Test Valley Borough Council

Notice of Meeting

Cabinet

Date: Wednesday 12 February 2020

Time: 5.30 pm

Venue: Conference Room 1, Beech Hurst, Weyhill Road, Andover

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This is formal notice under The Local Authorities (Executive Arrangements) (Meetings and Access to Information) (England) Regulations 2012 that part of this meeting may be held in private because the agenda and reports for the meeting may contain exempt information under Part 1 of Schedule 12A to the Local Government Act 1972 (as amended) and that the public interest in withholding the information outweighs the public interest in disclosing it.

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.

Membership of Cabinet

MEMBER	WARD
Councillor P North (Chairman)	Bourne Valley
Councillor N Adams-King (Vice-Chairman)	Blackwater
Councillor P Bundy	Chilworth, Nursling & Rownhams
Councillor D Drew	Harewood
Councillor M Flood	Anna
Councillor A Johnston	Mid Test
Councillor T Tasker	Andover Romans
Councillor A Ward	Mid Test

Cabinet

Wednesday 12 February 2020

<u>AGENDA</u>

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

ITEM 6 Recommendations of Overview & Scrutiny Committee

6.1 Overview & Scrutiny Committee – 22 January 2020

6.1.1 2020/21 Budget Update

Consideration was given to a report which updated the Committee on changes to the 2020/21 budget forecast since the budget strategy was presented in November. This included the provisional Local Government Finance Settlement, the Local Council Tax Support Scheme, New Homes' Bonus provisional allocations and changes to revenues savings and pressures.

The report also provided an updated Medium Term Financial Forecast covering 2021/22 and 2022/23. In order to achieve a balanced budget it would be necessary to close the remaining gap of £57,600 before figures are finalised in February 2020.

The Head of Finance updated the Committee on the CPI inflation figures which was currently standing at 1.3% which is a 3 year low. Subsequently the budget forecast is currently being revised to reflect this rate.

The final budget report would be presented to Cabinet on 12 February 2020.

Recommended to Cabinet:

1. **That the savings option, income generation proposals and budget pressures, shown in Annexes 1 – 3, be endorsed.**

2. **That progress on achieving a balanced budget position for 2020/21 and over the medium term, shown in Annex 4, be endorsed.**

3. **That the feedback from business on budget consultation, shown in Annex 5, be endorsed.**

ITEM 7 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 to the report 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.

- 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.

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.

	£'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).

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).

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.

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 **£'000s**	**2021/22** **£'000s**	**2022/23** **£'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.

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.

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.

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.

<table>
<tr><td colspan="4"><u>Background Papers (Local Government Act 1972 Section 100D)</u>
1. “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</td></tr>
<tr><td colspan="4"><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.</td></tr>
<tr><td>No of Annexes:</td><td>9</td><td>File Ref:</td><td>N/A</td></tr>
<tr><td colspan="4">(Portfolio: Finance) Councillor M Flood</td></tr>
<tr><td>Officer:</td><td>Jenni Carter</td><td>Ext:</td><td>8236</td></tr>
<tr><td>Report to:</td><td>Cabinet</td><td>Date:</td><td>12 February 2020</td></tr>
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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**

ANNEX 3

SUMMARY OF CORPORATE CHALLENGE INCOME GENERATION PROPOSALS

Service / Ref	Service	Function	Savings Option Proposed	2020/21 £	2021/22 £	2022/23 £
Transfers to Reserves:						
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**
Transfers to Reserves:						
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**

ANNEX 4

SUMMARY OF REVENUE PRESSURES

Service / Ref	Service	Item	2020/21 £	2021/22 £	2022/23 £
Pressures previously identified in February 19 Budget Strategy:					
ENV05	Environmental	Incremental cost of additional waste collection coverage re. new properties	20,000	40,000	60,000
			20,000	**40,000**	**60,000**
Pressures identified in November Budget Strategy:					
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**
Pressures identified in January Update:					
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
			Service Requirements			
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**
			Other Requirements			
(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**
			Corporate Requirements			
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)**

ANNEX 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
Service Requirements					
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**
Other Requirements					
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**
Corporate Requirements					
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**

ANNEX 7

GENERAL FUND REVENUE ACCOUNT

SUMMARY ESTIMATES

Service Requirements	Final Outturn 2018/19 £'000	Original Estimate 2019/20 £'000	Forecast 2019/20 £'000	Original Estimate 2020/21 £'000
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**

ANNEX 7

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**

ANNEX 7

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**

ANNEX 7

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**

ANNEX 7

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**

ANNEX 7

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**

ANNEX 7

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)**

ANNEX 7

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**

ANNEX 7

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**

ANNEX 7

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**

ANNEX 7

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)**

ANNEX 7

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**

ANNEX 7

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)**

ANNEX 7

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:

	Earmarked Revenue Reserves:	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

ANNEX 9

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**
Andover Tax base 2020/21	*16,313*
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.

ITEM 8 Capital Programme Update – 2019/20 to 2021/22

Report of the Finance Portfolio Holder

Recommended:

That the revised estimates and financing for the 2019/20 to 2021/22 Capital Programme as shown in Annex 1 to the report, be approved.

SUMMARY:

- This report updates Councillors on the progress of the existing 2019/20 Capital programme and includes forecast changes to its timescale and total cost.
- It updates Councillors on projects where the timetable has changed from that currently approved, in particular where projects are expected to slip from the current year.

1 Introduction

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

1.2 The last update was presented on 6 November 2019 and gave details of the overall expenditure and financing of the Capital Programme for 2019/20 to 2021/22.

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

2 Background

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

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

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

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

3 Existing Capital Programme

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

3.2 The table below analyses the movement in the capital programme since the November 2019 update.

	£'000
2019/20 to 2021/22 capital budget per November report	**30,942.3**
Community Asset Fund – Outstanding project saving	(4.2)
Andover Leisure Centre – additions	10.6
Ampfield Recreation Ground – addition of budget for CIL grant	66.4
Abbotswood Pitches	39.3
Approved CIL projects	535.7
Multi Story Car Park Lifts	136.4
Footway	25.0
Chantry Centre WiFi	15.0
Domestic Investment property – additional	196.5
Commercial Investment, Andover	1,412.4
Budget reduced for unidentified schemes in 19/20	**(1,412.4)**
Registered providers – removal of 19/20 budget	**(300.0)**
2019/20 to 2021/22 capital budget per Annex 1	**31,663.0**

3.3 The paragraphs below provide some detail of the reasons for the above changes to budgets and also identifies projects that are expected to slip from 2019/20 to 2020/21. A summary of project slippage is shown in Annex 2.

3.4 <u>Asset Management Projects</u>

The Asset Management Plan (AMP) was presented to Cabinet on 6 November 2019.

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

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

3.5 Community and Leisure

Community Asset Fund - £4.2k being the remainder of a grant for a project in Romsey, has been written back as the project expenditure was less than expected.

Leisure Contract – a further £10.6k was added to the contract sum for additional asbestos removal.

Community Infrastructure Levy funded projects – following approval by Cabinet on 6 November 2019, £66.4k was added to the Ampfield Recreation Ground project along with six further projects at a cost of £535.7k in total.

Slippage has been identified in the following projects:

Leisure Contract - £398.5k has been slipped to 2020/21 due to plans being reviewed following concerns being raised about the proposed zip line at Charlton Lakes.

Property and Asset Management

Projects have been added since November. The first was a Footway £25k, which was approved by Cabinet on 15 January 2020 and is being funded from New Homes Bonus. The second being £15k for Andover Town Centre WiFi which is being funded from the Chantry Centre Reserve Fund and the Special Projects fund. The refurbishment of the multi storey car park lifts at a cost of £136.4k has been approved under delegated authority by the Head of Property and Asset Management in conjunction with the Finance portfolio holder and the Head of Finance with funding from the Chantry Centre Reserve.

Slippage has been identified in the following projects:

Due to difficulties with getting agreement for the provision of the footpath link between Smannell and Augusta Park the project has been delayed.

3.6 Project Enterprise

The purchase of a commercial investment at a cost of £1.4M was approved by the Head of Property and Asset Management in consultation with the member panel on 12 November 2019, this will be funded from the Capital Receipts Reserve.

An additional domestic investment property was added to the 2020/21 programme at a cost of £196,500 - this was approved by the Head of Property and Asset Management in consultation with the member panel on the 3 January 2020.

3.7 Affordable Housing

Due to the lack of claims by Registered Providers the budget for 2019/20 has been removed.

4 Resource Implications

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

4.2 The current surplus of funding for the Capital Programme to 2021/22 is £0.6M.

Slippage within the Capital Programme

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

4.4 This report identifies two additional projects that are expected to slip to 2020/21. The total slippage identified is £910.6k as shown in Annex 2. The reasons for the slippage have been explained in the paragraphs above.

5 Financing the Capital Programme.

Capital Receipts Reserve

5.1 The balance on the Capital Receipts Reserve as at 1 April 2019 was £6.022M.

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

The following table shows the level of capital receipts available to allocate to capital projects after considering the implications of past years' expenditure and the recommendations of this report. It must be noted that £3m allocated for 2019/20 Project Enterprise projects has been reduced by the budget for the retail unit to be purchased before year end.

Existing Capital Programme	**November 2019 £'000**	**February 2020 £'000**
Balance Capital Receipts Reserve (CRR) as at 1 April 2019	6,021.9	6,021.9
Total Capital Expenditure 2019/20 – 2021/22	(30,942.3)	(31,663.0)
Total Capital Financing 2019/20 – 2021/22	19,445.4	19,917.3
Forecast Deficit on CRR at 31 March 2022	**(5,475.0)**	**(5,728.2)**
Capital receipt for sale of property	6,000.0	6,298.9
Capital Receipts Reserve as at 31 March 2022	**525.0**	**575.1**

6 Revenue Consequences of the Capital Programme

6.1 The ongoing revenue impact of the capital budget has been built into Service estimates for 2020/21 and will be monitored throughout the year.

7 Corporate Objectives and Priorities

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

8 Risk Analysis

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

8.2 The Capital Programme presented for approval takes into account all known future capital receipts. If there are no future sources of capital receipts, there is a risk that the Council will not be able to fund a sustainably financed Capital Programme beyond 2021/22.

9 Equality Issues

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

10 Consultations

10.1 Portfolio Holders, Heads of Service and project managers were consulted in the update of the 2019/20 to 2021/22 Capital Programme.

11 Conclusion and reasons for recommendation

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

Background Papers (Local Government Act 1972 Section 100D) None			
Confidentiality It is considered that this report does not contain exempt information within the meaning of Schedule 12A of the Local Government Act 1972, as amended, and can be made public.			
No of Annexes:	2	File Ref:	N/A
(Portfolio: Finance) Councillor M Flood			
Officer:	Laura Berntsen	Ext:	8204
Report to:	Cabinet	Date:	12 February 2020

ANNEX 1

CAPITAL PROGRAMME AND FINANCING

Approved Projects

	November 2019				February 2020			
	2019/20 £'000	2020/21 £'000	2021/22 £'000	Total £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000	Total £'000
CAPITAL EXPENDITURE								
Asset Management Projects	1,962.8	2,788.0	0.0	4,750.8	1,962.8	2,788.0	0.0	4,750.8
Community & Leisure	4,477.6	1,648.1	0.0	6,125.7	4,161.5	2,612.0	0.0	6,773.5
Property & Asset Management	4,268.8	395.0	0.0	4,663.8	4,261.2	579.0	0.0	4,840.2
Project Enterprise	1,622.7	0.0	0.0	1,622.7	3,035.1	196.5	0.0	3,231.6
Housing & Environmental Health	800.0	950.0	0.0	1,750.0	800.0	950.0	0.0	1,750.0
IT	9.3	0.0	0.0	9.3	9.3	0.0	0.0	9.3
Affordable Housing	1,110.0	1,110.0	300.0	2,520.0	810.0	1,110.0	300.0	2,220.0
Total	**14,251.2**	**6,891.1**	**300.0**	**21,442.3**	**15,039.9**	**8,235.5**	**300.0**	**23,575.4**
CAPITAL FINANCING								
Capital Grants	750.0	850.0	0.0	1,600.0	750.0	850.0	0.0	1,600.0
Capital Receipts	6,123.7	50.0	0.0	6,173.7	6,453.2	50.0	50.0	6,553.2
PWLB Loan	1,997.2	0.0	0.0	1,997.2	1,550.0	0.0	0.0	1,550.0
Capital Contributions	8,092.8	6,511.9	569.8	15,174.5	8,001.7	7,359.4	1,151.9	16,513.0
Total	**16,963.7**	**7,411.9**	**569.8**	**24,945.4**	**16,754.9**	**8,259.4**	**1,201.9**	**26,216.2**
Contribution (to) / from balances	(2,712.5)	(520.8)	(269.8)	(3,503.1)	(1,715.0)	(23.9)	(901.9)	(2,640.8)
Total Financing	**14,251.2**	**6,891.1**	**300.0**	**21,442.3**	**15,039.9**	**8,235.5**	**300.0**	**23,575.4**

CAPITAL PROGRAMME AND FINANCING

Schemes yet to be identified

	November 2019				February 2020			
	2019/20 £'000	2020/21 £'000	2021/22 £'000	Total £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000	Total £'000
CAPITAL EXPENDITURE								
Community & Leisure		250.0	250.0	500.0		250.0	250.0	500.0
Project Enterprise	3,000.0	3,000.0	3,000.0	9,000.0	1,587.6	3,000.0	3,000.0	7,587.6
Total	**3,000.0**	**3,250.0**	**3,250.0**	**9,500.0**	**1,587.6**	**3,250.0**	**3,250.0**	**8,087.6**
CAPITAL FINANCING								
Capital Contributions		250.0	250.0	500.0		250.0	250.0	500.0
Total	**0.0**	**250.0**	**250.0**	**500.0**	**0.0**	**250.0**	**250.0**	**500.0**
Contribution (to) / from balances	3,000.0	3,000.0	3,000.0	9,000.0	1,587.6	3,000.0	3,000.0	7,587.6
Total Financing	**3,000.0**	**3,250.0**	**3,250.0**	**9,500.0**	**1,587.6**	**3,250.0**	**3,250.0**	**8,087.6**

ANNEX 1

ASSET MANAGEMENT PROJECTS
CAPITAL PROGRAMME

Ref	Scheme	November 2019				February 2020			
		2019/20 £'000	2020/21 £'000	2021/22 £'000	Total £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000	Total £000
1	Land and Property Projects	617.5	1,420.0		2,037.5	617.5	1,420.0		2,037.5
2	Vehicle and Plant Projects	1,132.7	1,275.0		2,407.7	1,132.7	1,275.0		2,407.7
3	IT Equipment Projects	212.6	93.0		305.6	212.6	93.0		305.6
	Total AMP Capital Programme	**1,962.8**	**2,788.0**	**0.0**	**4,750.8**	**1,962.8**	**2,788.0**	**0.0**	**4,750.8**

COMMUNITY & LEISURE CAPITAL PROGRAMME

Ref	Scheme	November 2019 2019/20 £'000	November 2019 2020/21 £'000	November 2019 2021/22 £'000	November 2019 Total £'000	February 2020 2019/20 £'000	February 2020 2020/21 £'000	February 2020 2021/22 £'000	February 2020 Total £000
1	Community Asset Fund - New projects 2019/20	250.0			250.0	250.0			250.0
1A	Community Asset Fund - O/s projects	233.6			233.6	229.4			229.4
2	RSC Skate Park	172.5			172.5	172.5			172.5
3	Knightwood Skate Park	10.5			10.5	10.5			10.5
4	Andover War Memorial	19.3			19.3	19.3			19.3
5	East Anton Public Art	26.5			26.5	26.5			26.5
6	Charlton Lakes Footpath	2.0			2.0	2.0			2.0
7	Upgrade War Memorial Park Play area	3.1			3.1	3.1			3.1
8	Leisure Contract	2,460.9			2,460.9	2,073.0	398.5		2,471.5
9	Fitness Equipment - Valley Park	20.0			20.0	20.0			20.0
10	Play Areas - Jubilee Park, Nursling	69.8			69.8	69.8			69.8
11	Fishlake Meadows	170.5			170.5	170.5			170.5
12	Public Art - Adanac Park	29.7			29.7	29.7			29.7
13	Ganger Farm - Sports & Recreation	635.5			635.5	635.5			635.5
14	Fitness Trail - Romsey	35.0			35.0	35.0			35.0
15	Boundary fencing & hedging - land purchase	53.6			53.6	23.9	29.7		53.6
16	Picket Twenty - Pavilion/pitch changes		1,400.0		1,400.0		1,400.0		1,400.0
17	Picket Twenty - Phase 4 play area		148.1		148.1		148.1		148.1
18	SANG - Sherfield English	80.0	100.0		180.0	80.0	100.0		180.0
19	King Somborne Community Building Contribution	95.0			95.0	95.0			95.0
20	Land Protection	54.5			54.5	54.5			54.5
21	Ampfield Recreation Ground	55.6			55.6	122.0			122.0
22	Abbotswood Pitches					39.3			39.3
23	Plaza Theatre Stage House Rebuild						200.0		200.0
24	Longparish Playground Redevelopment						40.0		40.0
25	Charlton Lakes Bridge						100.4		100.4
26	Valley Park Community Centre						79.5		79.5
27	Over Wallop War Memorial						20.0		20.0
28	Braishfield Village Hall						95.8		95.8
	Total Approved Projects	**4,477.6**	**1,648.1**	**0.0**	**6,125.7**	**4,161.5**	**2,612.0**	**0.0**	**6,773.5**
	Community Asset Fund Projects - yet to be identified		250.0		250.0		250.0	250.0	500.0
	Total C&L Capital Programme	**4,477.6**	**1,898.1**	**0.0**	**6,375.7**	**4,161.5**	**2,862.0**	**250.0**	**7,273.5**

PROPERTY AND ASSET MANAGEMENT SERVICE
CAPITAL PROGRAMME

Ref	Scheme	November 2019 2019/20 £'000	November 2019 2020/21 £'000	November 2019 2021/22 £'000	November 2019 Total £000	February 2020 2019/20 £'000	February 2020 2020/21 £'000	February 2020 2021/22 £'000	February 2020 Total £000
1	Hampshire Community Bank	125.0	125.0		250.0	125.0	125.0		250.0
2	Pocket Park, Town Mill Access & Environmental Enhancement	1,250.0			1,250.0	1,250.0			1,250.0
3	Romsey Flood Alleviation Scheme	235.0			235.0	235.0			235.0
4	Generator - Business Continuity	40.0			40.0	40.0			40.0
5	Footpath link - Smannell to Augusta	164.0			164.0		164.0		164.0
6	Strategic purchase	447.2			447.2	447.2			447.2
7	Purchase Chantry Centre	71.5			71.5	71.5			71.5
8	Chantry Centre Toilet Refurbishment	173.0			173.0	173.0			173.0
9	Multi Storey Car Park Lift Refurbishment					136.4			136.4
10	High St, Retail Units	1,549.0			1,549.0	1,549.0			1,549.0
11	New Car Park Ticket machines	179.1			179.1	179.1			179.1
12	Southampton Rd, Pedestrian & Cycle Route		270.0		270.0		270.0		270.0
13	Botley Rd, informal crossing point	35.0			35.0	35.0			35.0
14	A Footway					5.0	20.0		25.0
15	Andover Town Centre WiFi					15.0			15.0
	Total P & AM Capital Programme	**4,268.8**	**395.0**	**0.0**	**4,663.8**	**4,261.2**	**579.0**	**0.0**	**4,840.2**

PROJECT ENTERPRISE
CAPITAL PROGRAMME

Ref	Scheme	November 2019				February 2020			
		2019/20 £'000	2020/21 £'000	2021/22 £'000	Total £000	2019/20 £'000	2020/21 £'000	2021/22 £'000	Total £000
1	Columbus Quarter	1,000.0			1,000.0	1,000.0			1,000.0
2	Solar Panels Ganger Farm Pavilion	60.0			60.0	60.0			60.0
3	Domestic Investment Property 14 - Galahad Close	181.1			181.1	181.1			181.1
4	Domestic Investment Property 15	186.0			186.0	186.0			186.0
5	Domestic Investment Property 16	195.6			195.6	195.6			195.6
6	Commercial Investment, Andover					1,412.4			1,412.4
7	Domestic Investment Property 17						196.5		196.5
	Total Approved Projects	**1,622.7**	**0.0**	**0.0**	**1,622.7**	**3,035.1**	**196.5**	**0.0**	**3,231.6**
	Purchase of Investment properties - yet to be identified	3,000.0	3,000.0	3,000.0	9,000.0	1,587.6	3,000.0	3,000.0	7,587.6
	Total PE Capital Programme	**4,622.7**	**3,000.0**	**3,000.0**	**10,622.7**	**4,622.7**	**3,196.5**	**3,000.0**	**10,819.2**

ANNEX 1

HOUSING & ENVIRONMENTAL HEALTH SERVICE CAPITAL PROGRAMME

Ref	Scheme	November 2019				February 2020			
		2019/20 £'000	2020/21 £'000	2021/22 £'000	Total £000	2019/20 £'000	2020/21 £'000	2021/22 £'000	Total £000
1	Renovations and Minor Works Grants	50.0	100.0		150.0	50.0	100.0		150.0
2	Disabled Facilities Grants/Loans	750.0	850.0		1,600.0	750.0	850.0		1,600.0
	Total H & EH Capital Programme	**800.0**	**950.0**	**0.0**	**1,750.0**	**800.0**	**950.0**	**0.0**	**1,750.0**

INFORMATION TECHNOLOGY SERVICE
CAPITAL PROGRAMME

Ref	Scheme	November 2019				February 2020			
		2019/20 £'000	2020/21 £'000	2021/22 £'000	Total £000	2019/20 £'000	2020/21 £'000	2021/22 £'000	Total £000
1	Sharepoint Server	9.3			9.3	9.3			9.3
	Total IT Capital Programme	**9.3**	**0.0**	**0.0**	**9.3**	**9.3**	**0.0**	**0.0**	**9.3**

ANNEX 1

AFFORDABLE HOUSING CAPITAL PROGRAMME

Ref	Scheme	November 2019				February 2020			
		2019/20 £'000	2020/21 £'000	2021/22 £'000	Total £000	2019/20 £'000	2020/21 £'000	2021/22 £'000	Total £000
	Testway Covenant								
1	Nightingale Lodge	810.0	810.0		1,620.0	810.0	810.0		1,620.0
2	Registered providers	300.0	300.0	300.0	900.0		300.0	300.0	600.0
	Total A H Capital Programme	**1,110.0**	**1,110.0**	**300.0**	**2,520.0**	**810.0**	**1,110.0**	**300.0**	**2,220.0**

Slippage 19/20	**November 2019**	**February 2019**	**Total**	
Community & Leisure				
Picket Twenty Play areas	148.1		**148.1**	
Picket Twenty Pavilion/Pitch changes	100.0		**100.0**	
Boundary fencing & hedging		29.7	**29.7**	
SANG, Sherfield English	100.0		**100.0**	
Leisure Centre		398.5	**398.5**	
				776.3
Property & Asset Management				
Footpath link - Smannell to Augusta		164.0	**164.0**	
				164.0
Total Slippage	**348.1**	**592.2**		**940.3**

ITEM 9 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.

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;

- 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.

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**

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**
Movement in CFR	***5,900.0***	***1,363.0***	***(191.2)***	***(195.5)***

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.

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.

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.

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.

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.

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.

- **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.

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

These are investments which do not meet the Specified Investment criteria. A maximum of 50% will be held in aggregate in non-specified investments with no more than £5M to be held with any one counterparty (excluding other local authorities). Maturities in excess of 1 year.	**Minimum Credit Criteria** **(para.6.8)**	**Max. maturity period**
Term deposits – local authorities	--	60 months

Term deposits - Banks	Per Link colour code	24 months
Fixed term callable deposits with variable rate and variable maturities	Per Link colour code (see para.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.

- 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.

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

- 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.

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

ANNEX 1

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		6,585			
Difference		**(663)**			
Gross debt higher than CFR due to negative CFR b/f.					

ANNEX 1

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 that 50% of the portfolio size at the time the investment is placed)	**£35,000**	**£35,000**	**£35,000**	**£35,000**	**£35,000**

Maturity structure of fixed rate borrowing during 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%	-	-	-	-	-

ANNEX 3

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.

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- **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 his 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.

ITEM 10 Discretionary Rate Relief Policy Update

Report of the Finance Portfolio Holder

Recommended:

1. **That the updated Discretionary Rate Relief Policy, as shown in the annex to the report, be approved.**

2. **That the Head of Revenues, in consultation with the Finance Portfolio Holder, be given authority to add new Discretionary Rate Reliefs into the Discretionary Rate Relief Policy where (a) such new relief is fully funded by government (including any cost of implementation) and (b) there is clear guidance as to which businesses are eligible for the relief**

SUMMARY:

- This report presents an updated Discretionary Rate Relief Policy for approval. Changes to the existing policy include an increase to the amount of Retail Relief, the re-introduction of Pub Relief and a change to the way that Revaluation Relief is awarded.
- The report also recommends a change to the Head of Revenues' delegated authority to enable him to introduce new discretionary reliefs where there is no net cost to the Council and eligibility criteria are clearly set out by government.

1 Introduction

1.1 The Council is responsible for the billing and collection of business rates from all non-domestic properties in the borough.

1.2 A number of reliefs are available to mitigate the cost of business rates payable by certain types of business. Some of these are mandatory whereas others are applied locally using discretionary powers.

1.3 This report seeks to update the Discretionary Rate Relief Policy (DRRP) for 2020.

1.4 Under current arrangements, Cabinet approval is required for changes to the DRRP and for the introduction of all new discretionary reliefs.

2 Background

<u>Discretionary Rate Relief Policy</u>

2.1 The DRRP contains details of all types of discretionary relief available to businesses in Test Valley and sets out the eligibility criteria that must be met in order to be able to benefit from them. The updated DRRP recommended for approval is attached as the annex to this report.

2.2 The DRRP is largely unchanged from the version that was last approved by Cabinet in January 2019. The few changes that are recommended all relate to special reliefs (i.e. those introduced by government to mitigate specific circumstances or to target particular industries). The changes are:

- The re-introduction of Pub Relief. It was announced on 27 January that pubs with a rateable value of less than £100,000 will receive a £1,000 discount from their bill. This re-introduces an earlier scheme that ended on 31 March 2019.
- An increase in Retail Relief. In the same announcement on 27 January, it was confirmed that the amount of Retail Relief available to eligible businesses will increase from one third to 50% for 2020/21.
- Updating the Supporting Small Business Relief eligibility criteria. This relief was introduced in 2017 following the national revaluation to support businesses no longer eligible for Small Business Rate Relief. The change is set out in government guidance and is fully funded by government.
- Revaluation Relief scheme. The funding provided by the government to operate this scheme is reducing next year and will make the current scheme unaffordable. Options for changes to this relief are set out in paragraph 4.

<u>Approval of new discretionary rate reliefs</u>

2.3 There have been a number of new discretionary reliefs introduced in recent years (e.g. pub relief, retail relief) which have been fully funded by central government. The Council has fully implemented all of these reliefs.

2.4 Rather than pass new legislation to introduce these reliefs, the government has generally committed to funding billing authorities for awarding relief under powers contained in section 47 of the Local Government Finance Act 1988. In most cases, the government has also given clear guidance as to the amount of relief that should be awarded and which types of business are be eligible to receive relief.

2.5 Depending on the timing of new relief announcements and the requirement to seek Cabinet approval, the Council's ability to introduce the new relief (and pass on the benefits of that relief to local businesses) in a timely manner can be impaired. For example, if a new relief is announced early in the new year, it may not be possible to obtain Cabinet approval in sufficient time to allow that relief to be incorporated into the annual bills that are produced in early March each year.

2.6 To expedite the introduction of new business rate reliefs, it is recommended that the Head of Revenues, in consultation with the Finance Portfolio Holder, be given delegated authority to add new discretionary reliefs into the DRRP, provided that:

- The relief is fully funded by government (including the costs of implementation e.g. system changes), and
- There is clear guidance as to which businesses are eligible for the relief.

2.7 This means that, had the announcement come too late to be included in this report, the Head of Revenues would have been able to update the Policy in respect of the Pub Relief and Retail Relief changes noted above. However, reliefs such as the Revaluation Relief scheme, discussed below, would be outside the scope of this delegation as there is a local decision to be made about eligibility.

3 Corporate Objectives and Priorities

3.1 Business rates apply to all non-domestic properties. The objectives of the DRRP are mostly closely linked to the Corporate Plan’s Town Centre and Communities objectives.

4 Options

4.1 The Revaluation Relief scheme was introduced in 2017 following the national revaluation. Instead of giving clear guidance on how to allocate funding, government took the unusual step of giving complete discretion to billing authorities in developing their own local schemes. A fixed amount of funding has been allocated for each year of the scheme (2017/18 – 2020/21).

4.2 Funding allocations were heavily front-loaded. The allocation in 2017/18 was £322,000. This dropped to £156,000 in 2018/19 and £64,000 in the current year. The allocation for 2020/21 is only £9,000.

4.3 Based on current awards of relief, the Council has approximately £12,000 unallocated in 2019/20. The government will only reimburse actual amounts awarded, so it is necessary to revise the policy for 2019/20 to ensure that the maximum possible relief is passed to local businesses.

4.4 Using the current eligibility criteria, it is forecast that the amount of relief to be awarded in 2020/21 will be in excess of £25,000. As the funding allocation is only £9,000 for the year, it is necessary to consider a revision to how relief is awarded.

4.5 The options, set out below, consider the implications of both the current year and forecast position for 2020/21. The options considered are:

- Option 1 – Do nothing
- Option 2 – Use current awards to pro rata top-up in the current year / allocate the full balance for 2020/21 (Recommended).
- Option 3 – Provide a fixed sum of relief to all existing beneficiaries
- Option 4 – Revise the criteria to target specific types of business

4.6 The existing eligibility criteria targets small / medium-sized local businesses. To get relief, at least 50% of a business’s total rateable value should be in Test Valley and the rateable value of a property below £200,000. Relief is capped at £500 per property and the minimum amount awarded is £50. The relief is only available to businesses that have been in continuous occupation of their property since 31 March 2017.

5 Option Appraisal

Option 1 – Do nothing

5.1 This option would mean that the Council does not allocate the maximum amount possible in 2019/20 and would create a budget pressure in 2020/21. Unspent funding cannot be carried forward from one year to another. This option is not recommended.

Option 2 – Pro rata existing awards to ensure maximum allocation (Recommended)

5.2 This option will ensure that the full allocation is awarded to businesses in both 2019/20 and 2020/21.

5.3 The method of calculating relief in the existing policy was set to offer greater support to businesses that were impacted most significantly by the revaluation in 2017.

5.4 Using the amount of relief that was originally calculated for 2019/20 as the basis for awarding the remainder of the budget will allow those same principles to be continued. This is also the simplest way to allocate relief in 2020/21 considering the low level of funding that is available.

5.5 It is estimated that top-up relief of between £50 and £125 will be awarded to 117 businesses in 2019/20 and 106 businesses will receive between £50 and £100 relief in 2020/21.

Option 3 – Provide a fixed sum of relief to existing beneficiaries to ensure maximum allocation

5.6 This option is similar to option 2 insofar as it is based on existing beneficiaries and will ensure that the maximum budget allocation is awarded in both years. Awards are estimated to be £90 per business in 2019/20 and £70 per business in 2020/21.

5.7 This is the simplest way to award the remaining budget; however, the slightly cruder calculation would result in equal awards of relief to all business. It does not take account of the initial award that was based on each business's individual circumstances. For this reason, this option is not recommended.

Option 4 – Revise the eligibility criteria to target specific types of business

5.8 Since the introduction of Revaluation Relief in 2017, the government has introduced other reliefs to target specific types of business. The most significant of these is Retail Relief.

5.9 There are 132 businesses receiving relief in 2019/20 split across 16 different rating classifications (e.g. retail, office etc.).

5.10 Given the low level of funding available and the existence of other targeted reliefs, this option is not recommended.

6 Risk Management

6.1 An evaluation of the risks indicates that the existing controls in place mean that no significant risks have been identified at this time.

7 Resource Implications

7.1 The recommended option will ensure that the maximum amount of relief is awarded to local businesses without creating an additional cost to the Council.

8 Legal Implications

8.1 The powers under which the Council can award each relief and the way that government will reimburse the Council for the relief awarded are shown in the Annex to the report.

9 Equality Issues

9.1 No equality issues have been identified in the preparation of this report.

10 Conclusion and reasons for recommendation

10.1 The report sets out some minor changes to the Discretionary Rate Relief Policy. These changes are all being made in line with government guidance or to ensure that reliefs can continue to be awarded within budget.

10.2 New reliefs are introduced by the government from time to time. The Council's ability to introduce these reliefs efficiently helps pass on the benefits of the relief to local businesses as quickly as possible. The recommended change to the Head of Revenues' delegated authority will help to achieve this.

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:	1	File Ref:	N/A
(Portfolio: Finance) Councillor M Flood			
Officer:	Carl Whatley	Ext:	8540
Report to:	Cabinet	Date:	12 February 2020

ANNEX

Test Valley Borough Council

Revenues Service

Discretionary Rate Relief Policy

Last updated: February 2020

ANNEX

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Discretionary Rate Relief Policy

1 Introduction

There are two ways in which Discretionary Rate Relief may be granted:-

- to "top-up" mandatory relief already awarded
- as an award based on various criteria, of up to 100%.

When deciding whether to make an award of discretionary rate relief, consideration should be given to the interests of the taxpayers of Test Valley, as the Council must bear a percentage of the cost of any relief granted.

In most cases with the exception of special reliefs which are fully funded by central government. The cost of the relief is shared as follows; central government 50%; Test Valley Borough Council 40%; Hampshire County Council 9%; and Hampshire Fire and Rescue Authority 1%. The central government and Council share changes to 70% / 20% where the Council has business rates growth above a baseline figure.

Mandatory relief is granted where:-

- the ratepayer of a property is a charity, or the trustees of a charity, and
- the property is wholly/mainly used for charitable purposes (including charity shops, where the goods sold are mainly donated and the proceeds are used for the purposes of the charity)
- the ratepayer of a property is registered with Her Majesty's Revenues and Customs (HMRC) as a Community Amateur Sports Club (CASC)

or in the case of Mandatory Rural Rate Relief, the property is a qualifying:-

- food shop
- general store
- post office
- public house
- petrol filling station

The Council has the discretion to award additional rate relief to reduce the liability still further and the policies detailed below are to be followed when dealing with an application.

No discretionary relief will be awarded to charities that are occupying hereditaments in return for a payment/donation from the landlord/owner/agent of the hereditament or where they are occupying premises for a nominal rent.

2 Legal Powers

This policy covers all the Council's discretionary powers under Sections 43, 47 and 49 of the Local Government Finance Act 1988 as revised, in addition to Local Government and Rating Act 1997, Rating (Former Agricultural Premises and Rural Shops) Act 2001 and NDR (Public Houses and Petrol Filling Stations)(England) Order 2001.

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3 Objectives

The overriding aim of the policy is to ensure that when considering whether it is appropriate to grant discretionary rate relief, the needs of the community and the interests of the Council Tax payers are taken into account, bearing in mind the Council's priorities.

4 Scope

This policy will be adhered to by all staff and Members involved with consideration of Discretionary Rate Relief applications.

5 Applications

With regard to the majority of discretionary reliefs, completed application forms may be required from each applicant and it must be demonstrated, where appropriate, how the individual, organisation or business can contribute towards the Council's priorities.

In relation to special reliefs, ratepayers will be required to complete an application form and receive a decision within 6 months of the end of the financial year to which the application relates and make a declaration with regard to State Aid.

Applications from excepted hereditaments cannot be considered. These are properties which are occupied by a billing or major precepting authority.

6 Approvals

Initial recommendations are to be approved by the Revenues & Welfare Manager or authorised officer with final approval from the Head of Revenues and the Finance Portfolio Holder, who have the relevant delegated authority.

7 Relationship between reliefs

There is no "better buy" provision in the legislation. Therefore:

- If a property is eligible for charitable relief as well as small business relief, it shall receive charitable relief only.

- If a property is eligible for rural rate relief and small business rate relief, it shall receive rural rate relief only.

- If a property is eligible for all three reliefs, it shall receive charitable relief only.

8 Charities

Mandatory relief is granted where the ratepayer of a property is

- a charity, or the trustees of a charity, and
- the property is wholly/mainly used for charitable purposes.

ANNEX

For the purposes of discretionary relief, the organisation does not have to be a registered charity. Determination of charitable status largely relies on case law, which has established 4 main divisions of charity:-

- the relief of poverty
- the advancement of religion
- the advancement of education, and
- other trusts beneficial to the community not falling under the other headings.

8.1 Criteria

Discretionary relief will be recommended if the charity:-

1	Meets local needs in the district and benefits local people	• if the premises are used for the purposes of a national organisation, the Council will not normally grant any discretionary relief • if the premises are used for a semi-national (or county-wide) organisation, the extent to which the Borough and its residents benefit from the organisation must be taken into account • if the premises are used for a local organisation the full "top-up" will be awarded
2	Does not have more than 12 months spending available as "free reserves" (not legally restricted)	• unless a Business Plan exists detailing how these reserves are to be used to the benefit of the local community
3	Provides evidence to support the application	
4	Provides the previous 2 years' signed accounts	

8.2 Village Halls and Community Centres

Village Halls and Community Centres, which are not excepted (see 5 above), will be awarded 80% mandatory relief and 20% discretionary relief unless the Head of Revenues, in consultation with the Finance Portfolio Holder, considers it inappropriate to do so, based on the financial standing of the ratepayer(s).

9 <u>Charity Shops</u>

Mandatory relief will be granted where the ratepayer of a property is

- a charity, or the trustees of a charity, and
- donated goods relate to more than 50% of total sales, and
- the proceeds of goods (after any deductions for expenses) are applied for the purposes of the charity

Providing the above criteria are met, 80% mandatory relief will be granted.

9.1 Criteria

Discretionary relief will be recommended if the charity:-

1	Meets local needs in the district and benefits local people	• if the premises are used for the purposes of a national organisation, the Council will not normally grant any discretionary relief • if the premises are used for a semi-national (or county-wide) organisation, the extent to which the Borough and its residents benefit from the organisation must be taken into account • if the premises are used for a local organisation the full "top-up" will be awarded
2	Does not have more than 12 months spending available as "free reserves" (not legally restricted)	• unless a Business Plan exists detailing how these reserves are to be used to the benefit of the local community
3	Provides evidence to support the application	
4	Provides the previous 2 years' signed accounts	

9.2 Non-Profit Organisations, Clubs and Societies

The Council has the discretion to award up to 100% Discretionary Rate Relief to organisations whose main objectives are charitable or philanthropic, or concerned with education, social welfare, science, literature, fine arts or recreation. The determination of charitable (or non-profit) status largely relies on case law which has established the 4 main divisions of charity shown in section 8, above.

9.3 Criteria

Discretionary relief will be awarded if the organisation is not excepted (see above) and:-

1	The main objectives of the organisation are concerned with	• the relief of poverty • the advancement of religion • the advancement of education • social welfare • science • literature • arts • recreation, or • in other ways which are beneficial to the local community

2	Meets local needs in the borough and benefits local people	• if the premises are used for the purposes of a national organisation the Council will not normally grant discretionary relief • if the premises are used for a semi-national or county-wide organisation, the extent to which the Borough and its residents benefit must be taken into account and relief of up to 50% will be granted • if the premises are used for a local organisation up to 100% will be awarded
3	Provides a valuable service to the community	• which is complementary to those services provided by or supported by the Council, or • which relieves the need for the Council to provide such services
4	Is open to all sections of the community	• or access is restricted by providing a service for a specific sector of the community for justifiable reasons such as addressing inequality
5	Is able to demonstrate that the way in which it operates does not discriminate against any section of the community	• please see 9.4 below
6	Is non-profit making	• no high surplus of income over expenditure • as a guide, no more than 12 months expenditure available in unrestricted reserves unless a Business Plan exists, detailing how these reserves are to be used to the benefit of the local community
7	If the organisation has licensed bar facilities	• please see 9.5 below
8	If the organisation requires a membership or entry fee	• please see 9.6 below
9	Evidence is provided to support the application	
10	The previous 2 years' signed accounts are provided	

9.3.1 Community Amateur Sports Clubs (CASC)

If a sports club is registered with HMRC as a CASC it will be entitled to 80% mandatory relief. The club will also be awarded 20% discretionary rate relief.

9.3.2 Village Halls and Community Centres

Village Halls and Community Centres that are not charities and which are not excepted (see 5 above), will be awarded 100% discretionary relief unless the Head of Revenues, in consultation with the Finance Portfolio Holder, considers it inappropriate to do so, based on the financial standing of the ratepayer(s).

9.4 Discrimination

In order to qualify for Discretionary Rate Relief clubs must be able to show that all facilities are available to members without discrimination.

Discrimination includes indirect discrimination and encompasses any of the characteristics protected by law, except as a necessary consequence of the requirements of a particular sport.

This does not prevent a club from having different classes of membership depending on:-

- The age of the member
- Whether the member is a student
- Whether the member is waged or unwaged
- Whether the member is a playing or a non-playing member
- How far from the club the member lives, or
- Any restriction on the days or times when the member has access to the club's facilities

9.4.1 Sports Clubs

There are additional considerations in the case of sports clubs.

If a club effectively discriminates by only accepting members who have already reached a certain standard, rather than seeking to promote the attainment of excellence by enhancing access and the development of sporting aptitude, then it does not have an open membership policy. Therefore, a club selecting members on the basis of existing attainment would not come within the requirements.

Clubs can refuse or revoke membership, on non-discriminatory grounds, where the membership, or continued membership of the person concerned would be likely to be contrary to the best interests of the sport or the good conduct and interests of the club.

Although clubs should be open to all, without discrimination, single-sex clubs may be permitted where such restrictions are not discriminatory in intent but a genuine result of physical restraints (such as changing room facilities) or the requirements of the sport.

9.5 Organisations with Licensed Bar Facilities

9.5.1 Sports Clubs

Any Discretionary Rate Relief award will be aimed at the sporting activity of the club.

- If the bar income aids the overall operation and development of the organisation, this would be allowable provided it is still primarily a sports organisation and such funds are shown to provide direct support for the sporting activities
- The level of the relief awarded will be reduced if the net income from the bar and gaming machines, expressed as a percentage of total income, is 30% or greater.

ANNEX

9.5.2 Other Organisations

- If the bar income aids the overall operation and development of the organisation, this would be allowable provided it is a minor function of the organisation and funds can be shown to provide direct support for the organisation's activities.
- The level of the relief awarded will be reduced if the net income from the bar and gaming machines, expressed as a percentage of total income, is 30% or greater.

9.6 Membership and Entry Fees

If the organisation requires a membership or entry fee, the Council will give regard as to whether:-

- The subscription or fees are set at a high level which excludes the general community
- Fee reductions are offered for certain groups such as under 18s or over 60s
- Membership is encouraged from particular groups such as young people, older age groups, persons with disabilities or to reduce inequality
- Facilities are available to people other than members, e.g. schools, public sessions.

9.7 Council Priorities

The Council would wish to support organisations which provide the following categories of service to the Borough's residents:-

a. support for the disadvantaged, e.g. disabled, unemployed, elderly, those with health problems, those with drugs or alcohol problems, young people
b. support with housing needs
c. education and training opportunities
d. support with debt and financial management
e. facilities for scouts, guides, youth clubs and youth groups
f. village halls and community centres
g. sports clubs and other organisations providing recreational facilities
h. theatres and dramatic societies

Those organisations applying for relief, whose work involves children, young or vulnerable adults, must be able to demonstrate that appropriate checks have been carried out on staff and volunteers, and that sound child protection policies are in place.

10 <u>Rural Rate Relief</u>

Rural Rate Relief applies to certain properties which are situated in a rural settlement. A rural settlement is one which appears to have a population of not more than 3,000 on the 31st December preceding the financial year in question, which is wholly or partly within a designated area. The Rural Settlement list is published each year.

ANNEX

10.1 Changes to Mandatory Rural Rate Relief

50% Mandatory Relief will be awarded to any of the following type of premises, where it is the only such business within the rural settlement area. This will be topped up with a further 50% discretionary rural rate relief.

- Food shops selling food which is wholly / mainly for human consumption (excluding confectionery and the supply of food in the course of catering), with a rateable value of £8,500 or less.
- General stores selling food for human consumption and general household goods, with a rateable value of £8,500 or less.
- Post Offices holding a Post Office Licence under the Post Office Act 1953, with a rateable value of £8,500 or less.
- Public houses with a licence granted under the Licensing Act 2003 which authorise the retail sale of alcohol for consumption on the premises and has a rateable value of £12,500 or less.
- Petrol filling stations with a rateable value of £12,500 or less.

10.2 Discretionary Rural Rate Relief

The Council has the power to award Discretionary Rural Rate Relief of up to 100%. Discretionary relief will be considered in the following circumstances.

- The property has a rateable value of £16,500 or less
- There is no high surplus of income over expenditure (no more than 12 months spending held as a reserve)
- The business must be considered to be of benefit to the local community. The application will be referred to local Members for their approval

11 Timing of Decisions

Ratepayers wishing to apply for discretionary relief will be required to complete an application and receive confirmation that relief has been awarded within 6 months of the end of the financial year to which the application relates. If a decision on an application is made more than 6 months after the end of the financial year in respect of which the application is made, no relief will be applied.

12 Notification of Decision

Applicants will be notified in writing of any decision made in respect of their applications, whether they are successful or not. The notification will include a revised bill where appropriate.

13 Rights of Appeal

Unsuccessful applicants should, in the first instance, detail in writing their reasons for not agreeing with any decision to the Revenues & Welfare Manager.

Should they still be aggrieved having received a response to the first “appeal” they should then contact the Head of Revenues who will arrange to have their case brought before the Cabinet at the earliest opportunity.

14 Review

Awards of Discretionary Rate Relief will be reviewed regularly.

15 Hardship Relief

The Council has the discretion to reduce the amount a ratepayer is liable to pay as a result of a business suffering unexpected hardship arising from short-term unexpected circumstances (e.g. the impact of flooding affecting customer access to the business), to the extent that the viability of the business would be threatened if an award were not made.

Relief will not be considered where a business is facing a market downturn in trade, increased competition or increasing costs unless there are wider local amenity issues that an award of relief will help ameliorate, e.g. the potential closure of the only shop in a village.

Each case will be judged on its merits. Relief will be awarded where the Council is satisfied that:

- the ratepayer would sustain hardship if no relief is granted; and
- it is reasonable for the Council to grant the relief having due regard to the interests of the Council Tax payers

15.1 Guidelines for Consideration of Hardship Relief

a) Any decision must be balanced against the wider interests of the council tax payers of the Borough.

b) There must be proof that hardship exists.

c) Evidence must be provided to support the application, including as a minimum:

- A detailed business plan and cashflow forecast covering at least the next 12 months. This should demonstrate how the company expects to become sustainable following the ending of any Hardship Relief period.
- A copy of the business's accounts for the previous two years.

d) It is expected that businesses should have taken prompt action to mitigate the factors giving rise to hardship (e.g. challenging an increased rateable value)

e) The amount of rates that will be remitted will depend upon the circumstances of each case and will be effective for a set period. Relief will be withdrawn on the sale of the business.

f) It is unlikely that relief will be awarded in cases where there is little expectation of economic surivival of the business beyond any relief period.

g) The purpose of this policy is to support local businesses in the community. In assessing this factor the Council will consider the following criteria:

- the business's contribution to local distinctiveness

- the size of the business – the Council would normally prioritise smaller businesses although relief is potentially available for all businesses
- how the granting of rate relief will be in the interest of council tax payers.

16 Special Reliefs

From time to time the Government provides for the Council to grant relief for a particular set of circumstances and/or for a specific period. These do not normally require a change in legislation and are provided for by Section 47 of the Local Government Finance Act 1988, as amended by Section 69 of the Localism Act 2011.

These reliefs will be covered in separate appendices and currently include:-

- **Newspaper Premises Relief** — Appendix 1
- **Supporting Small Business Relief** — Appendix 2
- **Revaluation Relief** — Appendix 3
- **Retail Relief** — Appendix 4
- **Public Convenience Rate Relief** — Appendix 5
- **Pub Relief** — Appendix 6

The Council will be reimbursed in full by the Government by way of a grant under Section 31 of the Local Government Act 2003 for its share of the costs of awarding these special reliefs.

17 State Aid

Relief from taxes, including Non-Domestic Rates, can constitute State Aid and this must be borne in mind when considering granting Discretionary Relief.

Rate relief for European and national legislation requires that public bodies do not provide tax exemptions or other relief which might serve to give a business an advantage over other businesses and so distort competition in the marketplace. Such an advantage is termed State Aid. The State Aid 'de minimis' limit is that the total amount of State Aid funding received by an organisation should not exceed 200,000 euros over a three year period. Some businesses have a lower limit e.g. road transport, and others e.g. agriculture, cannot be supported under the 'de minimis' rules. The limit applies to State Aid received from any public body and has to be aggregated. The Government has provided template documentation to be used to get appropriate declarations about other aid received by applicants for relief. False declarations could result in prosecution and the aid being reclaimed from the organisation concerned.

ANNEX

Appendix 1 – Newspaper Premises Relief

The Government introduced a temporary business rates discount for office space occupied by local newspapers, effective from 1st April 2017.

It was announced on 27th January 2020 that this relief will continue for a further 5 years until 31st March 2025. The cost of this relief will be met by a government grant.

Businesses Eligible for Relief

Properties occupied as office space by local newspapers in England will be eligible for this relief. There is a maximum of one discount per newspaper title and one discount per hereditament.

Where a property becomes / ceases to be used as office accommodation during the year, the relief will be applied on a pro-rata basis.

Amount of Relief

The maximum amount of relief is £1,500 per annum.

This relief is subject to State Aid limits.

ANNEX

Appendix 2 – Supporting Small Business Relief

The Government introduced measures to support small and rural businesses that were affected by the 2017 Valuation process. The relief is administered in accordance with the guidance published by the Ministry for Housing, Communities and Local Government.

Businesses Eligible for Relief

Businesses that were eligible for relief in 2016/17 under the Small Business Rate Relief Scheme or Rural Rate Relief Scheme, but would not be eligible to receive such relief in 2017/18 by virtue of increases to their rateable value as part of the 2017 Valuation process.

Amount of Relief

In 2020/21 relief is awarded to restrict the increase in eligible businesses' bills to the higher of:

- £600 per annum
- A 15% plus inflation increase in the bill from 2019/20 (in 2019/20 the threshold was 10% plus inflation).

Relief will be assessed and calculated on a daily basis and applied against the net bill after all other reliefs, except Revaluation Relief and Pub Relief. Any overpaid relief will be recovered by the Council.

Where a business occupies more than one eligible property, the relief can be granted in respect of each property.

This relief is subject to State Aid limits.

Application

Ratepayers eligible for this scheme will already be in receipt of the relief in respect of earlier financial years. The scheme is not available to new applicants.

ANNEX

Appendix 3 – Revaluation Relief

The Government introduced a national discretionary fund for billing authorities to award relief to businesses facing large increases in their business rates bills following the 2017 Valuation process.

This scheme covers the financial years 2017/18 to 2020/21.

Businesses Eligible for Relief

To be eligible for this relief:

- Properties must be occupied
- The occupier must have been liable for business rates at the property on 31st March 2017 and have remained in continuous occupation during the relief period
- The rateable value of the property must be no more than £200,000.
- The business must operate primarily in Test Valley. This means that more than 50% of the business's total rateable value should lie within Test Valley's boundaries.

Properties occupied by public sector bodies are excluded from the scheme.

Amount of Relief

In 2019/20 relief was awarded to restrict the increase in the daily charge in eligible businesses' bills to 9% more than that charged in the previous financial year. A maximum of £500 was applied per property. Where the amount of relief calculated was less than £50, no relief was awarded.

Additional relief will be awarded from the remaining budget allocation in 2019/20 pro rata with the original award, subject to a maximum award of £125 and a minimum award of £50.

2020/21 awards will be made proportional to the orginal awards for relief in 2019/20 with a maximum award of £100 and a minimum award of £50.

Relief will be assessed and calculated on a daily basis and applied against the net bill after all other reliefs except for Retail Relief. Where a business successfully appeals its rateable value, the amount of relief awarded will be recalculated based on the new RV. Any overpaid relief will be recovered by the Council.

Where a business occupies more than one eligible property, the relief can be granted in respect of each property.

This relief is subject to State Aid limits.

ANNEX

Appendix 4 - Retail Relief

In the October 2018 Budget, the Chancellor announced a new business rates relief, in response to changing customer behaviours that are affecting high street retailers.

Initally the relief was available for the 2019/20 and 2020/21 financial years. On the 27th January 2020 the relief was extended for a further 12 months until 31st March 2021. The relief was also increased for 2020/21 as detailed below.

The Relief will be administered in accordance with the guidance published by the Ministry for Housing, Communities and Local Government, which is summarised below.

Businesses Eligible for Relief

Businesses that will benefit from the Relief will be occupied properties that:

- have a rateable value of less than £51,000 and
- are wholly/mainly used as a shop, restaurant, café or drinking establishment. From April 2020 this also includes cinemas and live music venues.

Shops, restaurants, cafes and drinking establishments are considered to be those being used as follows -

Sale of goods to visiting members of the public, such as –

- Shops (e.g. florist, bakers, butchers, grocers, jewellers, stationers, off-licences, chemists, newsagents, hardware stores, supermarkets, charity shops etc.)
- Opticians
- Post offices
- Furnishing shops / display rooms (e.g. carpet shops, double glazing, garage doors)
- Car / caravan show rooms and second hand car lots
- Markets
- Petrol stations
- Garden centres
- Art galleries (where art is for sale / hire)

Provision of services to visiting members of the public, such as –

- Hair and beauty services (e.g. hair dressers, nail bars, beauty / tanning salons)
- Shoe repairs/ key cutting
- Travel agents
- Ticket offices e.g. for theatre
- Dry cleaners
- Launderettes
- PC / TV / domestic appliance repair
- Funeral directors
- Tool hire
- Car hire

Sale of food and / or drink to visiting members of the public, such as –

- Restaurants

- Takeaways
- Sandwich shops
- Coffee shops
- Pubs and bars

Properties which are being used as cinemas or live music venues will be eligible from April 2020

These lists are not intended to be exhaustive as it would be impossible to list the many and varied retail uses that exist.

There will also be mixed uses and properties which are not listed but are broadly similar in nature to those listed. These may be considered eligible for the relief.

Conversely, properties that are not broadly similar in nature to those listed above should not be eligible for the relief.

The term wholly or mainly being used as a shop, restaurant, cafe or drinking establishment is a test on use rather than occupation. Therefore, properties which are occupied but not wholly or mainly used for the qualifying purpose will not qualify for the relief.

Businesses which are not considered to be eligible for the relief

These will include:-

- Financial services (e.g. banks, building societies, cash points, bureau de change, payday lenders, betting shops, pawn brokers)
- Other services (e.g. estate agents, letting agents, employment agencies)
- Medical services (e.g. vets, dentists, doctors, osteopaths, chiropractors)
- Professional services (e.g. solicitors, accountants, insurance agents / financial advisers, tutors)
- Leisure facilities (e.g. gymnasiums, theatres, cinemas, museums)
- Post office sorting office.

This list is not exhaustive and the Council may decide not to award relief where a business is broadly similar in nature to those above.

Businesses that occupy properties which are not reasonably accessible to visiting members of the public will not be eligible for the relief.

Amount of Relief

The amount of relief to be awarded 2020/21 is equivalent to one half of the bill (2019/20: one third), after mandatory reliefs and other discretionary reliefs have been applied.

The relief can be granted in respect of each property, where a business occupies more than one.

The relief is subject to State Aid limits.

ANNEX

Appendix 5 – Public Convenience Rate Relief

In the October 2018 Budget, the Chancellor announced a new business rates relief in respect of public toilets.

Businesses Eligible for Relief

Stand alone properties that are wholly / mainly used as public toilets.

Amount of Relief

The maximum amount of relief is 100% of the daily charge.

ANNEX

Appendix 6 – Pub Relief

The Government introduced measures to support pubs in the 2017/18 and 2018/19 financial years only. It will be possible to apply for relief related to the 2018/19 financial year until 30th September 2019. No relief under this scheme will be awarded for the 2019/20 financial year.

Relief will be administered in accordance with the guidance published by the Ministry for Housing, Communities and Local Government. A summary of the guidance is shown below.

Businesses Eligible for Relief

Public Houses with a rateable value of up to £100,000 that:

- are open to the general public
- allow free entry other than when occasional entertainment is provided
- allow drinking without requiring food to be consumed
- permit drinks to be purchased at a bar

Amount of Relief

The maximum amount of relief available for each property under this scheme is £1,000.

Relief will be assessed and calculated on a daily basis and applied against the net bill after all other reliefs have been applied. Any overpaid relief will be recovered by the Council.

Where the net rate liability, after all other reliefs, is less than £1,000, the maximum amount of this relief will be no more than the net rate liability. This means that relief cannot be applied to create a credit balance on any account.

Where a business occupies more than one eligible property, the relief can be granted in respect of each property.

This Relief is subject to State Aid limits.

ITEM 11 Portersbridge Street Properties

Report of the Finance Portfolio Holder

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.**

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.

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

<u>Option 1 – sell the properties in their current condition</u>

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.

<u>Option 2 – refurbish the properties and lease them to VHL (Recommended)</u>

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.

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.

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.

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.

Background Papers (Local Government Act 1972 Section 100D)

None

Confidentiality

Report

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.

Annex

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 Corporate Peer Challenge: Action Plan progress report

Report of the Leader

Recommended:

That the progress made following the Corporate Peer Challenge as detailed in the Annex to the report, be endorsed.

SUMMARY:

- This report summarises the progress made by the Council following the Corporate Peer Challenge in October 2018.
- Annex one sets out in detail how the Council has addressed each of the recommendations from the peer challenge team through the action plan that was approved by Cabinet in December 2018.

1 Introduction

1.1 The purpose of this report is to update Cabinet on the progress made following the Corporate Peer Challenge in 2018. Following the peer team visit, an action plan was produced setting out how the Council would address each of the recommendations. This report provides Cabinet with a detailed update on the steps taken to address each of the recommendations identified by the peer team.

2 Background

2.1 The Council participated in an LGA Peer Challenge in October 2018. Peer Challenge is a core element of the Local Government Association's sector-led improvement offer to local authorities. Peer Challenges are managed and delivered by the sector for the sector. The scope of a Peer Challenge is agreed with the Council and tailored to reflect local needs and specific requirements. It is important to stress that the Peer Challenge was not an inspection. It is focused on improvement and tailored to the needs of the Council.

2.2 The make-up of the peer team reflected the Council's requirements and the focus of the Peer Challenge. The peers who delivered the Peer Challenge were:

- Jack Hegarty, Chief Executive, Malvern Hills District Council and Managing Director at Wychavon District Council
- Cllr Peter Fleming OBE, Leader, Sevenoaks District Council

- Gemma Barron, Head of Sustainable Communities and Wellbeing, South Cambridgeshire District Council

- Jane Eaton, Director of Corporate Resources, Horsham District Council

- Helen Sheppard, Business Change Commissioning Manager, Leicester City Council

- Paul Thomas, Strategic Director – Growth, South Kesteven District Council

- Kevin Kewin, Programme Manager, Local Government Association

2.3 The focus of the Peer Challenge was based around five core questions:

- Understanding of the local place and priority setting: Does the Council understand its local context and place and use that to inform a clear vision and set of priorities?

- Leadership of Place: Does the Council provide effective leadership of place through its elected members, officers and constructive relationships and partnerships with external stakeholders?

- Organisational leadership and governance: Is there effective political and managerial leadership supported by good governance and decision-making arrangements that respond to key challenges and enable change and transformation to be implemented?

- Financial planning and viability: Does the Council have a financial plan in place to ensure long term viability and is there evidence that it is being implemented successfully?

- Capacity to deliver: Is organisational capacity aligned with priorities and does the council influence, enable and leverage external capacity to focus on agreed outcomes?

2.4 In addition to the five core questions, the Council asked the team to consider the Council's approach to inclusive growth and development, particularly within the principal towns of Romsey and Andover.

2.5 The team spent three days on site during which they:

- Spoke to more than 230 people including a range of council staff together with councillors, external partners and stakeholders.

- Gathered information and views from more than 40 meetings, and additional research and reading.

- Collectively spent more than 250 hours to determine their findings.

2.6 Following the on-site visit, the Peer Team produced a feedback report to summarise the findings resulting from the Peer Challenge. In response, the Council prepared an action plan which set out the actions the Council would take in addressing the recommendations of the peer team. Cabinet approved the action plan in December 2018 and agreed that a progress update (attached in annex one) would be reported after twelve months.

3 Progress update

3.1 Annex one sets out in detail how the Council has addressed each of the nine recommendations identified by the peer team.

3.2 During the period since the action plan was approved by Cabinet, significant work has been undertaken and progress made against key areas highlighted by the peer team. In particular this includes:

(i) Improving the Council's approach to communications to be more pro-active and embedded across the whole organisation. Ensuring that the Council is able to demonstrate more clearly the impact it is having and the successes being delivered for residents.

(ii) Putting in place the mechanisms to support the Council in delivering on its ambitions for the future redevelopment of Andover town centre and Romsey south of town centre.

(iii) Building upon the existing strong partnerships with parish councils and working even more closely with them through peer learning and community planning initiatives.

(iv) Taking a lead on key issues at a sub-regional and national level on topics such as economic growth, homelessness, and environmental protection.

(v) Maintaining a focus on how the Council does business. Identifying opportunities for continuous improvement and efficient and effective working through its committees, the management of resources and the ongoing development of its workforce.

4 Corporate Objectives and Priorities

4.1 Peer Challenges are improvement focused and tailored to meet the needs of the Council; they form part of the LGA's Sector-Led Improvement programme and are voluntary processes. The Council is committed to continuous improvement which forms a core part of the Operating Model as set out in the Corporate Plan 2019-23.

5 Consultations/Communications

5.1 Throughout the Peer Challenge the team spoke to more than 230 people including a range of council staff together with councillors and external partners and stakeholders.

6 Options

6.1 Cabinet has the options to either endorse the progress made or not to endorse the progress made as set out in Annex one.

7 Risk Management

7.1 An evaluation of the risks indicates that the existing controls in place mean that no significant risks have been identified at this time.

8 Resource Implications

8.1 None

9 Legal Implications

9.1 None

10 Equality Issues

10.1 None

11 Other Issues

11.1 Wards/Communities Affected – All

12 Conclusion and reasons for recommendation

12.1 The Corporate Peer Challenge forms a key part of the Local Government Association's Sector-led improvement programme. Following the visit of the peer team the Council has worked to address each of the areas for improvement highlighted by the team through the action plan approved by Cabinet in December 2018. Annex one sets out in detail how the Council has made significant progress in addressing the outcomes of the peer challenge.

Background Papers (Local Government Act 1972 Section 100D) None			
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No of Annexes:	1	File Ref:	N/A
(Portfolio: Leader) Councillor P North			
Officer:	James Moody	Ext:	8130
Report to:	Cabinet	Date:	12 February 2020

Test Valley Borough Council

ANNEX

LGA Peer Challenge: Action Plan – update report January 2020.

No	Peer Review Recommendation	Action Required	Lead officer(s)	Timetable	Progress update
1	**Communicate consistently the council's excellent investments and community leadership on leisure, economic and community projects**	• Prepare a new Corporate Communications Strategy to be aligned to the development of the new Corporate Plan in 2019 which will provide the focus for ensuring strategic communications are focused on the council's key priorities. • Be more pro-active in promoting the support we provide to projects. Through our grants programmes we will request that beneficiaries display a "Supported by Test Valley Borough Council" sign.	Roger Tetstall & Kathryn Binfield	Summer 2019	• New Communications Strategy: ***Telling our story*** has been prepared and will be published by the end of January 2020. The strategy was developed corporately with all Heads of Service having input into the strategy to ensure that it is a communications strategy for the council. It focuses on five key priorities: ○ Be positive, proactive and credible to ensure our residents are well informed about what we do. ○ Enhance and protect the Council's reputation. ○ Explore how we can better communicate and influence a wider variety of people in our campaigns and communications. ○ Have a strong recognisable brand and identity to be clear about who we are, what we do and what we don't do. ○ Promote the successes of our communities and ensure our approach to communications aligns with our commitment to place-based working. • Independent Retailer Grants now have requirement to display a "supported by Test Valley Borough Council" sticker. • 34 news releases issued focusing on Business Incentive Grants, Independent Retailer Grants and Councillor Community Grants. • Councillor Community Grants - Offer letter contains conditions that: - applicant must publicise TVBC grant in all PR - applicant must invite Member to any launch - Link to corporate logo within offer letter to use on PR - Supported by Test Valley sticker to be displayed • Community Asset Fund - Offer letter contains conditions that: - applicant must publicise TVBC grant in all PR - applicant must invite Member to any launch - Link to corporate logo within offer letter to use on PR - Supported by Test Valley plaque to be displayed

No	Peer Review Recommendation	Action Required	Lead officer(s)	Timetable	Progress update
		• Be more targeted in promoting stories to specific publications and media platforms.			• Continued to expand news release distribution with borough-wide news releases now sent to more than 60 outlets. This includes print media, radio, TV, community news websites, trade publications and community newsletters ensuring a greater reach. For example, the Andover town centre redevelopment story was covered on ITV Meridian on January 16, 2020 and the BBC has covered the Romsey citizens' assembly story which will be aired 19 January 2020. • Issued more than 200 news releases in 2019, equivalent to around four per week, to highlight the council's key areas of work and its positive impact on communities. Last year also included two purdah or pre-election periods when publicity is restricted; therefore we expect to see an even higher number of releases issued in 2020. • Town centre redevelopment project launched with a suite of communications including a video produced in house, 'glossy' marketing document and news release sent to all local and regional media outlets. Four thousand people completed the Andover masterplan consultation following a publicity campaign through the local media, online and linking in with our communities' team to engage directly with local groups. This number far exceeded the consultants' expectations as it was much higher than they had seen elsewhere. 35 news releases issued promoting the Chantry Centre, Andover town centre improvements (e.g. the arches) and Andover masterplan • Publicised 24 successful court cases, including fly-tipping and food hygiene prosecutions. • Worked to target specific publications and raise the profile of the impact the council is having on key issues. Recent examples include: - MJ magazine: Tackling homelessness, Project Enterprise, Andover re-development plans, Innovation in Democracy (Romsey Citizens' Assembly). - Estates trade press: Walworth Business Park regeneration - Building Conservation Magazine – Town Mills Redevelopment - Housing Matters in conjunction with Shelter - TV approach to asset-based work to tackle homelessness. • The housing options team was shortlisted for "Front line team of the Year 2019" in the National Housing Heroes Awards and the Houghton affordable development scheme was shortlisted for an Excellence in

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					Planning for Homes award. • We took a more proactive part in the LGA’s #OurDay campaign and achieved a strong engagement rate of an average of 10.35 per cent on our videos focusing on our staff members and their job roles. The LGA shared our video about the role of our Countryside Officer on Twitter, promoting our work at a national level. In addition, the OurDay video promoting our Environmental Services team reached 1,412 people and 125 people engaged with the post giving us an 8.8 per cent engagement rate (1.64 per cent is classed as ‘good’ on social media). OurDay posts about our customer services advisors reached 2,776 people across Facebook and Twitter, with 169 engagements giving us a 6 per cent engagement rate.
		• Work with partners around strengthening joint communications			• Provided leadership ensuring effective joint communications on major issues. For example the Ocado fire in Andover. The following social media posts are just two examples of the positive comments received during the incident where the council was credited as having played a proactive role: *“At this moment in time TVBC seem like the most reliable source of information.”* *“Fully agree, been so conflicting all the different pages. Best advice all day from TVBC.”* • Joint communications issued across a variety of key projects. Examples include: - Town Mills redevelopment with Hampshire County Council and the Enterprise M3 LEP - Andover town centre with the Andover Business Improvement District, Andover Redevelopment with Hemmingway Design and New Masterplanning - Romsey Future – south of the town centre Masterplan with Nexus - Citizens’ Assembly, telling the story nationally in conjunction with DCMS, Democratic Society and the RSA. Engaging with partners such as Waltham Forest and Salisbury who were interested in our approach; and telling the story regionally with key partners taking part such as the Local Enterprise Partnership, Southern Policy Centre, and University of West of England. - Walworth Business park in conjunction with Kier - New leisure facilities in conjunction with Places Leisure. • Partner quotes also included in a wide range of news releases, from parking charge reductions to grants and rate relief awards and homelessness.
		• Develop a cultural mind-set where communications becomes an integral part of the day job			• As a result of being more proactive in utilising the website and ensuring

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					content is flexible and up to date there has been an Increased website traffic in 2019: - Users: 372,548 (up 21.47%) - Visits (sessions): 707,254 (up 16.74%) - Page Views: 2,199,188 (up 19.69%) • We have branched out on social media from: - sharing news releases directly copied and pasted from the website - occasional community posts such as lost dogs, or corporate plan but this wasn't consistent or tailored to followers - promoting some events To: - sharing a wide range of topics and humanising the account with timely and relevant info (e.g events, #OurDay), - proactively acknowledging issues and owning being a trusted source of information early on during a problem or major incident (e.g Ocado fire) - adopting a more human approach and style, being a little more tongue in cheek when appropriate (e.g. Eaze graffiti) - sharing a wide range of content styles from gifs, images, links, videos, youtube links etc. - using emojis to better reflect the style and tone of our audiences - varying the tone and content of posts to appeal to different audiences - sharing behind the scenes of council life (e.g. elections) - being proactive in setting the record straight when people are posting incorrect comments on our page. • Facebook: - followers have increased by 64 per cent compared to last year - reach has increased by 66 per cent - engagement has increased by 11 per cent, showing we are posting what our followers want to see - people viewed our videos, which are all new this year, more than 6,000 times. • More people are interested in what we're saying on social media and they are talking back to us. We received more than 2,000 private messages in 2019, which reflects our increasingly positive interactions with customers. • We live tweeted behind the scenes at the general election count. • We shared 23 videos (including full videos, gifs, time-lapse videos) on Facebook this year, compared to 1 in 2018 and 3 in 2017. We reached

No	Peer Review Recommendation	Action Required	Lead officer(s)	Timetable	Progress update
					more than 60,000 people sharing these videos. • Redesigned our internal staff and members' information bulletins to provide more eye-catching communications for employees, many of whom live in the borough. • Following the Peer Challenge, work has been undertaken to raise the levels of awareness around strategic communications with Heads of Service and their respective teams. This has included an OMT workshop for the development of the communications strategy, communications officers visiting service meetings and the inclusion of a strategic communications item now forming part of the agenda for each service's performance board. Communications is also a standing item on the management team (OMT) agenda and Portfolio Group meetings.
2	**Explore different funding models, including joint ventures, to deliver further investment and economic growth opportunities**	• As regeneration and redevelopment projects in our town's emerge, we will ensure an informed approach based on "what works", learning from others and seeking professional advice to guide the models that will deliver the right outcomes.	Roger Tetstall & Will Fullbrook		• Since the Peer Challenge took place both Andover and Romsey are in the process of producing Masterplans (to be published in 2020) to bring together proposals for the redevelopment of Andover Town Centre and Romsey South of Town Centre. In Romsey this is being led by Nexus Planning and Perkins & Wills Architects and in Andover by Hemmingway Design and New Masterplanning. Each Masterplan will involve the inclusion of viability consultants to test the proposals and projects with a clear focus on deliverability. • In June 2019 Council agreed a £1M budget to enable the technical and professional advice required to progress the development and re-development projects in Andover & Romsey. Procurement of expert advice will be carried out in a number of different ways from single contracts for each project and/or joint procurement across projects where economies of scale can be achieved and is appropriate to do so. • The Columbus Quarter project at Walworth Business Park was approved at the time of the peer challenge as part of a joint venture with Kier. Construction of 4 new units including the provision of food and beverage outlets has since been completed which has enhanced this area of the business park for the local workforce and created new jobs. From an investment perspective the sale of a long-lease was also finalised last year

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					which has delivered a good return on capital investment to the council. • The Council has continued to grow its arm's length company Valley Housing Ltd. At the time of the review, the portfolio of properties was 10. That has increased to 14, with 3 further properties approved and 7 more at Portersbridge Street likely to come across in the next year or so.
		• Work with the Local Enterprise Partnership to maximise funding for regeneration and redevelopment projects and to exploit central government funding opportunities (eg. Future High Street Fund)			• Enterprise M3 LEP has invested £500k towards the re-development of the £1.6M Town Mills Riverside Park which will be delivered in 2020. The Council is working closely with the LEP in sharing the emerging vision for the redevelopment of Andover Town Centre and how that aligns with the strategic growth priorities of the LEP. • During the last year senior officers have been exploring opportunities with Homes England, One Public Estate and the Local Enterprise Partnership for investment to secure economic growth opportunities within the Borough. • Applications to both the Future High St fund and Historic High St Fund were submitted but not selected by Govt. • In 2019 the new Andover Business Improvement District was established which will by its nature work to support economic growth within the town centre. The Council has been working closely with the BID on a number of key issues including parking, CCTV, Town Centre Wi-Fi and ensuring their engagement in the development of the Masterplan for Andover.
3	**Develop a strong narrative that sets out the linkages between the council's proactive growth and regeneration role set out in Andover Vision and Romsey Future and the council's approach to investment**	• We will continue to align our key strategies namely the Corporate Plan and Local Plan to set a strong narrative on our ambitions and focus for regeneration and redevelopment within our towns.	James Moody & Graham Smith		• New Corporate Plan has a dedicated focus on the redevelopment of Town Centres which feature as specific projects on the newly approved CAP. The data and consultation findings that formed part of the corporate planning process have been used to shape and develop other key strategies. The Council's Housing Strategy and Preventing Homelessness & Rough Sleeping Strategy are both being developed and delivered with a strong narrative back to the Corporate Plan and with the evidence base that underpins both strategies acting as an 'extension' of the Corporate Plan consultation. • The Council has conducted a "new neighbourhood's review" to align internal processes so that future development, including regeneration, learns lessons from past experience and streamlines internal processes including consultee support.

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		• We will review our investment strategy to explore the opportunities for how it can reflect the financial, economic and community benefits that different projects will deliver aligned to the priorities of our new corporate plan.	Will Fullbrook		• The Finance service has met with the Corporate Policy team to update the Capital Investment Strategy, to better make the links to the Corporate Action Plan. The Capital Investment strategy has a wider remit than just the delivery of the corporate plan and is developed in accordance with the Prudential Code for Capital Finance in Local Authorities. The Code sets out that authorities should have in place a capital strategy that sets out the long-term context in which capital expenditure and investment decisions are made and gives due consideration to both risk and reward and impact on the achievement of priority outcomes. The updated capital programme will be considered by Cabinet in February 2020 and the investment strategy will be presented shortly afterwards.
		• We will develop our strategic communications approach to regeneration and redevelopment projects to ensure timely information and a clear narrative is made available for staff, communities and partners.	Kathryn Binfield		• The Council has produced a brochure ***"A new era for Andove***r" outlining its ambitions for the redevelopment of Andover town centre providing a clear narrative as to why the council is embarking on this project, how it fits as part of the wider ambitions for our towns and what is in and out of scope. The brochure has been used to communicate with news outlets and with partners. • Work has commenced with New Masterplanning and HemingwayDesign on the Andover town centre masterplan project. This has included a package of joint communications including news releases, videos for social media, interviews with ITV and a series of public facing events. A dedicated website has been developed which provides a focal point for information, updates and access to consultations: https://www.thinkandovertowncentre.co.uk/ In December 2019, a "pop-up shop" was opened in Bridge St Andover to promote the work of the masterplan and provide an opportunity for residents to find out more about the project and meet the masterplanners and council team. During the course of the week 600 residents visited the shop. • In 2019, the Council purchased the Chantry Centre for £7M. The Council sole reason for purchasing the Chantry Centre's long leasehold from Aviva Investors is to facilitate the major redevelopment of Andover town centre by increasing its significant landholdings in the town centre. This narrative has been at the very heart of our strategic communications approach and has been reinforced through our publications, messaging and master planning project. Regular updates are shared with all stakeholders including staff. We are also engaging directly with the key partners including Simply Health, Andover College and with the Andover Vision. In addition the Council has increased its Communications capacity to ensure additional dedicated resource to co-ordinate communications for the redevelopment projects. • Whilst consistently communicating our aspirations for the redevelopment of Andover town centre, we have also recognised the necessity to have a strategic communications approach to ensure that businesses and stakeholders in our town centre feel engaged and involved in our plans.

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					This will help ensure that the outcome of the masterplanning process and our future plans our informed by their own aspirations and plans. Through close liaison with businesses and stakeholders in the town the Council is not only communicating its ambitions but also reassuring that we are actively managing the “meanwhile” position seeking to do all we can to support the town centre and maintain its viability throughout this journey. • The Council has sought to regularly maintain communications on the South of Town Centre Project with the residents of Romsey and the wider areas through a number of engaging channels. With an older demographic in the town, The Romsey Advertiser newspaper has been a consistent platform in which the authority, through Romsey Future, has advertised consultation events, progress in the project and potential ideas. The news releases issued about these topics have also been added to the council’s website, and a Romsey Future news section, which was developed in the past 12 months to further highlight these works. • The council’s social media channels have been a useful tool, and we have looked to utilise councillors’ personal and recognised accounts to link into various social media groups, one of which has more than 13,000 active members. Having an open channel of what our communication looks like with councillors, and actively seeking their assistance, basis has helped to add another layer to keeping stakeholders feeling involved and engaged both with the project as a whole and how to keep residents informed. These messages and updates then follow the timescale of the consultation and the Citizens’ Assembly alongside it. Internally, a new staff bulletin has enabled a clearer message to be conveyed to staff, as well as encouraging officers to play an active role from a residential point of view, to offer their views. • Our masterplanning partners, Nexus Planning and Perkins & Wills Architects have aligned with our approach to promote the South of Town Centre project in a consistent manner with key messages through the Romsey Future partnership and brand. • In 2019 the Council was selected to be one of only three government sponsored pilots in the country to test the concept of deliberative democracy through a Citizens’ Assembly. The Citizens’ Assembly focused on the Romsey South of Town Centre project and was held in November 2019. The Assembly has provided a significant strategic communications opportunity to further promote the redevelopment narrative relating to the South of Town Centre project with it generating media coverage including a dedicated feature on the BBC’s Politics Show broadcast on 19 January 2020. As part of recruiting the assembly members, invitations to register interest were sent out to 10,000 homes across Romsey with more than 400 people expressing an interest in being part of the assembly. Around 20 partners played an active role in providing evidence to the assembly including the New Forest National Park, Connected Places Catapult and

No	Peer Review Recommendation	Action Required	Lead officer(s)	Timetable	Progress update
					Locality to name a few examples. • Both Andover Vision and Romsey Future have set out clear ambitions for the next twenty years and how residents want to see our towns evolve in this time. Both set out a broad ambition for growth that reflects the needs of a changing population. The Council has sought to make this link as part of its wider investment narrative into new facilities within our towns. For example the council is investing £1.6M in an Extra Care scheme in Romsey, in partnership with Hampshire County Council and Places for People. This scheme will facilitate the redevelopment of an existing site within the town and deliver against a need for long term supported accommodation in the south of the borough. A launch event for the scheme targeted at councillors and relevant stakeholders is being held in February. • Residents have told us through both Andover Vision and Romsey Future that the local environment is one the greatest assets in Test Valley. The Council has a long track record of investing in the local environment and ensuring greater access to the countryside. Since the Peer Challenge the Council has acquired and delivered Mill Lane, Sherfield English SANG to serve as mitigation for the New Forest and provide accessible public open space for residents. In Andover a dedicated project is underway to deliver an improved access to the countryside offer around Andover as a result of developer contributions secured through new development.
4	**Continue to be a strong voice for Test Valley in Hampshire**	• Continue to strengthen our partnership working through the Test Valley Partnership • Work closely with EM3 LEP to promote the needs of Southern Test Valley as the area becomes part of the LEP in 2019.	James Moody Roger Tetstall	Ongoing	• Senior partners met to review the approach to future TVP sessions and ensure they are fit for purpose. New model implemented at June 2019 meeting. This has also included the establishment of a co-ordinating group made up of key partners who shape the onward programme of the partnership. • The Partnership, Chaired by the Leader of the Council, is working collaboratively on a number of key pertinent issues that require a system wide response. Recent issues and emerging work streams include; homelessness and rough sleeping, mental health, county lines, domestic homicide and autism support. Since the Peer Challenge the new approach now includes each meeting reflecting on progress since the last time partners came together as part of increasing accountability and ensuring a focus on collective action. • The review of the LEP boundaries confirmed that TV would be within EM3 LEP. The Council has spent time building relationship with the EM3 LEP and outlining the benefits and issues facing STV. The Council maintains a positive dialogue with Solent LEP.

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		• Continue to engage at a sub-regional level on the big issues such as Housing, Devolution, Waste and Recycling.	SMT & OMT		• The Chief Executive and Senior Officers have hosted the Chief Executive of the EM3 LEP in Romsey to showcase the economic importance and value of southern Test Valley and the part it can play as part of the LEP following its transition from the SOLENT LEP. • As part of the Council's inclusion on the government sponsored "Innovation in Democracy" programme, the EM3 LEP have played an active role in supporting the development of the Citizens' Assembly as a member of the Advisory Panel which focused on the redevelopment of the south of Romsey town centre. • The Council has commenced discussion with north Hampshire authorities to understand the future impact of growth, what infrastructure may be required and how working together may unlock greater sources of external funding. • The Council continues to play its part in delivering and supporting a range of growth and business support networks across the Borough and across the LEP area. This has included sessions on the future of our town centres, rural business support and Manufactured in Andover. • Officers have led a consortium of six local authorities and Government bodies in the successful bid of a £250,000 grant from MHCLG, the production of evidence and future strategy for mitigating the recreational use on the New Forest international conservation designations as a result of new development. • The Council has participated in the submission of evidence to Hampshire County Council's 'Commission of Inquiry – Vision for Hampshire 2050' • The Council continues to actively participate in the work of both the Hampshire Waste Partnership and Project Integra. All LAs are awaiting the Governments Resource and Waste Strategy, where much change is anticipated in the arena of waste and recycling in the coming years. To signify how seriously we take the issue of waste and recycling in the borough, the Leader is the Councils Project Integra Strategic Board member. • The Council has led a county-wide review on behalf of the 11 districts to develop the Hampshire Youth Homelessness Protocol in partnership with Hampshire County Council. It has also taken a lead role on behalf of the 11 housing authorities in Health and Wellbeing and Community Safety. • The Council has been working with MHCLG Homelessness Advice and Support team to showcase our work on asset / strengths-based

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					approaches to supporting people who may be experiencing homelessness. • The Council is running regular Preventing Homelessness Forums and Private Rented Sector Landlord and Letting Agent Forums and Registered Provider Forums – these are all focused on establishing a shared understanding of services and bringing together agencies under a common strategic umbrella. • Since the Peer Challenge, the Council has submitted bids during national rounds to central government on housing issues and has been successful as follows: - Leading a Private Rented Sector Access Fund on behalf of Test Valley and Winchester securing £177K - Rapid Re-housing Pathway funding securing £45k to support single homeless people - Rough Sleeper Initiative securing £48K - Private Rented Sector Innovation and Enforcement grant securing £37K to improve access to data to target work on housing conditions and HMO licensing.
5	**Develop, and co-design with staff, a workforce strategy for the council, including a focus on the skills and behaviours needed to meet changing demands**	• A new People Strategy and action plan will be developed in 2019 aligned to the new Corporate Plan. The process to develop the strategy will include a focus on: - ongoing staff engagement throughout its development - Looking ahead and future proofing our ideas in respect of a changing workforce - Empowering and developing leadership skills throughout - Growing our strong values culture	Alex Rowland	May 2019	• We have undertaken comprehensive employee engagement speaking to over 100 employees across the Council. Further workshops and discussions took place to explore specific areas within the new People Strategy such as leadership, taking forward the Well-being work, development of standards of behaviour and a new appraisal process. • People Strategy has been prepared and will be published in January 2020 with an Action Plan in development which will be updated annually. • The Housing and Environmental Health Service have been piloting a strengths based approach to supporting people who are or may be at risk of experiencing homelessness. This is in keeping with the corporate plan ethos of “growing potential”. Housing Options staff have received a range of forward thinking training as part of this from coaching to motivational interviewing, through technical aspects of the law to “chimp management”. • Since the Peer Challenge the Council has continued to build upon its Employee Wellbeing programme by being proactive in promoting employee wellbeing across a spectrum of topics, from mental and physical health to financial wellbeing. • Recent projects have predominantly focused on raising awareness and de-stigmatising mental health. This was supported with the signing of the Time to Change pledge by the CX and Council Leader in May 2019. The

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					Wellbeing group developed a wellbeing brand, 'Get Well, Stay Well', and has delivered a range of initiatives and activities, including the introduction of Mental Health First Aiders, mental health talks, training for staff and managers, monthly awareness-raising campaigns, a Wellbeing site on the staff intranet, health checks and mindfulness sessions.
6	**Reconsider decision making arrangements for planning informed by the forthcoming PAS review**	• Following the completion of the PAS review the Council will now consider the recommendations from the report.	Paul Jackson		• Council agreed to implement a new planning committee structure from May 2019 following Full Council decision. https://democracy.testvalley.gov.uk/documents/g199/Printed%20minutes%20Wednesday%2010-Apr-2019%2016.00%20Council.pdf?T=1 • Now comprises 2 area planning committees of 13 members each and abolition of the planning control committee. • Members are currently considering options to introduce a new procedure to the Council's Public Participation Scheme for ward members to address Area Planning Committees. It is anticipated that the new proposals will enhance the role of Members in their role as ward advocates particularly as only relevant ward members shall have a designated right to address the committee.
7	**Maintain support and resources for the community councillor initiative beyond May 2019 and explore further opportunities for parish council engagement and information sharing on service and policy issues**	• Continue to work with Councillors in developing and the role of the Community Councillor through the Member and Community Development Group, through the establishment of a Member Development Strategy and by deeper involvement in Community planning and continuation of the devolved councillor budgets.	Andy Ferrier / James Moody	Ongoing	• The Member Development Strategy has been completed and the Member and Community Development Group, a cross party working group chaired by the Leader, is working to take forward its delivery by shaping an onward programme of development for councillors. • Following the borough elections in May 2019, an extensive induction programme has been rolled out to all councillors. As part of this a dedicated session for new councillors was held exploring the role of the Community Councillor and what it means in practice. This was delivered by the Community Team and was based on a series of live scenarios which councillors were asked to explore through a series of workshops. This session was well received and will be run again in 2020 for all councillors. • As part of the community councillor induction session, members worked with the portfolio holder to identify core attributes of being a community councillor. These ideas are currently being further developed by the Member and Community Development Group and will be used to complement the existing Community Councillor Role Description and

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					inform future member development. • The Councillor Community Grants, Community Asset Fund and access to the Community Infrastructure Levy are all continuing as part of the new Council. In 2018/19 & 2019/20 more than £500K has been granted to local community projects through the councillor community grants and community asset fund. In addition £1.1M has been approved from the Community Infrastructure Levy for community projects.
		• Hold a workshop with Parish and Town Councils through the Test Valley Association of Parish and Town Councils (TVAPTC) to explore what practical things we can do to build on the current areas of strong partnership working in Test Valley.	Andy Ferrier	November 2018	The Chief Executive and Corporate Director held a workshop with Test Valley Association of Parish and Town Councils in November 2018 following the Peer Challenge to explore ways in which the council can build upon the current areas of strong partnership working. This was followed up by a second session in early 2019 which set out a framework for a future programme of work around strengthening relations, joint learning and a shared focus on community planning.
		• Review with TVAPTC the different methods of communication that should be used and how information can be disseminated.	Andy Ferrier & Karen Dunn	May 2019 onwards	Building on the issues and opportunities raised at the workshops (detailed above) in late 2018 and early 2019, a joint borough council and association of parish councils event took place in September 2019. This event was developed based on the feedback received by parish councils that one of the ways in which communication could be strengthened is through joint learning and events. The Council is also developing mechanisms in which to contact all parish councillors directly about forthcoming events and activities.
		• Build on the success of the resilience planning concept and develop multi-agency community planning processes in parishes through annual/bi annual parish workshops facilitated by the Borough Councillor in conjunction with the Community Team.	Dave Tasker Karen Dunn		In September 2019 the Council in conjunction with the Test Valley Association of Town and Parish Councils hosted an event for Parishes in which to explore ways in which parishes and the borough council can work closer together. One of the themes for this event was around how community planning can help unlock opportunities for parishes to get things done in their community. As a result of feedback gained from this session, a number of rural action planning events are being held (Feb-March 2020) to promote the benefits to parishes of developing evidence-based and community-led action plans. These events will explore how we can work together to identify and address the things which are most important to communities. Parishes will hear about how, by using a combination of community engagement and data specific to their area, they can access higher levels of funding and get more things done in their parish. The Council will also set out the specific support parishes can access from the Borough Council to help deliver this approach. Each event will feature examples of good practice from Parish Councils already taking this approach.

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		• Develop an annual training programme for parishes in conjunction with TVATPC which will enhance opportunities for peer learning. • Further strengthen linkages to develop the place-based approach with the Communities Portfolio Holder attending the TVAPTC.			Formed part of the joint event held in September. A number of subsequent peer learning roundtable sessions have been held as part of the meetings of the Association. This has included a focus on climate change, funding and community resilience. The Community and Leisure Portfolio Holder is attending the meetings of the Association. The borough council's Democratic Services Manager meets on a regular basis with the Chair of the association to plan and develop the programme of activity and supports its delivery. Senior officers regularly attend the meetings to provide information and host workshops on key issues with recent examples such as tackling climate change featuring as an important topic parishes want to hear more about.
8	**Continue to improve communications, including the use of social media. Communications should be at the heart of the decision making process and seen as everyone's agenda**	• Prepare a new Corporate Communications Strategy to be aligned to the development of the new Corporate Plan in 2019 which will provide the focus for ensuring strategic communications are focused on the council's key priorities. • Explore ways in which we can better embed communications into service planning, project management and our performance frameworks to ensure a timely approach to	Roger Tetstall Kathryn Binfield	Summer 2019	• New Communications Strategy: ***Telling our story*** has been prepared and will be published by the end of Jan. The strategy was developed corporately with all Heads of Service having input into the strategy to ensure that it is a communications strategy for the council. It focuses on five key priorities: ○ Be positive, proactive and credible to ensure our residents are well informed about what we do. ○ Enhance and protect the Council's reputation. ○ Explore how we can better communicate and influence a wider variety of people in our campaigns and communications. ○ Have a strong recognisable brand and identity to be clear about who we are, what we do and what we don't do. ○ Promote the successes of our communities and ensure our approach to communications aligns with our commitment to place-based working. • The Council has continued to invest in its communications team and has over the last year strengthened and grown the team to ensure there is dedicated capacity across the high profile projects the council is bringing forward.

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		communications and that all services are able to play their part. • Broaden the ways in which we currently use social media as key communication tool aligned to the new Communications Strategy.			• A strategic communications item now forms part of the agenda for performance boards and is a standing item on the management team agenda and Portfolio Group meetings. • The Council's project management framework has ensured that Communications is a formal element of the planning and scoping of major projects. Communications are now playing an active role across key projects such as the redevelopment projects in Andover and Romsey, Recycling Behaviour Change project and the Citizens' Assembly to name a few notable examples. The new Communications Strategy Action Plan also reflects the key strategic projects that require a communications focus. • More creative content being pushed out through our social media channels as well a lot of social-specific content. We have branched out on social media from: - sharing news releases directly copied and pasted from the website - occasional community posts such as lost dogs, or corporate plan but this wasn't consistent or tailored to followers - promoting some events To: - sharing a wide range of topics and humanising the account with timely and relevant info (e.g events, Our Day), - proactively acknowledging issues and owning being a trusted source of information early on during a problem or major incident (e.g Ocado fire) - adopting a more human approach and style, being a little more tongue in cheek when appropriate (e.g. Eaze graffiti) - sharing a wide range of content styles from gifs, images, links, videos, youtube links etc. - using emojis to better reflect the style and tone of our audiences - varying the tone and content of posts to appeal to different audiences - sharing behind the scenes of council life (e.g. elections) - being proactive in setting the record straight when people are posting incorrect comments on our page. • Facebook: - Followers have increased by 64 per cent compared to last year - Reach has increased by 66 per cent - Engagement has increased by 11 per cent, showing we are

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					posting what our followers want to see - People viewed our videos, which are all new this year, more than 6000 times. • More people are interested in what we're saying on social media and they're talking back to us. We received more than 2,000 private messages in 2019, which reflects our increasingly positive interactions with customers. • We live tweeted behind the scenes at the general election count. • We shared 23 videos (including full videos, gifs, timelapse videos) on Facebook this year, compared to 1 in 2018 and 3 in 2017. We reached more than 60,000 people sharing these videos. • A project to develop a new website is underway. It has a specific focus on delivering a more customer focused and flexible website.
9	**Other Issues**	• Explore options around the future timings of the council's committee meetings • Explore the common causes of underspends within the Council's budget.	Karen Dunn Will Fullbrook	May 2019 Summer 2019	• Meetings of Full Council have now start at 5:30pm - implemented from 26 June 2019. https://democracy.testvalley.gov.uk/documents/g199/Printed%20minutes%20Wednesday%2010-Apr-2019%2016.00%20Council.pdf?T=1 • The Head of Finance has undertaken a review of perennial areas of underspending/additional income – Staffing/Vacancy Management Provision, Asset Management Plan Slippage, business rates growth, additional income from investments, properties and Government Grants. A more thorough review will be undertaken at the end of the financial year when outturn figures will be available for 2019/20. This will be discussed at the meeting of the Budget Panel on 29th June, 2020. In 2019/20 progress has already been made with the midway point of the year showing a £209K surplus across the whole council compared with a £496k surplus at the same time in the previous year. This largely results from the work undertaken at Corporate Challenge to ensure that expenditure budgets are realistic and robust and that income budgets are optimistic.

ITEM 13 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 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 **Paragraph 3**

It is considered that this Annex 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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