

## Notice of Meeting

# Cabinet

**Date:** Wednesday 23 August 2023

**Time:** 5.30 pm

**Venue:** The Annexe, Crosfield Hall, Broadwater Road, Romsey, Hampshire,  
SO51 8GL

**For further information or enquiries please contact:**

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**Legal and Democratic Service**

Test Valley Borough Council,  
Beech Hurst, Weyhill Road,  
Andover, Hampshire,  
SP10 3AJ

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

**PUBLIC PARTICIPATION SCHEME**

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

### Membership of Cabinet

**MEMBER**

**WARD**

Councillor P North (Chairman)

Bourne Valley

Councillor N Adams-King (Vice-Chairman)

Blackwater

Councillor P Bundy

Chilworth, Nursling & Rownhams

Councillor D Drew

Harewood

Councillor M Flood

Anna

Councillor A Johnston

Mid Test

Councillor N Lodge

Andover Downlands

Councillor T Swain

Chilworth, Nursling & Rownhams

**Cabinet**

Wednesday 23 August 2023

**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 7 June 2023** **5 - 10**
- 6 Minutes of the Scrap Metal Dealers Hearings Sub-Committee held on 22 June 2023** **11 - 12**
- 7 Recommendations of the Overview and Scrutiny Committee - None**
- 8 Corporate Action Plan Annual Report** **13 - 21**  
  
**Leader**  
To approve proposals for the Corporate Action Plan 2023-27 – Year one.
- 9 Corporate Financial Monitoring** **22 - 54**  
  
**Finance and Resources**  
To compare actual revenue income and expenditure against profiled budget for the quarter ended 30 June 2023.
- 10 Andover Town Centre Business Improvement District** **55 - 65**  
  
**Democracy and Governance**  
To set out the background to Andover Town Centre BID's requirement to ballot for a second term.

- |           |  |                |
|-----------|--|----------------|
| <b>11</b> | <b><u>Valley Housing Outturn and Business Plan Update</u></b>  | <b>66 - 82</b> |
|           | <b>Finance and Resources</b><br>To review the activity of Valley Housing Ltd in 2022/23 and receive an updated business plan for 2023/24 to 2025/26. |                |
| <b>12</b> | <b><u>Exclusion of the Public</u></b>  | <b>83 - 84</b> |
|           | The following items are confidential.  |                |
| <b>13</b> | <b><u>Andover Town Centre Business Improvement District</u></b>  | <b>85 - 92</b> |
|           | <b>Finance and Resources</b><br>Confidential Annex to item 10.   |                |
| <b>14</b> | <b><u>Valley Housing Outturn and Business Plan Update</u></b>  | <b>93 - 95</b> |
|           | <b>Finance and Resources</b><br>Confidential Annex to item 11.   |                |

**ITEM 5** Minutes of the **Cabinet**  
of the **Test Valley Borough Council**  
held in Conference Room 1, Beech Hurst, Weyhill Road, Andover SP10 3AJ  
on 7 June 2023 at 5.30 pm

Attendance:

**Councillor P North (Chairman)**

**Councillor N Adams-King (Vice-Chairman)**

Councillor P Bundy  
Councillor D Drew  
Councillor M Flood

Councillor A Johnston  
Councillor N Lodge  
Councillor T Swain

Also in attendance  
Councillor N Gwynne

14 **Apologies**

There were no apologies for absence.

15 **Public Participation**

There was no public participation.

16 **Declarations of Interest**

There were no declarations of interest.

17 **Urgent Items**

There were no urgent items.

18 **Minutes of the meeting held on 12 April 2023**

**Resolved:**

**That the minutes of the meeting held on 12 April 2023 be confirmed and signed as a correct record.**

19 **Recommendations of the Overview and Scrutiny Committee:**  
**None**

There were no recommendations to consider from the Overview and Scrutiny Committee.

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### **Revenue Outturn 2022/23**

Consideration was given to the report of the Finance and Resources Portfolio Holder which presented the Council's Revenue outturn position for the year ended 31 March 2023.

The report showed a net General Fund expenditure of £8.681M. Following completion of revenue outturn work there was a surplus on the general fund of £695,000. The reasons for budget variances and proposals for utilisation of the variance were set out in the report.

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

#### **Resolved**

- 1. That the Council's Revenue outturn for 2022/23, as shown in Annexes 1 and 2 to the report, be noted.**
- 2. That the reasons for the budget variances, as shown in paragraph 3 in the report, be noted.**
- 3. That the transfers to reserves of £1.576M, detailed in paragraph 3.16 in the report, be approved.**
- 4. That the item detailed in paragraph 3.18 in the report, totalling £64,000, be approved for carry forward into the 2023/24 revenue budget.**
- 5. That the transfers to reserves, as detailed in paragraph 4 in the report, be approved.**
- 6. That the Head of Finance and Revenues be authorised to make necessary adjustments through the Budget Equalisation Reserve, should any additional variances be identified in finalising the Statement of Accounts for 2022/23.**

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### **Treasury Management Outturn 2022/23**

Consideration was given to a report of the Finance and Resources Portfolio Holder which reviewed the performance of the Treasury Management function in 2022/23 compared with the forecasts and policies set out for last year. Investment income for the year was £114,100 higher than included in the forecast.

The Council managed all investments in-house during 2022/23. Most investments during the year were placed in call-accounts or fixed-term deposits for durations of up to one year. At year-end, the Council also held investments with five Local Authorities, totalling £25M, for periods of up to five years.

The Council achieved an average investment income rate of 1.86% in the year compared with an average benchmark figure of 3.13%, largely due to fixed-rate investments placed before interest rates started to rise.

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

**Resolved:**

**That the Annual Treasury Management Report for 2022/23 and the Prudential Indicators for the year, as shown in the Annex to the report, be noted.**

**22      Infrastructure and Developer Contributions Supplementary Planning Document**

Consideration was given to a report of the Planning Portfolio Holder which presented the Infrastructure and Developer Contributions Supplementary Planning Document (SPD).

The SPD provided a basis for securing infrastructure and financial contributions through developer obligations and would be used as a tool to secure planning obligations to mitigate the impact of development.

The Infrastructure and Developer Contributions SPD would replace the existing documents which had been adopted in 2009 and took into account relevant legislation and evidence on securing infrastructure and developer contributions.

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

**Resolved:**

- 1.      That the Infrastructure and Developer Contributions Supplementary Planning Document, attached as at Annex 1 to the report, be adopted and replace the Infrastructure and Developer Contributions Supplementary Planning Document 2009.**
- 2.      That the Head of Planning Policy and Economic Development be given delegated authority in consultation with the Planning Portfolio Holder, to make changes of a minor nature prior to publication.**

**23                              Capital Outturn 2022/23**

Consideration was given to a report of the Finance and Resources Portfolio Holder which summarised the Council's Capital expenditure for 2022/23 and explained the reasons for variances from the forecast, including a summary of the total budget slippage within the Capital Programme.

The report contained recommendations for the carry forward of certain unspent capital budgets into 2023/24 as detailed throughout the report and provided an updated capital programme for 2022/23 to 2024/25.

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

**Resolved**

**That the updated Capital Programme, as shown in the Annex to the report, be approved.**

**24            Heat Network Feasibility Study - Andover Town Centre**

Consideration was given to a report of the Strategic Regeneration and Partnerships (North) Portfolio Holder which recommended the incorporation of the Heat network Feasibility Study (Andover town centre) project be incorporated within the Council's budget following success in securing government funding.

The Council had been successful in securing government funding to contribute towards the cost of exploring the feasibility of a heat network in Andover town centre as part of regeneration proposals. Securing the funding would allow the Council to explore opportunities to develop a decarbonised heat network through a local energy source for existing and future developments in the town centre.

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

**Resolved:**

**That the Heat Network Feasibility Study (Andover town centre) project be incorporated within the Planning Policy & Economic Development Service budget for 2023/24.**

**25            Asset Management Outturn 2022/23**

Consideration was given to the report of the Finance and Resources Portfolio Holder, which compared the actual expenditure on Asset Management Plan (AMP) projects with the approved budget for 2022/23.

The total revised AMP budget in 2022/23 was £3.941M. Actual expenditure in the year was £2.508M, leaving an overall positive variance of £1.433M. The outturn position for 2022/23 had been reviewed, following which the AMP requirement for 2023/24 had been updated.

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

**Resolved**

- 1.     That the expenditure for the year on Asset Management projects, as shown in Annex 1 to the report, be noted.**
- 2.     That the updated budget for Asset Management projects in 2023/24, as shown in Annex 2 to the report, be approved.**



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### **Cabinet Appointments to Outside Bodies**

Consideration was given to a report of the Governance and Democracy Portfolio Holder which sought to appoint members to a number of outside bodies that the Council works with to share information and knowledge on matters of mutual interest in order to better fulfil its obligations.

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

#### **Resolved**

- 1. That Councillors Bundy, A Dowden, Swain and Yalden be appointed to the Eastleigh Borough Council/Test Valley Borough Council Liaison Group.**
- 2. That Councillor Adams-King be appointed to Parking and Traffic Regulations Outside London (PATROL).**
- 3. That the Deputy Leader be appointed to the Partnership for South Hampshire Committee (PfSH).**
- 4. That Councillor Adams-King be appointed to South East Councils.**

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### **Scheme of Delegations to Officers**

Consideration was given to a report of the Democracy and Governance Portfolio Holder which sought approval of the Council's Scheme of Delegations to Officers in so far as it applied to the powers and duties of Cabinet.

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

#### **Resolved**

**That the Scheme of Officer Delegations, as set out in the Annex to this report, in so far as it applies to the powers and duties of the Cabinet, be approved.**

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### **Project Enterprise Outturn 2022/23**

Consideration was given to a report of the Finance Portfolio Holder which summarised return on investment made during the 2022/23 financial year from Project Enterprise projects and compared the results with the original business case for each project.

Net rental income from Project Enterprise properties held by the Council throughout 2022/23 was £2.235M. This was £148,000 more than the £2.087M that was forecast in the approved business cases and is expected to grow in future years as rent reviews increase annual turnover.

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

**Resolved**

**That the outturn position for Project Enterprise investments in 2022/23 be noted.**

29

**Exclusion of the Public**

There was no reference made to the information contained within the exempt annexe and therefore no exclusion of the public was required.

(The meeting terminated at 6.07 pm)

**ITEM 6** Minutes of the **Scrap Metal Dealer Hearings Sub-Committee**  
of the **Test Valley Borough Council**  
held in The Annexe, Crosfield Hall, Broadwater Road, Romsey  
on Thursday, 22 June 2023 at 9.30 am

Attendance:

Councillor N Adams-King  
Councillor D Drew

Councillor P North

1 **Appointment of Chairman**

**Resolved:**

**That Councillor Drew be appointed Chairman for the duration of the meeting.**

2 **Apologies**

There were no apologies for absence.

3 **Declarations of Interest**

There were no declarations of interest.

4 **Exclusion of the Public**

**Resolved:**

**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 reports on the following matters on the grounds that they involve the likely disclosure of exempt information as defined in the following Paragraphs of Part 1 of Schedule 12A of the Local Government Act 1972, as amended, indicated below. The public interest in maintaining the exemption outweighs the public interest in disclosing the information for the reason given below:**

**Scrap Metal Dealers Licence – Hearing**

**Paragraphs 1, 2, 3 & 7**

It is considered that the report contains exempt information within the meaning of paragraphs 1, 2 & 7 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 a named individual, could reveal the identity of an individual and relates to action taken in connection with the prevention, investigation, or prosecution of crime.

5

### **Scrap Metal Dealers Licence - Hearing**

Consideration was given to the report. The Head of Legal and Democratic Services was minded to refuse the application for a Scrap Metal Dealers Licence and the Committee was asked to determine the application after hearing representations.

In reaching its decision on this application the Sub-Committee had regard to the contents of the report and the appendices, the provisions of the Scrap Metal Dealers Act 2013, relevant guidance issued by the Home Office, together with representations from the applicant and determined that the licence be refused.

#### **Resolved:**

**That the licence be refused.**

(The meeting terminated at 10.40 am)

## **ITEM 8 Corporate Action Plan Annual Report**

Report of the Leader of the Council

### **Recommended:**

**That the Corporate Action Plan 2023-27 (Year one), annexed to the report, be approved.**

#### **SUMMARY:**

- A Corporate Plan for the period 2023-27 (A Place for Everyone – Supporting our communities to thrive) was approved by Council in April 2023.
- The Corporate Action Plan runs for the lifetime of the Corporate Plan and shows in detail the major projects to be taken forward in pursuit of the Council's priorities.
- The Corporate Action Plan is approved, reviewed, and updated by Cabinet on an annual basis and plays an important role in enabling the allocation of resources to major projects from across the organisation.
- This report sets out proposals for the Corporate Action Plan 2023-27 – Year one.

### **1 Introduction**

- 1.1 The Corporate Action Plan (CAP) is the delivery document of the Council's Corporate Plan. 'The proposed CAP 2023-27 'A Place for Everyone – Supporting our communities to thrive' shows in detail how the Council intends to make progress against its strategic priorities through the key projects to be taken forward over the four-year period.

### **2 Background**

- 2.1 The Council approved its current Corporate Plan 2023-27, 'A Place for Everyone – Supporting our communities to thrive' in April 2023. The Corporate Plan is one of the key documents that forms the Council's policy framework, setting out key priorities and can be used in conjunction with the Medium-Term Financial Strategy and the Local Plan as part of the overarching strategic plans for the Council.
- 2.2 The Corporate Plan, 'A Place for Everyone – Supporting our communities to thrive' is about making the wider opportunities for our communities a reality. Progressing long-term strategic projects such as the regeneration of town centres and the Council's approach to climate change and being able to influence partners so that together we can deliver the best outcomes and quality of life across the borough.

2.3 The Corporate Plan is underpinned by the Corporate Action Plan (CAP) which runs for the lifetime of the Corporate Plan. The CAP details the key projects that will be delivered in pursuit of the strategic priorities of the Council. Given that the CAP is a four-year programme and reflects the major projects that the Council is delivering, it is expected that most projects that feature on the CAP will do so for multiple years given their scale and scope.

#### 2.4 **Corporate Action Plan 2023-27 (Year one):**

2.5 A proposed CAP has been prepared for year one and approval is sought from Cabinet for its adoption. Eleven projects form the CAP and are set out in the attached Annex.

2.6 The projects that form the CAP are driven by the strategic priorities for the Council over the next four years including:

- Regeneration of our town centres, including delivering priority elements of the masterplans and funding strategies to support them.
- Continuing to respond to the climate emergency through a refreshed and updated Climate Emergency Action Plan.
- Implementing a new waste collection service, supporting ambitions to increase recycling across the borough.
- Supporting our communities to thrive, to support action planning and delivery of local priorities in partnership.
- Enabling communities to prosper through access to housing and delivering community focussed aspirations through a New Economic Development Strategy as well as a review of our Local plan.
- Continuing to work with our partners to deliver better outcomes for our communities, adapting and responding to their changing needs and priorities.

2.7 Monitoring of the CAP will be undertaken through the Council's performance management framework. The Leader of the Council will present an annual update to the Council's Overview and Scrutiny Committee and an Annual Report will be published on the Council's website to demonstrate progress against the project areas.

2.8 The next update of the Corporate Action Plan is due in May 2024.

### **3 Corporate Objectives and Priorities**

3.1 The Corporate Action Plan is the delivery document of the Council's Corporate Plan setting out in detail how the Council intends to make progress against its strategic priorities through the key projects to be taken forward over the four-year period.

3.2 The strategic priorities of the new Corporate Plan are as follows:

- **Sustainability**, delivering lasting benefits for our communities.

- **Connection**, building upon the identity, strengths, and ambitions of our communities.
  - **Inclusion**, working together to create opportunities for our communities.
  - **Prosperity**, economic growth that impacts positively on our communities.
  - **Environment**, a greener borough for our communities.
- 3.3 Against each of the projects the CAP sets out clearly which priorities they relate to and will form the basis for how the Council demonstrates the impact it is making in pursuit of these priorities over the next four years.
- 3.4 As part of the ongoing approach to work in a place-based way that recognises the varying needs of our borough's communities, the plan renews the long-standing commitment to empower local communities through the way the Council works. The Corporate Plan sets out how the Council will deliver the priorities through a community focus so that they can be tailored to make sure they are relevant and appropriate to local circumstances. The framework used to describe this in the plan is viewed through the lenses of a number of communities:
- Village and rural communities
  - Andover and Romsey
  - Chilworth, North Baddesley, Nursling, Rownhams and Valley Park
- 3.5 The projects that form the CAP seek to reflect this approach and underpin a community focus where appropriate to do so. For example, the CAP projects relating to regeneration for Romsey and Andover are both based on the local needs and aspirations of those specific communities following an extensive community-led exercise with residents and stakeholders. Over the course of the next four years the Council will continue to build on its approach to working in a more community focused way, the outcomes of which, are likely to influence the future development of the CAP and the projects that form it.

#### **4 Consultations/Communications**

- 4.1 The proposed Corporate Action Plan has been developed using a detailed and thorough evidence base. This includes a review of statistical data, extensive public engagement, and an analysis of the external environment to ensure that key strategic influences have been considered.
- 4.2 During the summer and autumn of 2022, the Council undertook an extensive and innovative programme of public engagement engaging with more than 1600 people across two phases of engagement. This included a wide-ranging survey available online, engaging and surveying people attending local events, and the delivery of cutting-edge deliberative engagement workshops in partnership with the Involve Foundation. This has enabled a detailed insight of what matters to local people to be gained and has informed the development of the Council's priorities.

- 4.3 Many of the projects within the CAP are outward facing in their nature and as a result the Council engages with the community on a regular basis through these projects where it is appropriate to do so.

## **5 Options**

- 5.1 For Cabinet to consider the Corporate Action Plan as presented in this report and agree to either:
- a. Approve the Corporate Action Plan (as set out in the annex).
  - b. Approve some other iteration of the Corporate Action Plan.
  - c. Not approve a Corporate Action Plan.

## **6 Option Appraisal**

- 6.1 The Corporate Action Plan is a key document setting out how the Council will deliver against the priorities set out in the Corporate Plan. Proceeding in the absence of a Corporate Action Plan as contemplated in Option C is therefore not recommended. Cabinet could approve a Corporate Action Plan in some other form than the attached in the annex.

## **7 Equality Issues**

- 7.1 A separate Equality Impact Assessment for the proposed Corporate Action Plan is not required because the issues covered have previously been considered by Councillors at the Council Meeting 5 April 2023 under Item 542 –Corporate Plan for 2023-27.
- 7.2 As part of the Council's project management framework all projects that form the CAP will be required to consider equalities issues on an individual basis and undertake the appropriate screening including Equality Impact Assessments as appropriate and necessary.

## **8 Resource Implications**

- 8.1 There are no direct resource implications arising from approving the CAP. However, each of the projects that form the CAP will be subject to specific resource requirements as they move towards delivery and will be approved in accordance with the Council's Financial Procedure Rules as well as being considered more generally as part of the Medium-Term Financial Strategy.

## **9 Conclusion**

- 9.1 The Corporate Action Plan shows in detail how the Council intends to make progress by focusing on the projects it will take forward against each of the priorities of the Corporate Plan. As a result, it informs decision making and allocation of resources across the Council.



<u>Background Papers (Local Government Act 1972 Section 100D)</u>			
<a href="#">Council report 5 April 2023</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:	1	File Ref:	N/A
(Portfolio: Leader) Councillor P North			
Officer:	James Moody	Ext:	8130
Report to:	Cabinet	Date:	23 August 2023

## Corporate Action Plan 2023-27

## Year 1

Project	Priorities
<p><b>Delivery of Andover Masterplan regeneration schemes</b></p> <p><i>With a focus on:</i></p> <ul style="list-style-type: none"> <li>- Commence the £6M Western Avenue Project</li> <li>- Develop a funding strategy to facilitate delivery of the masterplan schemes including: <ul style="list-style-type: none"> <li>• Bringing forward proposals for Chantry Centre phase 1</li> <li>• Bringing forward proposals for a Cultural Hub</li> </ul> </li> </ul>	<p>Prosperity Sustainability Connection Environment</p>
<p><b>Delivery of the South of Romsey Town Centre Masterplan and connected schemes</b></p> <p><i>With a focus on:</i></p> <ul style="list-style-type: none"> <li>- Develop a funding strategy to facilitate delivery of the masterplan schemes</li> <li>- Redevelopment of the Bus Station Site and enhancements to Holbrook Stream</li> <li>- Progress plans for the reprovizion of Crosfield Hall</li> </ul>	<p>Prosperity Environment Connection Sustainability</p>
<p><b>Delivery of the Climate Emergency Action Plan</b></p> <p><i>With a focus on:</i></p> <ul style="list-style-type: none"> <li>- Produce an updated Climate Emergency Action Plan</li> <li>- Undertake a feasibility study to assess the potential of a heat network in Andover town centre as part of the regeneration proposals by the end of March 2024</li> <li>- Complete the implementation of the decarbonisation project at Bourne House with measures installed by the end of March 2024</li> </ul>	<p>Environment Sustainability Prosperity Connection</p>

<ul style="list-style-type: none"> <li>- Deliver the first year of the Test Valley community energy project in partnership with Community Energy South and Dragonfly Power. Including completion of feasibility studies by the end of March 2024.</li> </ul>	
<p><b>Implement the new 1,2,3 weekly waste service from 2024.</b></p> <p><i>With a focus on:</i></p> <ul style="list-style-type: none"> <li>- New weekly food waste collection service</li> <li>- New twin stream recycling collection service</li> <li>- Behaviour change and communications campaign</li> </ul>	<p>Inclusion Environment Sustainability</p>
<p><b>Supporting Andover communities to thrive</b></p> <p><i>With a focus on:</i></p> <ul style="list-style-type: none"> <li>- Facilitate a series of workshops with Andover Vision to develop a new action plan, delivering community projects and events in partnership with Andover Vision</li> <li>- Delivery of the Andover Health Hub and Community Health Worker projects in partnership with the ICB, Primary Care Network as part of the shared prosperity fund</li> <li>- Deliver in partnership a creative programme of events and activities to bring people into the town centre and drive business</li> </ul>	<p>Inclusion Sustainability Connection</p>
<p><b>Supporting Romsey communities to thrive</b></p> <p><i>With a focus on:</i></p> <ul style="list-style-type: none"> <li>- Work with Romsey Future to build upon the community priorities, highlighted in the strategy document, through the development of new project plans.</li> <li>- Deliver enhancement and community projects funded through the shared prosperity fund in partnership with Romsey future</li> <li>- Romsey Brewery site</li> </ul>	<p>Inclusion Sustainability Connection</p>

<p><b>Supporting rural communities to thrive, working with partners through community planning exercises</b></p> <p><i>With a focus on:</i></p> <ul style="list-style-type: none"> <li>- Facilitate a programme of activities with partner organisations and parishes across rural communities to further the development of local priorities and community action planning</li> <li>- Launch a net zero business support service using UK Shared Prosperity funding by March 2025</li> <li>- Support rural businesses and communities to apply for and spend small scale grants funded by the Rural Prosperity fund by March 2025</li> <li>- Deliver support for rural businesses and community in partnership with the Local Enterprise Partnership and Hampshire Rural Forum</li> <li>- Review the community planning toolkit</li> </ul>	<p>Inclusion Sustainability Connection</p>
<p><b>Enabling access to housing</b></p> <p><i>With a focus on:</i></p> <ul style="list-style-type: none"> <li>- Prepare for a new three-year Preventing Homelessness and Rough Sleeping Strategy</li> <li>- Prepare a new four-year housing strategy from 2025</li> </ul>	<p>Inclusion Sustainability Prosperity</p>
<p><b>Develop a new Economic Development Strategy</b></p> <p><i>With a focus on:</i></p> <ul style="list-style-type: none"> <li>- Support a conducive environment for new and established business to grow. Providing and signposting to business support opportunities and grants.</li> <li>- Promote Test Valley as an attractive place for people to live and work</li> <li>- Support key sectors to grow and supporting them and the wider economy to take steps to transition to a low carbon economy</li> <li>- Work alongside regeneration projects to ensure economic needs for the borough are supported through supporting our town centre businesses</li> </ul>	<p>Inclusion Sustainability Prosperity</p>

<ul style="list-style-type: none"> <li>- Work with partners to influence and identify opportunities for upskilling and raising qualification levels. Including: <ul style="list-style-type: none"> <li>• Understanding local business skills needs and communicating this with local education providers</li> <li>• Running job and employment fairs with local partners promoting work</li> <li>• Continuing to deliver junior graduations to raise aspirations</li> </ul> </li> </ul>	
<p><b>Review of the Local Plan</b></p> <p><i>With a focus on:</i></p> <ul style="list-style-type: none"> <li>- Draft the Regulation18 version (1<sup>st</sup> formal draft) ready for consultation,</li> <li>- including policies on: <ul style="list-style-type: none"> <li>• Countering climate change</li> <li>• Conserving and enhancing biodiversity</li> <li>• Providing a range of homes that meet the borough's needs</li> </ul> </li> <li>- Provide opportunities for communities to deliver their priorities through neighbourhood plans</li> </ul>	<p>Inclusion Sustainability Prosperity Environment</p>
<p><b>Working with the partners of the Test Valley Partnership to deliver better outcomes for our communities</b></p> <p><i>With a focus on:</i></p> <ul style="list-style-type: none"> <li>- Supporting communities around cost of living</li> <li>- Deliver events and activities to support community resilience working with parishes and partners – implementing the new national resilience framework which the council's community approach has helped inform.</li> <li>- Support delivery of the Prevention Concordat for Better Mental Health action plan</li> <li>- Support the work of the Civilian Military Forum to encourage recognised veteran friendly practices across the borough.</li> </ul>	<p>Inclusion Sustainability Connection</p>

## **ITEM 9 Corporate Financial Monitoring**

Report of the Finance and Resources Portfolio Holder

### **Recommended:**

- 1. That the financial position for each Service and the key revenue areas contained in the Annex to the report be noted.**
- 2. That the Treasury Management Update in paragraph 4 in the report be noted.**

#### **SUMMARY:**

- This report reviews the Council's revenue spending for the first quarter of the 2023/24 financial year.
- It also examines the main differences between the original estimate for 2023/24 and actual spend to 30 June 2023 and provides explanations for significant variances.
- Overall, net expenditure to 30 June 2023 was £769,000 lower than budgeted at this stage of the year. This favourable variance comprises additional income and savings of £498,000 due to service-related activities and £271,000 more income from the Council's investing and borrowing activities.

### **1 Introduction**

- 1.1 As part of responsible financial stewardship, it is recommended that the financial performance of the Council should be reviewed regularly.
- 1.2 Revenue budget monitoring is carried out every month for all services and presented to Cabinet regularly throughout the year.
- 1.3 This report examines the income and expenditure of each service over the first quarter of the year. The Annex shows the financial summaries of each service to 30<sup>th</sup> June 2023 together with an explanation of any significant variances.
- 1.4 Several key areas of income and expenditure, not all apparent within individual services have also been analysed and are also shown in the Annex.
- 1.5 The report also contains a Treasury Management Update for the first quarter of the year.

## **2 Background**

### Profiling of Income and Expenditure

- 2.1 Not all income and expenditure is incurred equally over the year. For example, some costs (e.g. software maintenance costs) are paid annually in one transaction, and others are stepped throughout the year (e.g. rental income is generally invoiced quarterly in advance). The manner that income or expenditure is received or incurred over the course of the year is referred to as its profile.
- 2.2 In order to make the analysis more relevant, the actual income and expenditure to 30 June is being compared against its profiled budget position at this time.
- 2.3 The profile of salary costs reported in the annex have been adjusted to reflect that the budgeted pay award in 2023/24 has not yet been agreed.

### Analysis of income and expenditure

- 2.4 The Annex shows, by service, an analysis of original budget, profiled budget to date, actual expenditure to date and the variance between profiled budget and actual income / expenditure.
- 2.5 The Annex also shows an analysis of key areas of income and expenditure within the budget that are traditionally subject to variations in the year.

## **3 Analysis of Financial Performance**

### 3.1 Chief Executive's Office

The Chief Executive's Office shows net expenditure to the end of June of £216,000 against a profiled budget of £208,000. This represents an adverse variance of £8,000 to date.

Higher than estimated employee costs are the reason for this variance and are due to no vacancies and additional costs for maternity cover.

### 3.2 Community and Leisure

The Community & Leisure service shows net expenditure of £78,000 compared with a profiled net expenditure estimate of £83,000 – a favourable variance of £5,000.

Income from burials and the costs of supplies and services at The Lights are lower than budgeted.

### 3.3 Environmental Service

Environmental Service shows net expenditure to the end of June of £500,000 against a profiled estimate of £680,000. This is a favourable variance of £180,000.

Employee costs and repair costs across the service are lower than budgeted.

Income is higher than budgeted due to one-off additional income from the sale of dry mixed recycling of £85,000 and higher than expected income from the sale of glass of £30,000.

#### 3.4 Finance and Revenues

The Finance & Revenues service shows net expenditure of £898,000 against a profiled estimate of £877,000, which is an adverse variance of £21,000.

This is partly due to the printing and postage costs for the annual council tax and business rates bills being higher than budgeted.

#### 3.5 Housing and Environmental Health

The Housing & Environmental Health service has net expenditure of £540,000 against a profiled estimate of £574,000. This is a favourable variance of £34,000 which is mainly due to lower than estimated employee costs.

#### 3.6 Information Technology

The IT service has net expenditure of £416,000 against a profiled estimate of £427,000. This is a favourable variance of £11,000 which is mainly due to lower than estimated employee costs.

#### 3.7 Legal and Democratic

The Legal and Democratic service is showing net expenditure of £528,000 against a profiled estimate of £549,000, which is a favourable variance of £21,000.

This is due to an unbudgeted government grant in respect of voter ID costs which is partially offset by higher than budgeted premises and equipment costs for elections.

#### 3.8 Planning and Building

The Planning and Building service shows net expenditure to the end of June of £399,000 against a profiled budget of £429,000. This represents a favourable variance of £30,000 to date.

This is due to lower than estimated employee costs and an unbudgeted government grant which are partially offset by higher than budgeted legal fees and lower than estimated income from planning applications and building control fees.

#### 3.9 Planning Policy and Economic Development

The Planning Policy and Economic Development service is showing net expenditure of £504,000 against a profiled estimate of £570,000. This represents a favourable variance of £66,000 which is mainly due to lower than estimated employee costs.



### 3.10 Property and Asset Management Service

The Property and Asset Management service has generated net income of £2.291M against a profiled estimate to the end of June of £2.109M – a favourable variance of £182,000.

This is mainly due to additional income from car parking and lower than estimated employee costs.

### 3.11 Strategy and Innovation

The Strategy and Innovation service is showing net expenditure of £222,000 against a profiled estimate of £206,000 to the end of June. This is an adverse variance of £16,000, which is mainly due to higher than expected employee costs to date.

### 3.12 Corporate and Democratic

The Corporate and Democratic service shows expenditure of £295,000 compared with the profiled estimate of £310,000. This is a favourable variance of £15,000.

### 3.13 Key areas of income and expenditure

The Annex also shows an analysis of significant items in the Council's budget. These can be spread across several services or cost centres.

While not necessarily under the direct control of one budget manager it is important that these items are reviewed regularly in total as they provide a good indication of the overall variances within the budget.

## **4 Treasury Management Update**

4.1 The CIPFA (Chartered Institute of Public Finance and Accountancy) Code of Practice for Treasury Management 2021 requires that Members be updated on treasury management activities at least quarterly.

### 4.2 Annual Investment Strategy

The Treasury Management Strategy Statement (TMSS) for 2023/24, which includes the Annual Investment Strategy, was approved by Council on 23 February 2023. In accordance with the CIPFA Treasury Management Code of Practice, it sets out the Council's investment priorities as being:

- Security of capital
- Liquidity
- Yield

The Council will aim to achieve the optimum return (yield) on its investments commensurate with proper levels of security and liquidity, aligned with the Council's low-risk appetite.

### Creditworthiness

There have been few changes to credit ratings over the quarter ending 30 June 2023. Officers continue to closely monitor these and other measures of creditworthiness to ensure that only appropriate counterparties are considered for investment purposes.

### Investment Counterparty Criteria

The current investment counterparty criteria selection approved in the TMSS is meeting the requirements of the treasury management function.

### Investment performance

Income from investments to the end of June was £805,000 against an estimated income of £534,000, a favourable variance of £271,000.

The average return on investment for the period was 3.71%. The average benchmark rate for the same period was 4.9%, resulting in an underperformance against the benchmark of 1.19%. This is due to investments taken out prior to the sharp increase in interest rates at the beginning of 2022. All investments taken out in the quarter to 30 June 2023 have exceeded benchmark rates at the time of investment.

### Approved Limits

The approved limits within the Annual Investment Strategy were not breached in the quarter ending 30 June 2023.

#### 4.3 Borrowing

The Council did not undertake any borrowing during the quarter ending 30 June 2023. It is not anticipated that any further borrowing will be undertaken during this financial year.

#### 4.4 Compliance with Treasury and Prudential Indicators

The prudential and treasury indicators for the year 2023/24 were approved by Cabinet on 22 February 2023. During the quarter ending 30 June 2023, the Council has operated within these prudential indicators.

There are no changes required to the approved prudential indicators.

All treasury management operations have also been conducted in full compliance with the Treasury Management Practices.

### **5 Risk Management**

- 5.1 This report is for information purposes, so the Council's Risk Management approach does not need to be applied.

## 6 Resource Implications

- 6.1 A favourable variance of £769,000 in the first quarter of the year has been identified in this report. There is a mixture of adverse and favourable variances across the services and these will continue to be monitored and reviewed as part of the budget-setting process for 2024/25.

## 7 Equality Issues

- 7.1 This report is for information purposes, so the Council's EQIA process does not need to be applied.

## 8 Other Issues

- 8.1 There are no other issues to consider.

## 9 Conclusion and reasons for recommendation

- 9.1 Overall, net expenditure is £769,000 lower than forecast at 30 June. There are a number of areas with large variances between the profiled budget and the actual income / expenditure to date.
- 9.2 The report does not make any recommendations for changes to budgets at this stage in the year and therefore the recommendation is that the current budget position be noted.

<u>Background Papers (Local Government Act 1972 Section 100D)</u>			
None			
<u>Confidentiality</u>			
It is considered that this report does not contain exempt information within the meaning of Schedule 12A of the Local Government Act 1972, as amended, and can be made public.			
No of Annexes:	1	File Ref:	N/A
(Portfolio: Finance and Resources) Councillor M Flood			
Officer:	Jenni Carter	Ext:	8236
Report to:	Cabinet	Date:	23 August 2023

## SERVICE REVENUE INFORMATION

ANNEX

TOTAL EXPENDITURE	Updated Estimate 2023/24	Profiled Estimate to 30/6/23	Actual Expenditure to 30/6/23	Adverse / (Favourable) Variance
	£	£	£	£
Chief Executive's Office	836,372	208,255	216,358	8,103
Community & Leisure	496,486	83,287	77,864	(5,423)
Environmental Service	4,621,182	679,844	499,926	(179,918)
Finance & Revenues	2,783,607	876,911	898,037	21,126
Housing & Environmental Health	2,248,351	573,857	540,030	(33,827)
Information Technology	1,419,926	426,645	416,334	(10,311)
Legal & Democratic	1,410,198	548,956	528,139	(20,817)
Planning & Building	1,422,448	428,846	399,119	(29,727)
Planning Policy & Economic Development	2,194,519	570,395	504,476	(65,919)
Property & Asset Management	(8,777,424)	(2,109,296)	(2,291,234)	(181,938)
Strategy & Innovation	884,028	205,743	221,691	15,948
Corporate & Democratic Core	1,174,605	309,666	294,850	(14,816)
Net Investment Income	(2,742,000)	(534,000)	(805,000)	(271,000)
Borrowing costs	146,000	36,000	36,000	0
<b>Net Service Controlled Service Expenditure</b>	<b>8,118,298</b>	<b>2,305,109</b>	<b>1,536,590</b>	<b>(768,519)</b>

**SERVICE REVENUE INFORMATION****ANNEX**

<b>CHIEF EXECUTIVE'S OFFICE</b>	<b>Updated Estimate 2023/24</b>	<b>Profiled Estimate to 30/6/23</b>	<b>Actual Expenditure to 30/6/23</b>	<b>Adverse / (Favourable) Variance</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Chief Executive's Office	341,235	83,772	87,326	3,554
Human Resources Service	495,137	124,483	129,032	4,549
<b>Net Expenditure</b>	<b>836,372</b>	<b>208,255</b>	<b>216,358</b>	<b>8,103</b>
<b>Net Service Controlled Expenditure</b>	<b>836,372</b>	<b>208,255</b>	<b>216,358</b>	<b>8,103</b>

**SERVICE FINANCIAL MONITORING INFORMATION****ANNEX****CHIEF EXECUTIVE'S OFFICE****EXPLANATION OF KEY VARIANCES**

	£ 000
Profiled Estimate to 30 June 2023	208
Actual Spend to 30 June 2023	<u>216</u>
Adverse Variance to 30 June 2023	<u><u>8</u></u>
<u>Employee costs</u>	
Employee costs are higher than budgeted due to no vacancies and maternity cover	11
Sundry variance	<u>(3)</u>
	<u><u>8</u></u>

**SERVICE REVENUE INFORMATION****ANNEX**

<b>COMMUNITY &amp; LEISURE</b>	<b>Updated Estimate 2023/24</b>	<b>Profiled Estimate to 30/6/23</b>	<b>Actual Expenditure to 30/6/23</b>	<b>Adverse / (Favourable) Variance</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
<b>Leisure Management</b>				
Leisure Management	255,058	56,576	54,803	(1,773)
<b>Net Expenditure</b>	<b>255,058</b>	<b>56,576</b>	<b>54,803</b>	<b>(1,773)</b>
<b>Parks, Countryside &amp; Sport</b>				
Managed Sports Facilities	(2,004,200)	(498,149)	(500,690)	(2,541)
Outdoor Sports Facilities	194,389	37,540	38,213	673
Playgrounds	0	0	0	0
Sports Development	8,000	1,998	2,875	877
Cemeteries	(101,420)	(23,675)	(14,916)	8,759
Grounds Maintenance	58,020	15,083	15,135	52
Nature Reserves	88,546	25,568	25,852	284
Urban Parks and Open Spaces	353,143	76,867	73,301	(3,566)
<b>Net Expenditure</b>	<b>(1,403,522)</b>	<b>(364,768)</b>	<b>(360,230)</b>	<b>4,538</b>
<b>Community Development</b>				
Community Engagement	1,113,613	229,054	230,219	1,165
<b>Net Expenditure</b>	<b>1,113,613</b>	<b>229,054</b>	<b>230,219</b>	<b>1,165</b>
<b>Arts &amp; Culture</b>				
Andover Events Programme	161,092	47,540	51,294	3,754
Arts Function	23,479	15,195	15,201	6
The Lights	346,766	99,690	86,577	(13,113)
<b>Net Expenditure</b>	<b>531,337</b>	<b>162,425</b>	<b>153,072</b>	<b>(9,353)</b>
<b>Net Service Controlled Expenditure</b>	<b>496,486</b>	<b>83,287</b>	<b>77,864</b>	<b>(5,423)</b>

**SERVICE FINANCIAL MONITORING INFORMATION****ANNEX****COMMUNITY & LEISURE****EXPLANATION OF KEY VARIANCES**

	£ 000
Profiled Estimate to 30 June 2023	83
Actual Spend to 30 June 2023	<u>78</u>
Favourable Variance to 30 June 2023	<u><u>(5)</u></u>
<u>Cemeteries</u>	
Net burial income lower than budgeted.	7
<u>The Lights</u>	
Supplies & services costs lower than budgeted	(11)
Sundry variance	<u>(1)</u>
	<u><u>(5)</u></u>



**SERVICE REVENUE INFORMATION****ANNEX**

<b>ENVIRONMENTAL SERVICE</b>	<b>Updated Estimate 2023/24</b>	<b>Profiled Estimate to 30/6/23</b>	<b>Actual Expenditure to 30/6/23</b>	<b>Adverse / (Favourable) Variance</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Grounds Maintenance	1,187,561	424,232	391,717	(32,515)
Waste Collection	2,305,128	212,844	124,287	(88,557)
Garden Waste Collection	(315,128)	(430,568)	(416,628)	13,940
Street Cleansing	975,518	248,575	249,076	501
Vehicle Workshop	35,065	(6,026)	(19,122)	(13,096)
ES Technical	387,147	79,130	36,783	(42,347)
Service Overhead Account	45,891	151,657	133,813	(17,844)
<b>Net Expenditure</b>	<b>4,621,182</b>	<b>679,844</b>	<b>499,926</b>	<b>(179,918)</b>
<b>Net Service Controlled Expenditure</b>	<b>4,621,182</b>	<b>679,844</b>	<b>499,926</b>	<b>(179,918)</b>

**SERVICE FINANCIAL MONITORING INFORMATION****ANNEX****ENVIRONMENTAL SERVICE****EXPLANATION OF KEY VARIANCES**

	£ 000
Profiled Estimate to 30 June 2023	680
Actual Spend to 30 June 2023	<u>500</u>
Favourable Variance to 30 June 2023	<u><u>(180)</u></u>
<u>Employee Costs</u>	
Employee costs across the service are lower than budgeted	(28)
<u>Transport Costs</u>	
Repair materials costs are lower than budgeted	(38)
<u>Income</u>	
Bulky waste and clothing recycling income are lower than budgeted	8
Income from the sale of bins is higher than budgeted	(10)
Additional one-off income from sale of dry mixed recycling	(85)
Additional income from the sale of glass	(30)
Sundry variance	<u>3</u>
	<u><u>(180)</u></u>

**SERVICE REVENUE INFORMATION****ANNEX**

<b>FINANCE &amp; REVENUES</b>	<b>Updated Estimate 2023/24</b>	<b>Profiled Estimate to 30/6/23</b>	<b>Actual Expenditure to 30/6/23</b>	<b>Adverse / (Favourable) Variance</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Finance Service	930,120	247,886	243,244	(4,642)
Customer Services Unit	637,380	208,230	216,405	8,175
Council Tax Support Administration	353,637	88,761	90,766	2,005
Housing Benefit	256,050	90,750	86,774	(3,976)
Local Taxation Services	606,420	241,284	260,848	19,564
<b>Net Expenditure</b>	<b>2,783,607</b>	<b>876,911</b>	<b>898,037</b>	<b>21,126</b>
<b>Net Service Controlled Expenditure</b>	<b>2,783,607</b>	<b>876,911</b>	<b>898,037</b>	<b>21,126</b>

**SERVICE FINANCIAL MONITORING INFORMATION****ANNEX****FINANCE & REVENUES****EXPLANATION OF KEY VARIANCES**

	£ 000
Profiled Estimate to 30 June 2023	877
Actual Spend to 30 June 2023	<u>898</u>
Adverse Variance to 30 June 2023	<u><u>21</u></u>
<u>Employee costs</u>	
Employee costs across the service are lower than budgeted	(8)
<u>Supplies &amp; services</u>	
Annual billing external printing & postage costs higher than budgeted	24
Sundry variance	<u>5</u>
	<u><u>21</u></u>

**SERVICE REVENUE INFORMATION****ANNEX**

<b>HOUSING &amp; ENVIRONMENTAL HEALTH</b>	<b>Updated Estimate 2023/24</b>	<b>Profiled Estimate to 30/6/23</b>	<b>Actual Expenditure to 30/6/23</b>	<b>Adverse / (Favourable) variance</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
<b>Housing Activities</b>				
General Management	113,906	27,775	32,676	4,901
Housing Development	176,607	46,809	40,121	(6,688)
Hampshire Home Choice	69,367	69,367	69,367	0
Housing Options	831,060	170,432	147,701	(22,731)
<b>Net Expenditure</b>	<b>1,190,940</b>	<b>314,383</b>	<b>289,865</b>	<b>(24,518)</b>
<b>Health Activities</b>				
Business Support Team	117,174	27,479	23,899	(3,580)
Pollution	273,328	69,757	70,849	1,092
Health Protection	353,623	88,572	87,133	(1,439)
Animal Welfare	65,367	14,063	14,518	455
Pest Control	66,512	16,907	18,554	1,647
Housing Standards	181,407	42,696	35,212	(7,484)
<b>Net Expenditure</b>	<b>1,057,411</b>	<b>259,474</b>	<b>250,165</b>	<b>(9,309)</b>
<b>Net Service Controlled Expenditure</b>	<b>2,248,351</b>	<b>573,857</b>	<b>540,030</b>	<b>(33,827)</b>

**SERVICE FINANCIAL MONITORING INFORMATION**

**ANNEX**

**HOUSING & ENVIRONMENTAL HEALTH**

**EXPLANATION OF KEY VARIANCES**

	£ 000
Profiled Estimate to 30 June 2023	574
Actual Spend to 30 June 2023	<u>540</u>
Favourable Variance to 30 June 2023	<u><u>(34)</u></u>
<u>Employee costs</u>	
Employee costs across the service are lower than budgeted	(26)
Sundry variance	<u>(8)</u>
	<u><u>(34)</u></u>

**SERVICE REVENUE INFORMATION****ANNEX**

<b>INFORMATION TECHNOLOGY</b>	<b>Updated Estimate 2023/24</b>	<b>Profiled Estimate to 30/6/23</b>	<b>Actual Expenditure to 30/6/23</b>	<b>Adverse / (Favourable) Variance</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Management	147,938	33,484	21,609	(11,875)
Service Desk	200,910	34,349	31,846	(2,503)
Infrastructure	525,082	193,731	203,481	9,750
Corporate Services	534,896	165,063	159,380	(5,683)
Cloud Services	11,100	18	18	0
<b>Net Expenditure</b>	<b>1,419,926</b>	<b>426,645</b>	<b>416,334</b>	<b>(10,311)</b>
<b>Net Service Controlled Expenditure</b>	<b>1,419,926</b>	<b>426,645</b>	<b>416,334</b>	<b>(10,311)</b>

**SERVICE FINANCIAL MONITORING INFORMATION****ANNEX****INFORMATION TECHNOLOGY****EXPLANATION OF KEY VARIANCES**

	£ 000
Profiled Estimate to 30 June 2023	427
Actual Spend to 30 June 2023	<u>416</u>
Favourable Variance to 30 June 2023	<u><u>(11)</u></u>
<u>Employee costs</u>	
Employee costs across the service are lower than budgeted	(10)
Sundry variance	<u>(1)</u>
	<u><u>(11)</u></u>



**SERVICE REVENUE INFORMATION****ANNEX**

<b>LEGAL &amp; DEMOCRATIC</b>	<b>Updated Estimate 2023/24</b>	<b>Profiled Estimate to 30/6/23</b>	<b>Actual Expenditure to 30/6/23</b>	<b>Adverse / (Favourable) Variance</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Legal Service	943,133	260,866	259,106	(1,760)
Land Charges	(69,456)	(15,689)	(15,649)	40
Council Elections	478,447	275,916	255,842	(20,074)
Registration Of Electors	83,690	15,518	15,534	16
Lotteries, Amusements & Gaming Permits	(3,275)	19	545	526
Alcohol & Entertainment Licensing	(32,587)	2,233	2,693	460
Scrap Metal Dealers	1,598	400	891	491
Hackney Carriages & Private Hire Vehicles	8,648	9,693	9,177	(516)
<b>Net Expenditure</b>	<b>1,410,198</b>	<b>548,956</b>	<b>528,139</b>	<b>(20,817)</b>
<b>Net Service Controlled Expenditure</b>	<b>1,410,198</b>	<b>548,956</b>	<b>528,139</b>	<b>(20,817)</b>

**SERVICE FINANCIAL MONITORING INFORMATION**

**ANNEX**

**LEGAL & DEMOCRATIC**

**EXPLANATION OF KEY VARIANCES**

	£ 000
Profiled Estimate to 30 June 2023	549
Actual Spend to 30 June 2023	<u>528</u>
Favourable Variance to 30 June 2023	<u><u>(21)</u></u>
<u>Elections</u>	
Unbudgeted government grant received in respect of voter ID	(49)
Higher than budgeted costs for premises and equipment	18
Sundry variance	<u>10</u>
	<u><u>(21)</u></u>

**SERVICE REVENUE INFORMATION****ANNEX**

<b>PLANNING &amp; BUILDING</b>	<b>Updated Estimate 2023/24</b>	<b>Profiled Estimate to 30/6/23</b>	<b>Actual Expenditure to 30/6/23</b>	<b>Adverse / (Favourable) Variance</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Development Control & Enforcement	1,355,342	393,995	367,600	(26,395)
Building Control	67,106	34,851	31,519	(3,332)
<b>Net Expenditure</b>	<b>1,422,448</b>	<b>428,846</b>	<b>399,119</b>	<b>(29,727)</b>
<b>Net Service Controlled Expenditure</b>	<b>1,422,448</b>	<b>428,846</b>	<b>399,119</b>	<b>(29,727)</b>

**SERVICE FINANCIAL MONITORING INFORMATION****ANNEX****PLANNING & BUILDING****EXPLANATION OF KEY VARIANCES**

	£ 000
Profiled Estimate to 30 June 2023	429
Actual Spend to 30 June 2023	<u>399</u>
Favourable Variance to 30 June 2023	<u><u>(30)</u></u>
<u>Employee costs</u>	
Employee costs across the service are lower than budgeted	(56)
<u>Development Control &amp; Enforcement</u>	
Legal fees are higher than budgeted	34
Income from planning application and pre-application fees are lower than budgeted	33
Unbudgeted government grant for Biodiversity Net Gain	(54)
<u>Building Control</u>	
Building control income is lower than budgeted	22
Sundry variance	<u>(9)</u>
	<u><u>(30)</u></u>

**SERVICE REVENUE INFORMATION****ANNEX**

<b>PLANNING POLICY &amp; ECONOMIC DEVELOPMENT</b>	<b>Updated Estimate 2023/24</b>	<b>Profiled Estimate to 30/6/23</b>	<b>Actual Expenditure to 30/6/23</b>	<b>Adverse / (Favourable) Variance</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
<b>Planning Policy</b>				
Planning Policy	1,224,097	279,203	219,232	(59,971)
Local Development Framework	399,216	132,054	132,054	0
Neighbourhood Planning	0	11,200	11,200	0
Sustainability	38,100	(97,200)	(97,200)	0
<b>Net Expenditure</b>	<b>1,661,413</b>	<b>325,257</b>	<b>265,286</b>	<b>(59,971)</b>
<b>Economic Development</b>				
Economic Development & Promotion	133,970	4,329	4,002	(327)
Promotion of Tourism	156,012	107,924	104,803	(3,121)
Town Centre Management	32,000	2,500	0	(2,500)
<b>Net Expenditure</b>	<b>321,982</b>	<b>114,753</b>	<b>108,805</b>	<b>(5,948)</b>
<b>Regeneration</b>				
South of Romsey Town Centre Project	30,000	5,685	5,685	0
Andover Town Centre Rejuvenation	181,124	124,700	124,700	0
<b>Net Expenditure</b>	<b>211,124</b>	<b>130,385</b>	<b>130,385</b>	<b>0</b>
<b>Net Service Controlled Expenditure</b>	<b>2,194,519</b>	<b>570,395</b>	<b>504,476</b>	<b>(65,919)</b>

**SERVICE FINANCIAL MONITORING INFORMATION**

**ANNEX**

**PLANNING POLICY & ECONOMIC DEVELOPMENT**

**EXPLANATION OF KEY VARIANCES**

	£ 000
Profiled Estimate to 30 June 2023	570
Actual Spend to 30 June 2023	<u>504</u>
Favourable Variance to 30 June 2023	<u><u>(66)</u></u>
<u>Employee costs</u>	
Employee costs across the service are lower than budgeted	(57)
Sundry variance	<u>(9)</u>
	<u><u>(66)</u></u>

## SERVICE REVENUE INFORMATION

ANNEX

PROPERTY & ASSET MANAGEMENT	Updated Estimate 2023/24	Profiled Estimate to 30/6/23	Actual Expenditure to 30/6/23	Adverse / (Favourable) Variance
	£	£	£	£
<b>Property &amp; Asset Management</b>				
Estates Support Unit	1,144,011	330,192	275,432	(54,760)
Andover Market	(28,730)	(37,186)	(37,597)	(411)
High Street Bookings	190	45	401	356
<b>Net Expenditure</b>	<b>1,115,471</b>	<b>293,051</b>	<b>238,236</b>	<b>(54,815)</b>
<b>Property Portfolio</b>				
Business Park Development	(6,949,802)	(1,672,354)	(1,644,821)	27,533
Investment Properties	(1,260,973)	(296,168)	(296,706)	(538)
Corporate Properties	(481,281)	(114,546)	(123,619)	(9,073)
Union Street	(108,186)	(26,940)	(26,805)	135
Chantry Centre	(849,483)	(275,950)	(275,950)	0
Andover Bus Station	23,744	(4,913)	(5,419)	(506)
<b>Net Income</b>	<b>(9,625,981)</b>	<b>(2,390,871)</b>	<b>(2,373,320)</b>	<b>17,551</b>
<b>Premises Management</b>				
Andover Magistrates Court	0	0	0	0
Public Halls	11,680	(3,736)	(7,743)	(4,007)
Public Conveniences	97,060	14,468	12,526	(1,942)
Office Accommodation	319,399	112,316	107,022	(5,294)
Building Maintenance	96,757	22,646	40,494	17,848
Building Cleaning	21,702	5,420	3,068	(2,352)
Depot Costs	98,380	8,240	3,813	(4,427)
Leisure Facilities	0	0	(5,871)	(5,871)
<b>Net Expenditure</b>	<b>644,978</b>	<b>159,354</b>	<b>153,309</b>	<b>(6,045)</b>
<b>Transport</b>				
Engineers	60,616	50,270	45,204	(5,066)
Highways	36,580	7,968	1,147	(6,821)
Parking	(1,064,088)	(233,651)	(358,592)	(124,941)
Community Transport	55,000	4,583	2,782	(1,801)
<b>Net Income</b>	<b>(911,892)</b>	<b>(170,830)</b>	<b>(309,459)</b>	<b>(138,629)</b>
<b>Net Service Controlled Income</b>	<b>(8,777,424)</b>	<b>(2,109,296)</b>	<b>(2,291,234)</b>	<b>(181,938)</b>

**SERVICE FINANCIAL MONITORING INFORMATION****ANNEX****PROPERTY & ASSET MANAGEMENT****EXPLANATION OF KEY VARIANCES**

	£ 000
Profiled Estimate to 30 June 2023	(2,109)
Actual Spend to 30 June 2023	<u>(2,291)</u>
Favourable Variance to 30 June 2023	<u><u>(182)</u></u>
<u>Employee costs</u>	
Employee costs across the service are lower than budgeted	(68)
<u>Supplies &amp; services</u>	
Professional fees for valuations are lower than budgeted	(17)
<u>Rental income</u>	
Income from industrial rents are lower than budgeted due to rent reviews not yet being completed	11
<u>Parking</u>	
Car parking income is higher than budgeted	(105)
Sundry variance	<u>(3)</u>
	<u><u>(182)</u></u>



**SERVICE REVENUE INFORMATION**

**ANNEX**

<b>STRATEGY &amp; INNOVATION</b>	<b>Updated Estimate 2023/24</b>	<b>Profiled Estimate to 30/6/23</b>	<b>Actual Expenditure to 30/6/23</b>	<b>Adverse / (Favourable) Variance</b>
	£	£	£	£
Strategy & Innovation	884,028	205,743	221,691	15,948
<b>Net Expenditure</b>	<b>884,028</b>	<b>205,743</b>	<b>221,691</b>	<b>15,948</b>
<b>Net Service Controlled Expenditure</b>	<b>884,028</b>	<b>205,743</b>	<b>221,691</b>	<b>15,948</b>

**SERVICE FINANCIAL MONITORING INFORMATION**

**ANNEX**

**STRATEGY & INNOVATION**

**EXPLANATION OF KEY VARIANCES**

	£ 000
Profiled Estimate to 30 June 2023	206
Actual Spend to 30 June 2023	<u>222</u>
Adverse Variance to 30 June 2023	<u><u>16</u></u>
<u>Employee costs</u>	
Employee costs are higher than budgeted due to no vacancies and maternity cover	19
Sundry variance	<u>(3)</u>
	<u><u>16</u></u>

**SERVICE REVENUE INFORMATION****ANNEX**

<b>CORPORATE &amp; DEMOCRATIC CORE</b>	<b>Updated Estimate 2023/24</b>	<b>Profiled Estimate to 30/6/23</b>	<b>Actual Expenditure to 30/6/23</b>	<b>Adverse / (Favourable) Variance</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
<b><u>Corporate</u></b>				
Corporate Subscriptions	30,000	30,000	26,720	(3,280)
Emergency Planning	38,270	25,473	24,647	(826)
Corporate Public Relations, Information & Consultation	20,300	5,548	3,896	(1,652)
Corporate Management	208,970	9,563	9,968	405
Delivering Public Services Electronically	25,500	10,125	10,000	(125)
Strategic Partnership	2,700	348	39	(309)
Allocated Central Overheads	24,280	56,542	57,250	708
Non-distributable Costs	200,000	0	0	0
<b>Net Expenditure</b>	<b>550,020</b>	<b>137,599</b>	<b>132,520</b>	<b>(5,079)</b>
<b><u>Democratic</u></b>				
Councillors	534,854	133,153	128,581	(4,572)
Councillor Meetings	33,000	24,666	20,928	(3,738)
Mayoral Office	46,231	7,748	6,716	(1,032)
Civic Ceremonies	10,500	6,500	6,105	(395)
<b>Net Expenditure</b>	<b>624,585</b>	<b>172,067</b>	<b>162,330</b>	<b>(9,737)</b>
<b>Net Service Controlled Expenditure</b>	<b>1,174,605</b>	<b>309,666</b>	<b>294,850</b>	<b>(14,816)</b>

**SERVICE FINANCIAL MONITORING INFORMATION**

**ANNEX**

**CORPORATE & DEMOCRATIC CORE**

**EXPLANATION OF KEY VARIANCES**

	£ 000
Profiled Estimate to 30 June 2023	310
Actual Spend to 30 June 2023	<u>295</u>
Favourable Variance to 30 June 2023	<u><u>(15)</u></u>
No significant variances	
Sundry variance	<u>(15)</u>
	<u><u>(15)</u></u>

**KEY FINANCIAL AREAS**

	<b>Updated Estimate 2023/24 £'000</b>	<b>Profiled Estimate to 30/6/23 £'000</b>	<b>Actual to 30/6/23 £'000</b>	<b>Adverse / (Favourable) Variance £'000</b>	<b>Comments</b>
<b><u>Expenditure</u></b>					
Staff Costs	24,274	5,802	5,588	(214)	This includes all salary, recruitment, relocation and post entry training costs, net of the 4.5% vacancy management provision.
Borrowing Costs	146	36	36	0	This is the interest paid on external borrowing.
	<b>24,420</b>	<b>5,838</b>	<b>5,624</b>	<b>(214)</b>	
<b><u>Income</u></b>					
Investment Income	(2,742)	(534)	(805)	(271)	This is the net income generated by the management of the Council's cash investment portfolio.
Building Control Income	(413)	(103)	(85)	18	This is the income generated by fees in respect of Building Control work performed by the Council.
Car Parking Income	(1,826)	(423)	(528)	(105)	This includes season tickets and all on and off street parking income.
Development Control Income	(1,230)	(308)	(275)	33	This is income from Planning Applications and legal fees relating to the applications.
Investment Property Income	(6,660)	(1,615)	(1,596)	19	This includes the rental income for all the Council's industrial land and buildings, excluding those that have been purchased as part of the Project Enterprise initiative.
Investment Income from Property Purchases	(2,522)	(512)	(520)	(8)	This includes the rental income for investment properties that have been purchased as part of the Project Enterprise initiative.
Land Charges Income	(262)	(58)	(48)	10	This is income from Local Land Charge Search Fees.
Leisure Income	(2,889)	(663)	(661)	2	This includes all income from Community & Leisure services including indoor and outdoor leisure facilities, The Lights and cemeteries.
	<b>(18,544)</b>	<b>(4,216)</b>	<b>(4,518)</b>	<b>(302)</b>	
<b>Total</b>	<b>5,876</b>	<b>1,622</b>	<b>1,106</b>	<b>(516)</b>	

**SERVICE FINANCIAL MONITORING INFORMATION**  
**KEY AREAS OF INCOME AND EXPENDITURE**  
**EXPLANATION OF KEY VARIANCES**

	£ 000
Profiled Estimate to 30 June 2023	1,622
Actual Spend to 30 June 2023	<u>1,106</u>
Favourable Variance to 30 June 2023	<u><u>(516)</u></u>
<u>Staff Costs</u>	
Staff costs are lower than anticipated at this point in the year, mainly due to vacancies	(214)
<u>Income</u>	
Investment income is higher than budgeted due to a better than budgeted average rate of return	(271)
Building control income is lower than estimated in the year to date	18
Car parking income is higher than estimated in the year to date	(105)
Development control income is lower than estimated in the year to date	33
Income from investment properties is lower than estimated in the year to date	11
Income from land charge is lower than estimated in the year to date	10
Sundry variance	<u>2</u>
	<u><u>(516)</u></u>

## **ITEM 10 Andover Town Centre Business Improvement District**

Report of the Democracy and Governance Portfolio Holder

### **Recommended:**

- 1. That the Head of Finance and Revenues be given delegated authority to instruct the Chief Executive (as Ballot Holder) to hold the BID Ballot on receipt of the formal request, as set out in 3.2 of the report.**
- 2. That the Council will not seek reimbursement of the cost of holding the Ballot from the Proposer as set out in 3.5 of the report.**
- 3. That the statement of existing baseline services contained in Annex 2 to the report be noted.**
- 4. That Cabinet agree that the draft BID Proposals neither conflict with an existing policy nor proposes a disproportionate burden on particular businesses by an unfair levy charge on a certain class of business, as set out in paragraph 3.13 of the report and that delegated authority be given to the Chief Executive to make a final determination on this when the BID Proposals are published.**
- 5. That delegated authority be given to the Head of Finance and Revenues in consultation with the Portfolio Holder for Finance and Resources and the Head of Legal and Democratic Services, to agree the terms of the Operating Agreement in the event that the BID Proposals proceed as set out in 4.3 of the report.**
- 6. That the BID Proposer be charged £35 per hereditament or 3% of the annual levy income, whichever is lower towards the Council's costs of collecting the BID levy as set out in 4.4 of the report.**

#### **SUMMARY:**

- A Business Improvement District (BID) was established in Andover Town Centre in 2019. The first five-year term expires in March 2024.
- This report discusses the implications of the term's expiry and seeks approval for the Council to undertake certain functions related to the ballot for approval of the new BID proposals.

### **1 Introduction**

- 1.1 The Andover Town Centre BID was established in 2019 in accordance with The Business Improvement Districts (England) Regulations 2004 (the Regulations), following a ballot of local businesses.

- 1.2 The five-year fixed term expires on 31 March 2024. A ballot is necessary for the BID to continue the current arrangements for a second five-year term.
- 1.3 Andover Town Centre Bid Limited have prepared BID proposals which they wish to apply from 1 April 2024.
- 1.4 The purpose of this report is to consider a formal request from Andover Town Centre BID Ltd to undertake a ballot for the approval of the new BID proposals.

## **2 Background**

- 2.1 A BID is a business-led and funded company formed to support and enhance a defined commercial area. There are about 300 BIDs in the UK. The Andover BID, relates to the town centre area.
- 2.2 The establishment of the BID in 2019 was led by local businesses through a BID Steering Group. This was supported by the work of external consultants, CMS, who were engaged by the Council. Following the successful ballot, Andover Town Centre BID Ltd (the BID company) was established and the BID company has implemented the BID arrangements (i.e. the measures which were set out in the BID proposals which were approved in the ballot process).
- 2.3 Andover Town Centre BID Limited have prepared proposals for the next five years, which include a business plan for the operation of the BID if the proposals are approved. The BID company's business plan sets out what projects and services it anticipates offering within the BID area, and a copy of the business plan is shown in Exempt Annex 3. The proposals are in draft form at present, but will be formally submitted to the Council once they have been finalised, as shown in the timetable attached as Annex 1.
- 2.4 If the BID Proposals are approved by a formal ballot, the BID company will implement the approved proposals (which will constitute the BID arrangements) in the BID area for a five-year term from 1 April 2024.
- 2.5 The implementation of BID Proposals are funded by a BID levy, a statutory levy which is charged on non-domestic rate payers and collected separately from the non-domestic rates bill to ensure the two are seen as separate charges.
- 2.6 BID Proposals (and the imposition of a BID levy) can only proceed if the proposals are approved through a formal ballot. Proposals are only approved if the BID ballot succeeds on two counts:
  - i) A straight majority of business rate payers eligible to vote within the defined boundary; and
  - ii) Majority by rateable value.

This ensures that the interests of large and small businesses are protected.



- 2.7 The government has published a Technical Guide for local authorities on BIDs to assist BID Proposers and local authorities deal with the various issues which BID Proposals give rise to. The Council has had regard to the Guide and to the Business Improvement District (England) Regulations 2004 in preparing this Report. The guide is available at:  
[Business Improvement Districts: technical guide for local authorities - GOV.UK \(www.gov.uk\)](http://www.gov.uk/government/uploads/system/uploads/attachment_data/file/271111/BID-Technical-Guide-2017.pdf)

### **3 Preparing for a BID ballot**

- 3.1 The Council expects to receive a formal request from Andover Town Centre BID Ltd (the BID Proposer) to hold a ballot for an Andover Town Centre BID for a period of 5 years from 1 April 2024. Submission is anticipated to be on 29 August.
- 3.2 Under Regulation 5 of the Business Improvement Districts (England) Regulations 2004, when the request referred to in paragraph 3.1 is received, the Council as billing authority is required to issue an instruction to the Returning Officer of the Borough Council (the Chief Executive) to hold the ballot. As the formal request has not yet been received, it is recommended that delegated authority be given to the Head of Finance and Revenues to issue the formal instruction to the Chief Executive under Regulation 5 when the request is received.
- 3.3 It is possible to outsource the running of the ballot, although the Ballot Holder remains legally responsible for the process. Civica Electoral Services (CES) have been engaged to manage the ballot on behalf of the Chief Executive.
- 3.4 The Council is required to publish the Notice of Ballot 42 days before the ballot date. Based on the latest timetable (see annex 1), this means the notice must be published by 21 September 2023.
- 3.5 The Ballot Holder is required to meet the costs of holding the ballot. In the event that the proposal for a BID is not approved and the number of persons who have voted in favour is less than 20% of the number of persons entitled to vote, the Regulations allow the Council to recover its costs from the BID. It is proposed that the Council will not seek reimbursement of the cost of holding the ballot from the BID Proposer if those circumstances arise.
- 3.6 To assist businesses in the BID area, it is best practice for the Council to prepare a statement of baseline services. The purpose of this statement is to demonstrate to those voting in the ballot that the BID levy will be used to fund additional services rather than pay for services which public bodies already deliver.
- 3.7 Statements of existing baseline services are not legally binding and, given the uncertainty over future local government finance, they cannot guarantee or commit the Council to continue to fund services at the baseline level for the 5-year term of a BID.
- 3.8 The Statement of Baseline Services is shown in Annex 2 to the report.

- 3.9 Under Regulation 12 of the BID Regulations, the Council has the power to veto BID Proposals if it considers that the BID Proposals conflict with any existing local authority policy or propose a disproportionate burden on particular businesses by way of an unfair levy charge on a certain “class” of levy payers (e.g. by an inappropriate manipulation of the BID boundary).
- 3.10 The Technical Guide recommends that if this power is to be exercised, any veto is done prior to allowing the BID ballot to take place, so as to minimise the risk of having to veto the proposals following the ballot. This decision is not determining how the Council will exercise its votes in the BID ballot, but purely about whether there is a conflict / disproportionate burden as set out in paragraph 3.9 above.
- 3.11 In considering whether the BID conflicts with its policies the Council has had regard to the draft BID business plan which includes: map of BID boundary; levy rate and discounts etc.. The draft business plan is shown in Exempt Annex 3.
- 3.12 The Business Plan sets out the proposed rateable value thresholds for liability to a BID charge and the percentage of rateable value that the charge will be. It also explains the circumstances in which an exemption will be permitted.
- 3.13 It is considered that the BID Proposals do not conflict with any of the Council's policies. The level of the proposed BID Levy and the proposed BID area are both considered reasonable. Assuming that the final BID Proposals are in line with the draft, it is therefore proposed that the power of the Borough Council to veto the BID Proposals under Regulation 12 of the BID Regulations is not exercised for the reasons stated above. It is recommended that delegated authority is given to the Chief Executive to decide on this point when the final BID Proposals are submitted.

#### **4 Operating Agreement and BID levy charging process**

##### *Operating Agreement*

- 4.1 If the ballot approves the BID proposals for the BID area, the Council will continue to be responsible for the collection and enforcement of the BID levy. The amounts collected are then passed to the BID company so that it can undertake delivery of the projects and services as set out in their proposals.
- 4.2 There is an existing Operating Agreement between the Council and BID Company that sets out how the levy shall be billed and collected. It also sets out the technical detail of the levy rate charging and other matters including for example relevant exemptions from the BID levy.
- 4.3 It is likely that there will be some small changes that will be agreed by both parties ahead of the second term commencing, if the ballot is successful. It is recommended that delegated authority to agree the terms of the Operating Agreement be given to the Head of Finance and Revenues in consultation with the Portfolio Holder for Finance and Resources and the Head of Legal and Democratic Services.

- 4.4 As the collecting body, the Council can charge the BID company for carrying out this function. The Technical Guide recommends an industry standard of a maximum charge of £35 per hereditament or 3% of annual levy income, whichever is lower.

#### *Levy charging process*

- 4.5 As part of the Operating Agreement, the Council also needs to set out the levy charging process that it intends to implement for the collection of the levy. The Technical Guide states there are two charging principles – ‘daily charging’ and ‘chargeable day’.
- 4.5.1 ‘Daily charging’ mirrors the approach in the business rate system of the charge being broken down to each day of the 365 days of the year thereby managing refunds as each change to occupation occurs.
- 4.5.2 ‘Chargeable day’ imposes a full year levy charge on the incumbent on a fixed day of the year (usually 1 April) and then makes no refund within the year as a result of any changes.
- 4.6 The ‘daily charge’ system is a more complex system and therefore requires a greater resource making the annual levy charge higher, whereas the ‘chargeable day’ system tends to be preferred by BIDs because it provides a more predictable cash flow and usually means a lower collection charge.
- 4.7 The daily charge system has been used in the BID’s first term and is proposed if the BID proposals for the next five years are approved.

## **5 Casting the Council’s vote**

- 5.1 The Council will be entitled to cast a vote in the ballot for properties that is liable for business rates on as at the date the Notice of Ballot is published.
- 5.2 A further report will be presented to Cabinet on 4<sup>th</sup> October 2023 that will consider the Council’s options for how to cast its vote.

## **6 Options**

- 6.1 Options at this stage are limited. The Regulations require the Council to hold the ballot upon receipt of notice from the BID Company. As noted in the report, that notice is anticipated on 29 August.
- 6.2 Assuming the formal notice is served, the options therefore relate to the way that the ballot is undertaken and the approval of administrative functions, such as agreeing terms in the Operational Agreement.

## **7 Options Appraisal**

- 7.1 The Council will have a clear strategic and financial interest in the outcome of the ballot. To ensure transparency in the undertaking of the ballot and declaration of results, it is recommended that CES manage the ballot process. Initial conversations have been held with them and they are able to meet the Council’s requirements for this ballot.

- 7.2 In all other material respects, the arrangements for the administration of the BID and managing relationships between officers and the BID Company are expected to remain consistent with the approach that has worked effectively throughout the first five-year term. The recommendations of the report enable this to continue seamlessly, should the ballot approve the new BID proposals for the five years from 1 April 2024.

## **8 Resource Implications**

- 8.1 The BID regulations require that the Council meet the costs of undertaking the ballot. This can be contained within existing budgets.
- 8.2 The cost implications of the BID levy on Council properties will be considered in a future report to Cabinet on 4 October 2023.

## **9 Risk Management**

- 9.1 An evaluation of the risks associated with the matters in this report indicate that further risk assessment is not needed because the issues covered do not represent significant risks.

## **10 Equality Issues**

- 10.1 No matters related to equality issues have been identified in preparing this report.

## **11 Consultations / Communications**

- 11.1 This report relates to the administrative function of undertaking the ballot.
- 11.2 The Council's Economic Development team undertook two facilitated engagement exercises with BID businesses in July 2023. The feedback and recommendations from those sessions will be discussed in the next report to Cabinet.

## **12 Conclusion and reasons for recommendation**

- 12.1 Andover Town Centre BID Ltd has been operating in Andover since 2019.
- 12.2 The five-year fixed term of the BID is due to expire in March 2024. This report examines the roles and responsibilities of the Council in supporting the ballot process, and recommends that all necessary procedures to enable that to happen be approved.

Background Papers (Local Government Act 1972 Section 100D)

[Business Improvement Districts: technical guide for local authorities - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/114222/Business-Improvement-Districts-technical-guide-for-local-authorities-2016.pdf)

Confidentiality

Report and Annexes 1-2: It is considered that these parts of the report do not contain exempt information within the meaning of Schedule 12A of the Local Government Act 1972, as amended, and can be made public.

Annex 3: It is considered that the information contained in annex 4 includes exempt information within the meaning of paragraph 3 of Schedule 12A of the Local Government Act 1972 on the grounds that it contains information related to the business affairs of a third party that are not yet in the public domain and the public interest in maintaining the exemption outweighs the public interest in disclosing the information.

No of Annexes:	3	File Ref:	N/A
(Portfolio: Democracy and Governance) Councillor N Lodge			
Officer:	Carl Whatley and Howard Bone	Ext:	8540 / 8467
Report to:	Cabinet	Date:	23 August 2023

Andover BID Renewal Ballot Provisional Timetable 2023

Time	Proceeding	Date
	Deliberative engagement events	3 & 7 July 2023
	Portfolio Group	Thursday 3 August
	BID Proposer gives notice to the billing authority and the SoS of intention to ballot	sent 05.06.2023
	Report to Cabinet (procedural matters)	Wednesday 23 August 2023
<b>84 days after notice of intention (above)</b>	BID Proposer submits notice to Billing Authority requesting that a BID ballot be held	Tuesday 29 August 2023
	The Billing Authority instructs the ballot holder (following Cabinet 23 August).	Tuesday 29 August 2023
<b>-65</b>	CES to receive wording for all documents	Tuesday 29 August 2023
<b>-58</b>	CES to receive mailing list	Tuesday 5 September 2023
	Portfolio Group – feedback from the deliberative engagement events and decision around whether the TVBC vote should be made public or not.	Thursday 14 September
	BID Prospectus to be sent out (by BID)	Monday 18 September 2023
<b>-44</b>	Despatch of Notification of Ballot	Tuesday 19 September 2023
<b>By -42</b>	Publication of the Notice of Ballot ( <i>Statutory latest date</i> )	By Thursday 21 September 2023
<b>-30</b>	Suggested despatch of ballot papers	Tuesday 3 October 2023
<b>By -28</b>	Ballot Papers despatched (Ballot Arrangements) ( <i>Statutory latest date</i> )	By Thursday 5 October 2023
<b>-10</b>	Proxy Deadline	5pm on Monday 23 October 2023
<b>-5</b>	Cancellation of Proxy deadline	5pm on Saturday 28 October 2023
	Report to Cabinet – to deal with any other matters, including agreeing the delegated authority for exercising TVBC’s votes.	Wednesday 4 October 2023
<b>-4</b>	Point from which a ballot paper considered lost	From Friday 27 October 2023

**ANNEX 1**

<b>Time</b>	<b>Proceeding</b>	<b>Date</b>
<b>-3</b>	Reissue of Lost Papers	No earlier than Monday 30 October 2023
<b>-3</b>	Reissue of Spoilt Papers	No later than Monday 30 October 2023
<b>0</b>	Day of the Ballot	Thursday 2 November 2023
<b>+1</b>	Count and issue of result	Friday 3 November 2023 5pm

## Baseline Statement of Existing Services

This statement sets out the core activities undertaken by Test Valley Borough Council in the area covered by the proposed Andover town centre BID. It is provided in accordance with Schedule 1 of The Business Improvement Districts (England) Regulations 2004.

It is intended as an overview of the services provided to assist BID stakeholders in determining the additionality of services being proposed in the BID company's business plan. It is not intended as a statement of Council policy or as a guarantee that no changes to the extent of these services will take place during the BID period.

Baseline activities fall largely into three categories. These are:

- Environmental services in maintaining the quality of the streetscene
- Marketing and running events to increase footfall in the town centre
- Provision of car parking for visitors to / people working in the town centre

### Environmental Services

Grounds maintenance activity to include grass cutting; shrub / hedge maintenance and weed spraying. This takes place throughout the year in accordance with the seasonal needs of the work.

Flowerbeds and Planter; hanging baskets; and flower troughs are maintained and regularly watered. Again, this work is managed in accordance with the seasonal needs of the work.

Street Cleaning, including bin emptying; litter picking / street sweeping; fly tip removal; street asset washing takes place on a regular basis throughout the year.

Environmental Enforcement, including abandoned trolley recovery; graffiti removal; chewing gum removal; fly-posting removal takes place as required throughout the year.

### Town Centre Events

The Council has a dedicated marketing and events resource with the primary role to enhance the vitality of the town centre. This is equivalent to 1.4 FTE.

This postholder works closely with key stakeholders, including the BID; Andover Vision and Andover Town Council to deliver events in and around the High Street.



Specific events organised and supported by Test Valley Borough Council in 2023 include:

- Monthly second Sunday and indoor markets
- Holiday activities for families (lego workshops, four fun Fridays, picnic in the park etc.)
- Other events including car boot sales and wellbeing festival

In partnership with the BID, we will also deliver:

- Gardening Fayre
- Step Into Summer
- Hallowe'en Trail
- Andover Christmas Festival

The Council has also supported independent events such as:

- Armed Forces Day
- Cycling Festival
- A-Fest
- Geek Fest
- Vegan market

### Parking

The Council already publishes details of its car parks and the tariffs applicable to them on its website.

More information can be found at the following link: [Andover Car Parks | Test Valley Borough Council](#)

## **ITEM 11 Valley Housing Outturn and Business Plan Update**

Report of the Finance and Resources Portfolio Holder

### **Recommended:**

- 1. That the Directors' annual report, as shown in Annex 1 to the report, be noted.**
- 2. That the updated Business Plan for 2023/24 to 2025/26, as shown in Annex 2 to the report, be approved.**
- 3. That approval be given to appoint the Head of Strategy and Innovation as a Director of the company.**

#### **SUMMARY:**

- Valley Housing Ltd, a company wholly owned by the Council, was established in April 2016.
- There is an Operational Agreement between the Council and VHL that requires the company to present regular financial reports and business plan updates to the Council.
- This report presents the directors' report on the activity of the company in the 2022/23 financial year and updates its business plan for 2023/24 to 2025/26.

### **1 Introduction**

- 1.1** Valley Housing Ltd (VHL) was established in April 2016. Test Valley Borough Council is the 100% shareholder.
- 1.2** The arrangements put in place to ensure control of VHL by the Council include an Operational Agreement. A requirement of this agreement is that the company shall deliver regular financial reports and business plan updates to the Council.
- 1.3** The operational Agreement also requires that Cabinet (as the "Council Representative" in accordance with the Operational Agreement) approval is obtained before any new directors are appointed.

### **2 Background**

- 2.1** Since the incorporation of VHL, the Council has purchased a number of houses and developed one of its own sites to deliver market-rent housing within the borough.

2.2 This report updates Cabinet on the company's activity in the 2022/23 financial year and includes an update to the business plan that was approved by Cabinet in February 2023.

2.3 The company's property portfolio consists of twenty-three properties. The property at Crosfield Hall, following a refurbishment, is ready to let.

### **3 VHL reports and items to be considered.**

#### 2022/23 directors' report

3.1 The company directors have prepared a report on the activities of the company in the 2022/23 financial year. This report is shown in Annex 1.

3.2 The report is based on figures in the company's draft accounts that are currently being audited. The audit will be completed to allow for the consideration of whether consolidation with the Council's main accounts is appropriate.

#### Updated Business Plan 2023/24 to 2025/26

3.3 The Finance and Resources Portfolio Holder presented the VHL business plan for 2022/23 to 2025/26 to Cabinet in February 2023.

3.4 Annex two shows an update to this business plan in light of the actual income and expenditure in 2022/23 and the experience gained over the past few months.

#### Appointment of Director

3.5 The former Head of Housing and Environmental Health and Director of the company left Test Valley Borough Council at the start of July 2023. His successor was appointed shortly thereafter. The company therefore currently has two, rather than the usual three Directors.

3.6 Valley Housing's arrangements provide that the Board shall consist of the following persons: the Heads of Estates (now Property and Asset Management), Housing and Environmental Health, Community and Leisure and such other persons as may be nominated by the Council.

3.7 It is proposed that the newly appointed Head of Housing and Environmental Health is not appointed immediately as a Director to allow them to focus on establishing themselves in the Head of Service role (as was the case with the previous Head of Housing and Environmental Health when newly appointed). It is therefore recommended that the Head of Strategy and Innovation be appointed as a Director of the company.

### **4 Corporate Objectives and Priorities**

4.1 The activities of VHL will continue to contribute to the Corporate Plan 2023 – 2027 and the priority of "Inclusion and Prosperity".

## **5 Options**

- 5.1 Cabinet can either approve the business plan or ask the directors to re-work it and bring it back at a later date. Insofar as the appointment of a Director is concerned, the company may not appoint to the Board without the prior approval of the Council (acting via Cabinet). In the interests of ensuring robust operation it is recommended that a further Director is appointed to bring the number of Directors up to the usual number of three. It is recommended that the Head of Strategy and Innovation, who is an experienced officer, well equipped to take up the role, be approved for appointment to the Board. It would be open to Cabinet to approve or decline the recommended approval. For the reasons set out above approval of the additional Director is the recommended option.

## **6 Option Appraisal**

- 6.1 The business plan is an essential document for setting the company's direction over the medium term. The updated business plan has been prepared by professional officers and presents an appropriate and realistic proposal for operation of the company for financial years 2023/24 to 2025/26; approval of the business plan as presented is therefore the recommended option.

## **7 Risk Management**

- 7.1 A risk assessment has been completed in accordance with the Council's Risk management process and has identified significant (Red or Amber) risks as detailed in the risk assessment.
- 7.2 The main risk to the Council is the financial risk arising from its investment in the company. This risk will continue whilst the company has outstanding borrowing from the Council.
- 7.3 The Council has entered into long leases with VHL for the properties that it manages. However, the long-term impact of changes to the capital value of the properties (either up or down) rests with the Council. There is therefore a risk that the Council's long-term valuation of the properties may be less than was paid for them.
- 7.4 The directors maintain a risk register for VHL. This is reviewed and updated on a monthly basis. There were no red risks identified at the time of his report.

## **8 Resource Implications**

### Operational Financing

- 8.1 There is an operational loan facility approved whereby the Council can loan up to £250,000 to VHL for day-to-day cashflow management.
- 8.2 At 31 March 2023, £40,000 had been lent to VHL. Interest on the loan is charged at a commercial rate in accordance with the loan agreement between VHL and the Council.

### Transactions between VHL and the Council

- 8.3 A significant proportion of VHL's expenditure relates to transactions between the company and the Council.
- 8.4 The biggest of these charges are property lease rentals; recharges of time spent by Council staff in carrying out duties for the company; and interest on loan financing.
- 8.5 It is estimated that, after allowing for the financing costs associated with purchasing / developing the properties let to VHL, the Council will generate over £40,000 of additional income in 2023/24, with this figure set to grow further as the company continues to expand. In addition to this, the company will pay the Council for management recharges and interest on the loan provided to it. This is estimated to be in the region of £16,300.

### Control and Liability

- 8.6 The Council maintains a large amount of control over the activities of the company. This includes a requirement that the directors must seek approval before adding any new properties to the portfolio; and prohibition of loan finance from any organisation other than the Council. As the 100% shareholder in VHL, the Council is ultimately the beneficiary of any profits made by the company. The Council's liability is limited to its share capital investment (£100) and any loan and trade creditor amounts outstanding.

## **9 Company Governance**

- 9.1 Three directors were appointed at the time the company was incorporated.
- 9.2 The current Head of Housing and Environmental Health has submitted his resignation from the company. It is expected that a replacement director be appointed shortly following the appointment process.

## **10 Legal Implications**

- 10.1 The performance report and updated Business Plan are presented to Cabinet in accordance with the Operational Agreement in place between the Council and VHL.

## **11 Equality Issues**

- 11.1 No equality issues have been identified in this report.

## **12 Conclusion and reasons for recommendation**

- 12.1 The report presents the activities of VHL in 2022/23 and an update to the company's business plan for the medium term.
- 12.2 The forecasts in the business plan are based on experience gained to date as well as the amended lease structure.

Background Papers (Local Government Act 1972 Section 100D)

None

Confidentiality

Report and Annexes 1 and 2a - It is considered that this report does not contain exempt information within the meaning of Schedule 12A of the Local Government Act 1972, as amended, and can be made public.

Annex 2b - It is considered that the annex to the 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.

No of Annexes:	2	File Ref:	N/A
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(Portfolio: Finance and Resources) Councillor M Flood

Officer:	Simon Skeates	Ext:	8817
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Report to:	Cabinet	Date:	23 August 2023
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**VALLEY HOUSING LTD (Registered Number: 10157625)**

**Directors' Report - 2022/23**

**1 Introduction**

- 1.1 The following report is presented by the directors of Valley Housing Ltd (VHL or the company) to the Cabinet of Test Valley Borough Council with respect to the activities undertaken by the company in the year ended 31 March 2023.
- 1.2 The report also considers the immediate plans the directors have to continue to grow the company.
- 1.3 VHL was incorporated on 30 April 2016. This is the seventh annual report of the directors to the shareholders.

**2 Management & Administration**

- 2.1 The directors all held their roles throughout the financial year. However, the Head of Housing and Environmental Health has subsequently resigned as a director in June 2023. It is planned that the new Head of Housing and Environmental Health will be appointed as a Director soon as possible after the appointment process.
- 2.2 Financial assistance is provided by the Principal Accountant (Technical) and the PAM Service Business Support Team Leader provides administrative assistance.
- 2.3 The company has retained the following professional service providers throughout the year:
  - Bankers – Barclays Bank plc, High Street, Andover
  - Auditors – Hysons LLP, Winchester Street, Andover
  - Solicitors – Blake Morgan, New King's Court, Chandlers Ford
  - Property management agents (Andover) – Bournes, Swan Court, Andover
  - Property management agents (Romsey) – Winkworth, Market Place, Romsey
- 2.4 Directors and Officers insurance cover was in place throughout the year with a cover limit of £5M. This is to secure the position of the directors whose core role is as a Head of Service for Test Valley Borough Council, rather than company director.

**3 Property Portfolio**

- 3.1 The company now has twenty-three properties in its Portfolio. This is in line with the revised Business Plan in February 2023.
- 3.2 The properties managed by the company throughout the year were:
  - 2 Lune Court, Andover
  - 24 Spey Court, Andover
  - 80 Tintagel Close, Andover

- 98 High Street, Andover
- 100 High Street, Andover
- 22 Church Street, Romsey
- 39 Tintagel Close, Andover
- 50 Tintagel Close, Andover
- 145 Galahad Close, Andover
- 92 Launcelot Close, Andover
- 58 Launcelot Close, Andover
- 181 Galahad Close, Andover
- 101 Galahad Close, Andover
- 231 Galahad Close, Andover
- 130 Galahad Close, Andover
- 1 Portersbridge Street, Romsey
- 3 Portersbridge Street, Romsey
- 5 Portersbridge Street, Romsey
- 7 Portersbridge Street, Romsey
- 9 Portersbridge Street, Romsey
- 11 Portersbridge Street, Romsey
- 13 Portersbridge Street, Romsey
- 30 Alma Road, Romsey

#### 4 2022/23 Financial Performance

4.1 The following table compares the actual financial performance in the year with that shown in the business plan forecast that was presented to Cabinet in February 2023. The figures are based on the draft financial statements, which were being audited at the time the report was written.

	Business Plan February 2023 2022/23	Actual Income & Expenditure 2022/23
Rental and Other Income	259,541	266,163
Property Related Expenditure	(196,955)	(205,564)
<b>Gross Profit / (Loss)</b>	<b>62,586</b>	<b>60,599</b>
Admin & Management Expenditure	(22,696)	(22,913)
Uncollectable debts	0	0
<b>Nett Profit / (loss) for the Year before tax</b>	<b>39,890</b>	<b>37,686</b>



4.2 The table shows that the company generated a profit in the 2022/23 financial year, as expected in the forecast in February 2023. The level of profits earned in the year were roughly £2,200 lower than expected. The key differences to forecast are explained below:

- Rental Income was around £6,600 higher than forecast due to voids being lower than expected during the year.
- Direct costs were around £8,600 higher than expected. This was due to higher than expected agents and maintenance costs during the latter part of the financial year.

4.3 On 31 March 2023, the company had borrowed £40,000 of the £250,000 operational loan facility that has been made available by the Council.

## **5 Future Plans**

5.1 The attached business plan update shows two scenarios for the company in the medium term. These are:

- A continuation of the existing portfolio with no growth other than the properties mentioned within the plan.
- An expected growth scenario.

### Anticipated Growth

5.2 The expected growth scenario includes provision for the acquisition of 6 additional properties in 2023/24, all of which are currently owned by the Council. For 2024/25 onwards the expected growth scenario assumes that four properties will be acquired in each year.

5.3 The annex to the business plan shows that there is expected to be a profit of around £16,500 in 2023/24, with increasing profits (£26,500 and £34,600 respectively) in the following two years. These profits will be subject to Corporation Tax at the prevailing rate (currently 19%).

## **6 Conclusion**

6.1 The 2022/23 financial year was the company's sixth full year of trading and its third consecutive profitable year. The growth in the property portfolio in 2022/23 was in line with the expectations set out in the business plan presented in February of this year.

6.2 The outturn results were marginally below those expected in the last business plan update that was presented in February 2023. This was mainly due to higher than expected maintenance costs at the end of the financial year.

- 6.3 In 2023/24 the company will focus on bringing to use the properties mentioned in the business plan and, from 2024/25 onwards, it is expected that the company will acquire a further four properties per year.
- 6.4 The company expects to remain profitable going forwards.

**VALLEY HOUSING LTD (Registered Number: 10157625)**

**Updated Business Plan 2023/24 to 2025/26**

**1 Executive Summary**

- 1.1 Valley Housing Ltd (VHL or the company) is a wholly owned subsidiary of Test Valley Borough Council (the Council) created for the purposes of managing and developing residential properties in the borough.
- 1.2 The properties managed will be held to generate income and meet identified unmet demand for housing within the borough.
- 1.3 The company is able to provide assured shorthold tenancies, allowing flexibility for tenants and better management for the Council that will meet local demand for privately let housing.
- 1.4 The company will manage and develop properties using one of two models:
  - Leasing freehold properties owned by the Council and managing them in the local housing market.
  - Developing or buying its own houses using loan finance provided by the Council at a commercial rate.

**2 Introduction and Context**

- 2.1 This Business Plan describes how the company will manage and operate its business.
- 2.2 The Business Plan will be reviewed throughout the year by the directors to ensure that its objectives remain relevant to prevailing conditions in the local property market.
- 2.3 It will be updated and reported to the Council twice per year. This is expected to be in February as part of the Council's budget setting process and in July alongside a directors' report of the previous financial year's performance. Due to the July Cabinet meeting being cancelled, this report will be presented to Cabinet in August 2023.
- 2.4 This Business Plan should be read in conjunction with the company's Articles of Association and the Operational and Loan Agreements entered into between the company and the Council.
- 2.5 The company will not have a maximum life but it will be entering into leases with the Council to take on the responsibility and management of properties for periods of at least 20 years.

### **3 The Company's Aims and Objectives**

- 3.1 The company provides residential properties for market rental. The properties offered will be of a type that helps to meet known local demand.
- 3.2 The company has slowly built its portfolio of properties since being created in 2016. There are currently twenty-three houses in its portfolio. There is a clear plan to grow the portfolio at a moderate pace over the medium term. This is shown in the financial summary attached as an annex to this report.
- 3.3 The plan builds in an expected growth scenario of four additional properties per year. This remains the same moving forward but will be undertaken with due regard to market volatility, due diligence and financial prudence.
- 3.4 Given the tight control over the company that is exercised by the Council through the Operational Agreement, it will be necessary for the company's objectives and priorities to run alongside those of the Council. Most pertinent in this case is the Council's Corporate Plan 2023-2027 and the priority of "Inclusion and Prosperity".
- 3.5 The company expects to become responsible for the management and letting of some of the remaining domestic properties owned by the Council. Their transfer will be considered at the most appropriate time in relation to the existing leases in place. Approval for the company to manage these properties was given by the Council on 19 April 2017.

### **4 Governance**

- 4.1 The company is a wholly owned subsidiary of Test Valley Borough Council. The company will carry on its business in accordance with the terms and conditions of the Operational Agreement into which it has entered with the Council. The corporate structure for the company is as set out in the Operational Agreement. This provides that:
  - The Council's Cabinet will approve any director appointments. Directors will be unremunerated.
  - The role and authority of the directors is to manage within a Business Plan agreed at least annually by the Council.
  - The company may be supplied with services through agreement by Test Valley Borough Council at market rates.
  - Reserved matters (i.e. significant decisions) must be approved by Test Valley Borough Council.
  - A Cabinet Member may be appointed as the Council's shareholder representative (the Finance and Resources Portfolio Holder has been appointed to this role).

- No loan financing can be entered into without the written authority of the Council.

The directors will monitor advice / consultation papers issued by the government relating to the policies and practices of private landlords. Of particular note at the time of writing is the ongoing consideration by government to the principle of abolishing Section 21 notices that may affect the ground on which a landlord can seek to end a tenancy, where the tenant is not at fault. This consideration has been included in the government White Paper “A fairer private rented sector” which was published in June 2022. In addition to the potential abolition of ‘no fault’ Section 21 evictions, the White Paper also discusses potential to introduce a ‘Decent Homes Standard’ for private rented sector properties. Government consulted on the proposal to introduce a decent homes standard for the private rented sector in September 2022. At the time of writing the outcome of the consultation, which closed on 14 October 2022, has not been published.

In the meantime, VHL is aware of the recommendations arising in the coroner’s report into the tragic death of 2-year old Awaab Ishak, which supports more rigorous requirements, and enforcement, of housing standards associated with damp and mould, having determined that Awaab Ishak’s death had been caused by prolonged exposure to mould leading to respiratory arrest. The VHL directors have required for any reports on damp or mould to be brought to their attention by the company’s managing agents as part of regular inspections.

### **Funding**

- 4.2 The company will operate under direct control of the Council. It is anticipated that the following two methods of financing will be used.

#### The company leases dwellings from the Council.

The company will enter into leases with the Council for the future management of a property. The company pays a lease rental to the Council and markets the property for rent in the local property market. The rental income received from the tenants will service the lease cost and other operational overheads.

#### The company owns dwellings.

In this scenario, the company would purchase dwellings using loan finance provided by the Council, with interest charged at a commercial rate. The company would earn an income from the tenants that it finds for each dwelling to service the interest cost and all other operational overheads.

- 4.3 The most appropriate scenario will be considered in each case, after taking into account the taxation and other relevant implications of the decision. In practice, it is expected that the most likely method of delivering houses in the coming years will be through an operational lease from the Council.

- 4.4 It is worth noting that, using the current acquisition model, it is necessary for both the Council's Property and Asset Management Service and the directors of VHL to agree that the purchase is a suitable investment for both parties before any new purchases can be pursued.
- 4.5 The continuation of this approach is dependent on the Council having sufficient capital reserves or borrowing capacity to purchase the number of properties required to grow VHL. It is assumed that the expected growth forecast will be achievable over the medium term based on the amounts currently approved in the Council's capital programme.
- 4.6 There will come a point in the medium-long term where the portfolio size is of a large enough scale that some external costs, such as those of managing agents, could be brought 'in-house' to reduce overheads and increase control. It is not expected that this point will be reached in the forecasts for growth presented with this report. All scenarios in the financial forecast are based on a continuation of the existing arrangements for managing the portfolio.
- 4.7 The company will incur a number of overheads including property maintenance; management and administrative support; and back-office systems that will be provided by the Council. Where the Council provides such a service, the costs will be recharged to the company at a commercial rate.
- 4.8 The formula for agreeing management and administrative service costs will be fixed at the end of the financial year, based on the estimation of time spent on company activities by Council officers. This is explained in more detail in section 6 below.
- 4.9 The Council has approved an operational debt threshold of £250,000, which the company can draw on during the early years of trading. Interest on this facility is charged to the company at a commercial rate. At the time of writing, £40,000 of this facility had been drawn down with the latest tranche occurring at the end of June 2020.
- 4.10 Similarly, the Council has approved a budget of £3M that can be made available to finance any capital investment made by the Company under the second option in paragraph 5.1 above. In order to gain approval for this, the company will have to submit a full business case to the Cabinet and receive its approval before being able to draw down any funds. The Operational Agreement prevents the company from seeking other external sources of funding without the Council's written consent.

## **5 Financial Forecasts**

- 5.1 During the 2022/23 financial year, there was a considerable amount of volatility and turbulence in the housing market. This combined with a high level of competition for properties has meant that house prices remained buoyant and moved so quickly that no suitable properties were acquired. The directors have

taken the view that house prices may continue to fall in the near term and will continue to monitor opportunities in the local market more generally. The directors will explore any suitable opportunities as they arise.

- 5.2 In the meantime, the directors have focused on developing the properties currently owned by the Council. Renovations to the Crosfield Hall Flat have now completed. With the properties at Fleming Avenue near completion it is expected that these three properties will be leased to VHL and let in the middle of 2023/24. In addition to this, plans are also in place to renovate the properties at 105-109 New Street, these properties are now expected to be transferred to VHL and let by in early 2024.
- 5.3 The Council owns the freehold of all the properties managed by VHL. The properties are leased to VHL for the company to manage.
- 5.4 The company has built in an expected growth of four further properties per year from 2024/25 onwards.

#### Overall position

- 5.5 The financial forecast for the next three years is appended to this report. It assumes two different scenarios:
- A continuation of the existing portfolio with no additional growth in the next three years, beyond what is already known.
  - A continuation of the existing portfolio with an expected growth of 4 properties per year going forwards.
- 5.6 It is expected that VHL will remain profitable in the medium
- 5.7 In 2023/24, it is expected that the company will return a profit before tax of around £16,500 increasing to £26,500 in 2024/25 and £34,600 in 2025/26.
- 5.8 Corporation Tax payable is expected to be £3,100 in 2023/24, £5,000 in 2024/25, and £6,600 in 2025/26.

When calculating the estimated figures, the directors have assumed that maintenance costs will be around 11% of revenue. Agency costs are calculated in accordance to the charges levied by the agents that VHL use however an allowance for agents charges relating to changing tenants is also added on top of this.

#### Expected growth.

- 5.9 Turnover is expected to grow from £274,000 in 2023/24 to £384,700 in 2025/26. This reflects the anticipated growth from twenty-nine to thirty-seven properties.

Overheads and expenditure

- 5.10 The most significant cost to the company will continue to be the lease rentals payable to the Council for the properties it takes on. The Council has now amended the lease charges payable by VHL, which has increased gross margins for VHL. Despite receiving less income from the lease charges, the Council will still ultimately benefit from its share of the profits in the company as 100% shareholder.
- 5.11 Allowances have also been made for ongoing maintenance and for agents to manage the day-to-day relationships with tenants, including rent collection and out-of-hours response.
- 5.12 Overhead costs are slightly higher in the year that a new property is first added to the portfolio. This reflects the directors' and other officers' time to bring in the new property (that is recharged by the Council) and that there will be higher agency fees for finding, assessing and moving the first tenants into a property.
- 5.13 After taking the above into account, the company expects the gross profit from managing its property portfolio to be in the region of 16% in 2023/24 onwards.
- 5.14 The majority of the Administrative and Management costs are relatively fixed, with insurance, audit fees and TVBC management recharges being the most significant. An increase in the number of properties managed by the company is not expected to cause these charges to increase significantly.
- 5.15 The TVBC management recharge is agreed annually and comprises three elements:
- A fixed charge for general running of the business to include director meetings, bookkeeping etc.
  - A charge for the ongoing management of the existing portfolio. This allows time for arranging maintenance works and liaising with agents regarding tenancy matters.
  - A charge for taking on new properties to the portfolio. This allows extra time for viewing new properties, liaising with agents for marketing the properties and agreeing lease terms with the Council.
- 5.16 This charge was last reviewed when the charge for 2022/23 was set. The Business Plan forecasts assume that the management charge will gradually increase as more properties are taken on.
- 5.17 The Business Plan allows for feasibility work and professional fees related to taking on new leases and developing opportunities that may arise in the local housing market. The level of this budget is determined by the amount of growth expected in the forecast.



## **6 Taxation**

### **Value Added Tax (VAT)**

- 6.1 The company's income source over the medium term is expected to be the letting of domestic property, which is exempt from VAT. As a result, the company will not be able to register for VAT and will not be able to reclaim any VAT on the costs it incurs.

### **Corporation Tax**

- 6.2 The company will have to pay corporation tax on any profits / gains it makes. It is expected that VHL will incur a Corporation Tax liability in each year of the Business Plan.

### **Stamp Duty Land Tax**

- 6.3 As a company limited by shares and wholly owned by the Council, the company will be able to benefit from Group relief for Stamp Duty Land Tax (SDLT) on the lease of the dwellings to the company, meaning that no SDLT would be due. This is on the proviso that the company and Council are not de-grouped within three years of the transfer.
- 6.4 The company and the Council will monitor the SDLT requirements and will act reasonably and adopt lawful but tax efficient mitigation strategies where available and appropriate.

## **7 Risk and Mitigation Strategies**

- 7.1 Throughout the life of the company there will be risks that need to be managed to reduce the likelihood and impact of unwanted outcomes. The risk management strategy for the company will follow that of the Council and take account of the wider market context as well as the immediate risks associated with each individual property.
- 7.2 Risks will be considered and entered on to a risk register, together with risk owners and appropriate action plans.
- 7.3 There are a number of risk types that the company will face. These include:
- Strategic – e.g. Strategy unable to respond to change. Outcomes do not match identified need. Exit strategy not clearly defined.
  - Economic – Market conditions adversely affect the company's financial performance.
  - Political – e.g. Changes to the Council's requirements of the company.
  - Reputational – Perception of the company or the Council as its parent.
- 7.4 The risk register is a standing item for consideration at every directors meeting. There are currently twelve amber risks identified. There were no red risks.

## **8 Exit Strategies and Termination**

8.1 In determining potential exit strategies, the factors that need to be taken into account include:

- The protection of creditors and ensuring all known liabilities are met, including any loan finance provided by the Council
- The transfer or surrender of any leases that the company may have in place at any time
- Disposal of any properties owned by the company
- Maximising the net worth of the company for re-distribution to the shareholder
- Ensuring that any transactions taken in respect of termination or exit are carried out tax efficiently.

**ITEM 12**

**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(s) on the following matters on the grounds that they involve the likely disclosure of exempt information as defined in the following Paragraphs of Part 1 of Schedule 12A of the Local Government Act 1972, as amended, indicated below. The public interest in maintaining the exemption outweighs the public interest in disclosing the information for the reason given below:**

**Andover Town Centre Business Improvement District -  
Annex 3**

**Paragraph 3**

**Valley Housing Outturn and Business Plan Update -  
Annex 2b**

**Paragraph 3**

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

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