

Notice of Meeting

Cabinet

- Date:** Wednesday 10 February 2021
- Time:** 5.30 pm
- Venue:** Being held virtually by Microsoft Teams. The public can listen to a live stream here:
<http://www.audiominutes.com/p/player/player.html?userid=tvbc>

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Legal and Democratic Service

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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 I Jeffrey

Mid Test

Councillor A Johnston

Mid Test

Councillor T Tasker

Andover Romans

Cabinet

Wednesday 10 February 2021

AGENDA

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

- 1 Apologies**
- 2 Public Participation**
- 3 Declarations of Interest**
- 4 Urgent Items**
- 5 Minutes of the meeting held on 13 January 2021**
- 6 Recommendations of the Overview and Scrutiny Committee held on the 20 January 2021** **5 - 6**
- 7 Revenue Budget and Council Tax Proposals 2021/22** **7 - 46**

Finance
To consider the Council's revenue budget and Council tax proposals for 2021/22.
- 8 Capital Programme Update - 2020/21 to 2022/23** **47 - 60**

Finance
To consider the Capital Programme for 2020/21 to 2022/23.
- 9 Treasury Management Strategy Statement and Annual Investment Strategy 2021/22** **61 - 81**

Finance
To consider the Treasury Management and Annual Investment Strategies for 2021/22.

ITEM 6 Recommendations of Overview & Scrutiny Committee

6.1 Overview & Scrutiny Committee – 20 January 2021

6.1.1 Review of Armed Forces Covenant

Consideration was given to a report by the Lead Member of the Armed Forces Covenant panel, Councillor Matthews who gave a brief insight into the review of the Armed Forces Covenant with particular reference to Test Valley's obligations, commitment and identifying best practice.

At its meeting of 11 December 2019, OSCOM reviewed and endorsed a scoping document to support a review of the Council's commitment to the Armed Forces Covenant, in turn enabling the lead member for Armed Forces to work with officers to develop a forward plan for undertaking the review. As part of this scoping report, Overview and Scrutiny approved the establishment of a panel group to work with the lead member on progressing this area of work.

The panel was chaired by Cllr Matthews and also included Cllr Borg-Neal, Cllr Burley, Cllr Donnelly, Cllr C Dowden, Cllr Hamilton and Cllr Warnes. As a result of the review, the panel have developed an evidence base to support future development of the Armed Forces Covenant in Test Valley. This evidence base has led the panel to three key recommendations with an onward work plan highlighting a number of detailed ambitions.

The panel considers that TVBC are currently meeting their promise made under the Armed Forces Community Covenant. However, opportunities have been identified to improve communication with partner organisations and lead on a more inclusive approach to supporting the Armed Forces communities within Test Valley. The recommendations made in the report support these findings and propose ways to start engaging in the opportunities identified.

Members discussed the following:

- The Civilian/military forum to look at engaging with neighbouring authorities with regards to housing and to include links to point service personnel to the relevant authority.
- Councillor Matthews will circulate the number of service personnel living in Test Valley.
- The forum will be integrated into the Test Valley Partnership.
- Available grants will be advertised on the Forces Gateway Single Point of Contact (SPOC) once it is created on the TVBC website.
- The special relationship with the Nepalese community. The forum should look at what assistance and support the community requires.

The Chairman thanked Councillor Matthews and the panel members and officers for all their hard work in producing a very informative report.

Recommended to Cabinet:

- 1. That a Civilian/military forum is created to take forward the action plan – Subsumed and intrinsically linked to the Test Valley Partnership. The composition of which will include the various professional and authority representatives from each topic in the report below. Additionally, Army Welfare Service and garrison wellbeing officers, alongside CTP and/or RFEA, where appropriate.**

- 2. That a Forces Gateway Single Point of Contact (SPOC) is created on the TVBC website - enabling all information, advice and signposting for all the applicable services, including links to housing, community engagement, health, education, business, local Forces charities and potential available grants.**

6.1.2 Budget Strategy Update

Councillor Lodge, Lead Member for the Budget Panel reported that the panel had met on the 11 January 2021 where the panel considered the present budget and the future budget for 2021/22.

The coronavirus implications for the current year has had an impact on the budget resulting in a budget pressure of around £1.8m. The Government has recently announced a scheme to help with Council Tax Support scheme losses and it was anticipated that the Council will receive around £95,000. Savings from Services have been identified in the region of £600k making a total revenue pressure of £1.2m in 2020/21.

The forecast impact of the pandemic in 2021/22 from loss of income and additional expenditure, balanced against government grants will leave a revenue pressure of around £770k. It is expected that this will be funded from reserves.

With new budget savings and pressures identified, additional income taken into account and updated figures following the announcement of the provisional Local Government Finance Settlement, the budget gap is estimated to be £577k.

The budget for 2021/22 will be considered by Cabinet on 10 February and by Council on 26 February.

The Head of Finance and Revenues reported that the forecast for business rates income which the Council retains indicates that it is likely that there will be more income retained than previously expected. If this is confirmed then this will exceed the budget gap of £577k.

Recommended to Cabinet:

That Cabinet notes that Overview and Scrutiny Committee received and approved a Budget Update and endorsed the work undertaken to deliver a Budget for 2021/22.

ITEM 7 Revenue Budget and Council Tax Proposals 2021/22

Report of the Finance Portfolio Holder

Recommended:

- 1. That the Revised Forecast for 2020/21 as set out in Column 3 of Annex 1 to the report be approved.**
- 2. That the Savings Options, Income Generation Proposals, Revenue Pressures and Covid-19 impacts as set out in Annexes 2 – 5 to the report be approved.**
- 3. That subject to recommendation 2 above and taking due regard of the Head of Finance & Revenues' comments in Annex 9, the budget for 2021/22 as set out in Column 6 of Annex 1 be approved.**
- 4. That subject to recommendations 2 and 3 above, the revenue estimates for each Service contained in Annex 8 to the report be approved.**
- 5. That a Council Tax Requirement for 2021/22 of £9,573,702 be approved.**
- 6. That a Special Expenses Levy of £333,348 be made in respect of the area of Andover to cover the cost of maintaining burial grounds, sports grounds and playgrounds.**
- 7. That a general precept of £7,492,556 be levied for the year 2021/22.**
- 8. That the Medium Term Forecast contained in Annex 7 to the report be noted.**
- 9. That a Band D Council Tax excluding Parishes and Special Expenses of £148.91 in 2021/22 be approved – an increase of £2.50 on 2020/21 levels.**
- 10. That a draw of £18,700 from the Collection Fund Equalisation Reserve, as detailed in paragraph 4.7, be approved.**
- 11. That a draw of £141,700 from the Budget Equalisation Reserve, as detailed in paragraph 4.11, be approved.**
- 12. That delegated authority be given to the Head of Finance & Revenues 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 2021/22.
- The report takes into account the previous budget information and options for changes in service delivery that were presented to the Cabinet in December 2020 and January 2021.
- The headline financial figures in the report are :-
 - ◆ Band D Council Tax (excluding Parishes and Special Expenses) to be increased by £2.50 to £148.91.
 - ◆ Revenue savings proposals totalling £197,000 – Annex 2.
 - ◆ Income Generation proposals totalling £111,500 – Annex 3.
 - ◆ Additional spending pressures on services of £622,000 – Annex 4.
 - ◆ Net pressures due to COVID on services of £1.049M – Annex 5.
 - ◆ The final recommendations arising from this meeting for the Budget and Council Tax for 2021/22 will be considered by Council on 26 February 2021.

1 Introduction

- 1.1 The Cabinet considered the Budget Strategy for 2021/22 in December 2020. The report showed a best, middle and worst case scenario of the budget gap the Council expected to face for 2021/22.
- 1.2 An update of the budget forecast was presented to Cabinet in January 2021 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 2021/22.
- 1.3 This report presents the proposals for the 2021/22 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 2021/22 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
 - The impact on budget projections for the medium term, and
 - The ongoing impact of Covid-19.

- 2.2 It is impractical to examine every possible permutation of the 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 13 January 2021.

3 2020/21 Revised Forecast

- 3.1 The original budget for 2020/21 included no draw from the General Fund reserve in the year. This is the core fund that enables the Council to respond to emergencies and unexpected costs that may occur during the year. The General Fund balance is expected to remain at £2.6M at the end of the year.

Coronavirus

- 3.2 The budget update to Cabinet on 13 January 2021 identified a net pressure due to Covid-19 on the 20/21 budget of £1.812M. This estimate was prepared before the Prime Minister's announcement on 4 January 2021.
- 3.3 The figures have been updated to take account of the anticipated impact of the current lockdown and the full year estimates are shown in the following table.

	£'000
Additional expenditure (contractual commitments; remote working infrastructure etc.)	1,671
Reduction in budgeted income (car parking; leisure facilities; planning fees etc.)	4,633
Total Pressure on 2020/21 Budget	6,304
Government Grant received in four tranches	(1,571)
Sales, Fees & Charges scheme	(2,204)
Coronavirus Job Retention Scheme	(187)
New Burdens Grants	(308)
Net Pressure on 2020/21 Budget	2,034

- 3.4 The above table includes the impact on general fund income and expenditure and is reflected in the revised forecast shown in the annexes to this report. It does not include impacts from the Collection Fund (Council Tax and Business Rates) which are accounted for under separate arrangements.

- 3.5 The government has announced separate funding schemes for irrecoverable losses in Council tax and business rates for 2020/21. These will be calculated from statutory returns at the end of the financial year and any amounts due reflected in the outturn reports with a recommended transfer to the collection fund equalisation reserve. This will help offset the estimated collection fund deficits that are accounted for in the general fund in 2021/22 (see paragraphs 4.18 – 4.24 for additional information).
- 3.6 To offset the impact of the Covid-19 related business rates reliefs that have been given in the collection fund, the Government has given local authorities additional S31 grants in the year which are accounted for in the general fund. The current estimate for the Council is £6.874M. This is accounted for in the general fund in 2020/21 whilst the resulting share of the deficit in the collection fund will not be accounted for in the general fund until 2021/22. The final figure will be calculated at outturn, and the full amount received from S31 grants in relation to the Covid-19 business rates reliefs will be recommended to be transferred to the Collection Fund Equalisation Reserve to offset the deficit in 2021/22.

Service estimates

- 3.7 Detailed work on the revised forecasts for all services has been finalised, and show an estimated £661,000 positive variance, primarily from salary and transport savings.
- 3.8 Taking this into account with the forecast pressure due to Covid-19, it is expected that there will be a net pressure of £1.373M in the year.
- 3.9 This can be fully funded from the Collection Fund Equalisation Reserve. However, the final recommendation will be made to Cabinet in the Revenue Outturn report in May 2021 when the final position is known.

4 2021/22 Budget Proposals

- 4.1 Annex 1 sets out the proposed budget for 2021/22. 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 6 shows the same figures as Annex 1 with these items removed.
- 4.3 Annex 8 sets out a summary of the estimates by main service area. The figures in Annex 8 exclude capital financing charges and are reconciled to the summary shown in Annex 6.

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 £5.887M and the Council Tax Requirement is £9.574M.
- 4.5 The budget gap shown in the January budget update was £577,100. 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	577
Additional savings (see Annex 2)	(102)
Additional pressures (see Annex 4)	32
Covid pressures (see Annex 5)	1,050
Additional income from retained Business Rates Income (see para. 4.6)	(1,531)
Deficit on 2020/21 Council Tax Collection Fund (see para. 4.7)	19
Draw from Collection Fund Equalisation Reserve (see para 4.7)	(19)
Additional investment income	(27)
Lower income than forecast from Council Tax	126
Reduction in income from the Andover Special Expenses levy	17
Draw from Budget Equalisation Reserve (see para 4.11)	(142)
Final Budget Position	0

- 4.6 Work has continued during January to calculate the impact of the Business Rates Retention Scheme. The budget for 2021/22 now includes an estimate of additional income from this source totalling £1.531M (see paragraphs 4.18 – 4.24 for further details).
- 4.7 The Council's share of the estimated deficit on the Council Tax collection fund for 2020/21 is £18,700. It is recommended to make a draw from the Collection Fund Equalisation reserve to fund this.
- 4.8 Additional investment income of £27,400 is expected following further work on the estimated cashflow position throughout the year.
- 4.9 The reduction of £2.50 in the anticipated Council Tax increase has resulted in a reduction in forecast Council Tax income of £125,700.

- 4.10 The calculation of the Andover Special Expenses Levy is discussed in paragraph 4.34.
- 4.11 The above adjustments have resulted in a deficit of £141,700. It is recommended to draw this from the Budget Equalisation Reserve.

Project Enterprise

- 4.12 Project Enterprise was established in 2014 to increase the income generated by the Council from its investments and reduce its reliance on the Government's Revenue Support Grant.
- 4.13 Since 2014, the Council has invested in a number of properties that have sought to generate additional revenue income. This additional income has been generated by investing the cash reserves held by the Council in projects that will yield greater returns than the current cash investment portfolio.
- 4.14 The amount of investment in completed projects is currently £28.064M. 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 £1.931M in 2021/22. This represents an average return on investment of 6.9%.
- 4.15 In contrast, the Council's cash investment portfolio is forecast to generate an average return of 0.42% in 2021/22. Had the Council not purchased the additional properties and left the investment in cash reserves, this would be expected to generate £117,900 in 2021/22.
- 4.16 Income from Project Enterprise investments is therefore expected to be £1.813M greater than would have been achieved by retaining the balances in cash.
- 4.17 Some of the income generated from the completed investments is used to replenish the Capital Receipts Reserve over the lifetime of the investment. For 2021/22, £481,000 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

- 4.18 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.
- 4.19 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.

- 4.20 The Head of Finance & Revenues has delegated authority (in consultation with 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.
- 4.21 Due to the impact of the Government awarding additional business rate reliefs in 2020/21 as a result of Covid-19, the NDR collection fund is estimated to be in deficit of £17.703M at the end of March 2021. The Council's share of this deficit is 40% which equals £7.081M. This will all be taken into the general fund in 2021/22 and offset by a draw from the Collection Fund Equalisation Reserve. As detailed in paragraphs 3.5 and 3.6 above, the Council will receive a grant to cover 75% of the irrecoverable loss as well as S31 grants to cover the Covid-19 reliefs which will be transferred in to Collection Fund Equalisation Reserve to fund the draw in 2021/22.
- 4.22 It is estimated that income due to the Council in each of the next 3 years will be as per the following table:

	2021/22 £'000s	2022/23 £'000s	2023/24 £'000s
Business rates income	5,042	2,405	2,405
Section 31 grants *	1,868	0	0
2020/21 deficit on collection fund	(7,081)	0	0
Draw from Collection Fund Equalisation Reserve	7,081	0	0
Provision for levy payable to government	(2,025)	0	0
Renewable energy rates 100% retained	398	414	414
Total income from business rates retention scheme	5,283	2,792	2,842
Less income from business rates retention scheme included in January report	3,752	2,814	2,814
Increase / (reduction) in retained income from business rates retention scheme	1,531	(22)	(22)

* assumes Section 31 grants are rolled up into the baseline business rates income from 2022/23.

- 4.23 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 until at least 2022/23. The Government maintains the power to take away all of the accumulated growth in income generated since 2013.
- 4.24 The estimates for 2022/23 and 2023/24 are a reasonable 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

- 4.25 Draws from reserves are expected to be for one-off or specific expenditure. No further general draws from reserves, other than highlighted in paragraph 4.11, are budgeted in 2021/22 to close the overall budget gap.

Local Government Finance Settlement

- 4.26 Full details of the *Provisional* Local Government Finance Settlement were given in the Budget Update report to Cabinet on 13 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

- 4.27 Section 25 of the Local Government Act 2003 requires the Chief Financial Officer (Head of Finance & Revenues) 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 9.

Council Tax

- 4.28 The Medium Term Financial Strategy and budget update report in January 2020 were based on an assumption that Council Tax would increase by £5 in 2021/22.
- 4.29 This was based on a continuation of Government policy assuming that local authorities will put up their council tax by the maximum they are allowed each year to sustain the core spending power and in light of the anticipated budget gap being faced for the coming year.
- 4.30 Following completion of the estimates and, in particular, finalising the income that will be retained from business rates in 2021/22 it is possible to reduce this increase to £2.50.
- 4.31 This means that to continue delivering the full range of services, the Council will need to use £141,700 of its earmarked reserves to set a balanced budget for the coming year. However, this also acknowledges the great financial strain that many households are currently facing and this reduction, though relatively small, can only help.

- 4.32 For 2021/22 it is recommended that the Band D Council Tax charge is increased by £2.50 from £146.41 to £148.91.
- 4.33 Under delegated authority the Head of Finance & Revenues, 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.

Andover Special Expenses Levy

- 4.34 The Andover Special Expenses Levy is recalculated on a triennial basis. In years between recalculations, the charge is increased in line with the main TVBC precept, subject to specific amendments that may be required in that period.
- 4.35 The last recalculation was undertaken as part of the budget setting for 2020/21 in February 2020 (see Annex 9 to budget report, Cabinet 12 Feb 2020).
- 4.36 Following a review, the contribution towards the maintenance of public halls (£21,800 in 2020/21) will be removed from the levy with effect from 1 April 2021. This has been made possible due to a sustainable and rent-paying community use, in the form of the I Can Therapy Centre, being found for the previously under-utilised Rendezvous facility in Andover.
- 4.37 The result of this change is to reduce the equivalent levy charge from the £21.12 that was charged in 2020/21 to £19.79 per Band D property.
- 4.38 This is recommended to be increased by 1.71% in line with main TVBC Council Tax to give a charge of £20.12 per property, a reduction of £1 from the 2020/21 level.

5 Medium Term Forecast and Beyond

- 5.1 Annex 7 sets out the Medium Term Forecast for the General Fund budget up to the 2023/24 financial year. The figures shown in Annex 7 are reconciled to the revenue summary shown in Annex 6.
- 5.2 In order to maintain a balanced budget, current forecasts indicate a deficit of £2.561M in 2022/21 increasing by £307,600 to a deficit of £2.869M in 2023/24. This is the level of cumulative savings needed to close the forecast budget gap and assumes a full reset of business rates takes place from April 2022 in which all accumulated growth is lost without damping or other transitional protection.
- 5.3 Work to identify options for Councillors to consider meeting these savings targets will flow from the Corporate Challenge process which will commence in the summer. An initial forecast for 2022/23 based on a best, middle and worst case scenario will be presented to Cabinet in November 2021.
- 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, the effect of Covid-19, but Cabinet is encouraged to keep this longer term uncertainty in mind when recommending a sustainable level of Council Tax for 2021/22 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 2021) 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 2.5 of Annex 9.

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 the summer of 2020. It shows the savings and additional income that have been identified to enable the Council to propose a balanced budget for 2021/22.
- 10.2 If approved, the recommendations of this report will be considered by Council on 26 February 2021.

Background Papers (Local Government Act 1972 Section 100D)

1. "Provisional local government finance settlement: England 2021 to 2022" - MHCLG Consultation December 2020

Confidentiality

It is considered that this report does not contain exempt information within the meaning of Schedule 12A of the Local Government Act 1972, as amended, and can be made public.

No of Annexes:	9	File Ref:	N/A
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(Portfolio: Finance) Councillor M Flood

Officer:	Jenni Carter	Ext:	8236
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Report to:	Cabinet	Date:	10 February 2021
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GENERAL FUND REVENUE SUMMARY

(1) Actual Spend 2019/20 £'000	(2) Original Estimate 2020/21 £'000	(3) Forecast 2020/21 £'000		(4) Gross Expend. 2021/22 £'000	(5) Gross Income 2021/22 £'000	(6) Original Estimate 2021/22 £'000
Service Requirements						
0.0	0.0	0.8	Chief Executive's Office	849.9	(845.5)	4.4
3,284.7	2,183.0	6,107.3	Community & Leisure	5,931.7	(1,564.1)	4,367.6
5,996.0	5,374.5	5,487.7	Environmental Service	10,032.4	(4,345.8)	5,686.6
1,838.5	1,584.4	1,729.3	Finance & Revenues	3,902.4	(2,325.3)	1,577.1
2,650.7	3,919.6	3,195.9	Housing & Environmental Health	6,671.7	(2,591.2)	4,080.5
0.0	0.0	(0.4)	I.T.	1,518.4	(1,518.8)	(0.4)
3.7	0.0	3.2	Legal & Democratic	1,681.0	(1,617.0)	64.0
2,907.3	2,052.4	2,688.8	Planning & Building	3,953.2	(1,688.0)	2,265.2
1,071.5	1,079.8	1,428.8	Planning Policy & Economic Development	1,621.4	(60.7)	1,560.7
(3,965.8)	(6,073.4)	(4,448.2)	Property & Asset Management	10,720.9	(15,834.1)	(5,113.2)
0.0	0.0	(1.6)	Strategy & Innovation	758.1	(763.4)	(5.3)
13,786.6	10,120.3	16,191.6		47,641.1	(33,153.9)	14,487.2
Other Requirements						
(208.2)	(200.0)	(123.6)	Net Cost of Benefit Payments	18,866.5	(19,066.5)	(200.0)
2,141.7	2,044.3	2,050.1	Corporate & Democratic Core	6,437.7	(4,313.8)	2,123.9
15,720.1	11,964.6	18,118.1	Net Cost of Services	72,945.3	(56,534.2)	16,411.1
Corporate Requirements						
0.0	440.7	139.3	Contingency Provision	330.9	0.0	330.9
(6,315.6)	(5,250.0)	(5,088.8)	Depreciation Reversal and Deferred Charges	0.0	(5,057.5)	(5,057.5)
(758.2)	(636.4)	(405.9)	Investment Income	0.0	(242.2)	(242.2)
163.6	161.7	161.7	Borrowing Costs	156.5	0.0	156.5
187.0	191.2	191.2	Minimum revenue Provision	195.5	0.0	195.5
(2,126.5)	(2,130.0)	(9,003.7)	Small Business Rate Relief & other S31 grants	0.0	(1,868.0)	(1,868.0)
(94.6)	(53.4)	(4,194.0)	Other Government Grants	0.0	(1,700.3)	(1,700.3)
(3,788.2)	(3,560.8)	(3,560.8)	New Homes' Bonus	0.0	(2,567.9)	(2,567.9)
2,000.8	2,119.8	2,119.8	Provision for NDR surplus 'levy'	2,024.6	0.0	2,024.6
(8.0)	0.0	0.0	Levy surplus allocation	0.0	0.0	0.0
(437.2)	(419.6)	(419.6)	100% Retention of NDR from Renewable Energy	0.0	(397.5)	(397.5)
(0.3)	0.0	0.0	Year End Write Offs	0.0	0.0	0.0
4,542.9	2,827.8	(1,942.7)	Net General Fund Expenditure	75,652.8	(68,367.6)	7,285.2
3,960.3	3,990.0	8,696.1	Transfer to Earmarked Reserves	3,347.5	(8,461.9)	(5,114.4)
1,402.4	2,217.1	1,917.7	Transfer to Asset Management Reserve	1,600.1	0.0	1,600.1
3,087.9	2,502.9	2,866.7	Transfer to Capital Balances	2,116.2	0.0	2,116.2
(1,695.3)	0.0	0.0	Transfer to Pension Reserve	0.0	0.0	0.0
603.6	0.0	0.0	Transfer to / (from) General Reserves	0.0	0.0	0.0
11,901.8	11,537.8	11,537.8	General Fund Requirements	82,716.6	(76,829.5)	5,887.1
0.0	0.0	0.0	Revenue Support Grant	0.0	0.0	0.0
(4,576.4)	(4,897.2)	(4,897.2)	Business Rates Retained	17,150.6	(22,192.1)	(5,041.5)
1,597.6	1,716.8	1,716.8	Parish Precepts	1,747.8	0.0	1,747.8
(111.9)	(99.1)	(99.1)	Surplus on Previous Years' Collection Fund - Ctax	0.0	(101.1)	(101.1)
57.6	1,102.3	1,102.3	(Surplus)/Deficit on Previous Years' Collection Fund - NDR	7,081.4	0.0	7,081.4
8,868.7	9,360.6	9,360.6	Council Tax Requirement	108,696.4	(99,122.7)	9,573.7
(6,924.3)	(7,299.3)	(7,299.3)	Test Valley Borough Council precept	0.0	(7,492.6)	(7,492.6)
(1,597.6)	(1,716.8)	(1,716.8)	Parish Precepts	0.0	(1,747.8)	(1,747.8)
(346.8)	(344.5)	(344.5)	Andover Special Expenses Levy	0.0	(333.3)	(333.3)
(8,868.7)	(9,360.6)	(9,360.6)	Summary of Council Tax Requirement	0.0	(9,573.7)	(9,573.7)

SUMMARY OF SAVINGS OPTIONS

Service / Ref	Service	Function	Savings Option Proposed	2021/22 £	2022/23 £	2023/24 £
PAM01	Property & Asset Management	Beech Hurst	Savings in gas costs due to new boilers	7,800	7,800	7,800
PAM02	Property & Asset Management	Car Parking	Savings in collection fees	66,000	66,000	66,000
C&L01	Community & Leisure	The Lights	Sundry savings	6,900	6,900	6,900
IT01	IT	Telephony	Savings from SIP project	14,600	14,600	14,600
Total Savings Options in January Budget Update				95,300	95,300	95,300
Saving Options in this Update:						
CORP03	ALL	Employee Costs	Increase vacancy management provision from 4% to 4.5%	101,700	101,700	101,700
Total Savings Options in this Update				101,700	101,700	101,700
Total Savings Options				197,000	197,000	197,000

SUMMARY OF INCOME GENERATION PROPOSALS

Service / Ref	Service	Function	Savings Option Proposed	2021/22 £	2022/23 £	2023/24 £
ENV01	Environmental Services	Green Waste	Additional garden waste income (offsets cost of additional round)	84,500	84,500	84,500
ENV02	Environmental Services	Street Cleansing	Additional income from shopping trolley returns	10,000	10,000	10,000
ENV03	Environmental Services	Waste Collection	Net increase in income from bulky waste offset by small reduction in income from sales of bins	6,000	6,000	6,000
ENV04	Environmental Services	Technical	Recycling income	11,000	11,000	11,000
Total Income Generation Proposals				111,500	111,500	111,500

SUMMARY OF REVENUE PRESSURES

Service / Ref	Service	Item	2021/22 £	2022/23 £	2023/24 £
CORP01	ALL	Anticipated increase in insurance premiums	111,500	111,500	111,500
PAM03	Property & Asset Management	Increase in business rates liability due to vacancies	22,300	22,300	22,300
CORP02	Corporate & Democratic	Increases in supplies & services to align with actuals for postage, printing, software, bank charges & subscriptions	17,500	17,500	17,500
PPED01	Planning Policy & Economic Development	Increase in contribution for the Hampshire Economic Partnership	10,000	10,000	10,000
PPED02	Planning Policy & Economic Development	Project consultancy & staffing costs to be funded from the Local Development Reserve	221,700	0	0
PPED03	Planning Policy & Economic Development	Extend Independent Retailer Grants scheme to be funded from the New Homes Bonus Reserve	13,000	0	0
ENV01a	Environmental Services	Additional garden waste round (offset by additional income)	84,500	84,500	84,500
ENV05	Environmental Services	Increase in supplies & services	19,000	19,000	19,000
PAM04	Property & Asset Management	Net reduction in rental income from Corporate Properties	256,500	256,500	256,500
C&L02	Community & Leisure	Net reduction in cemeteries income to realign with actuals	18,000	18,000	18,000
HEH01	Housing & Environmental Health	Re-align insect call out income to actuals	9,700	9,700	9,700
IT02	IT	Net increases in annual maintenance and support costs and licenses	26,400	26,400	26,400
L&D01	Legal & Democratic	No government grant expected for register of electors	15,000	15,000	15,000
Total Pressures			825,100	590,400	590,400

Draw from reserves to offset pressures:

SUMMARY OF REVENUE PRESSURES

Service / Ref	Service	Item	2021/22 £	2022/23 £	2023/24 £
PPED02a	Planning Policy & Economic Development	Draw from LDF reserve to finance consultancy & staffing costs	(221,700)	0	0
PPED03a	Planning Policy & Economic Development	Draw from New Homes Bonus reserve to fund independent retailer grants	(13,000)	0	0
			(234,700)	0	0
Total Pressures Net of Transfers from Reserves in January Budget Update			590,400	590,400	590,400
Pressures in this Update:					
L&D01	Legal & Democratic	Increase in Members allowances agreed at Council 27/01/21	9,900	18,900	18,900
CORP01a	ALL	Reduce anticipated increase in insurance premiums	(60,800)	(60,800)	(60,800)
CORP04	Corporate & Democratic	Anticipated increase in external audit fees	21,000	21,000	21,000
CORP05	Corporate & Democratic	Extended support license for Finance Management System	26,100	26,100	26,100
PAM04a	Property & Asset Management	Reduce pressure from reduction in rental income from Corporate Properties and move to pressure from Covid	(47,900)	(47,900)	(47,900)
PAM04b	Property & Asset Management	Reduce pressure from reduction in rental income from Corporate Properties due to letting	(15,000)	(15,000)	(15,000)
PAM05	Property & Asset Management	Adjust net income from the Chantry Centre in line with the middle case per the report to Council on 13th March 2019	98,300	307,200	313,200
PAM06	Property & Asset Management	Net reduction in income from the Chantry Centre	99,100	0	0
Total Pressures in this Update			130,700	249,500	255,500

SUMMARY OF REVENUE PRESSURES

Service / Ref	Service	Item	2021/22 £	2022/23 £	2023/24 £
Draw from reserves to offset pressures:					
PAM06a	Property & Asset Management	Draw from Chantry Centre Planned Maintenance Reserve to partially fund reduction in income	(99,100)	0	0
			(99,100)	0	0
Total Pressures Net of Transfers from Reserves in this report			31,600	249,500	255,500
Total Pressures			622,000	839,900	845,900

SUMMARY OF COVID IMPACTS

Item	2021/22 £	2022/23 £	2023/24 £
Budget Pressure			
Housing & Environmental Health - B&B costs	26,500		
Community & Leisure including The Lights	1,608,900	0	0
Housing & Environmental Health	13,800	0	0
Legal & Democratic - land charges, licensing	69,300	0	0
Planning & Building - building control fees	139,500	0	0
Property & Asset Management including car parking	522,400	0	0
	2,380,400	0	0
Possible savings - premises, travel, supplies & services	(131,200)	0	0
Total COVID pressure	2,249,200	0	0
Offset by:			
Sales, Fees & Charges compensation Q1 estimate	(373,700)	0	0
COVID support grant (tranche 5)	(533,400)	0	0
Lower Tier Services grant	(573,700)	0	0
	(1,480,800)	0	0
Total Net COVID Pressure in January Update	768,400	0	0

COVID pressures in this update:

SUMMARY OF COVID IMPACTS

Item	2021/22 £	2022/23 £	2023/24 £
Additional Costs / loss of income			
Corporate - bad debt provision	200,000	0	0
Property & Asset Management inc car parking & rental income	94,700	0	0
	294,700	0	0
Total additional COVID pressure	294,700	0	0
Offset by:			
Sales, Fees & Charges compensation Q1 estimate	(13,600)	0	0
	(13,600)	0	0
Total Net COVID Pressure in this Update	281,100	0	0
Total Net COVID Pressure	1,049,500	0	0

GENERAL FUND REVENUE SUMMARY

(1) Actual Spend 2019/20 £'000	(2) Original Estimate 2020/21 £'000	(3) Forecast 2020/21 £'000		(4) Gross Expend. 2021/22 £'000	(5) Gross Income 2021/22 £'000	(6) Original Estimate 2021/22 £'000
<u>Service Requirements</u>						
(235.5)	0.0	0.8	Chief Executive's Office	849.9	(845.5)	4.4
1,656.5	961.0	4,624.5	Community & Leisure	4,624.8	(1,564.1)	3,060.7
4,612.6	4,569.3	4,768.9	Environmental Service	9,319.4	(4,345.8)	4,973.6
1,435.9	1,584.4	1,729.3	Finance & Revenues	3,902.4	(2,325.3)	1,577.1
2,580.4	2,629.0	2,656.5	Housing & Environmental Health	5,678.5	(2,591.2)	3,087.3
(208.7)	(58.8)	(91.5)	I.T.	1,427.0	(1,518.8)	(91.8)
(157.8)	0.0	3.2	Legal & Democratic	1,681.0	(1,617.0)	64.0
2,383.8	2,052.4	2,688.8	Planning & Building	3,953.2	(1,688.0)	2,265.2
992.0	1,079.8	1,428.8	Planning Policy & Economic Development	1,621.4	(60.7)	1,560.7
(7,128.2)	(6,937.1)	(5,327.7)	Property & Asset Management	9,777.6	(15,834.1)	(6,056.5)
0.0	0.0	(1.6)	Strategy & Innovation	758.1	(763.4)	(5.3)
5,931.0	5,880.0	12,480.0		43,593.3	(33,153.9)	10,439.4
<u>Other Requirements</u>						
(208.2)	(200.0)	(123.6)	Net Cost of Benefit Payments	18,866.5	(19,066.5)	(200.0)
3,198.7	2,034.6	2,040.4	Corporate & Democratic Core	6,428.0	(4,313.8)	2,114.2
8,921.5	7,714.6	14,396.8	Net Cost of Services	68,887.8	(56,534.2)	12,353.6
<u>Corporate Requirements</u>						
0.0	440.7	139.3	Contingency Provision	330.9	0.0	330.9
(758.2)	(636.4)	(405.9)	Investment Income	0.0	(242.2)	(242.2)
163.6	161.7	161.7	Borrowing Costs	156.5	0.0	156.5
187.0	191.2	191.2	Minimum revenue Provision	195.5	0.0	195.5
(2,126.5)	(2,130.0)	(9,003.7)	Small Business Rate Relief & other S31 grants	0.0	(1,868.0)	(1,868.0)
(94.6)	(53.4)	(4,194.0)	Other Government Grants	0.0	(1,700.3)	(1,700.3)
(3,788.2)	(3,560.8)	(3,560.8)	New Homes' Bonus	0.0	(2,567.9)	(2,567.9)
2,000.8	2,119.8	2,119.8	Provision for NDR surplus 'levy'	2,024.6	0.0	2,024.6
(8.0)	0.0	0.0	Levy surplus allocation	0.0	0.0	0.0
(437.2)	(419.6)	(419.6)	100% Retention of NDR from Renewable Energy	0.0	(397.5)	(397.5)
(0.3)	0.0	0.0	Year End Write Offs	0.0	0.0	0.0
4,059.9	3,827.8	(575.2)	Net General Fund Expenditure	71,595.3	(63,310.1)	8,285.2
3,960.3	3,990.0	8,696.1	Transfer to Earmarked Reserves	3,347.5	(8,461.9)	(5,114.4)
1,402.4	2,217.1	1,917.7	Transfer to Asset Management Reserve	1,600.1	0.0	1,600.1
1,875.6	1,502.9	1,499.2	Transfer to Capital Balances	1,116.2	0.0	1,116.2
603.6	0.0	0.0	Transfer to General Reserves	0.0	0.0	0.0
11,901.8	11,537.8	11,537.8	General Fund Requirements	77,659.1	(71,772.0)	5,887.1
0.0	0.0	0.0	Revenue Support Grant	0.0	0.0	0.0
(4,576.4)	(4,897.2)	(4,897.2)	Business Rates Retained	17,150.6	(22,192.1)	(5,041.5)
1,597.6	1,716.8	1,716.8	Parish Precepts	1,747.8	0.0	1,747.8
(111.9)	(99.1)	(99.1)	Surplus on Previous Years' Collection Fund - Ctax	0.0	(101.1)	(101.1)
57.6	1,102.3	1,102.3	Surplus on Previous Years' Collection Fund - NDR	7,081.4	0.0	7,081.4
8,868.7	9,360.6	9,360.6	Council Tax Requirement	103,638.9	(94,065.2)	9,573.7
(6,924.3)	(7,299.3)	(7,299.3)	Test Valley Borough Council precept	0.0	(7,492.6)	(7,492.6)
(1,597.6)	(1,716.8)	(1,716.8)	Parish Precepts	0.0	(1,747.8)	(1,747.8)
(346.8)	(344.5)	(344.5)	Andover Special Expenses Levy	0.0	(333.3)	(333.3)
(8,868.7)	(9,360.6)	(9,360.6)	Summary of Council Tax Requirement	0.0	(9,573.7)	(9,573.7)

MEDIUM TERM FINANCIAL PLAN

	Original Estimate 2021/22 £'000	Base Changes £'000	Budget Forecast 2022/23 £'000	Base Changes £'000	Budget Forecast 2023/24 £'000
<u>Service Requirements</u>					
Chief Executive's Office	4.4	0.0	4.4	0.0	4.4
Community & Leisure	3,060.7	(1,910.2)	1,150.5	36.8	1,187.3
Environmental Service	4,973.6	408.3	5,381.9	0.0	5,381.9
Finance & Revenues	1,577.1	0.0	1,577.1	0.0	1,577.1
Housing & Environmental Health	3,087.3	(412.1)	2,675.2	0.0	2,675.2
I.T.	(91.8)	0.0	(91.8)	0.0	(91.8)
Legal & Democratic	64.0	(60.8)	3.2	0.0	3.2
Planning & Building	2,265.2	(139.5)	2,125.7	0.0	2,125.7
Planning Policy & Economic Development	1,560.7	(245.3)	1,315.4	0.0	1,315.4
Property & Asset Management	(6,056.5)	(500.3)	(6,556.8)	6.0	(6,550.8)
Strategy & Innovation	(5.3)	0.0	(5.3)	0.0	(5.3)
Inflation	0.0	600.0	600.0	600.0	1,200.0
	10,439.4	(2,259.9)	8,179.5	642.8	8,822.3
<u>Other Requirements</u>					
Net Cost of Benefit Payments	(200.0)	0.0	(200.0)	0.0	(200.0)
Corporate & Democratic Core	2,114.2	(145.3)	1,968.9	744.6	2,713.5
Net Cost of Services	12,353.6	(2,405.2)	9,948.4	1,387.4	11,335.8
<u>Corporate Requirements</u>					
Contingency Provision	330.9	0.0	330.9	0.0	330.9
Investment Income	(242.2)	0.0	(242.2)	0.0	(242.2)
Borrowing Costs	156.5	(5.2)	151.3	(6.2)	145.1
Minimum Revenue Provision	195.5	4.4	199.9	4.5	204.4
Small Business Rate Relief & other S31 grants	(1,868.0)	1,868.0	0.0	0.0	0.0
Other Government Grants	(1,700.3)	1,589.2	(111.1)	0.0	(111.1)
New Homes' Bonus	(2,567.9)	1,767.3	(800.6)	800.6	0.0
Provision for NDR Levy	2,024.6	(2,024.6)	0.0	0.0	0.0
100% Retention of NDR from Renewable Energy	(397.5)	(16.9)	(414.4)	0.0	(414.4)
Net General Fund Expenditure	8,285.2	777.0	9,062.2	2,186.3	11,248.5
Transfer to Earmarked Reserves	(5,114.4)	6,456.4	1,342.0	(1,545.2)	(203.2)
Transfer to Asset Management Reserves	1,600.1	0.0	1,600.1	0.0	1,600.1
Transfer to Capital Reserves	1,116.2	0.0	1,116.2	0.0	1,116.2
Transfer to General Reserves	0.0	0.0	0.0	0.0	0.0
Total General Fund Expenditure	5,887.1	7,233.4	13,120.5	641.1	13,761.6
FURTHER SAVINGS TO BE IDENTIFIED	0.0	(2,561.1)	(2,561.1)	(307.6)	(2,868.7)
General Fund Requirements	5,887.1	4,672.3	10,559.4	333.5	10,892.9

GENERAL FUND REVENUE ACCOUNT

SUMMARY ESTIMATES

	Final Outturn 2019/20 £'000	Original Estimate 2020/21 £'000	Forecast 2020/21 £'000	Original Estimate 2021/22 £'000
Service Requirements				
Chief Executive's Office	(235.5)	0.0	0.8	4.4
Community & Leisure	1,656.5	961.0	4,624.5	3,060.7
Environmental Service	4,612.6	4,569.3	4,768.9	4,973.6
Finance & Revenues	1,435.9	1,584.4	1,729.3	1,577.1
Housing & Environmental Health	2,580.4	2,629.0	2,656.5	3,087.3
IT	(208.7)	(58.8)	(91.5)	(91.8)
Legal & Democratic	(157.8)	0.0	3.2	64.0
Planning & Building	2,383.8	2,052.4	2,688.8	2,265.2
Planning Policy & Economic Development	992.0	1,079.8	1,428.8	1,560.7
Property & Asset Management	(7,128.2)	(6,937.1)	(5,327.7)	(6,056.5)
Strategy & Innovation	0.0	0.0	(1.6)	(5.3)
	5,931.0	5,880.0	12,480.0	10,439.4
Other Requirements				
Net Cost of Benefit Payments	(208.2)	(200.0)	(123.6)	(200.0)
Corporate & Democratic Core	3,198.7	2,034.6	2,040.4	2,114.2
Net Cost of Services	8,921.5	7,714.6	14,396.8	12,353.6

CHIEF EXECUTIVE'S OFFICE**SUMMARY ESTIMATES**

Principal Activities	Final Outturn 2019/20 £'000	Original Estimate 2020/21 £'000	Forecast 2020/21 £'000	Original Estimate 2021/22 £'000
Chief Executive's Office	(181.4)	0.0	0.8	4.5
Human Resources Service	(89.5)	(40.7)	(37.6)	(44.8)
Human Resources Function	35.4	40.7	37.6	44.7
Net Total Expenditure	(235.5)	0.0	0.8	4.4

COMMUNITY & LEISURE SERVICE

SUMMARY ESTIMATES

Principal Activities	Final Outturn 2019/20 £'000	Original Estimate 2020/21 £'000	Forecast 2020/21 £'000	Original Estimate 2021/22 £'000
Leisure Management	(33.3)	3.3	0.0	(28.2)
Parks, Countryside & Sport				
Managed Sports Facilities	(1,049.1)	(1,743.6)	1,868.1	21.3
Outdoor Sports Facilities	(62.9)	200.8	344.9	304.5
Playgrounds	65.2	13.0	71.1	50.7
Sports Development	21.2	26.0	20.7	25.5
Cemeteries	(27.8)	(79.1)	(36.5)	(56.9)
Grounds Maintenance	375.0	113.3	105.5	118.3
Nature Reserves	148.1	131.9	137.5	126.9
Urban Parks & Open Spaces	293.9	390.0	358.8	408.8
Total - Parks, Countryside & Sport	(236.4)	(947.7)	2,870.1	999.1
Community Development				
Community Engagement	1,235.3	1,277.4	1,196.2	1,343.1
Total - Community Development	1,235.3	1,277.4	1,196.2	1,343.1
Arts & Culture				
Andover Summit Events	14.4	15.6	11.1	15.4
Arts Function	16.8	28.3	24.0	28.4
The Lights	603.5	523.7	468.4	644.4
Heritage	56.2	60.4	54.7	58.5
Total - Arts & Culture	690.9	628.0	558.2	746.7
Net Total Expenditure	1,656.5	961.0	4,624.5	3,060.7

ENVIRONMENTAL SERVICE**SUMMARY ESTIMATES**

Principal Activities	Final Outturn 2019/20 £'000	Original Estimate 2020/21 £'000	Forecast 2020/21 £'000	Original Estimate 2021/22 £'000
Grounds Maintenance	1,181.0	1,138.6	1,125.4	1,199.3
Waste Collection	2,375.1	2,232.5	2,500.2	2,300.2
Green Waste Collection	(132.8)	(134.6)	(228.9)	(137.2)
Street Cleansing	1,046.4	926.2	890.2	969.8
Vehicle Workshop	159.1	106.3	102.5	82.7
ES Technical	0.0	287.3	351.2	541.1
Depot costs	(16.2)	13.0	28.3	17.7
Net Total Expenditure	4,612.6	4,569.3	4,768.9	4,973.6

FINANCE SERVICE
SUMMARY ESTIMATES

Principal Activities	Final Outturn 2019/20 £'000	Original Estimate 2020/21 £'000	Forecast 2020/21 £'000	Original Estimate 2021/22 £'000
Finance	(128.7)	0.0	(0.5)	2.0
Revenues				
Customer Services Unit	(97.4)	9.7	0.0	0.0
Local Taxation Services	799.2	918.0	1,026.0	914.1
Council Tax Support Administration	476.6	445.5	452.7	444.3
Housing Benefit - Rent Allowances Administration	386.2	211.2	251.1	216.7
Total Revenues	1,564.6	1,584.4	1,729.8	1,575.1
Net Total Expenditure	1,435.9	1,584.4	1,729.3	1,577.1

HOUSING & ENVIRONMENTAL HEALTH SERVICE**SUMMARY ESTIMATES**

Principal Activities	Final Outturn 2019/20 £'000	Original Estimate 2020/21 £'000	Forecast 2020/21 £'000	Original Estimate 2021/22 £'000
General Management	(17.5)	1.7	0.0	0.0
Housing Options	1,035.0	1,026.9	1,099.2	1,456.1
Hampshire Home Choice	6.6	1.9	1.0	0.2
Housing Development	173.4	185.9	169.2	196.7
Business Support Team	(11.2)	1.6	0.0	0.0
Pest Control	135.8	114.3	136.4	128.6
Environmental Protection	414.0	398.8	366.9	411.8
Housing Standards	260.0	273.7	305.3	265.4
Animal Welfare	117.2	118.2	106.8	112.4
Health Protection	467.1	506.0	471.7	516.1
Net Total Expenditure	2,580.4	2,629.0	2,656.5	3,087.3

I.T. SERVICE**SUMMARY ESTIMATES**

Principal Activities	Final Outturn 2019/20 £'000	Original Estimate 2020/21 £'000	Forecast 2020/21 £'000	Original Estimate 2021/22 £'000
Management	(1,229.0)	(978.3)	(1,240.4)	(1,025.3)
Service Desk	87.9	70.5	106.6	67.7
Infrastructure	472.3	509.2	511.7	522.2
Corporate Services	460.1	339.8	530.6	343.6
Net Total Income	(208.7)	(58.8)	(91.5)	(91.8)

LEGAL & DEMOCRATIC SERVICE**SUMMARY ESTIMATES**

Principal Activities	Final Outturn 2019/20 £'000	Original Estimate 2020/21 £'000	Forecast 2020/21 £'000	Original Estimate 2021/22 £'000
Legal				
Legal Service	(496.0)	(134.2)	(140.7)	(149.7)
Land Charges	(69.3)	(74.2)	(66.2)	(28.4)
Democratic				
Council Elections	339.3	152.1	154.0	155.5
Registration of Electors	89.4	85.7	68.4	85.3
Lotteries, Amusements and Gaming Permits	(5.2)	(7.2)	(5.5)	(4.3)
Alcohol and Entertainment Licensing	(30.0)	(35.0)	(22.8)	(17.2)
Scrap Metal Dealers	1.0	2.3	1.9	2.5
Hackney Carriages and Private Hire Vehicles	13.0	10.5	14.1	20.3
Net Total Expenditure / (Income)	(157.8)	0.0	3.2	64.0

PLANNING & BUILDING SERVICE**SUMMARY ESTIMATES**

Principal Activities	Final Outturn 2019/20 £'000	Original Estimate 2020/21 £'000	Forecast 2020/21 £'000	Original Estimate 2021/22 £'000
Development Control & Enforcement	2,284.6	2,052.3	2,562.0	2,117.7
Building Control	99.2	0.1	126.8	147.5
Net Total Expenditure	2,383.8	2,052.4	2,688.8	2,265.2

PLANNING POLICY & ECONOMIC DEVELOPMENT SERVICE

SUMMARY ESTIMATES

Principal Activities	Final Outturn 2019/20 £'000	Original Estimate 2020/21 £'000	Forecast 2020/21 £'000	Original Estimate 2021/22 £'000
Planning Policy	739.5	768.7	978.9	1,055.8
Local Development Framework	7.2	108.1	287.0	275.4
Climate Change	1.5	0.0	0.0	0.0
Total Planning Policy	748.2	876.8	1,265.9	1,331.2
Economic Development and Promotion	76.6	80.9	64.8	107.7
Promotion of Tourism	151.1	101.4	81.3	101.1
Total Economic Development and Promotion	227.7	182.3	146.1	208.8
Town Centre Management	16.1	20.7	16.8	20.7
Net Total Expenditure	992.0	1,079.8	1,428.8	1,560.7

PROPERTY & ASSET MANAGEMENT SERVICE

SUMMARY ESTIMATES

Principal Activities	Final Outturn 2019/20 £'000	Original Estimate 2020/21 £'000	Forecast 2020/21 £'000	Original Estimate 2021/22 £'000
Estates Support Unit	(65.0)	51.3	47.7	45.3
Rental Income				
Andover Market	86.0	70.5	66.2	71.6
Business Park Development	(5,590.4)	(5,769.2)	(5,708.5)	(5,772.9)
Union Street	(20.3)	(39.4)	(45.5)	(42.8)
Chantry Centre	(626.5)	(414.2)	(78.5)	(106.9)
Investment Properties	(1,031.3)	(1,189.1)	(1,012.2)	(1,067.1)
Corporate Properties	(444.2)	(507.5)	(377.1)	(344.1)
Total - Rental Income	(7,626.7)	(7,848.9)	(7,155.6)	(7,262.2)
Premises Management				
Public Halls	348.9	241.0	321.6	274.3
Leisure Facilities	43.2	38.5	38.0	44.8
Public Conveniences	202.3	176.4	162.5	176.5
Office Accommodation	107.0	117.0	1.4	42.7
Andover Magistrates Court	74.8	67.7	91.3	90.7
Depot Costs	(65.0)	(3.5)	(69.8)	(80.1)
Andover Bus Station	130.2	95.2	86.4	96.1
Building Maintenance	161.4	199.0	189.8	204.9
Building Cleaning	105.9	93.1	98.5	95.6
Maintenance Works	0.0	302.7	157.4	269.1
Total - Premises Management	1,108.7	1,327.1	1,077.1	1,214.6
Transport				
Engineers	268.2	291.8	261.5	289.4
Highways	12.6	13.8	14.0	14.0
Parking	(880.0)	(827.2)	397.9	(412.6)
Community Transport	54.0	55.0	29.7	55.0
Total - Transport	(545.2)	(466.6)	703.1	(54.2)
Net Total Income	(7,128.2)	(6,937.1)	(5,327.7)	(6,056.5)

STRATEGY & INNOVATION**SUMMARY ESTIMATES**

Principal Activities	Final Outturn 2019/20 £'000	Original Estimate 2020/21 £'000	Forecast 2020/21 £'000	Original Estimate 2021/22 £'000
Strategy & Innovation	0.0	0.0	(1.6)	(5.3)
Net Total Income	0.0	0.0	(1.6)	(5.3)

NET COST OF BENEFITS PAYMENTS**SUMMARY ESTIMATES**

Principal Activities	Final Outturn 2019/20 £'000	Original Estimate 2020/21 £'000	Forecast 2020/21 £'000	Original Estimate 2021/22 £'000
Council Tax Benefits	(6.7)	0.0	0.0	0.0
Housing Benefit - Rent Allowances	(201.6)	(200.0)	(123.6)	(200.0)
Net Total Income	(208.2)	(200.0)	(123.6)	(200.0)

CORPORATE & DEMOCRATIC CORE
SUMMARY ESTIMATES

Principal Activities	Final Outturn 2019/20 £'000	Original Estimate 2020/21 £'000	Forecast 2020/21 £'000	Original Estimate 2021/22 £'000
Corporate Management				
Corporate Management	750.5	606.6	662.5	722.7
Delivering Public Services Electronically	10.7	12.0	10.3	10.0
Corporate Public Relations, Information and Consultation	12.9	14.8	20.4	21.1
Best Value & Performance	13.3	11.6	11.5	11.6
Emergency Planning	35.7	33.8	32.9	34.5
Net Total Expenditure	823.1	678.8	737.6	799.9
Democratic Representation and Management				
Councillors	459.0	471.0	455.7	460.0
Councillor Meetings	430.7	420.8	363.7	334.2
Mayoral Office	30.1	38.0	23.8	25.6
Civic Ceremonies	7.5	7.5	1.5	0.0
Subscriptions	22.0	23.0	25.9	26.4
Representing Local Interests	0.0	0.0	0.0	0.0
Other Democratic Activities	21.0	21.1	22.5	25.3
Net Total Expenditure	970.3	981.4	893.1	871.5
Allocated Central Overheads	167.1	158.2	154.0	187.1
Non-Distributable Costs	1,238.2	216.2	255.7	255.7
Net Total Expenditure	3,198.7	2,034.6	2,040.4	2,114.2

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 In addition to the continuation of the embedded budget procedures above, all Service areas have considered where there is the potential for variances caused by the impacts of coronavirus. These areas have been considered separately to the main estimates to assist forecasting for central government and to reflect any budget pressure as a short-term impact that may return to base levels in future years.
- 2.3 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.
- 2.4 I have discussed the estimates with my Accountancy staff to the extent that I deem necessary. The processes followed are sound and, with the exception of new procedures to estimate the impact of coronavirus, 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 2021/22. Subject to some important reservations listed in paragraph 2.5 below, a reasonable degree of assurance can be given about the robustness of the estimates and the adequacy of reserves.
- 2.5 The exceptions relate to the provision of estimates for items outside the direct control of the Council:
- Income from fees and charges, especially those affected by coronavirus such as car parking.
 - 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 impact of changes in Government funding.
 - The impact of local business rates retention – It is nearly eight 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. There is the possibility that the locally retained share of business rate income may increase to 75% in exchange for as yet unidentified new responsibilities.
 - The ongoing impact of coronavirus on Council services and the level of support provided by central government to limit the impact on local budgets.

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 2021/22.

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 £2.6M. I consider that, given my comments in the previous section on the robustness of the estimates and the uncertainties surrounding the next three-year period, this represents a prudent minimum level of working balances.

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

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

<i>Earmarked Revenue Reserves:</i>		At 31/3/20	At 31/3/24
		£000s	£000s
<u>Equalisation Reserves</u>			
a)	Investment Equalisation Reserve	250	0
b)	Budget Equalisation Reserve	682	540
c)	Income Equalisation Reserve	300	300
d)	Pension Equalisation Reserve	0	500
e)	Collection Fund Equalisation Reserve	3,555	3,157
	Estimated draw re: 2020/21 budget deficit		(1,373)
	Total – Equalisation Reserves	4,787	3,124
<u>Other Earmarked Revenue Reserves</u>			
f)	New Homes Bonus	6,400	9,680
g)	Developer Commuted Sums	5,272	5,000
h)	Capacity Building Reserve	256	230
i)	Town Centre Rejuvenation Reserve	0	2,611
j)	Special Projects Reserve	245	143
k)	Asset Management Plan	3,375	0
l)	Local Development Framework	596	0
m)	All Risks Self-Insurance Reserve	94	100
n)	Enterprise and Innovation Reserve	315	0
o)	Valley Housing Ltd. Reserve	250	100
p)	Housing Reserve	446	0
q)	Chantry Centre Planned Maintenance Reserve	1,449	0

r) Other Earmarked Reserves	661	0
Total – Other Earmarked Revenue Reserves	19,359	17,864
Total:	24,146	20,988

- 3.5 The Council has faced severe financial challenges in recent years. Support from the Government has reduced as Revenue Support Grant has been phased out. This has been compounded by the budget strain that has been caused by the impacts of coronavirus that have led to an estimated £2.8M unfunded deficit across 2020/21 and 2021/22.
- 3.6 The government has again deferred the re-set of the business rates baseline which leads to significant uncertainty in budget planning. Whilst this has helped enable a balanced budget to be set for the coming year, the risk that all accumulated growth since 2013 could be lost remains a possibility.
- 3.7 In assessing Councils' core spending power, the assumptions made by government have changed to a position where maximum council tax increases are presumed to preserve spending power. Further, 2022/23 is expected to be the last year in which any payment under the New Homes Bonus scheme will be made.
- 3.8 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. In particular the Collection Fund Equalisation Reserve is intended to support any major loss of income that is sustained from a re-set of the business rates baseline.
- 3.9 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.
- 3.10 The balance of the New Homes Bonus will continue to be important to the Council, not only as a source of financing for the Community Asset and Revenue Funds, but also for financing other appropriate community-based schemes in the Capital Investment Programme.
- 3.11 I am satisfied that the earmarked revenue reserves are adequate for their particular purposes, but given the uncertainties highlighted in paragraph 2.5, 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 2021/22,
 - 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.

Carl Whatley
Head of Finance & Revenues

ITEM 8 Capital Programme Update – 2020/21 to 2022/23

Report of the Finance Portfolio Holder

Recommended:

That the revised estimates and financing for the 2020/21 to 2022/23 Capital Programme as shown in Annex 1 to the report, be approved.

SUMMARY:

- This report updates Councillors on the progress of the existing 2020/21 Capital programme and includes forecast changes to its timescale and total cost.
- It also provides an update 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 usually in May, November and February.
- 1.2 The last update was presented on 2 December 2020 and gave details of the overall expenditure and financing of the Capital Programme for 2020/21 to 2022/23.
- 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 December 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 December 2020 update.

	£'000
2020/21 to 2022/23 capital budget per December report	29,718.0
Ganger Farm – Sports & Recreation enhancement	207.7
Abbotswood Public Art	56.0
Multi Story Car Park Lift refurbishment	6.6
Chantry House Lifts	7.2
Old Creamery Footway	(4.8)
Andover/Romsey CCTV	(37.2)
Registered providers – removal of budget	(600.0)
2020/21 to 2022/23 capital budget per Annex 1	29,353.5

- 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 2020/21 to 2021/22. A summary of project slippage is shown in Annex 2.

3.4 Asset Management Projects

The Asset Management Plan (AMP) was presented to Cabinet on 2 December 2020.

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 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

Ganger Farm project – a report was received by Cabinet on the 2 December 2020 and subsequent approval was given by Council (27 January 2021) for enhancements to the current project enabling public use of the facilities. These additional works include CCTV installation, kitchen enhancements and furniture and will be funded by S106 receipts.

Abbotswood Public Art – approval was given by Council (27 January 2021) for the commission of an artist to develop a project at Abbotswood. This will be funded by S106 receipts.

Slippage has been identified in the following projects:

Plaza Theatre rebuild – this project has been slipped to 2023 as the external funding stream has been impacted by Covid 19.

Three further projects being Andover War Memorial, Fishlake Meadows and Boundary Fencing have been impacted by Covid and will slip into 2021/22.

3.6 Property and Asset Management

There was a small increase in the final costs of the Multi Storey Car Park and Chantry House Lift projects. These additional costs have been approved under delegated authority.

The Old Creamery Footway project has been completed with a small saving of £4.8k.

Andover/Romsey CCTV – this project was completed in last years' programme. It has been necessary to re-classify some of the expenditure related to the ongoing maintenance costs. As a result a credit is being shown in the current programme.

Slippage has been identified in the following projects:

Smannell to Augusta footpath link - due to a delay in Hampshire County Council confirming a programme of works, the main element of this project will slip into 2021/22.

Southampton Road, Pedestrian and Cycle route – this project has been delayed and work is due to start in April, therefore most of the expenditure will be in 2021/22.

3.7 Affordable Housing

Contributions to Registered Providers have been withdrawn from the Capital programme as there are no current projects to which these can be applied. This funding from s106 contributions can only be used for affordable housing projects and will, therefore, remain earmarked for future affordable housing projects.

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 forecast of funding remaining at 31 March 2023 for the Capital Programme is £5.045M, a reduction of £6.8M from the level of the Capital Receipts Reserve as at 1 April 2020.

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 three additional projects that are expected to slip to 2021/22 and 2022/23. The total slippage identified is £2.435M as shown in Annex 2. The reasons for the additional slippage have been explained in the paragraphs above and previous reports to Cabinet.

5 Financing the Capital Programme.

Capital Receipts Reserve

- 5.1 The balance on the Capital Receipts Reserve as at 1 April 2020 was £11.805M.
- 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.

Existing Capital Programme	December 2020 £'000	February 2021 £'000
Balance Capital Receipts Reserve (CRR) as at 1 April 2020	11,804.5	11,804.5
Total Capital Expenditure 2020/21 – 2022/23	(29,718.0)	(29,353.5)
Total Capital Financing 2020/21 – 2022/23	22,531.3	22,594.0
Capital Receipts Reserve as at 31 March 2023	4,617.8	5,045.0

6 Revenue Consequences of the Capital Programme

- 6.1 The ongoing revenue impact of the capital budget has been built into Service estimates for 2021/22 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 2022/23.

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 2020/21 to 2022/23 Capital Programme.

11 Conclusion and reasons for recommendation

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

<u>Background Papers (Local Government Act 1972 Section 100D)</u>			
N/A			
<u>Confidentiality</u>			
It is considered that this report does not contain exempt information within the meaning of Schedule 12A of the Local Government Act 1972, as amended, and can be made public.			
No of Annexes:	2	File Ref:	N/A
(Portfolio: Finance) Councillor M. Flood			
Officer:	Laura Berntsen	Ext:	8204
Report to:	Cabinet	Date:	10 February 2021

CAPITAL PROGRAMME AND FINANCING**Approved Projects**

	December 2020				February 2021			
	2020/21 £'000	2021/22 £'000	2022/23 £'000	Total £'000	2020/21 £'000	2021/22 £'000	2022/23 £'000	Total £'000
CAPITAL EXPENDITURE								
Asset Management Projects	3,221.0	1,766.0	0.0	4,987.0	3,221.0	1,766.0	0.0	4,987.0
Community & Leisure	3,702.3	1,746.3	0.0	5,448.6	3,413.2	2,096.6	202.5	5,712.3
Property & Asset Management	2,291.9	235.0	0.0	2,526.9	1,724.1	774.6	0.0	2,498.7
Project Enterprise	2,244.5	5,000.0	0.0	7,244.5	2,244.5	5,000.0	0.0	7,244.5
Housing & Environmental Health	870.0	950.0	0.0	1,820.0	870.0	950.0	0.0	1,820.0
Affordable Housing	1,110.0	1,110.0	0.0	2,220.0	810.0	810.0	0.0	1,620.0
Total	13,439.7	10,807.3	0.0	24,247.0	12,282.8	11,397.2	202.5	23,882.5
CAPITAL FINANCING								
Capital Grants	850.0	850.0	0.0	1,700.0	850.0	850.0	0.0	1,700.0
Capital Receipts	103.4	6,042.0	50.0	6,195.4	103.4	6,042.0	50.0	6,195.4
PWLB Loan	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Capital Contributions	8,530.2	5,003.6	852.1	14,385.9	7,588.7	5,541.2	1,318.7	14,448.6
Total	9,483.6	11,895.6	902.1	22,281.3	8,542.1	12,433.2	1,368.7	22,344.0
Contribution (to) / from balances	3,956.1	(1,088.3)	(902.1)	1,965.7	3,740.7	(1,036.0)	(1,166.2)	1,538.5
Total Financing	13,439.7	10,807.3	0.0	24,247.0	12,282.8	11,397.2	202.5	23,882.5

CAPITAL PROGRAMME AND FINANCING**Schemes yet to be identified**

	December 2020				February 2021			
	2020/21 £'000	2021/22 £'000	2022/23 £'000	Total £'000	2020/21 £'000	2021/22 £'000	2022/23 £'000	Total £'000
CAPITAL EXPENDITURE								
Community & Leisure		250.0		250.0		250.0		250.0
Project Enterprise	2,221.0	3,000.0	0.0	5,221.0	2,221.0	3,000.0	0.0	5,221.0
Total	2,221.0	3,250.0	0.0	5,471.0	2,221.0	3,250.0	0.0	5,471.0
CAPITAL FINANCING								
Capital Contributions		250.0		250.0		250.0	0.0	250.0
Total	0.0	250.0	0.0	250.0	0.0	250.0	0.0	250.0
Contribution (to) / from balances	2,221.0	3,000.0		5,221.0	2,221.0	3,000.0		5,221.0
Total Financing	2,221.0	3,250.0	0.0	5,471.0	2,221.0	3,250.0	0.0	5,471.0

ASSET MANAGEMENT PROJECTS
CAPITAL PROGRAMME

ANNEX 1

Ref	Scheme	December 2020				February 2021			
		2020/21 £'000	2021/22 £'000	2022/23 £'000	Total £'000	2020/21 £'000	2021/22 £'000	2022/23 £'000	Total £000
1	Land and Property Projects	1,151.0	656.0		1,807.0	1,151.0	656.0		1,807.0
2	Vehicle and Plant Projects	1,892.0	819.0		2,711.0	1,892.0	819.0		2,711.0
3	IT Equipment Projects	178.0	291.0		469.0	178.0	291.0		469.0
Total AMP Capital Programme		3,221.0	1,766.0	0.0	4,987.0	3,221.0	1,766.0	0.0	4,987.0

**COMMUNITY & LEISURE
CAPITAL PROGRAMME**

ANNEX 1

Ref	Scheme	December 2020				February 2021			
		2020/21	2021/22	2022/23	Total	2020/21	2021/22	2022/23	Total
		£'000	£'000	£'000	£'000	£'000	£'000	£'000	£000
1	Community Asset Fund - New projects 2020/21	250.0			250.0	250.0			250.0
1A	Community Asset Fund - O/s projects	204.3			204.3	204.3			204.3
2	Knightwood Skate Park	7.5			7.5	7.5			7.5
3	Andover War Memorial	31.1			31.1		31.1		31.1
4	East Anton Public Art	2.5			2.5	2.5			2.5
5	Leisure Contract	1,797.8			1,797.8	1,797.8			1,797.8
6	Fishlake Meadows	111.3			111.3	58.3	53.0		111.3
7	Ganger Farm - Sports & Recreation	601.2			601.2	601.2			601.2
8	Ganger Farm - Sports & Recreation enhancement						207.7		207.7
9	Fitness Trail - Romsey	4.4			4.4	4.4			4.4
10	Boundary fencing & hedging - land purchase	23.8			23.8	18.8	2.5	2.5	23.8
11	Picket Twenty - Pavilion/pitch changes		1,400.0		1,400.0		1,400.0		1,400.0
12	Picket Twenty - Phase 4 play area		146.3		146.3		146.3		146.3
13	SANG - Sherfield English	110.8			110.8	110.8			110.8
14	Ampfield Recreation Ground	68.2			68.2	68.2			68.2
15	Plaza Theatre Stage House Rebuild	200.0			200.0			200.0	200.0
16	Charlton Lakes Bridge	99.1			99.1	99.1			99.1
17	Valley Park Community Centre	79.5			79.5	79.5			79.5
18	Over Wallop War Memorial	20.0			20.0	20.0			20.0
19	Braishfield Village Hall	90.8			90.8	90.8			90.8
20	Charlton Leisure Centre Car Park upgrade		200.0		200.0		200.0		200.0
21	Abbotswood Public Art						56.0		56.0
Total Approved Projects		3,702.3	1,746.3	0.0	5,448.6	3,413.2	2,096.6	202.5	5,712.3
Community Asset Fund Projects - yet to be identified			250.0		250.0		250.0		250.0
Total C&L Capital Programme		3,702.3	1,996.3	0.0	5,698.6	3,413.2	2,346.6	202.5	5,962.3

PROPERTY AND ASSET MANAGEMENT SERVICE
CAPITAL PROGRAMME

Ref	Scheme	December 2020				February 2021			
		2020/21 £'000	2021/22 £'000	2022/23 £'000	Total £000	2020/21 £'000	2021/22 £'000	2022/23 £'000	Total £000
1	Hampshire Community Bank	125.0			125.0	125.0			125.0
2	Pocket Park, Town Mill Access & Environmental Enhancement	559.2			559.2	559.2			559.2
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	40.0	124.0		164.0
6	Strategic purchase	446.8			446.8	446.8			446.8
7	Multi Storey Car Park Lift Refurbishment	78.3			78.3	84.9			84.9
8	Multi Storey Car Park Lighting Refurbishment	136.7			136.7	136.7			136.7
9	Chantry House Lifts	117.7			117.7	124.9			124.9
10	Chantry House Works	48.1			48.1	48.1			48.1
11	Chantry Centre Roof(area 20)	99.1			99.1	99.1			99.1
12	Chantry Centre Management Team relocation	12.8			12.8	12.8			12.8
13	Southampton Rd, Pedestrian & Cycle Route	265.6			265.6	25.0	240.6		265.6
14	The Old Creamery Footway	23.6			23.6	18.8			18.8
15	Property Purchase	175.0			175.0		175.0		175.0
16	Andover/Romsey CCTV					(37.2)			(37.2)
Total P & AM Capital Programme		2,291.9	235.0	0.0	2,526.9	1,724.1	774.6	0.0	2,498.7

**PROJECT ENTERPRISE
CAPITAL PROGRAMME**

Ref	Scheme	December 2020				February 2021			
		2020/21 £'000	2021/22 £'000	2022/23 £'000	Total £000	2020/21 £'000	2021/22 £'000	2022/23 £'000	Total £000
1	Solar Panels Ganger Farm Pavilion	60.0			60.0	60.0			60.0
2	Commercial Investment, Andover	1,405.5			1,405.5	1,405.5			1,405.5
3	Portersbridge Properties	249.0			249.0	249.0			249.0
4	Walworth Business Park Investment	530.0	5,000.0		5,530.0	530.0	5,000.0		5,530.0
Total Approved Projects		2,244.5	5,000.0	0.0	7,244.5	2,244.5	5,000.0	0.0	7,244.5
	Purchase of Investment properties - yet to be identified	2,221.0	3,000.0		5,221.0	2,221.0	3,000.0		5,221.0
Total PE Capital Programme		4,465.5	8,000.0	0.0	12,465.5	4,465.5	8,000.0	0.0	12,465.5

HOUSING & ENVIRONMENTAL HEALTH SERVICE
CAPITAL PROGRAMME

Ref	Scheme	December 2020				February 2021			
		2020/21 £'000	2021/22 £'000	2022/23 £'000	Total £000	2020/21 £'000	2021/22 £'000	2022/23 £'000	Total £000
1	Renovations and Minor Works Grants	20.0	100.0		120.0	20.0	100.0		120.0
2	Disabled Facilities Grants/Loans	850.0	850.0		1,700.0	850.0	850.0		1,700.0
Total H & EH Capital Programme		870.0	950.0	0.0	1,820.0	870.0	950.0	0.0	1,820.0

**AFFORDABLE HOUSING
CAPITAL PROGRAMME**

Ref	Scheme	December 2020				February 2021			
		2020/21 £'000	2021/22 £'000	2022/23 £'000	Total £000	2020/21 £'000	2021/22 £'000	2022/23 £'000	Total £000
	<u>Testway Covenant</u>								
1	Nightingale Lodge	810.0	810.0		1,620.0	810.0	810.0		1,620.0
2	Registered providers	300.0	300.0		600.0				0.0
	Total A H Capital Programme	1,110.0	1,110.0	0.0	2,220.0	810.0	810.0	0.0	1,620.0

	December 2020	February 2021	Total	Total
Slippage 20/21				
Community & Leisure				
Andover War Memorial		31.1	31.1	
Fishlake Meadows		53	53.0	
Boundary fencing & hedging - land purchase		5	5.0	
Picket Twenty pitch changes	1,400.0		1,400.0	
Picket Twenty Play areas	146.3		146.3	
Plaza Theatre Stage House Rebuild		200.0	200.0	
				1,835.4
Property & Asset Management				
Romsey Flood Alleviation Scheme	235.0		235.0	
Footpath link - Smannell to Augusta		124.0	124.0	
Southampton Rd, Pedestrian & Cycle Route		240.6	240.6	
				599.6
Total Slippage	1,781.3	564.6	2,435.0	2,435.0

ITEM 9 Treasury Management Strategy Statement and Annual Investment Strategy 2021/22

Report of the Finance Portfolio Holder

Recommended:

- 1. That the Treasury Management Strategy Statement and the Annual Investment Strategy for 2021/22 as set out in the report be approved.**
- 2. That the Minimum Revenue Provision (MRP) policy, as shown in paragraph 4.4 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 long-term borrowing on PWLB loans, which have been used to fund various initiatives as defined in this strategy. There is no additional borrowing expected in this strategy.
- The major objectives of the Treasury Management Strategy for 2021/22 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

Background

- 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 Another 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 the ability to meet spending commitments as they fall due, either on day-to-day revenue or for larger capital projects. Treasury operations manage the 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 The 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 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 the capital strategy is to ensure that all Councillors 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 the subject of a report elsewhere on this agenda.

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 2021/22

2.3.1 The strategy for 2021/22 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 no breaches of the Treasury Management Strategy.

3.2 The Strategy was updated during the year to increase the Counterparty limit temporarily to £30M due to the expectation that the Council would receive additional grant funding due to Coronavirus Pandemic. This limit still remains and to date no breaches have been noted.

4 Prudential Indicators, Treasury Limits and MRP Statement

The Capital Prudential Indicators 2021/22 – 2023/24

4.1 The Council's capital expenditure plans are the key driver of treasury management activity. The output of the capital expenditure plans are reflected in the prudential indicators, which are designed to assist Members' overview and confirm capital expenditure plans.

4.2 Capital Expenditure

4.2.1 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.

Capital expenditure £000	2019/20 Actuals	22020/21 Estimate	2021/22 Estimate	2022/23 Estimate
Services	6,265.1	10,038.3	6,397.2	202.5
Commercial Activities/non- financial investments	1,532.9	4,465.5	8,250.0	
Total	7,798.0	14,503.8	14,647.2	202.5

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	2019/20 Actuals	2020/21 Estimate	2021/22 Estimate	2022/23 Estimate
Capital Expenditure	7,798.0	14,503.8	14,647.2	202.5
Financed by:				
Capital receipts	6,445.1	103.4	6,042.0	50.0
Capital receipts reserve	(5,782.6)	5,961.7	1,964.0	(1,166.2)
Capital grants	807.7	850.0	850.0	
External Contributions	484.8	1,314.5	2,059.9	
External financing	1,550.0			
Revenue/General Fund	4,293.0	6,274.2	3,731.3	1,318.7
Net financing need for the year	0.0	0.0	0.0	0.0

4.3 The Council's borrowing need (the Capital Financing Requirement)

4.3.1 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 underlying borrowing need. Any capital expenditure above, which has not immediately been paid for, will increase the CFR.

4.3.2 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 asset's life, and so charges the economic consumption of capital assets as they are used.

4.3.3 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.

4.3.4 It is recommended that the CFR projections shown in Annex 1 are approved.

4.3.5 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 4.2.1 and the details above demonstrate the scope of this activity.

4.4 **Minimum Revenue Provision (MRP) Policy Statement**

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

4.4.2 The key principle of this 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".

4.4.3 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.

4.4.4 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 was required to purchase property in Andover Town Centre. Where borrowing is taken out, the principles established in the Prudential Code of prudence, affordability and sustainability will be followed.

4.4.5 It is recommended that Members approve the following MRP policy to be applied from 2021/22:

- In respect of capital expenditure incurred in 2021/22 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 4.2.1 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 2020

Treasury Portfolio	
Treasury Investments	£'000
Callable on Demand	18,621
Callable Deposits (10 to 100 days' notice)	36,912
Investments maturing on or before 31 March 2021	8,000
Investments maturing between 1 April 2021 and 31 March 2022	10,000
Investments maturing after 31 March 2022	5,000
Total Investment Portfolio	78,533
Treasury External Borrowing	
PWLB	7,450
Total External Borrowing	
Net Treasury investments / (borrowing)	71,083

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 2021/22 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 and Revenues 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 Annex 1.

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

5.7 Investment and borrowing rates

- Investment returns are likely to remain exceptionally low during 2021/22 with little increase in the following two years.
- Borrowing interest rates fell to historically very low rates as a result of the COVID crisis and the quantitative easing operations of the Bank of England: indeed, gilt yields up to 6 years were negative during most of the first half of 20/21.
- In March 2020, the Government started a consultation process for reviewing the margins over gilt rates for PWLB borrowing for different types of local authority capital expenditure.
- On 25 November 2020, the Chancellor announced the conclusion to the review of margins over gilt yields for PWLB rates; the standard and certainty margins were reduced by 1% but a prohibition was introduced to deny access to borrowing from the PWLB for any local authority which had purchase of assets for yield in its three year capital programme. The new margins over gilt yields are as follows: -
- **PWLB Standard Rate** is gilt plus 1.00% (G+1.00%)
- **PWLB Certainty Rate** is gilt plus 0.80% (G+0.80%)

- **PWLB HRA Standard Rate** is gilt plus 1.00% (G+1.00%)
- **PWLB HRA Certainty Rate** is gilt plus 0.80% (G+0.80%)
- **Local Infrastructure Rate** is gilt plus 0.60% (G+0.60%)

5.8 Borrowing Strategy

5.8.1 The Council is currently maintaining an over-borrowed position and reflects the decision to borrow for capital purchases in prior years. This means that the capital borrowing need (the Capital Financing Requirement), is fully funded.

5.8.2 When borrowing, the Head of Finance and Revenues 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, for example due to 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 2021/22 treasury operations. The Head of Finance and Revenues 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

5.10 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.

5.11 Municipal Bond Agency

5.11.1 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 the Capital Strategy.

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 credit 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 or have less than a year left to run to maturity if they were originally classified as non-specified investments solely due to the maturity period exceeding 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 6.8.2)	£30M total investment
Term deposits – banks backed by UK Government Guarantees **	--	£30M total investment
Money Market Funds	Long term AAA	£30M total investment

UK Government Gilts / Treasury Bills	UK Sovereign Rating	£30M total investment
Bonds issued by multilateral development banks	Long term AAA	£30M total investment
Bonds issued by a financial institution which is guaranteed by the UK government	UK Sovereign Rating	£30M 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	£30M total investment
Term deposits – maximum of 7 days	Short-term F1, Long-term A Individual C, Support 1	£30M total investment

6.6 Accounting treatment of investments

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

6.7 Non-Specified Investments

6.7.1 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.6.8.2)	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

6.7.2 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 the Link Group. 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 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 European Financials benchmark and other market data on a daily 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 and 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 The current Bank Rate is unlikely to rise from 0.10% for a considerable period. It is very difficult to say when it may start rising so it may be best to assume that investment earnings from money market-related instruments will be sub 0.50% for the foreseeable future.
- 7.5 The suggested budgeted investment earnings rates for returns on investments placed for periods up to three months during each financial year are as follows:
- 2020/21 0.1%
 - 2021/22 0.1%
 - 2022/23 0.1%
 - 2023/24 0.1%
 - 2024/25 0.25%
- 7.6 The overall balance of risks to economic growth in the UK is probably now skewed to the upside, but is subject to major uncertainty due to the coronavirus. It may also be affected by what the impact is on the economy arising from the Brexit deal.
- 7.7 There is relatively little UK domestic risk of increases or decreases in Bank Rate and significant changes in shorter term PWLB rates. The Bank of England has effectively ruled out the use of negative interest rates in the near term and increases in Bank Rate are likely to be some years away given the underlying economic expectations. However, it is always possible that the increased use of UK Gilts, due to unexpected domestic developments and those in other major economies, or a return of investor confidence in equities, could impact gilt yields, (and so PWLB rates), in the UK.

Negative investment rates

- 7.8 While the Bank of England said in August / September 2020 that it is unlikely to introduce a negative Bank Rate, at least in the next 6 -12 months, and in November omitted any mention of negative rates in the minutes of the meeting of the Monetary Policy Committee, some deposit accounts are already offering negative rates for shorter periods. As part of the response to the pandemic and lockdown, the Bank and the Government have provided financial markets and businesses with plentiful access to credit, either directly or through commercial banks. In addition, the Government has provided large sums of grants to local authorities to help deal with the COVID crisis; this has caused some local authorities to have sudden large increases in cash balances searching for an investment home, some of which was only very short term until those sums were able to be passed on.

- 7.9 As for money market funds (MMFs), yields have continued to drift lower. Some managers have already resorted to trimming fee levels to ensure that net yields for investors remain in positive territory where possible and practical. Investor cash flow uncertainty, and the need to maintain liquidity in these unprecedented times, has meant there is a surfeit of money at the very short end of the market. This has seen a number of market operators, now including the DMADF, offer nil or negative rates for very short term maturities. This is not universal, and MMFs are still offering a marginally positive return, as are a number of financial institutions for investments at the very short end of the yield curve.
- 7.10 Inter-local authority lending and borrowing rates have also declined due to the surge in the levels of cash seeking a short-term home at a time when many local authorities are probably having difficulties over accurately forecasting when disbursements of funds received will occur or when further large receipts will be received from the Government.

8 Investment performance / risk benchmarking

- 8.1 The Council will use an investment benchmark to assess the investment performance of its investment portfolio of 7 day, LIBID compounded. The Council is appreciative that the provision of LIBOR and associated LIBID rates is expected to cease at the end of 2021. It will work with its advisors in determining suitable replacement investment benchmark(s) ahead of this cessation and will report back to members accordingly.

Role of the Section 151 Officer

- 8.2 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.
 - Ensuring that due diligence has been carried out on all treasury and non-financial investments and is in accordance with the risk appetite of the authority
 - Ensuring that members are adequately informed and understand the risk exposures taken on by an authority
 - Ensuring that the authority has adequate expertise, either in house or externally provided, to carry out the above

9 Risk Management

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

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

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

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

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

10 Resource Implications

10.1 There are no direct resource implications arising from this report. However, the restrictions on the types of investment that can be used identified in this report will have an effect on the return on investments that the Council can expect to achieve in the year.

11 Equality Issues

11.1 There are no equality matters arising from this report.

12 Consultation

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

13 Conclusion and reasons for recommendation

- 13.1 This report presents the Council's Treasury Management strategy for 2021/22. Whilst largely unchanged from the 2020/21 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.

<u>Background Papers (Local Government Act 1972 Section 100D)</u>			
None			
<u>Confidentiality</u>			
It is considered that this report does not contain exempt information within the meaning of Schedule 12A of the Local Government Act 1972, as amended, and can be made public.			
No of Annexes:	2	File Ref:	N/A
(Portfolio: Finance) Councillor M Flood			
Officer:	Simon Skeates	Ext:	8817
Report to:	Cabinet	Date:	10 February 2021

PRUDENTIAL INDICATORS

PRUDENTIAL INDICATOR	2019/20	2020/21	2021/22	2022/23	2023/24
EXTRACT FROM BUDGET	£'000	£'000	£'000	£'000	£'000
	Actual	Forecast	Estimate	Estimate	Estimate
Capital Expenditure	7,798	14,504	14,647	203	1,600
Ratio of financing costs to net revenue stream	-5%	-2.1%	-0.7%	-0.8%	-0.9%
Capital Financing Requirement (CFR) b/f	5,222	6,585	6,394	6,198	5,998
Minimum Revenue Provision	(187)	(191)	(196)	(200)	(204)
External Debt in year	1,550				
Capital Financing Requirement (CFR) c/f	6,585	6,394	6,198	5,998	5,794
Gross debt <= CFR actuals + 3 years					
Gross debt		7,018			
CFR + 3 years movement		<u>6,585</u>			
Difference		(433)			
Gross debt higher than CFR due to negative CFR b/f.					

PRUDENTIAL INDICATORS

PRUDENTIAL INDICATOR	2019/20	2020/21	2021/22	2022/23	2023/24
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	30,000	30,000	30,000	30,000	30,000
Upper limit for fixed interest rate exposure					
Net principal re fixed rate borrowing / investments	100 %	100 %	100 %	100 %	100 %
Upper limit for variable rate exposure					
Net principal re variable rate borrowing / investments	50 %	50 %	50 %	50 %	50 %
Upper limit for total principal sums invested for over 364 days (amount shown subject to being not more than 50% of the portfolio size at the time the investment is placed)	£35,000	£35,000	£35,000	£35,000	£35,000
Maturity structure of fixed rate borrowing during 2021/22	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 2021/22 short term borrowing is expected to meet cash flow requirements and may be used to finance the current temporary deficit on the Capital Programme.					

Interest Rate Forecasts 2020 – 2024.

The PWLB rates below are based on the new margins over gilts announced on 26th November 2020. The rates also incorporate the 20 basis point certainty rate reduction effective as of the 1st November 2012.

Link Group Interest Rate View		9.11.20		(The Capital Economics forecasts were done 11.11.20)										
These Link forecasts have been amended for the reduction in PWLB margins by 1.0% from 26.11.20														
	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24
BANK RATE	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10
3 month ave earnings	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10
6 month ave earnings	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10
12 month ave earnings	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20
5 yr PWLB	0.80	0.80	0.80	0.80	0.80	0.90	0.90	0.90	0.90	0.90	1.00	1.00	1.00	1.00
10 yr PWLB	1.10	1.10	1.10	1.10	1.10	1.20	1.20	1.20	1.20	1.20	1.30	1.30	1.30	1.30
25 yr PWLB	1.50	1.50	1.60	1.60	1.60	1.60	1.70	1.70	1.70	1.70	1.80	1.80	1.80	1.80
50 yr PWLB	1.30	1.30	1.40	1.40	1.40	1.40	1.50	1.50	1.50	1.50	1.60	1.60	1.60	1.60
Bank Rate														
Link	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10
Capital Economics	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	-	-	-	-	-
5yr PWLB Rate														
Link	0.80	0.80	0.80	0.80	0.80	0.90	0.90	0.90	0.90	0.90	1.00	1.00	1.00	1.00
Capital Economics	0.90	0.90	0.90	0.90	0.90	0.90	0.90	0.90	0.90	-	-	-	-	-
10yr PWLB Rate														
Link	1.10	1.10	1.10	1.10	1.10	1.20	1.20	1.20	1.20	1.20	1.30	1.30	1.30	1.30
Capital Economics	1.30	1.30	1.30	1.30	1.30	1.30	1.30	1.30	1.30	-	-	-	-	-
25yr PWLB Rate														
Link	1.50	1.50	1.60	1.60	1.60	1.60	1.70	1.70	1.70	1.70	1.80	1.80	1.80	1.80
Capital Economics	1.80	1.80	1.80	1.80	1.80	1.80	1.80	1.80	1.80	-	-	-	-	-
50yr PWLB Rate														
Link	1.30	1.30	1.40	1.40	1.40	1.40	1.50	1.50	1.50	1.50	1.60	1.60	1.60	1.60
Capital Economics	1.70	1.70	1.70	1.70	1.70	1.70	1.70	1.70	1.70	-	-	-	-	-

ITEM 10

Capital Strategy 2020/21 – 2025/26

Report of the Finance Portfolio Holder

Recommended:

That the updated Capital Strategy 2020/21 to 2025/26 to the report be approved.

Recommendation to Council

SUMMARY:

- The Capital Strategy sets out the framework within which all Council capital expenditure is approved, monitored and financed. The CIPFA Prudential Code requires that it be updated annually.
- This report provides an update of the existing Capital Strategy and includes forecast changes to its timescale and total cost.

1 Introduction

1.1 The approval of a Capital Strategy is an annual requirement under the revised CIPFA Prudential Code 2018. The Code requires that councils should have in place a strategy that sets out the long term context in which capital expenditure and investment decisions are made, giving due consideration to both risk and reward and the impact resulting from those decisions.

1.2 As local authorities become increasingly complex and diverse it is important that those charged with governance understand the long term context in which investment decisions are made and the financial risks to which the council is exposed.

1.3 The objectives of the Capital Strategy are to:

- Provide an overview of the governance process for approval and monitoring of capital expenditure;
- Provide a longer term view of planned capital expenditure
- Provide expectations around debt and use of internal borrowing to support capital expenditure
- Define the authority's approach to commercial activities including due diligence and risk appetite
- Define the available knowledge and skills of the authority in relation to capital investment activities

2 Background to the Capital Strategy

- 2.1 The Council's Capital Strategy was last updated for the period 2019/20 to 2024/25.
- 2.2 The Capital Strategy demonstrates how the Council takes capital expenditure and investment decisions in line with service objectives and properly takes account of stewardship, value for money, prudence, sustainability and affordability.
- 2.3 The Capital Strategy addresses in detail the following key areas:
- Linking together capital requirements related to corporate priorities for new projects and the ongoing capital need to maintain / repair existing assets through the Asset Management Plan.
 - Managing the approved Capital Programme in an affordable, financially prudent and sustainable way
 - The process of how new bids are introduced to the Capital Programme
 - Monitoring progress against approved budgets
 - Financing capital expenditure including borrowing requirements and Minimum Revenue Provision (MRP)
 - Purchase of commercial properties and the resources required to ensure due diligence
 - Knowledge and skills
- 2.4 The Capital Strategy does not allocate resources. This is included in the decision-making process in setting the three-year rolling capital programme as part of the annual budget-setting process.
- 2.5 The Capital Strategy is written to give a broad view of spending in the longer term and how it will be financed. There are several large projects being currently considered, but as these projects are in the early planning stage and have not yet been costed, it will be prudent to give a further update when these figures are available.
- 2.6 All capital receipts and expenditure identified in this document are subject to the Council's Financial Regulations and the authority limits contained therein.

3 Definition of Capital Expenditure

- 3.1 In order to qualify as capital expenditure an item must meet the following three criteria:
- Have a total cost greater than £10,000
 - Have a useful economic life greater than one year
 - Expenditure must be for the purchase of new land / equipment that can be separately identified on the asset register OR Materially lengthen the expected useful economic life of an asset OR Add value to the asset being modified.

- 3.2 All other expenditure on the routine maintenance and repair of assets will be treated as revenue expenditure.

4 Corporate Objectives and Priorities / Asset Management

- 4.1 The objective of the Capital Strategy is to ensure that the overall strategy, governance procedures and risk appetite are clear to members. The strategy outlines how stewardship, value for money, prudence, sustainability and affordability will be secured.
- 4.2 The Council's Corporate Plan, sets out the Council's aims over the period 2019 – 2023. In particular this highlights the four priority areas that the Council is focussed on. The Capital Strategy will enable delivery of projects to reinforce these priority areas. Some examples of projects in the current Capital Programme that contribute to meeting these priorities are given below.

Growing the Potential of our Town Centres

- 4.3 Pocket Park, Town Mill Access and Environmental Enhancement – this project has grown as part of a larger plan to regenerate the town centre into a more enjoyable experience for visitors.

Growing the Potential of our Communities

- 4.4 The Community Asset Fund will continue to issue grants to provide communities with the funds to improve local amenities. Council staff work with external agencies ensuring opportunities are transparent to the people living in Test Valley.

Growing the Potential of People

- 4.5 The Council has been working in partnership with Kier Property Ltd for the management and development of Walworth Business Park since 2011. Substantial investment in developing several sites within the park has been made in the last few years, ensuring that more opportunities for work are available.

- 4.6 The Capital Programme includes a project to regenerate a further plot on the Business Park.

Growing the Potential of the Local Environment

- 4.7 The Council's use of S106 monies and Community Infrastructure Levy has enabled projects such as fitness trails, fitness equipment, upgrade of paths and new links which will all contribute to the enjoyment of open spaces in the north and south of the Borough.

5 Capital Expenditure required to maintain Council Assets

- 5.1 In addition to the above, the Council also has the responsibility of maintaining its existing asset base.

- 5.2 The Asset Management Plan (AMP) for 2021/22 was approved by Council on 27 January 2021. The plan identifies a combination of both revenue repairs and capital replacements for assets owned by the Council.
- 5.3 Whilst the AMP is a key document in planning future capital expenditure requirements, funding for the identified projects is only approved for current year and 2021/22 projects.
- 5.3.1 The Council has an earmarked reserve for Asset Management expenditure, which covers both revenue and capital expenditure. The balance on this reserve was £3.375M at 31 March 2020. However, there is inadequate financing in place to enable this to be relied on as a source of finance for expenditure beyond 2021/22 and currently is forecast to be fully utilised with no balance remaining in the reserve by the end of 2021/22.

The Council's strategy is to fund the AMP in three ways:

- Firstly, there is a contribution from the revenue budget. This is recommended to be £1.5M in 2021/22.
- Secondly, where the Council has a revenue surplus at the end of the year an element of this can be used to top-up the reserve.
- Finally, there may be earmarked reserves or other sources of income to finance specific projects. For example, some community based projects can be funded by New Homes Bonus receipts in the year.

6 The Council's Capital Expenditure and Financing 2020/21 to 2025/26

Current Asset Portfolio as at 31/3/20

- 6.1 The Council holds an investment property portfolio that supports both its operational activities and non-operational activities from which it receives an element of rental income. For 2019/20 the value was £7.71M which represents a gross yield of 5.5%

Asset Category	Valuation 31/03/20	Rental Income
	£'000	£'000
Investment Properties - Existing	110,038	5,700
Investment Properties – Project Enterprise	29,777	2,006
Total Investment Properties	139,815	7,706
Land & Buildings	82,431	
Vehicles, Plant & Equipment	3,310	
Community Assets	9,573	
Infrastructure Assets	692	
Surplus Assets	427	
Total Assets	236,248	

The rental income the Council receives is used to support General Fund services.

Investment Property (Non-Operational)

- 6.2 These assets include Business Parks, Project Enterprise investments and land held solely for capital appreciation and rental income.

Land and Buildings

- 6.3 These are operational properties, land, infrastructure and community assets that are used to deliver council services and include Council offices and car parks.

Vehicles, Plant & Equipment

- 6.4 These assets are used in the delivery of Council services and include all council owned vehicles, IT equipment, play equipment and green spaces equipment.

Community Assets

- 6.5 These assets include parks and open spaces.

Infrastructure Assets

- 6.6 These assets include footpaths and cycle ways.

Surplus Assets

- 6.7 These are assets that are not being used to deliver services, but which do not meet the criteria to be classified as either investment properties or assets for sale.

6.8 Capital Expenditure Forecast

Details of capital expenditure form one of the prudential indicators. The table below shows the capital expenditure for 2020/21 to 2022/23 as presented in the Capital Programme update elsewhere on this agenda, together with estimated expenditure on future unapproved projects from 2021 to 2026, and how these approved and unapproved projects will be financed.

	2019/20 Actuals	2020/21 Forecast	2021/22 Estimate	2022/23 Estimate	2023/24 Estimate	2024/25 Estimate	2025/26 Estimate
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Capital Expenditure							
Asset Management Plan	1,199.3	3,221.0	1,766.0				
Community & Leisure							
Land & Buildings	854.1	2,586.9	1,688.2	702.5	300.0	750.0	750.0
Vehicles, Plant & Equipment	298.3	11.9	171.3				
Community Assets	630.1	715.3	2,110.9	572.0	277.0	250.0	250.0
Infrastructure Assets	1.3	99.1		100.0		1,250.0	1,250.0
Property & Asset Management							
Land & Buildings	1,620.9	446.8	175.0				
Vehicles, Plant & Equipment	598.6	509.3					
Community Assets	125.0	125.0					
Infrastructure Assets	129.8	643.0	999.6	400.0			
Project Enterprise							
Investment Properties	559.8	4,405.5	8,000.0	3,000.0	3,000.0	3,000.0	3,000.0
Land & Buildings	973.1	60.0					
Planning Policy							
Land & Buildings			200.0				
Housing & Env'tl Health							
Community Assets *(DFG)	807.7	870.0	950.0	950.0	950.0	950.0	950.0
Affordable Housing							
Community Assets		810.0	810.0	300.0	300.0		
Total Capital Expenditure	7,798.0	14,503.8	16,871.0	6,024.5	4,827.0	6,200.0	6,200.0
Resourced by:							
Capital Receipts	6,445.1	103.4	6,042.0	50.0	50.0	50.0	50.0
Government Grants	807.7	850.0	850.0	850.0	850.0	850.0	850.0
Internal Contributions	1,875.6	1,499.2	1,158.6	1,218.6	760.6	820.6	880.6
External Cont'ns (S106 etc.)	484.8	1,314.5	3,433.7	422.0	627.0	750.0	750.0
Reserves (NHB & specific)	2,417.4	4,775.0	2,640.1	1,052.5	250.0	250.0	250.0
Capital Receipts Reserve	(5,782.6)	5,961.7	2,746.6	2,431.4	664.8		
Borrowing	1,550.0						
Total Financing	7,798.0	14,503.8	16,871.0	6,024.5	3,202.4	2,720.6	2,780.6
Funding Gap					1,624.6	3,479.4	3,419.4

*(DFG) Disabled Facilities Grants

- 6.9 The table above shows a funding gap for the years following the approved programme. For funding options – see section 10.

7 Managing the Capital Programme

- 7.1 A Capital Working Group (CWG) meets every year. The group includes the Deputy Chief Executive together with representatives from Finance and other Services. The CWG is responsible for assessing new capital bids against a range of criteria, and considering the available capital financing options.
- 7.2 The Capital Programme is updated and reported to Cabinet each year usually in February, May and November. Bids for new expenditure are generally included in the November report (see para 8.1). Each update contains details of approved projects together with the budget profile of each project.
- 7.3 The process for adding new projects to the Capital Programme is detailed below.

8 Adding new projects to the Capital Programme

- 8.1 There is a timetable for new bids to be prepared and assessed before being presented for approval.

July/August – CWG reviews bids together with draft business cases and options appraisals. All bids are subject to an objective scoring exercise. Bids are prioritised according to the score attained.

October – Management Team reviews the scored bids and proposes a Capital Programme for approval.

November – The proposed Capital Programme is considered by Cabinet.

January – The Capital Programme is recommended to Council for approval.

- 8.2 In order to ensure the most efficient use of capital resources an objective scoring methodology is used. The scoring system aims to give priority to bids that meet the Council's key priority areas or improve efficiency in service delivery whilst considering other key factors.

9 Monitoring Progress against the Capital Programme

- 9.1 The Capital Programme contains details of approved projects together with the budget profile of each project. Where budget variances or potential slippage are identified they are reported to Cabinet as part of the Capital Programme reporting process.
- 9.2 Cabinet receives three updates per year on the progress of the Capital Programme. On each occasion, the progress of each project is assessed and if any change is required to the budget or timing of the project, the reasons are explained and the necessary approvals sought.

10 Financing the Capital Programme

- 10.1 Consideration of the financing of capital projects is integral to the governance procedures outlined above.
- 10.2 In general, the Council finances capital expenditure from existing resources including reserves and capital receipts or from specific grant funding sources. This ensures that capital expenditure is both affordable and prudent.
- 10.3 As at February 2021 the forecast balance of the Capital Receipts Reserve used for the financing of the Capital Programme at 31 March 2023 was £4.5M. The options for dealing with any expenditure above this balance are:
- Honour existing capital projects, but consider new capital spending (with the exception of projects that are legislative, externally funded or generate revenue savings) to ensure suitable capital receipts have been identified for expenditure above the remaining balance in the Capital Receipts Reserve.
 - Use borrowing (either external loans or using existing reserve balances) until an ongoing sustainable funding solution for the Capital Programme can be identified.
 - Use contributions from revenue budgets or transfers from existing earmarked reserves.

Resource Streams to fund the Capital Programme

- 10.4 The Council has five main sources of income generation to fund future capital expenditure:
- Proceeds from the sale of assets
 - Grants and contributions for specific projects including New Homes Bonus and developers' contributions
 - Contributions from the Revenue Budget
 - Use of existing balances
 - Borrowing
- 10.5 This strategy recommends a sustainable approach to capital investment by placing maximum emphasis on utilising the first three options. Use of existing balances will only be used for the reasons discussed in paragraph 10.19-23. Borrowing will be used for funding where there is a good business case for doing so.

Sale of redundant / obsolete assets

- 10.6 The Property and Asset Management Service monitors the useful economic life of the Council's land and buildings assets. Where it is determined that an asset is surplus to Council requirements or is not economically advantageous to retain it will be considered for disposal.

- 10.7 In the case of land this will be at market value unless there are exceptional circumstances (e.g. discounted disposal for affordable housing). Given the current situation in the market value of land and buildings, it is expected that few sites will be suitable for disposal in the near future.
- 10.8 In considering whether an asset is surplus to requirements, the following will all be considered; the Council's ability to control future uses of the property, the net income foregone by disposal and the costs of making good or creating a suitable replacement of the asset sold.
- 10.9 The Head of Property and Asset Management will periodically produce a list of properties considered appropriate for potential disposal and, if required, report to Cabinet accordingly.

Grants and Contributions

- 10.10 Certain projects will attract grants from the Government or other bodies. Where these grants are available, the Council will seek to fully utilise them having due consideration to ongoing revenue costs that will have to be borne following the removal of the grant. The level of external funding available is considered when approving bids to be added to the Capital Programme.
- 10.11 The Council also uses income received under the New Homes Bonus scheme to contribute to new capital expenditure. Receipts from this source are used to fund capital community projects.
- 10.12 Part funding is available on some projects from partners (e.g. Hampshire County Council). Where such contributions are available they will be applied against approved capital expenditure.
- 10.13 As part of the terms of certain planning consents, developers are required to make contributions to local infrastructure in areas such as affordable housing, open space, green travel, highways improvements etc. (often referred to as section 106 agreements). Where these contributions are available they will be applied against the total cost of relevant projects.
- 10.14 The S106 regime is supplemented by the Community Infrastructure Levy (CIL).

Revenue Contributions

- 10.15 The annual revenue budget includes contributions to capital reserves for specific projects as well as a general contribution towards future capital spending.
- 10.16 Additional revenue contributions may be made in the event of revenue surpluses at the end of each year. However, the allocation of any underspend will be decided by Cabinet and cannot be relied upon as a sustainable source of financing for the capital programme.
- 10.17 Where the Council has existing reserves, these balances could be considered for transfer to the Capital Programme. However, reserve balances are one-off in nature and do not provide an ongoing funding option.

- 10.18 It may be possible to provide a degree of financing to the Capital Programme from cash investment income receipts. The revenue budget currently forecasts very low receipts due to the prevailing Bank of England base-rate. If the level of investment income increases, it may be possible to transfer some of this income to capital resources but this would need to be considered in the wider context of the Council's overall budget.

Use of Existing Balances

- 10.19 At 1 April 2020 the Council had £11.805M of useable capital receipts.
- 10.20 The Capital Strategy promotes a sustainable approach to capital investment by restricting the level of capital expenditure to the amount of receipts generated.
- 10.21 The main reason that it is not appropriate to spend available reserves is due to the link between the Revenue and Capital budgets. Capital expenditure financed from reserves will have a direct impact on the revenue budget through lost interest.
- 10.22 The use of balances will be considered appropriate for projects that will produce ongoing revenue savings. Where this method is applied, the savings generated in the revenue budget will be used to replenish capital reserves until such time as the project is 'capital-neutral' after which time ongoing savings will form part of the Council's annual revenue budget.
- 10.23 Use of balances will also be considered appropriate as a short term measure where expenditure is made before expected capital receipts are generated. There is some risk with this approach as expenditure will be incurred before assets are sold and income is realised.
- 10.24 The table in paragraph 6.8 shows that all currently available capital receipts will be expended by 2023/24 and that there is an overall funding deficit of £8.523M in the period to 2025/26 if no additional financing is identified.
- 10.25 This longer-term potential deficit will be monitored over the coming year and updated when the Strategy is renewed in 2022. The current Capital Programme is fully financed and can be delivered with available resources.

Borrowing

- 10.26 The Council is permitted to borrow under the Prudential Framework introduced with effect from 1 April 2004.
- 10.27 The Council borrowed £5.9M in 2018/19 to fund the redevelopment of Andover Leisure Centre. In April 2019 a further £1.55M was borrowed to fund the purchase of property in Andover. The Council, as an eligible local authority, has accessed funds at the PWLB Certainty Rate.
- 10.28 The Prudential Indicators, annexed to the Treasury Management Strategy Statement and Annual Investment Strategy report elsewhere on this agenda, set out the maximum borrowing limits for the Council.

Minimum Revenue Provision (MRP) Policy Statement

- 10.29 Minimum Revenue Provision (MRP) is the revenue charge that the Council is required to make for the repayment of debt, as measured by the underlying need to borrow, rather than actual debt. The underlying debt is needed to finance capital expenditure which has not been fully financed by revenue or capital resources. As capital expenditure is generally expenditure on assets which have a life expectancy of over one year it is prudent to charge an amount for the repayment of debt over the life of the asset or a similar proxy figure.
- 10.30 The Local Authorities (Capital Financing and Accounting) regulations require local authorities to calculate for the financial year an amount of MRP which is considered to be 'prudent'. There are two methods available for calculating debt incurred after April 2018.
- 10.31 Asset Life method - where capital expenditure on an asset is financed wholly or partly by borrowing or credit arrangements, MRP is to be determined by reference to the useful life of the asset.
- 10.32 Depreciation method – MRP is deemed to be equal to the provision required in accordance with depreciation accounting in respect of the asset on which expenditure has been financed by borrowing or credit arrangements. This should include any amount for impairment charged to the income and expenditure accounts.
- 10.33 For this purpose standard depreciation accounting procedures should be followed, except in the following respects:
- MRP should continue to be made annually until the cumulative amount of provision made is equal to the expenditure originally financed by borrowing or credit arrangements. Thereafter the Council will cease to make MRP.
 - On disposal of the asset, the charge should continue in accordance with the depreciation schedule as if the disposal had not taken place. This does not affect the ability to apply capital receipts or other funding sources at any time to repay all or part of the outstanding debt.
- 10.34 Where the percentage of the expenditure on the asset financed by borrowing or credit arrangements is less than 100%, MRP should be equal to the same percentage of the provision required under depreciation accounting.
- 10.35 There is no requirement to charge MRP where the Capital Financing Requirement (CFR) is nil or negative at the end of the preceding year, nor is a charge required until the financial year after an asset becomes operational.
- 10.36 The Council's MRP Policy is elsewhere on this agenda, as part of the Treasury Management Strategy Statement and Annual Investment Strategy.

11 Commercial Property Investment and Resource Strategy

- 11.1 On 27 January 2021, Council approved the Medium Term Financial Strategy (MTFS) for 2021/22 – 2023/24. This strategy sets out that the Council, “will continue to seek out new investment opportunities through Project Enterprise, making better use of cash resources to enhance revenue returns”, and “ensure that the Council’s infrastructure is fit for purpose and that new capital needs are identified and met.”
- 11.2 The Council has a work stream known as Project Enterprise (PE) to progress this. In recognition of the fast pace of the local property market, Council approved a delegated authority to the Head of Property and Asset Management, in consultation with a cross-party Member panel, to purchase property investments from a pre-approved capital budget where the timing of the Council’s usual approval process may impede the ability to complete an acquisition. A sum of £3M was approved for this purpose and all purchases under this delegation are reported to Council for noting.
- 11.3 The sourcing and acquisition of new investment property is managed by the Project Enterprise Board, which consists of senior officers of the Council including the Chief Executive, Deputy Chief Executive, Head of Property & Asset Management, Head of Finance & Revenues and a senior legal representative.
- 11.4 The Board is responsible for considering all proposals that contribute to the delivery of the investment strategy and meet the investment criteria. The Board reports to Cabinet any feasible projects which fall outside the Head of Property and Asset Management’s delegation, as mentioned in paragraph 11.2 above. Cabinet will then consider the investment opportunities put forward and make recommendations to Council. Cabinet, in effect, is the Investment Advisory body that ensures that each proposal coming forward has a robust business case detailing how each proposal can be taken forward, including a consideration of the risks, how it is structured in terms of appropriate delivery mechanisms and how it is to be financed. Exceptionally, a report may be presented directly to Council. This could be, for example, to meet a deadline for approval to secure an investment opportunity.
- 11.5 External agents may be appointed to advise on and negotiate the terms of acquisition, recognising that others can be closer to the investment market on a day to day basis than the Council’s in-house team. As well as advising prior to acquisition, the agents undertake due diligence in order to ensure that those charged with governance can make informed decisions.

Assessment Process

- 11.6 Each investment opportunity will be assessed through a two stage (or gateway) process. Gateway One comprises a number of criteria to determine whether there is an opportunity to consider and take forward. It establishes whether the opportunity can be recommended to Cabinet for in-principle agreement, or that the opportunity does not meet the decision criteria and therefore proceeds no further. Gateway Two involves the development of a much more detailed business case to be considered by Cabinet, and for approval by Council as appropriate.

Investment Threshold

- 11.7 The Council's Investment Strategy gateway process stipulates a minimum of £250,000 for commercial property investments and £100,000 for housing investments.

Return on Investment

- 11.8 The Investment Strategy gateway process requires a minimum level of return depending on the perceived risk of a project, ranging from 4% to 10% for commercial property investments. This reflects the level of risk in the commercial property market, which for a number of reasons is more volatile than the housing market.
- 11.9 A lower minimum level of return of 3% is used for residential property purchases to reflect the greater influence of expected long-term capital appreciation in house values that is not so prevalent in the commercial property market.

Risk Management

- 11.10 The adoption of the Investment Strategy and its implementation have had a positive impact on the Council's finances and improved its financial standing. Decisions made under this strategy have taken into account the unique fiduciary duty that the council holds towards residents. Due consideration has been given to the risks involved to ensure that the faith placed by the public in the Council's ability to manage and protect their financial interests is secured, and that investments made are judged to be reasonable.
- 11.11 The implementation of the Investment Strategy means the council is managing different financial risks. Investments are subject to inherent economic and market risks, and therefore a balanced portfolio of investment is maintained.
- 11.12 The governance process is designed to mitigate these risks. All investment opportunities are built upon a robust business case, developed using appropriate technical advisors and take into account due and proper consideration of the balance between risk and reward and an assessment of the underlying security of the investment to ensure compliance with the fiduciary duty the council holds.
- 11.13 The Council engaged external consultants in March 2018, to review the investment property portfolio. The report considered the strengths and weaknesses of the major investment properties held and made recommendations as to where the future investment should be targeted to provide the best balance to the portfolio.

Resource Implications

- 11.14 The objective of this strategy is to invest in income generating assets and trading opportunity proposals to partially offset the impact in the reduction of government grants over the long term.

- 11.15 The Council may fund investments through using its reserves, capital receipts and prudential borrowing, where the council has the powers to do so. The Council can use its internal cash reserves for investment. Any external borrowing required needs to be made in accordance with the Prudential Code, which includes the Council approving any changes required to the prudential indicators. The code requires borrowing to be affordable, sustainable and provide value for money. The return on investment would therefore need to be in excess of the capital financing costs of the borrowing, which consist of the interest payable and the statutory minimum revenue provision (MRP) that sets aside funds for the repayment of the borrowing.
- 11.16 Some investments will generate a return in the medium to long term but make a loss in the earlier years. It will be important to set aside a proportion of any returns made on investments to repay capital, which in turn will enable further future investments to be made.
- 11.17 Assets created through these investments, and the associated liabilities will be consolidated in the Council's balance sheet and treated in accordance with the code of Practice on Local Authority Accounting in the United Kingdom, which is supported by the International Financial Reporting Standards.

12 Knowledge and Skills

Financial Assets

- 12.1 Treasury Management Activity is undertaken by the Financial Services Manager (CIMA) and the Technical Accountant. They are managed by the Head of Finance who is ACCA qualified.
- 12.1.1 The team is experienced in treasury management activity and has demonstrated its skills by enabling the Council to opt-up to Professional status under the MiFID II (EU law - Markets in Financial Instruments Directive) reforms.
- 12.2 The CIPFA Code requires the Chief Financial Officer to ensure that Members and Officers are adequately trained in treasury management. Training is arranged as required and is regularly reviewed.

Non-Financial Assets

- 12.3 The Council's investment property portfolio is managed by the Property and Asset Management Service. The team includes qualified chartered surveyors and a building surveyor all of whom have extensive experience of property dealings within both the public and private sectors. This experience includes dealing with a mix of property types and professional work including professional services, landlord and tenant statutory valuations, acquisitions and disposals, commercial and residential property management.

- 12.4 The team also work with external agents where specialist expertise is required to deal with particular properties or if resource is not available to deal with matters in a timely way. Examples of where external advice is used include agency, valuation, building surveying and planning work. The Council also has internal building surveying resource in Property and Asset Management to advise on construction, repair and maintenance and statutory compliance matters across its investment and operational properties.
- 12.5 The Council's asset valuations for its financial statement are prepared by internal and external valuers with an agreed rolling programme of valuations for the whole Council property portfolio. All investment properties are valued on an annual basis.

13 Conclusion and reasons for recommendation

- 13.1 The Capital Strategy highlights in para. 6.8, the need to consider funding options for future expenditure as currently the forecasted expenditure creates a funding gap.
- 13.2 The main drive of the strategy is to ensure that future capital expenditure is prudent, sustainable and affordable.
- 13.3 Regular reviews will be carried out to identify potential assets for disposal in order to generate capital receipts.

<u>Background Papers (Local Government Act 1972 Section 100D)</u>			
N/A			
<u>Confidentiality</u>			
It is considered that this report does not contain exempt information within the meaning of Schedule 12A of the Local Government Act 1972, as amended, and can be made public.			
No of Annexes:	0	File Ref:	N/A
(Portfolio: Finance) Councillor M.Flood			
Officer:	Laura Berntsen	Ext:	8204
Report to:	Cabinet	Date:	10 February 2021

ITEM 11

Exclusion of the Public

Recommended:

That, pursuant to Regulation 4 of the Local Authorities (Executive Arrangements) (Meetings and Access to Information) (England) Regulations 2012, the public be excluded from the meeting for the consideration of the following report on the following matter on the ground that it involves the likely disclosure of exempt information as defined in the following Paragraph 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:

Valley Housing Matters

Paragraph 3

It is considered that this report contains exempt information within the meaning of paragraph 3 of Schedule 12A of the Local Government Act 1972, as amended. It is further considered that the public interest in maintaining the exemption outweighs the public interest in disclosing the information because the information relates to the financial or business affairs of both the Council and third parties.

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