in the first instance was that of nutrient neutrality.
- 2.7 In order to provide Ward Members with further opportunity to request that an application recommended for refusal on the sole basis of nutrient neutrality is reported to Committee for decision, a change to the delegation to the Head of Planning and Building Services is proposed as set out in the Annex to this report.
- 2.8 It is proposed that this change to the powers delegated to the Head of Planning and Building Services prevails only until such time as in the opinion of the Head of Planning and Building Services in consultation with the Planning Portfolio Holder that adequate measures have been established to properly address the issue of nutrient neutrality in planning applications.

3 Options

3.1 The options are:

3.1.1 Option 1

That the existing Scheme of Delegations to the Head of Planning and Building Services remains unchanged.

3.1.2 Option 2

That the changes set out in the Annex to this report are approved, meaning that Ward Members are able to request applications which the Head of Planning and Building Services recommends for refusal solely on the basis of nutrient neutrality are referred to Committee for decision.

4 Option Appraisal

- 4.1 Option 1 would retain the status quo. Option 2 would afford Ward Members the opportunity to request an application which the Head of Planning and Building Services recommends for refusal solely on the basis of nutrient neutrality be referred to the appropriate Area Planning Committee for determination. Thus providing Ward Members with an additional opportunity to call to Committee applications recommended for refusal on the basis of nutrient neutrality alone. Option 2 is therefore the recommended option.

5 Risk Management

- 5.1 A Risk Management questionnaire has been completed and indicates this report does not require a risk assessment because the changes/issues covered by the report are not significant in terms of risk or have been previously considered.

6 Resource Implications

- 6.1 No resource implications are identified.

7 Legal Implications

- 7.1 No legal implications are identified.

8 Equality Issues

- 8.1 No potential for discrimination or adverse impact on those with protected characteristics is identified.

9 Other Issues

- 9.1 None are identified

10 Conclusion and reasons for recommendation

- 10.1 In order to provide Ward Members with the opportunity to call applications to Committee in circumstances where refusal is recommended on the basis of nutrient neutrality only, the amendment to the delegation to the Head of Planning and Building Service as set out in this report is recommended.

Background Papers (Local Government Act 1972 Section 100D)

The Scheme of Delegations to Officers: Delegations to the Head of Planning and Building Services.

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:	1	File Ref:	N/A
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(Portfolio: Planning) Councillor N Adams-King

Officer:	Karen Dunn	Ext:	8401
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Report to:	Council	Date:	26 February 2020
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Delegation to Head of Planning and Building Services

- (1) To make decisions on all applications, notifications, consultations, negotiations, serving of notices, and other activities carried out under Town and Country Planning legislation, which are delegated to Head of Planning and Building Services, except as follows:-
 - (a) Applications which are contrary to the provisions of an approved or draft development plan or other statement of approved planning policy where adverse representations have been received and which is recommended for approval.
 - (b) Applications (excluding notifications) where a Member requests in writing, with reasons and within the stipulated time span, that they be submitted to Committee. A Member can withdraw this request at any time prior to the determination of the application to enable its determination under delegated powers.
 - (c) Applications submitted by or on behalf of the Council, or any company in which the Council holds an interest, for its own developments except for the approval of minor developments.
 - (d) Applications where the Head of Planning and Building Services recommends refusal of the application solely on the basis of failure to achieve nutrient neutrality where a Ward Member requests in writing, with reasons, within 72 hours of notification of the recommendation for refusal that they be submitted to Committee for determination. A Member can withdraw this request at any time prior to the determination of the application to enable its determination under delegated powers.
- (2) To determine applications (excluding applications for advertisement consent, listed building consent, and applications resulting from the withdrawal by condition of domestic permitted development rights; Schedule 2, Part 1, Classes B, C, D, E, F, G, and H of the Town and Country Planning (General Permitted Development) (England) Order 2015 or as amended) on which a material planning objection(s) has been received in the stipulated time span and which cannot be resolved by negotiation or through the imposition of conditions and where the officer's recommendation is for approval, following consultation with the Ward Members, the latter having the right to request that the application be reported to Committee for decision.
- (3) To allocate and release Section 106 developer contributions for external projects up to a maximum of £25,000.00 per project, following consultation with the relevant Ward Members, Portfolio Holder and Head of Finance.
- (4) That the holders of the following posts, and any other person employed or otherwise engaged by the Service and duly authorised in writing by the Head of Planning and Building from time to time, be authorised to enter land or premises and to carry out any act included in the legislation and subordinate legislation made thereunder and any amendments thereto, as set out in the:

Anti-Social Behaviour Act 2003, Part 8
 Environment Act 1995
 Forestry Act 1967
 Planning (Hazardous Substances) Act 1990
 Planning (Listed Building and Conservation Areas) Act 1990
 Town and Country Planning Act 1990

50361136 Head of Planning and Building Services
 50361139 Development Manager
 50361140 Development Manager
 50361200 Principal Planning Officer
 50361216 Principal Planning Officer
 50361212 Senior Planning Officer
 50361213 Senior Planning Officer
 50361217 Senior Planning Officer
 50361218 Senior Planning Officer
 50649303 Senior Planning Officer
 50649304 Senior Planning Officer
 50361330 Senior Planning Officer
 50361204 Planning Officer
 50361219 Planning Officer
 50361220 Planning Officer
 50360949 Planning Officer
 50361201 Planning Assistant
 50361202 Planning Assistant
 50361203 Planning Assistant
 50361222 Planning Assistant
 50361226 Planning Assistant
 50361246 Planning Enforcement Manager
 50381163 Enforcement Officer
 50361248 Enforcement Officer
 50361249 Enforcement Officer
 50361250 Enforcement Officer
 50361063 Team Leader (Trees)
 50361064 Arboricultural Officer
 50361065 Arboricultural Officer
 50361020 Team Leader (Design and Conservation)
 50361022 Conservation Officer
 50361066 Senior Landscape Architect
 50361067 Landscape Officer

- (5) To issue notices pursuant to Sections 171C (Planning Contravention Notices) and 330 (Power to require information as to interests in land) of the Town and Country Planning Act 1990 (as amended).
- (6) That the following postholders, and any other person employed or otherwise engaged by the Service and duly authorised in writing by the Head of Planning and Building from time to time, be authorised to issue authorisations pursuant to the Regulation of Investigatory Powers Act 2000.

50361139 Development Manager
50361140 Development Manager

- (7) To discharge any of the Council's functions pursuant to the Anti-Social Behaviour Act 2003 Part 6 as amended by the Clean Neighbourhoods and Environment Act 2005 insofar as it relates to graffiti and fly posting.
- (8) To discharge any of the Council's functions pursuant to the Clean Neighbourhoods and Environment Act 2005 Part 2 insofar as it relates to nuisance parking and Part 4 insofar as it relates to graffiti, fly posting and advertisements.
- (9) That the holders of the following posts, and any other person employed or otherwise engaged by the Service and duly authorised in writing by the Head of Planning and Building from time to time, be authorised:
- (a) To give fixed penalty notices pursuant to the legislation set out below and any subordinate legislation made thereunder and any amendments thereto.
 - (b) To enter land or premises and to carry out any act included in the legislation set out below and any subordinate legislation made thereunto and any amendments thereto.

Anti-social Behaviour Act 2003 Part 6 (insofar as it relates to graffiti and fly posting)

Clean Neighbourhoods and Environment Act 2005 Part 2 (insofar as it relates to nuisance parking) and Part 4 (insofar as it relates to graffiti and fly posting and advertisements).

50361246 Planning Enforcement Manager
50381163 Enforcement Officer
50361248 Enforcement Officer
50361249 Enforcement Officer
50361250 Enforcement Officer

- (10) To approve with or without conditions, or to reject, plans under Building Regulations.
- (11) To serve notices in respect of demolitions and dangerous structures.
- (12) To determine applications for relaxation of Building Regulations and, subject to being satisfied, to issue approval and report thereon to the next meeting of the relevant Development Control Committee.
- (13) To serve notices under Section 25 of the Land Drainage Act 1991.
- (14) To authorise proceedings under Sections 35 and 35A of the Building Act 1984.
- (15) To serve notices in connection with building works requiring either removal or alteration in accordance with Section 36 of the Building Act 1984.
- (16) To appoint consultants to undertake professional services on schemes included in approved capital or revenue estimates.
- (17) To be designated the "Appointing Officer" in accordance with Section 30 of the Party Wall etc. Act 1996.

- (18) In consultation with the Head of Finance, to set the levels of charges for building regulation applications.
- (19) That the holders of the following posts, and any other person employed or otherwise engaged by the Service and duly authorised in writing by the Head of Planning and Building from time to time, who are qualified in accordance with the legislation are authorised to enter land or premises and to carry out any act included in the Building Act 1984 and the Land Drainage Act 1991 and subordinate legislation made thereunder and any amendments thereto:
- 50361232 Building Control Manager
 - 50361234 Area Building Control Surveyor
 - 50361235 Area Building Control Surveyor
 - 50361236 Area Building Control Surveyor
 - 50361233 Area Building Control Surveyor
 - 50361237 Area Building Control Surveyor
 - 50361238 Technical Assistant
- (20) That the holders of the following posts, and any other person employed or otherwise engaged by the Service and duly authorised in writing by the Head of Planning and Building from time to time, be authorised to enter land or premises and to carry out any act included in the legislation and subordinate legislation made thereunder and any amendments thereto:
- Fire Safety and Safety of Places of Sport Act 1987
 - Hypnotism Act 1952
 - Licensing Act 2003
 - Local Government (Miscellaneous Provisions) Acts 1976 and 1982
 - Town Police Clauses Acts 1847 and 1889
 - Public Health Acts 1875 and 1936
- 50361232 Building Control Manager
 - 50361233 Area Building Control Surveyor
 - 50361234 Area Building Control Surveyor
 - 50361235 Area Building Control Surveyor
 - 50361236 Area Building Control Surveyor
 - 50361237 Area Building Control Surveyor
 - 50361238 Technical Assistant
- (21) To adjust and change charges for pre-application advice should the need arise including taking account of any changes in fee regulations or other legislation and the need for charging not to exceed the cost of service provision.
- (22) To issue updates of the Local Information Requirements Descriptions document as and when appropriate.
- (23) To make decisions on:
- (a) The making of provisional tree preservation orders; and to vary, modify or revoke such orders.
 - (b) The confirmation (with or without modifications) of tree preservation orders where no objections have been received or all objections which may have been received have been withdrawn.

- (c) Decisions on action to be taken following service of notice on the Council under Section 211 of the Town and Country Planning Act 1990.
 - (d) All related applications, notices and matters under the Town and Country Planning Act 1990 as amended and regulations made thereunder.
 - (e) Matters and activities under relevant sections of the Environment Act 1995 and the Forestry Act 1967 and regulations made thereunder.
 - (f) All notifications, consultations, negotiations, serving of Notices, and other activities under the Planning (Listed Buildings and Conservation Areas) Act 1990 and regulations made thereunder.
- (24) To determine what action should be taken, if any, in relation to notices received pursuant to Section 23 Local Government (Miscellaneous Provisions) Act 1976 (power of local authorities to deal with dangerous trees) and to instruct the Head of Legal and Democratic Services to take such steps as he/she (Head of Planning and Building Services) considers appropriate in cases where, in the opinion of the Head of Planning and Building Services, significant public benefit furthering the Council's corporate objectives and priorities would result from such steps.
- (25) That the holders of the following posts, and any other person employed or otherwise engaged by the Service and duly authorised in writing by the Head of Planning and Building from time to time, be authorised to enter land or premises and to carry out any act included in the legislation and subordinate legislation made thereunder and any amendments thereto as set out in the:
- Local Government (Miscellaneous Provisions) Act 1976
- | | |
|----------|------------------------|
| 50361063 | Team Leader (Trees) |
| 50361064 | Arboricultural Officer |
| 50361065 | Arboricultural Officer |
- (26) To deal with and determine all complaints and issue any notices in relation to high hedges pursuant to Part 8 of the Anti-Social Behaviour Act 2003.

ITEM 16 Change to the membership of the Council's Southern Area Planning Committee, Overview and Scrutiny Committee and General Purposes Committee

Report of the Corporate Portfolio Holder

Recommended:

- 1. That Councillor Sandra Gidley is replaced by Councillor Neil Gwynne as a member of the Council's Southern Area Planning Committee.**
- 2. That Councillor Sandra Gidley is replaced by Councillor Alan Warnes as a member of the Council's Overview and Scrutiny Committee.**
- 3. That Councillor Neil Gwynne is replaced by Councillor Alan Dowden as a member of the Council's General Purposes Committee**

SUMMARY:

- Appointments to the Council's Committees were made at Annual Council on 13 May 2019.
- It has become necessary to make a replacement appointment to each of the Council's Southern Area Planning Committee, Overview and Scrutiny Committee and General Purposes Committee.
- The appointments set out in the recommendation are therefore proposed.

1 Introduction

- 1.1 Appointments to the Committees of Test Valley Borough Council were made by resolution at Annual Council on 13 May 2019. A list of those appointments is attached in the Annex to this report.
- 1.2 It has now become necessary to make certain replacements to the membership of the Council's Southern Area Planning Committee, Overview and Scrutiny Committee and General Purposes Committee.

2 Background

- 2.1 At Annual Council on 13 May 2019 Councillor Sandra Gidley was appointed to the Council's Southern Area Planning Committee and Overview and Scrutiny Committee.
- 2.2 It has now become necessary to make replacement appointments. Accordingly, it is proposed that Councillor Neil Gwynne is appointed in Councillor Gidley's place on Southern Area Planning Committee and Councillor Alan Warnes in her place on the Council's Overview and Scrutiny Committee. It is further proposed that Councillor Neil Gwynne is replaced by Councillor Alan Dowden as member of the Overview and Scrutiny Committee.

3 Options and Option Appraisal

- 3.1 The options are to either make the replacement appointments or not. It is recommended that Council resolves to make the appointments to ensure the Committees in question retain a full membership.

4 Risk Management

- 4.1 A Risk Management questionnaire has been completed and indicates this report does not require a risk assessment because the changes/issues covered by this report are not significant in terms of risk or have previously been considered.

5 Resource Implications

- 5.1 No resource implications are identified.

6 Legal Implications

- 6.1 Agreeing and/or amending the powers and duties for Committees, deciding on their composition and making amendments to them are functions reserved to Full Council. Therefore a resolution of Council is required to implement the recommendations contained in this report.

7 Equality Issues

- 7.1 No potential for discrimination or adverse impact on those with protected characteristics is identified.

8 Other Issues

- 8.1 None

9 Conclusion and reasons for recommendation

- 9.1 In order to maintain full committee membership it is proposed that Council resolves to make the replacement appointments set out in the recommendation.

<u>Background Papers (Local Government Act 1972 Section 100D)</u>			
Appointments to Committees and Outside Bodies 13 May 2019			
<u>Confidentiality:</u> 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:	1	File Ref:	N/A
Portfolio: Corporate Councillor T Tasker			
Officer:	Karen Dunn	Ext:	8401
Report to:	Council	Date:	26 February 2020

ADDENDUM TO COUNCIL – 13 MAY 2019

Appointments to Committees & Outside Bodies and Dates and Times of Meetings of Council

a) Overview and Scrutiny Committee (18)

Councillors Bailey, Baverstock, Borg-Neal, Brooks, Burley, Coole, Donnelly, C Dowden, Finlay, Gidley, Hamilton, Gwynne, Jeffrey, Lodge, Meyer, K North, Parker, Rowles

b) Northern Area Planning Committee (13)

Councillor Borg-Neal (Chairman), Councillor P Lashbrook (Vice-Chairman) and Councillors Andersen, Burley, Burnage, Cooper, Donnelly, Ecclestone, Lodge, Matthews, Thom, Warnes, Watts

c) Southern Area Planning Committee (13)

Councillor Finlay (Chairman), Councillor Hatley (Vice-Chairman) and Councillors Anderdon, Bailey, Bundy, A Dowden, C Dowden, Gidley, Jeffrey, Parker, Rowles, Ward, Watts

d) General Purposes Committee (11)

Councillor Hamilton (Chairman), Councillor K North (Vice Chairman) and Councillors Adams-King, Baverstock, Brooks, Cross, Farrer, Flood, Gwynne, Jeffrey, P North

e) Licensing Committee (15)

Councillor Bailey (Chairman), Councillor Andersen (Vice-Chairman) and Councillors Anderdon, Burnage, Coole, Daas, A Dowden, Drew, Johnston, L Lashbrook, P Lashbrook, Matthews, Meyer, Parker, Thorp

5 Equality Issues

5.1 None are identified.

6 Conclusion and reasons for recommendation

6.1 It is recommended that a Member is appointed to the vacancy on the Overview and Scrutiny Committee in order that the committee comprise the required 18 Members.

6.2 It is recommended that a Member is appointed as the Chairman of the Overview and Scrutiny Committee in order for the Committee to be able to effectively function with clear leadership.

<u>Background Papers (Local Government Act 1972 Section 100D)</u>			
None			
<u>Confidentiality</u>			
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:	None	File Ref:	N/A
(Portfolio: Corporate) Councillor T Tasker			
Officer:	Karen Dunn	Ext:	8401
Report to:	Council	Date:	26 February 2020

- 2.5 This will enable declarations to be made in an agile and timely manner rather than waiting for a meeting of Full Council or convening a Special Council specifically for that purpose.

3 Options

- 3.1 There are two options:

3.2 Option 1

Option 1 is to retain the current position.

Option 2

Option 2 is to delegate authority to make a declaration of vacancy in circumstances which require it to the Council's General Purposes Committee.

4 Option Appraisal

- 4.1 Retaining the current position (Option 1 would have the effect that where a Borough Councillor ceased to be a member of the Council for a reason requiring a declaration of vacancy, that declaration (and the publishing of it) would have to wait until one of the scheduled meetings of Full Council or a Special Council would need to be convened specifically for that purpose.
- 4.2 A meeting of General Purposes Committee (in circumstances where there is not a convenient scheduled meeting) is far more readily convened than a meeting of Full Council enabling declarations of vacancy to be made without delay and the vacancy to be published at the earliest opportunity. Option 2 is therefore the recommended option.

5 Risk Management

- 5.1 A Risk Management questionnaire has been completed and indicates this report does not require a risk assessment because the changes/issues covered by this report are not significant in terms of risk or have previously been considered.

6 Resource Implications

- 6.1 There are no resource implications of the proposed Option.

7 Legal Implications

- 7.1 There are no legal implications of the proposed Option. A resolution of Full Council is required to authorise General Purposes Committee to make declarations as set out in this report.

8 Equality Issues

- 8.1 No potential for discrimination or adverse impact on those with protected characteristics is identified.

9 Other Issues

9.1 No other issues are identified.

10. Conclusion and reasons for recommendation

10.1 For the reasons set out in the above paragraphs it is recommended that that authority is delegated to the Council's General Purposes Committee to declare vacancies of office in accordance with section 87 of the Local Government Act 1972.

<u>Background Papers (Local Government Act 1972 Section 100D)</u>			
None			
<u>Confidentiality</u>			
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:	None	File Ref:	N/A
Portfolio: Corporate Councillor T Tasker			
Officer:	Karen Dunn	Ext:	8401
Report to:	Council	Date:	26 February 2020

ITEM 19

Exclusion of the Public

Recommended:

That, pursuant to Regulation 4 of the Local Authorities (Executive Arrangements) (Meetings and Access to Information) (England) Regulations 2012, the public be excluded from the meeting for the consideration of the following report on the following matters on the grounds that they involve the likely disclosure of exempt information as defined in the following Paragraphs of Part 1 of Schedule 12A of the Local Government Act 1972, as amended, indicated below. The public interest in maintaining the exemption outweighs the public interest in disclosing the information for the reason given below:

CCTV System

Paragraph 3

It is considered that this report contains exempt information within the meaning of paragraph 3 of Schedule 12A of the Local Government Act 1972, as amended. It is further considered that the public interest in maintaining the exemption outweighs the public interest in disclosing the information because of the need to conclude a contract with the preferred bidder and safeguard the Council's position until a contract has been concluded, and also to maintain security of the Council's assets.

Exclusion of the Public

Recommended:

That, pursuant to Regulation 4 of the Local Authorities (Executive Arrangements) (Meetings and Access to Information) (England) Regulations 2012, the public be excluded from the meeting for the consideration of the following Annex relating to Item 7.2.1.3 on the following matters on the grounds that they involve the likely disclosure of exempt information as defined in the following Paragraphs of Part 1 of Schedule 12A of the Local Government Act 1972, as amended, indicated below. The public interest in maintaining the exemption outweighs the public interest in disclosing the information for the reason given below:

Portersbridge Street Properties – Confidential Annex

Paragraph 3

It is considered that this report contains exempt information within the meaning of paragraph 3 of Schedule 12A of the Local Government Act 1972, as amended. It is further considered that the public interest in maintaining the exemption outweighs the public interest in disclosing the information because the information relates to the financial or business affairs of the Council and third parties who are necessarily identified, which information is commercially sensitive and which by its disclosure would have an adverse effect upon the interests of those third parties and the Council as they seek to settle agreed terms of business.

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