

Public Document Pack



RUSHMOOR BOROUGH COUNCIL

CORPORATE GOVERNANCE, AUDIT AND STANDARDS COMMITTEE

*at the Council Offices, Farnborough on
Wednesday, 31st January, 2024 at 7.00 pm*

To:

Cllr P.J. Cullum (Chairman)
Cllr S. Trussler (Vice-Chairman)

Cllr. D.E. Clifford
Cllr C.W. Card
Cllr D.E. Clifford
Cllr A.H. Gani
Cllr Christine Guinness
Cllr Nadia Martin
Cllr Sarah Spall
Cllr Nem Thapa
Cllr Jacqui Vosper
Cllr G. Williams

Non-Voting Member:

Mr Tom Davies – Independent Member (Audit)

Standing Deputies:

Conservative Group: Cllr Peace Essien Igodifo and Cllr S.J. Masterson

Labour Group: Cllr K. Dibble and Cllr C.P. Grattan

Liberal Democrat; Cllr T Mitichell

Enquiries regarding this agenda should be referred to the Democracy Team
committeeservices@rushmoor.gov.uk.

A G E N D A

1. **MINUTES – (Pages 1 - 4)**

To confirm the Minutes of the Meeting held on 27th November, 2023 (copy attached).

2. **APPOINTMENTS –**

To confirm the appointment of Cllr D.E. Clifford as a Member of the Corporate Governance, Audit and Standards Committee in place of Cllr A. Adeola for the remainder of the 2023/24 Municipal Year in accordance with arrangements to secure political balance.

3. **POLLING DISTRICTS AND POLLING PLACES REVIEW 2023-24 – (Pages 5 - 18)**

To consider the Corporate Manager – Democracy Report No. DEM2401 (copy attached) which sets out proposals for Rushmoor's polling districts and places for adoption following a statutory review carried out through the Council's Elections Group. The Chairman of the Elections Group (Cllr Calum Stewart) will be in attendance at the meeting.

4. **PAY POLICY STATEMENT AND GENDER PAY GAP – (Pages 19 - 30)**

To consider the Executive Director's Report No. PEO2402 (copy attached), which seeks approval for the Pay Policy Statement for 2024/25 for recommendation to full Council and to note the Gender Pay Gap report.

5. **RUSHMOOR DEVELOPMENT PARTNERSHIP PROGRESS REVIEW – (Pages 31 - 72)**

To consider the Executive Director's Report as Council Shareholder on the latest progress review received from the Rushmoor Development Partnership (RDP). Report No. ED2401 (copy attached).

6. **ANNUAL CAPITAL STRATEGY 2024/25 – (Pages 73 - 86)**

To consider the Executive Head of Finance's Report No. FIN2401 (copy attached) which seeks approval of the Council's Annual Capital Strategy for the year 2024/25 to 2026/27 and Prudential Indicators for 2024/25 for submission to the Council on 22nd February 2024.

7. **ANNUAL TREASURY MANAGEMENT STRATEGY AND ANNUAL NON-TREASURY MANAGEMENT INVESTMENT STRATEGY 2024/25 – (Pages 87 - 124)**

To consider the Executive Head of Finance's Report No. FIN2402 (copy attached) which seeks approval of a Treasury Management Strategy and Non-Treasury Investment Strategy (Investment Strategy) for 2024/25 for submission to the Council on 22nd February 2024

8. **ANNUAL STATEMENT OF ACCOUNTS/EXTERNAL AUDIT OPINION - UPDATE –**
(Pages 125 - 126)

The Executive Head of Finance to update the Committee, including a letter from the Department for Levelling Up, Housing and Communities (DLUHC) in respect of proposals to clear the backlog of local audits (copy of letter attached).

9. **INTERNAL AUDIT - AUDIT UPDATE –** (Pages 127 - 132)

To receive the Audit Manager's Report No. AUD2401 (copy attached) which provides an update on the 2023/24 Audit Plan.

10. **SELECTION OF THE MAYOR AND DEPUTY MAYOR 2024/25 –** (Pages 133 - 136)

To consider the Chief Executive's Report No. DEM2402 (copy attached), which sets out the current position on the selection process for the Mayor and Deputy Mayor for the 2024/25 Municipal Year.

PUBLIC PARTICIPATION AT MEETINGS

Members of the public may ask to speak at the meeting on any of the items on the agenda by writing to the Committee Administrator at the Council Offices, Farnborough by 5.00 pm two working days prior to the meeting.

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CORPORATE GOVERNANCE, AUDIT AND STANDARDS COMMITTEE

Meeting held on Monday, 27th November, 2023 at the Council Offices, Farnborough at 7.00 pm.

Voting Members

Cllr P.J. Cullum (Chairman)
Cllr S. Trussler (Vice-Chairman)

Cllr A. Adeola
Cllr C.W. Card
Cllr K. Dibble
Cllr A.H. Gani
Cllr Christine Guinness
Cllr Nadia Martin
Cllr S.J. Masterson
Cllr Gareth Williams

Cllrs K. Dibble and S.J. Masterson attended the meeting as Standing Deputies.

Apologies for absence were submitted on behalf of Cllr A. Adeola, Cllr N. Thapa, Cllr Jacqui Vosper and Mr Tom Davies (Independent Member – Audit).

23. MINUTES

The minutes of the meeting held on 27th September 2023 were agreed and signed as a correct record of the proceedings.

24. PROPOSED VARIATION TO THE SCHEME OF HACKNEY CARRIAGE FARES

The Committee considered the Executive Head of Operations Report No. OS2317, which set out a proposal to vary the current scheme of hackney carriage fares by means of a reduction to the initial pull-off and running mile distances. The proposal was currently open to public consultation with a last date for comments of 8th December 2023 and the Committee was being consulted as a consultee.

The Committee noted that Section 65 of the Local Government (Miscellaneous Provisions) Act 1976 gave the Council the power (a discretionary ability) to fix the rates or fares in connection with the hire of a hackney carriage vehicle within its district by means of a fares scheme. The Council's Taxi Licensing Policy states that the scheme of fares should be subject to review a minimum of every two years. The current review was prior to the two-year deadline and had been instigated on a request from a member of the taxi trade.

The Report set out the implications of the proposals, including the proposed fare changes, a comparison of benchmark taxi journeys and a national league table of taxi

fares. The Committee was advised that, whilst the increase varied dependent on the distance travelled and the meter rate that applied, on average the proposals would result in an increase of 4-5%.

It was explained that, if there were any objections to the proposals, these had to be brought back to the decision maker (the Operational Services Portfolio Holder) for consideration. Otherwise, the proposed scheme would take effect on 1st January 2024.

During discussion, questions were raised regarding consultation with taxi drivers, the modelling for the proposed change and the national league table of taxi fares. Members wishing to make individual comments on the public consultation were advised to make direct contact with Shelley Bowman – Licensing Manager (shelley.bowman@rushmoor.gov.uk) by the end of the consultation period of 8th December 2023.

RESOLVED: That

- (i) the public consultation exercise be noted; and
- (ii) in the absence of any comments on behalf of the Committee, Members wishing to make individual comments be asked to contact the Licensing Manager by 8th December 2023.

25. TREASURY MANAGEMENT AND NON-TREASURY INVESTMENT OPERATIONS 2023/24 - MID-YEAR REPORT

The Committee noted the Executive Head of Finance Report No. FIN2318, which set out the main activities of the Treasury Management and Non-Treasury Investment Operations during the first half of the 2023/24 financial year. This was a statutory requirement under the CIPFA Code of Practice on Treasury Management.

The Committee was advised that all treasury activity had been conducted within the approved Treasury Management Practices. During 2023/24 there had been an unprecedented number of Bank of England base rate increases from 3% in March 2023 to 5.25%. Whilst borrowing had remained within the approved limits, interest costs had increased significantly. The Committee noted that a full review of the Council's debt portfolio was currently being carried out to address this cost pressure. Pooled funds were a long-term investment of surplus cash. Due to the rapid change in base rate and the forecast economic climate, the funds were currently valued at less than the initial sums invested and full details were set out in the Report. Members were advised that work was being carried out to investigate this position. The Committee also noted that the Council had borrowed £118.6 million to invest in property. The portfolio's average return was below the cost of borrowing and Minimum Revenue Provision.

During discussion, Members raised questions regarding pooled funding and options to mitigate the amount of money borrowed to invest in property.

RESOLVED: That the Executive Head of Finance Report No. FIN2318 be noted.

26. ANNUAL GOVERNANCE STATEMENT - UPDATE

The Committee received the Audit Manager's Report No. AUD2308, which gave details of work carried out towards the implementation of the actions identified within the Annual Governance Statement, which had been considered by the Committee in June 2023.

The Section 151 Officer – Mr Ian Harrison – gave an update to the Committee on the current position in respect of the external audit for 2020/21, which would be brought to the Committee in January 2024 for approval. There would then be a pause while the Government made its decision regarding outstanding local authority audits and the way forward. Currently, 90% of all local authorities were considerably behind in having their annual accounts audited by external auditors.

RESOLVED: That the Audit Manager's Report No. AUD2308 be noted.

27. INTERNAL AUDIT - UPDATE ON IMPLEMENTATION OF AUDIT RECOMMENDATIONS

The Committee received the Audit Manager's Report No. AUD2309, which provided an update on the work being carried out on audit recommendations and progress towards the implementation of the recommendations.

The Committee noted that, as some of the outstanding recommendations related to previous financial years, a detailed review would be undertaken of the recommendations to ensure that, given the changes within the current economic climate on the Council and the changes post-Covid 19, the recommendations were still relevant and that the level of risk posed was still correct given the evolving environment. The Committee was advised that, by taking this approach, it would ensure that Council resources were being effectively utilised and were focused on improving the governance, risk management and control environment of the Council. A further report would be brought to the Committee when the detailed assessment work had been carried out to highlight the key outstanding recommendations.

RESOLVED: That

- (i) the progress towards the overall implementation of the audit recommendations, as set out in the Audit Manager's Report No. AUD2309, be noted; and
- (ii) the further focused work being carried out to ensure the outstanding recommendations being worked on were still relevant and the most effective use of Council resources to improve the overall governance, risk management and control environment be noted.

The meeting closed at 7.36 pm.

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**CORPORATE GOVERNANCE,
AUDIT AND STANDARDS
COMMITTEE
31ST JANUARY, 2024**

**DEM2401
CORPORATE MANAGER - DEMOCRACY**

POLLING DISTRICTS AND POLLING PLACES REVIEW 2023/24

SUMMARY:

Each Parliamentary constituency is required to review its polling districts and places every five years. Rushmoor is currently in the process of reviewing its arrangements so that any changes can be implemented for the constituency and borough in time for the 2024 elections. The review, for the Rushmoor area, has been undertaken through the Council's Elections Group and the recommendations are now for consideration and decision by the Committee.

RECOMMENDATION:

The Committee is recommended to adopt the proposals for Rushmoor's polling districts and places, as set out in Annex 1 to this Report, and authorise the Corporate Manager – Democracy to issue the appropriate notice and publish the required changes to the electoral register as a result of the review.

1. INTRODUCTION

- 1.1 Over the past few months, a formal review has been undertaken of the Council's current structure of polling districts and places. The work has been undertaken by the Elections Group, together with representatives of the Elections Team. The work has involved initial analysis and assessment, a full public consultation process, consideration of feedback and responses, and development of the proposed approach.
- 1.2 The purpose of this Report is to set out the outcomes from the review and to make recommendations. The Chairman of the Elections Group, Cllr Calum Stewart, will be in attendance at this meeting.

2. LEGISLATIVE BACKGROUND

- 2.1 For each Parliamentary Constituency in the UK, a compulsory review of polling districts and polling places is required every five years, and, in this tranche, the review needs to be completed between 1st October 2023 and 31st January 2025. In addition to the timetable, local authorities are required to comply with the following:

- A polling place for each polling district must be designated.

- The polling place must be in the district unless there are exceptional circumstances.
- The polling place must be in a location which can be satisfactorily accessed by voters and reflect communities of interest within the district.
- A duty to review the accessibility of all polling places to ensure suitability for disabled voters.

2.2 The review is also taking place against some significant changes to the way that elections are run, in particular:

- The repeal of the Fixed Terms Parliament Act which means that a Parliamentary election can be called at any time.
- The review of Parliamentary constituencies – this has been accepted by the Privy Council and the proposed changes are now likely to be implemented from 2nd May 2024
- The provisions contained in the Elections Act 2022 – including the use of ID in polling stations, changes to the application for, and handling of, postal votes and changes to the franchise and criteria for overseas electors.

2.3 Taken together, 2024 is going to see massive changes to electoral processes and arrangements and a key role for electoral administrators at present is to co-ordinate the changes and address the risks that they present.

3. REVIEW PROCESS IN RUSHMOOR

3.1 A decision was made to undertake the review early in the sixteen-month review period in order that any changes would be in place in time for the next Parliamentary election. The process has involved the following steps:

- Gathering of background information including electorate, population figures and projections, feedback from staff and an assessment of existing premises
- Preliminary discussion by Elections Group
- Consultation period (4th October – 6th November)
- Assessment of feedback and preparation of a report
- Consideration by the Elections Group and preparation of recommendations for the Committee
- Where changes are proposed, the appropriate ward councillors are being consulted and any feedback will be reported at the meeting of the Committee
- Representations must be published and, at the end of the process, the reasons for the decisions made.
- Republish the electoral register, after a period of 14 days when the appropriate notice has been published.

3.2 The timetable is tight especially because preparations are being made simultaneously for the May elections.

4. THE CONSULTATION

4.1 A full public consultation took place on the review, and it was promoted through a range of channels especially social media and the website, once the original notice of review was published. A key element of the consultation was to get the views of the Acting Returning Officer (Paul Shackley) for the Constituency, and these were duly submitted. The representations are in two parts – some specific comments but also some general comments, the latter of which are:

- Polling districts and places should meet the requirements for each type of election – local, referenda and Parliamentary - and should be available for five years as far as can be ascertained.
- The provision of polling places should acknowledge the number of registered absent voters and the level of registrations in the district.
- Unless there are no alternative choices within a polling district, the polling place must be located in that polling district.
- Polling places should be located for the convenience of voters in that district and have suitable facilities to make the voting process effective for electors and polling staff.
- Mobile polling stations should only be provided when demonstrably there is no alternative permanent facility in the district.
- In 2021, following representations from Hampshire County Council, Rushmoor sought to reduce its use of schools to an absolute minimum. This policy should be retained going forward, unless there is no clear suitable alternative.
- Polling places are accessible for people with different types of disability and that each place has the necessary arrangements and facilities to achieve this.

4.2 It is really important that the Council, through the Committee, pays full regard to these comments when determining polling districts and places. The Acting Returning Officer has also made comments to Hart regarding the polling districts and places in that area.

5. ASSESSMENT AND PROPOSALS

5.1 Annex 1 summarises the results of the review process and considers the issues for each of the polling districts and places. Where appropriate an assessment is made of any alternative options. The Elections Group reviewed the Annex at its meeting on 3rd January, 2024 and the recommendations reflect the decisions made by the Group.

5.2 In considering the Annex there are a number of polling districts where no changes are proposed – in these cases no evidence has been found to suggest that a change would provide a better option. The review is also limited to polling districts and places; it does not impact on wards as that is undertaken through a separate review process.

6. FINANCIAL AND EQUALITY IMPLICATIONS

6.1 The new structure of polling places will have broadly neutral financial implications as far as the Elections Budget is concerned. One mobile station has been removed but another one is now being provided. The costs of fixed polling stations are broadly the same, but these generally increase each year to reflect inflation.

6.2 The new accessibility requirements for polling station, which were introduced in 2023, has meant that consideration of accessibility and equality have been taken into account. The Council is meeting the essential requirements on accessibility but will be looking to make further improvements over time, with support as appropriate from the Rushmoor Accessibility Action Group.

7. CONCLUSIONS

7.1 The polling district and places review is a requirement for all constituencies in England and the Council has carried out a comprehensive examination of its existing arrangements. There is regular monitoring of polling places, so most of the issues raised were already known. In order for the timescales to be met for the May elections, it is important that the Committee agrees the way forward, following which the register will be updated and republished where polling district have been altered.

8. RECOMMENDATIONS

8.1 The Committee is **RECOMMENDED** to adopt the proposals for Rushmoor's polling districts and places, as set out in Annex 1 to this Report, and authorise the Corporate Manager – Democracy to issue the appropriate notice and publish the required changes to the electoral register as a result of the review.

January 2024

Contacts:

Andrew Colver, Deputy Returning Officer – andrew.colver@rushmoor.gov.uk

Jill Shuttleworth, Corporate Manager Democracy – jill.shuttleworth@rushmoor.gov.uk

Jeannette Finn, Elections & Administration Officer – jeannette.finn@rushmoor.gov.uk

Background papers:

Polling Districts and Polling Places Review 2023 – Survey Report (November 2023)

Rushmoor Polling Districts and polling Places Review 2023/24
Summary of Review Outcomes

Ward	District(s)	Polling Places	Electorate (PVs)	Elections Group Comments	ARO representation	No. of responses to consultation	Issues raised	Alternate options and commentary	Recommendation
Fernhill Ward	FA	Guillemont Junior School, Sandy Lane, GU14 9ES (2 polling stations)	2735 (527)	Elections Group commented about combining the polling districts and having 3 stations at All Saints Church and Hall (corner of Fernhill Road and Chapel Lane), Farnborough GU14 9EW	Both places work satisfactorily and could cope with the demands of a Parliamentary election. However, working arrangements at the Fox Inn need to be examined to ensure they work for large numbers of voters. In addition, Guillemont School is not ideal, and options should be considered for alternatives, in the polling district and possibly the provision of one polling district/place in this ward.	22 (Overall, 16 respondents didn't support the continued use and 6 respondents did support the continued use.)	Main comments related to the closure of the school. No alternatives in the polling district have been proposed	All Saints' Hall, Chapel Lane, Farnborough has been looked at as an alternative for the ward. However, it is not available on Thursdays as a result of continuous use by a pre-school. The Elections Group has requested that the layout and working arrangements for the Fox Inn should be examined.	Retain the existing polling places
	FB	*The Fox Inn, 141 Chapel Lane, Cove, Farnborough, GU14 9BN	2406** (519)			12 (Overall, 1 respondent didn't support the continued use and 11 respondents did support the continued use.)	The polling station room is restricted for space but the place works well for location within the district		Retain the existing polling place
Cherrywood	CA	Church of the Good Shepherd, Sand Hill, Farnborough, GU14 8ER (2 polling stations)	2517 (497)	No change	Both polling places work well for location and access and are suitable for a Parliamentary election.	2	None	None	Retain the existing polling place
	CB	Farnborough Football Club, Cherrywood Road, Farnborough, GU14 8UD (2 polling stations)	2476 (500)	No change		1	Some issues around lighting and layout – these will be resolved	No realistic option – the polling place is well located	Retain the existing polling place
West Heath	WHA	Blunden Hall, Blunden Road, Farnborough, GU14 8QP	3046 (540)	No change	Both polling places work satisfactorily and cope with the demands of a Parliamentary	8	Well located and supported polling place	None	Retain the existing polling place

Rushmoor Polling Districts and polling Places Review 2023/24
Summary of Review Outcomes

Ward	District(s)	Polling Places	Electorate (PVs)	Elections Group Comments	ARO representation	No. of responses to consultation	Issues raised	Alternate options and commentary	Recommendation
		(2 polling stations)			election. Manor Infants School is not ideal and, if a more suitable venue could be found in the vicinity, it would receive my support.				
	WHB	Manor Infant School, Fernhill Road, Farnborough, GU14 9DX	1726 (362)	To look at the Snow Goose PH as an alternative to using the School		1	Location is good but accessibility and facilities could be better	Potential to use the Snow Goose PH but there is no suitable room and potential conflicts with other pub users	Retain the existing polling place
St. Johns	SJA	*St John`s Church Hall, St John`s Road, Farnborough, GU14 9RH (2 polling stations)	3157 (559)	No change	Both polling places work well for location and access and are suitable for a Parliamentary election.	10	Well located and supported polling place	None	Retain the existing polling place
	SJB	Parsonage Farm Nursery and Infant School, Cherry Tree Close, Farnborough, GU14 9TT	1796 (379)	No change		5 (Overall, 2 respondents didn't support the continued use and 3 respondents did support the continued use.)	Generally well located and supported – some comments about the use of the school and parking at certain times	The polling place is located separately from the school so it can remain open – no other alternative available	Retain the existing polling place
Empress	EA	Mobile polling station at North Farnborough Infant School, Rectory Road, Farnborough, GU14 8AJ	1026 (185)	No change except there will be now be a mobile polling station located in the playground so that the school can remain opening to pupils on election day.	Both polling places work satisfactorily and cope with a Parliamentary election. There may not be an alternative to the mobile station in EA but accessibility for all voters needs to be considered.	5 (Overall, 1 respondent didn't support the continued use and 4 respondents did support the continued use.)	Well located and supported polling place. Some issues with the use of the school and parking is limited	There are no alternatives in this polling district. The siting of the mobile at the school has been arranged through the headteacher	Retain the existing polling place
	EB	Our Lady & St. Dominic Church Hall, 71 High View Road,	3710 (728)	No change		10 Overall, 3 respondents		The polling place has good facilities although access is an issue. Location	Retain the existing polling place

Rushmoor Polling Districts and polling Places Review 2023/24
Summary of Review Outcomes

Ward	District(s)	Polling Places	Electorate (PVs)	Elections Group Comments	ARO representation	No. of responses to consultation	Issues raised	Alternate options and commentary	Recommendation
		Farnborough, GU14 7PT (2 polling stations)				didn't support the continued use and 7 respondents did support the continued use.		not ideal – in the longer term consideration should be given to a third polling place/district in this ward	
Cove and Southwood	CSA	Southwood Infant School, Southwood Lane, GU14 0NE (2 polling stations)	2894 (549)	No change	Both places work well for location and access and are suitable for a Parliamentary election. Although well located, alternatives in the vicinity of Southwood Infants School should be considered.	13 (Overall, 6 respondents didn't support the continued use and 7 respondents did support the continued use.)	Well located but issues with the use of a school and onsite parking limited	Potential to use the Southwood Community Centre but timing is not appropriate given the facilities need to be improved and the issues over the future tenure of the building	Retain the existing polling place
	CSB	Christ Church, 55 Cove Road, Cove, Farnborough, GU14 0EX (2 polling stations)	2613 (405)	No change		4	Well located polling place which is well supported	Possible use of Cove Ivy Leaf Club – the church has better facilities and layout	Retain the existing polling place
Knellwood	KA	Farnborough Bowling Club, 23A Canterbury Road, Farnborough, GU14 6NW (2 polling stations)	2647 (477)	No change	The three places work satisfactorily and cope with a Parliamentary election. There may not be an alternative to the mobile station but accessibility for all voters' needs should be considered.	16 (Overall, 1 respondent didn't support the continued use and 15 respondents did support the continued use.)	Well located and supported polling place. Polling district boundary being checked for electors' convenience	No real alternatives	Retain the existing polling place
	KB	St Peter`s Parish Centre, Church Avenue, Farnborough, GU14 7AP	1175 (279)	No change		4	Well located but accessibility and facilities not ideal	None – Accessibility will be checked. Use of parish hall room is better than the church	Retain the existing polling place

Rushmoor Polling Districts and polling Places Review 2023/24
Summary of Review Outcomes

Ward	District(s)	Polling Places	Electorate (PVs)	Elections Group Comments	ARO representation	No. of responses to consultation	Issues raised	Alternate options and commentary	Recommendation
	KC	Mobile Polling Station, King George V Playing Fields Car Park, Sycamore Road, Farnborough, GU14 6RE	1788 (295)	No change		5	Well located and supported - recognising that a mobile station does not have ideal facilities, these will be monitored.	None	Retain the existing polling place
St. Marks	SMA	Our Lady Help of Christians Catholic Church, Sherborne Road, Farnborough, GU14 6JS (3 polling stations)	5,265 (897)	No change - may need to be reviewed in the future with current increase in the development of residential properties.	This polling place works well for the whole ward and is suitable for a Parliamentary election. The arrangements should be monitored.	5	Well located and supported polling place – centrally located. Possible use of another polling place south of Lynchford Road	Number of registrants currently does not justify a second polling place – this should be reviewed at the time of the next review	Retain the existing polling place
Wellington	WA	Princes Hall, Princes Way, Aldershot, GU11 1NX (2 polling stations)	4676** (787)	No change - may need to be reviewed in the future with current increase in the development of residential properties on the Wellesley site i.e. St Andrew's Church Hall, Queens Road, Maida Gym.	Historically, the electorate has been small and the venue worked well for all elections. Given the increase in population in Wellesley, consideration should be given to an additional polling district and place in that area, which could also serve part of the military area.	5	Well located and supported for most of the ward. Consideration to be given around the Wellesley area	Over time a separate polling place will be needed given the likely increase in the electorate in Wellesley and the town centre. Potential options for the use of the Maida Gym and the Smith Dorrien building have been assessed. The Smith Dorrien has excellent facilities and is well located and the Elections Group have agreed the use of this from 2024.	Retain the existing polling place at Princes Hall and add the Smith Dorrien Building as a polling place for the Wellesley area (a plan and street list are attached).
North Town	NA	Elim Pentecostal Church, 52-58 Holly Road,	2291 (408)	No change	Both polling places work satisfactorily and should be able to	3	The polling place has been trialled a few years and	None	Retain the existing polling places

Rushmoor Polling Districts and polling Places Review 2023/24
Summary of Review Outcomes

Ward	District(s)	Polling Places	Electorate (PVs)	Elections Group Comments	ARO representation	No. of responses to consultation	Issues raised	Alternate options and commentary	Recommendation
		Aldershot, GU12 4RJ (2 polling stations)			accommodate a Parliamentary election. Parking at both locations may be challenging. Once the North Town Community Base has been constructed, consideration should be given to moving the polling place there.	(Overall, 2 respondents didn't support the continued use and 1 respondent did support the continued use.)	has not raised any issues. Parking has to be monitored and managed		
	NB	1st Aldershot Scout Group, Scout Hut, Eastern Road, GU12 4TB (2 polling stations)	2800 (430)	No change – until the new North Town community base has been rebuilt it would be looked at again at this time.		3	The scout hut is satisfactorily located and has necessary facilities	None – however when the new community facilities come on stream as part of the redevelopment on North Lane the polling place will move there	Retain the existing polling places
Manor Park	MA	*Church of Jesus Christ of Latter-day Saints, St Georges Road, Aldershot, GU12 4LJ (2 polling stations in 2022)	2016 (393)	No change	The three polling places work well and will be able to cope with a Parliamentary election. Historically, the ward has had two polling districts/places, and this would also be satisfactory and prevent the need to use a school.	3 (Overall, 1 respondent didn't support the continued use and 2 respondents did support the continued use.)	The polling place has been trialled for a few years and has worked well	None – the group considered that the use of both St. Joseph's School and the Church of Jesus Christ of Latter-day Saints was justified given the geography of the ward and the size of the electorate. The road lists are attached to this document.	Retain as a polling place
	MA	St Josephs R.C. Primary School, Bridge Road, Aldershot, GU11 3DD (electorate temporary spilt with above polling place in 2023)	1651 (345)	Temporary for 2023 preliminary discussion required on whether to make this station permanent		5 (Overall, 1 respondent didn't support the continued use and 4 respondents did support the continued use.)	The polling place is well located but is in a school which the Council has been trying to avoid, It was trialled last year		Retain as a polling place
	MB	2ND Aldershot Scout Group, Church Hill, Aldershot, GU12 4JU	1795 (342)	No change		6	The polling place is well located and supported. Request to improve lighting and signage	None	Retain the existing polling place

Rushmoor Polling Districts and polling Places Review 2023/24
Summary of Review Outcomes

Ward	District(s)	Polling Places	Electorate (PVs)	Elections Group Comments	ARO representation	No. of responses to consultation	Issues raised	Alternate options and commentary	Recommendation
Rowhill	RA	The Aldershot Traction Club, Weybourne Road, Aldershot, GU11 3NE	1428 (302)	Temporarily used, needs to be made permanent.	Because of the previous polling place (Accension Church Hall) becoming unavailable two temporary polling districts/places have been used. These have worked well and are suitable for a Parliamentary election.	3	Previously used, Ascension Church Hall is still unavailable, asbestos in roof and no future date when this would be rectified. As a temporary measure the Field Centre and the Traction Club have been used with minimal issues. Electors seem to be supportive of them.	The Elections Group agreed the continued use of these two stations as practical for the polling district	Make the existing polling places at the Field Centre and the Traction Club permanent
	RA	The Field Centre, Rowhill Nature Reserve, Cranmore Lane, Aldershot, GU11 3BD (electorate temporary spilt with above polling place)	1245 (291)	Temporarily used, needs to be made permanent.		6 (Overall, 2 respondents didn't support the continued use and 4 respondents did support the continued use)			
	RB	4TH Aldershot Scout Hq, Western Road, Aldershot, GU11 3PL (2 polling stations)	2290 (418)	No change		2	The polling place is well located and supported.		
Aldershot Park	AA	*Mobile Polling Station, Aldershot Lido Car Park, Guildford Road, GU12 4BP	3063** (586)	Possible change of polling districts so that some of the electorate (Park estate) would attend Aldershot Methodist Church instead, also look at dividing AA polling district and looking at other possible locations, as well as Aldershot Lido, which included	Whilst the polling place at the Methodist Church works well, the rest of the ward is not well served. If possible, the temporary use of the mobile station at the Aldershot Lido should be changed. The preferred option would be two new polling districts/places. Other options which could be considered are	1	The polling place and Polling District AA has been a problem for many years. The mobile polling place is not ideal especially as the electorate is large	The use of the Aldershot Cricket Club premises has been considered and it has excellent facilities. It also has space for two polling stations	Relocate the polling place to Aldershot Cricket Club for polling District AA

Rushmoor Polling Districts and polling Places Review 2023/24
Summary of Review Outcomes

Ward	District(s)	Polling Places	Electorate (PVs)	Elections Group Comments	ARO representation	No. of responses to consultation	Issues raised	Alternate options and commentary	Recommendation
				Aldershot Cricket Club, Aldershot Ruby Club and Vivid Building in Andover Way.	reviewing the polling districts so that other venues are included or finding a suitable single alternative venue in the existing polling district (AA).				
	AB	*Aldershot Methodist Church, Herrett Street, Aldershot, GU12 4ED	1989 (363)	No change		5	The polling place is well located and supported. Parking is an issue but is manageable	None	Retain the existing polling place

* Additional polling station added when a Parliamentary elections is held.

** A polling station should not have more than 2,250 electors recommended by the Electoral Commission guidance.

Manor Park				RA - Rowhill				Wellington			
Church of Jesus Christ of Latter-day Saints		St. Josephs R.C. Primary School		The Aldershot Traction Club		The Field Centre, Rowhill Nature Reserve		Princes Hall		Smith Dorrien	
Ascot Court	219	Albion Mews	18	Ayling Lane	126	Alverstoke Gardens	10	Alamein Road	45	Acland Street	50
Beechnut Road	20	Avondale Road	52	Bourne Court	72	Amberley Grange	18	Albert Road	10	Albuhera Road	58
Birchett Road	186	Ayjay Close	20	Cargate Avenue	137	Ayling Hill	14	Alexandra Road	9	Alisons Road	38
Boulters Road	15	Bittern Close	35	Cargate Grove	40	Cherryhill Grove	11	Alice Road	16	Anne Armstrong Close	10
Cavendish Road	48	Boxalls Grove	37	Cargate Hill	49	Cranmore Close	46	Anson Close	9	Baird Close	27
Church Lane East	27	Boxalls Lane	252	Cargate Terrace	49	Cranmore Gardens	167	Anzio Close	62	Bank Road	26
Cottage Place	12	Bridge Road	16	Cavendish Mews	8	Cranmore Lane	261	Arnhem Close	15	Barge Close	21
East Station Road	56	Brindle Close	24	Church Lane West	87	Green Acre	38	Arthur Street	33	Barrosa Road	100
Ellen Place	8	Brockenhurst Road	72	Coe Close	21	Innisfail Gardens	15	Artillery Road	6	Beresford Close	7
Elms Road	68	Church Lane East	82	Eggars Hill	94	John Close	33	Badajos Road	86	Bruneval Drive	37
Fir Tree Alley	0	Egret Gardens	71	Goldfinch Close	9	Luke Road	35	Bakehouse Mews	4	Burke Place	41
Foden Road	79	Glebe Close	15	Hillside Road	80	Luke Road East	41	Barrack Road	19	Camp Farm Road	9
Frederick Street	66	Highfield Avenue	181	Laburnum Close	19	Matthew Road	13	Bell Chase	132	Canal Close	20
Gordon Road	92	Highfield Close	26	Laburnum Road	21	Paul Close	14	Bluff Cove	15	Charteris Close	67
Grosvenor Road	219	Highfield Gardens	128	Lansdowne Road	71	Rhyll Gardens	32	Campbell Road	10	Corunna Avenue	63
Halimote Road	63	Holbrook Way	22	Lindum Close	6	Rossmore Gardens	16	Cassino Close	28	Darbyshire Road	105
Heathland Street	22	Kiln Way	54	Lindum Dene	31	Rowhill Avenue	148	Claycart Road	0	Dempsey Road	88
High Street	33	Langley Drive	32	Lysons Road	33	Rowhill Crescent	33	Cole Avenue	130	Fire Station Road	50
Laburnum Passage	2	Larkspur Close	15	Manor Road	116	Russet Glade	35	Cotton Close	15	Fishermans Close	13
Lysons Road	76	Laurel Gardens	56	Mount View	37	Sandford Road	5	Crimea Road	4	Fleet Road	1
Penrhyn Close	14	Lower Farnham Road	48	Old Lane	5	St Peters Park	88	Cross Street	1	Ford Place	1
Queens Road	4	Mason Way	20	Spokane Close	4	Stovolds Way	34	Darwin Grove	19	Fraser Road	35

Rushmoor Polling Districts and polling Places Review 2023/24
Summary of Review Outcomes

Spencer Close	24	Northbrook Road	83	St Benedicts Close	106	Warrington Mews	6	Edward Street	11	French Drive	13
St Georges Road	233	Oast Lane	8	The Warren	35	York Crescent	57	Exchange Close	45	Frost Drive	32
St Georges Road East	15	Old Brickfield Road	19	Upper Elms Road	48	York Road	68	Falaise Close	25	Gallwey Road	2
St Josephs Road	61	Osprey Gardens	40	Vine Street	29			Fermor Drive	21	Gillies Lane	2
St Michaels Road	265	Sandown Crescent	40	Weybourne Road	93			Field Stores Approach	55	Government Road	4
Station Road	6	Sheridan Close	30	Winton Road	17			Greville Close	11	Graham Close	11
The Grove	20	Southmead Road	56					Grosvenor Road	42	Gun Hill	13
Victoria Road	22	Upper St Michaels Road	73					H Jones Crescent	44	Guthrie Way	27
Wolseley Road	38	Verge Walk	15					High Street	148	Hardinge Close	1
		Walnut Close	14					Hope Way	14	Hatt Street	24
								Hospital Hill	19	Hollis Close	12
								Imjin Close	11	Hollybush Lane	5
								Kohima Close	11	Hope Grant` s Road	117
								Laws Terrace	50	Hospital Road	69
								Leith Drive	23	Inkerman Lane	38
								Louise Margaret Road	6	Jerome Street	43
								Lowe Close	13	Kelsey Fry Road	9
								Lower Nelson Street	1	Kempt Lane	20
								Mareth Close	22	Knollys Road	15
								Mckay Close	35	Koe Drive	0
								Middle Hill	26	Leishman Views	58
								Nelson Street	13	Lock Road	89
								Ordnance Road	43	Lowry Walk	11
								Pakenham Drive	19	Mackworth Place	0
								Parsons Close	42	Maida Road	7
								Pickford Street	53	Market Garden	22
								Pike Close	28	Marsh Lane	7
								Queens Road	1	Masterson Close	62
								Rutland Close	31	McCarthy Crescent	14
								Salerno Close	74	McGrigor Mews	39
								San Carlos Approach	26	Montgomery Avenue	158
								Sebastopol Road	98	Moore Drive	46
								Sheeling Close	31	Mundy Place	12
								Short Street	23	Normandy Drive	47
								South Atlantic Drive	1	Oswald Street	25
								Station Road	94	Paget Close	10
								Steeles Road	0	Patricia Close	2
								The Sidings	51	Pennefather` s Road	62

Rushmoor Polling Districts and polling Places Review 2023/24
Summary of Review Outcomes

								Union Terrace	6	Queens Avenue	2
								Union Street	20	Ramsden Close	11
								Upper Union Street	13	Reed Close	25
								Upper Union Terrace	12	Rhine Way	18
								Victoria Road	103	Scarlett`s Road	97
								Wallace Way	24	St Sebastian`s Way	6
								Wellington Avenue	2	Stanhope Lines East	19
								Wellington Street	3	Stanhope Mews	8
								Wheatley Road	12	Stuart Lane	23
								Windsor Way	58	Tanner Street	32
								Wingate Court	101		
Total	2016	Total	1245	Total	1428			Total	2312	Total	2364

Wellington North -
395 - Residential properties under construction
1751 - Residential properties in use
2146 in total

Wellington South -
164 - Residential properties under construction
2390 - Residential properties in use
2554 in total

Legend

- Residential properties in use
- Residential properties under construction
- Wellington Ward
- Proposed Polling Area Split

31ST JANUARY 2024

PAY POLICY STATEMENT / GENDER PAY GAP**SUMMARY AND RECOMMENDATIONS:****SUMMARY:**

Under the Localism Act 2011, the Council is required to consider and approve a pay policy statement for the financial year. The statement requires a recommendation to Council for the statement covering 2024/25.

Under the Equality Act 2010 (Specific Duties and Public Authorities) Regulations 2017, the council are also required to publish gender pay gap calculations annually based on a data as at 31 March 2023. This information is for noting by the Committee.

RECOMMENDATIONS:

- (1) The Council be recommended to agree the Pay Policy Statement for 2024/25 as set out in Appendix A
- (2) The Gender Pay Gap calculations for 2022/23 be noted.

1. BACKGROUND & INTRODUCTION

- 1.1 Under the Localism Act 2011, the Council is required to consider and approve a pay policy statement for the financial year. The Council's pay policy statement for 2024/25 is set out in Appendix A.
- 1.2 The Act requires that taxpayers can access information about how public money is spent on their behalf. It translates this into a requirement for improved transparency over both senior council officer pay and that of the lowest paid employees. To support this, the Act requires publication of an annual pay policy statement.
- 1.3 The Act sets out specific information that must be included in the Pay Policy Statement as follows:
 - the pay framework, level and elements of remuneration for Chief Officers
 - the pay framework and remuneration of the 'lowest paid' employees
 - the relationship between the remuneration of the Chief Officer and other officers
 - other policies relating to specific aspects and elements of remuneration such as pay increases, other allowances or payments, pension and termination payments.

- 1.4 Under the Equality Act 2010 (Specific Duties and Public Authorities) Regulations 2017, the council are also required to publish gender pay gap calculations annually. The Council's Gender Pay Gap Report is set out in Appendix B.

2. DETAILS OF THE PAY POLICY STATEMENT

- 2.1 The Pay Policy Statement contains two main components. It sets out the framework within which pay is determined in Rushmoor Borough Council and it provides an analysis comparing the remuneration of the Chief Executive with other employees of the authority.
- 2.2 The comparisons included within the paper look at the ratio between the Chief Executive and the full-time equivalent salary for a permanent member of staff employed in the lowest grade within the structure. The ratio for 2024/25 is 1:5.9.
- 2.3 The second ratio included within the analysis, looks at the relationship between the median remuneration of all staff compared to the Chief Executive. The ratio for 2024/25 is 1:3.5.
- 2.4 The recommendation of the Hutton Report (2010) is that public sector organisations should comply with a maximum multiple of 1:20. Rushmoor is well within this multiple.
- 2.5 The Pay Policy Statement is forward looking and based on pay as anticipated for the following financial year.

3. DETAILS OF THE GENDER PAY GAP

- 3.1 The Equality Act requires the publication of the Council's Gender Pay Gap (mean and median values), Gender Bonus Gap (mean and median values), proportion of men and women receiving bonuses, proportion of men and woman in each quartile of the organisations pay structure. The council does not pay Bonus payments and therefore there is nothing to report in those categories.
- 3.2 The mean gender pay gap equates to 12.69 % with the female average salary being lower than the male average salary. The gap has decreased from 13.8% in the previous year.
- 3.3 The median gender pay gap equates to 9.52% with the female median rate being lower than the male median rate. The gap has decreased slightly from 10.9% reported in the previous year.
- 3.4 The proportion of men and women in each quartile has changed slightly with a notable increase in the number of women in the upper quartile.
- 3.5 The Gender Pay gap is reported retrospectively as at the 31 March in any year.

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Executive Director:

Karen Edwards (karen.edwards@rushmoor.gov.uk)

APPENDICES

Appendix A: Pay Policy Statement 2024/25

Appendix B: Gender Pay Gap Report 2023

BACKGROUND DOCUMENTS:

Communities and Local Government Openness and Accountability in Local Pay: Guidance under Section 40 of the Localism Act

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/5956/2091042.pdf

Communities and Local Government Openness and Accountability in Local Pay: Guidance under Section 40 of the Localism Act Supplementary Guidance

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/85886/Final_Supplementary_Pay_Accountability_Guidance_20_Feb.pdf

Rushmoor Borough Council
Pay Policy Statement for the Financial Year 2024-2025

1. Purpose and Definitions

- 1.1 The purpose of this pay policy statement is to set out Rushmoor Borough Council's (RBC's) policies relating to the pay of its workforce for the financial year 2024 - 25, in particular:
- a) the remuneration of its Chief Officers
 - b) the remuneration of its "lowest paid employees"
 - c) the relationship between
 - the remuneration of its Chief Officers
 - the remuneration of its employees who are not Chief Officers

Definitions

- 1.2 For the purpose of this pay policy statement, the following definitions will apply: -

"Chief Officer" refers to the following roles within RBC:

- Chief Executive, as Head of Paid Service*
- Assistant Chief Executive
- Executive Directors
- Executive Heads of Service
- Heads of Service

The **"lowest paid employees"** refers to permanent or fixed-term staff employed at Grade 1 of the pay scale. Grade 1 is the lowest grade.

An **"employee who is not a Chief Officer"** refers to all permanent or fixed-term staff who are not within the "Chief Officer" group above, including the "lowest paid permanent employees" i.e., staff on Grade 1.

2. Remuneration of the "lowest paid employees" and "all other employees who are not Chief Officers"

Pay framework

- 2.1 Pay for the "lowest paid employees" and "all other employees who are not Chief Officers" is determined by the National Joint Council for Local Government Services and in line with the council's Pay and Reward Policy.

- 2.2 Not included in the definitions referred to above, there is a small and fluctuating number of 'casual' staff, some of whom receive lower salaries in accordance with minimum wage legislation.
- 2.3 The employment of casual staff recognises the need to have a small team of trained and available workers who can be deployed at short notice to assist with seasonal and emergency requirements. This approach enables the organisation to have an efficient and economic response to workload demands but without the need to incur unnecessary costs or to rely upon employment agencies. The use of casual contracts is regularly reviewed and staff engaged in this way are encouraged to apply for permanent roles when they become available.
- 2.4 The only other group employed by the Council who are excluded from the pay comparison data are apprentices. The apprentices are employed for a designated period during which time they are provided with on and off job training alongside the opportunity to gain valuable experience within a working environment. For this reason, the salary comparison would not be relevant.
- 2.5 The Pay and Reward Policy was last updated in 2023. The policy is in line with National guidance, with the grade for each role being determined by a consistent job evaluation process.
- 2.6 The Council's grading structure is based on the NJC terms and conditions using the national spinal column points with the addition of a number of spinal column points at the top of the scale. There are 9 Employee and Manager grades (1 – 7, Service Manager and Corporate Manager) and 4 Chief Officer grades (Head of Service, Executive Head of Service, Executive Director and Chief Executive) in the pay framework, grade 1 being the lowest and Chief Executive being the highest. Each employee is allocated a grade based on the job evaluation of their role.
- 2.7 Each grade has a number of incremental steps and employees can progress along the salary range to the maximum of their grade, subject to assessment of their performance.
- 2.8 Pay awards for those staff up to and including Corporate Manager are determined directly from the negotiations held between the Local Government Employers and the recognised Trades Unions under the NJC agreement. Pay Awards at Chief Officer level are determined by the negotiations held between Local Government Employers and recognised Trade Unions under the JNC for Chief Officers and similarly the pay awards for the Chief Executive is negotiated nationally with ALACE (Association of Local Authority Chief Executives).
- 2.9 The NJC negotiated pay award for 2023/24 was £1,925 for grades up to and including NJC SCP 43. For grades above and below Chief Officer grades an increase of 3.88% was awarded.

2.10 The analysis used for this report draws upon the pay rates as expected at 1st April 2024.

2.11 The remuneration of the “lowest paid employees” includes the following elements:

- Salary
- Any allowance or other contractual payments in connection with their role

Salary

2.12 Each “lowest paid permanent employee” is paid within the salary range for Grade 1. Details of the Council’s grades and salary ranges are available on the website. The normal starting salary for new employees will be at the entry point for the grade. However, at the appointing managers discretion, based on their assessment of skills and experience employees may commence at a higher-grade point.

Other payments and allowances

2.13 Any allowance or other payments will only be made to staff in connection with their role or the patterns of hours they work and must be in accordance with the Pay and Reward Policy. In a small number of roles where significant recruitment difficulties are experienced, a market supplement is paid. Market supplements are reviewed every three years to ensure they are still required. Further details of such allowances and payments are available on request.

Progression within the salary scale

2.14 The Council has a performance management and development review scheme in place. This embraces a number of elements including a joint review of performance, sharing organisational/team goals and agreeing future plans. Progression through the incremental scale appropriate to the grade is dependent upon performance being assessed as satisfactory by the staff member’s line manager.

2.15 In exceptional cases where staff members have consistently delivered exceptional performance, more than one incremental point may be awarded, with the approval of the relevant Chief Officer.

Pension

2.16 All Rushmoor Borough Council staff are eligible to join the Local Government Pension Scheme. There is automatic enrolment procedure in place to encourage membership of the scheme.

Severance Payments

- 2.17 Any severance payments will be in line with the Council's adopted policies on Organisational Change and MARS (Mutually Agreed Resignation Scheme). Further details are available on request.

3. Remuneration of Chief Officers

Pay framework

- 3.1 "Chief Officers" refers to the Chief Executive, Assistant Chief Executive, Executive Directors, Executive Head of Service and Heads of Service.
- 3.2 As set out above this group of "Chief Officers" are paid on locally determined pay scales outside of the NJC agreement. These pay scales were created by extending the NJC spinal column points, in the financial year 2023/24 the pay award for all Chief Officers was agreed at an increase of 3.5% on the base salary.

Progression within the salary scale

- 3.3 Progression through the incremental scale appropriate to the grade is dependent upon performance being judged as satisfactory or higher at the end of the review year.

Pension

- 3.4 All employees are eligible to join the Local Government Pension Scheme, but the value of these benefits has been excluded from the figures used for pay comparison purposes.

Severance Payments

- 3.5 Any severance payments will be in line with the Council's policy for Organisational Change or MARS scheme and further details are available on request.
- 3.6 Salaries of all the Council's Chief Officers are published on the council's website in line with statutory requirements. The Accounts and Audit Regulations 2015 (Statutory Instrument 2015/234) 2 3 (A&A regs) require local authorities to publish the following information about staff whose annual remuneration is at least £50,000:
- the number of employees whose remuneration in that year was at least £50,000 in brackets of £5,000
 - details of remuneration and job title of certain senior employees whose salary is at least £50,000, and
 - employees whose salaries are £150,000 or more must be identified by name.

4. Other allowances or payments

- 4.1 Any allowance or other payments will only be made to staff in connection with their role or the patterns of hours they work and must be in accordance with the Council's Pay and Reward policy.
- 4.2 The Chief Executive is appointed by the Council to act as the Returning Officer at the election of councillors for the Borough and as acting Returning Officer at Parliamentary Elections. The additional fees associated with these functions will be paid in accordance with those set nationally or locally through the Hampshire and Isle of Wight Elections Fees Working Party.
- 4.3 Within the fees structure for elections, provision is made for payments to staff for specific duties. These payments are also made in accordance with nationally set rates or locally through the Hampshire and Isle of Wight Election Fees Working Party. Details are available on request. Further details of such allowances and payments are available on request.

5. The relationship between remuneration of highest and lowest paid employees of the Council.

- 5.1 There are a number of different ways of presenting this information to provide a rounded picture of pay comparisons within the organisation. The lowest, median and highest FTE salaries as at 1st April 2024 are as follows:

Lowest: £22,366

Median £38,223

Highest £132,480

- 5.2 By taking the salary of those permanently appointed employees paid on the lowest grade of the council's pay structure and comparing this with the Chief Executive a pay ratio of **1:5.9** emerges. This is a slight reduction on the previous year's ratio which was 1:6.1.
- 5.3 The Hutton Report (2010) that looked at the relationship between pay levels in the public sector recommended that organisations should comply with a maximum pay multiple of **1:20**. Rushmoor is well below that ratio.
- 5.4 An alternative approach is to compare the Chief Executive's salary against the median salary. This equates to a ratio of **1:3.5** which is the same as previously reported.

6. Conclusion

- 6.1 There has been no significant movement over the last 12 months. These results indicate that there is no cause for concern regarding the ratio between the pay rates for staff and the Chief Executive.

Rushmoor Borough Council Gender Pay Gap Report 2023

1. BACKGROUND

1.1 The Equality Act 2010 (Specific Duties and Public Authorities) Regulations 2017, requires employers with 250 or more employees to publish statutory gender pay gap calculations annually. This includes the following:

- Gender pay gap (mean and median values)
- Gender bonus gap (mean and median values)
- Proportion of men and women receiving bonuses
- Proportion of men and women in each quartile of the organisation's pay structure.

1.2 The Council is required to publish this data on its website and the governments dedicated page for Gender Pay Gap reporting - <https://gender-pay-gap.service.gov.uk>. The report must be published by 30th March 2024.

1.3 The legislation requires the organisation to choose a 'snapshot' date and base the Gender Pay Report on all relevant employees employed at that date. Rushmoor Borough Council's Gender Pay Gap is based on analysis of data as at 31st March in a year. This year's calculations are based on data as at 31st March 2023.

1.4 Using a common calculation formula, organisations can determine whether there is a difference in pay for its male employees when considered against its female employees. The calculation takes account of all allowances paid to staff as recommended under the regulations, but excludes all overtime pay, whether at flat or enhanced rates.

1.5 This exercise provides organisations with an opportunity to consider whether they have a gap in the average pay rates for male and female employees and allows the organisation to consider how that has occurred and to put in place actions to address this. The difference between the pay rates for male and female employees is referred to as the 'Gender Pay Gap'.

2. RUSHMOOR DATA

2.1 Based on the data snapshot date of 31st March 2023, there were 256 permanent employees and 44 casual employees included in the data. Therefore, the total number of 300 employees has been used for the data source for this year's calculation.

2.2 The gender breakdown of Rushmoor's workforce is 185 female employees (62%) and 115 male employees (38%).

Average Pay Calculations:

- 2.3 The average female hourly rate is £18.43 per hour. The average male hourly rate is £21.11 per hour. This means that on average male employees within Rushmoor Borough Council earn £2.68 per hour more than female employees. The calculation method that is used to calculate Gender Pay Gap is as follows:

(£highest rate) - (£lowest rate)

Divided by (£highest rate) = x 100 = Gender Pay Gap %.

For Rushmoor Borough Council the following applies:

£21.11 (male average) - £18.43(female average) = £2.68

£21.11 x 100 = 12.69 % difference between male salaries and female salaries

This equates to a 12.69 % difference (or 'gap') in pay rates, with the female average salary being lower than the male average salary.

Comparison with 2022 data:

- 2.4 In 2022, the average female hourly rate was £17.60 per hour and the average male hourly rate was £20.41 per hour.

This equated to a percentage difference of 13.8%, with the average female salary being lower than the male average salary.

The difference / gap has decreased from the previous year which represents a small improvement.

Median Pay Calculations:

- The female median hourly rate is £18.34 per hour.
- The male median hourly rate is also £20.27 per hour.
- Using the above method, the difference in median wages is:

£20.27 - £18.34 = £1.93

£20.27 x100 = 9.52 %

Comparison with 2022 data:

- 2.5 In 2022, the median female hourly rate was £17.34 per hour and the median male hourly rate was £19.46. This year we see an increase in both of these figures. The gap has decreased slightly from 10.9% to 9.52%

2.6 **Distribution of male & female employees within Rushmoor Borough Council across 4 quartiles:**

	Total Count	Female Actual	Male Actual	Female %	Male %
Quartile 1 – Lower	75	52	23	69% <i>(65%)</i>	31% <i>(35%)</i>
Quartile 2 - Mid Lower	75	52	23	69% <i>(71%)</i>	31% <i>(29%)</i>
Quartile 3 - Mid Upper	75	46	29	61% <i>(60%)</i>	39% <i>(40%)</i>
Quartile – Upper	75	35	40	47% <i>(42%)</i>	53% <i>(58%)</i>
Total Workforce	300	185	115	62% <i>(59%)</i>	38% <i>(41%)</i>

*(*figures shown in italics are the % figures for 2022 to enable easier comparison).*

Bonus Pay:

- 2.7 Rushmoor Borough Council does not have payments such as performance related pay, one off incentive payments for recruitment and retention or monetary payments for long service awards, therefore within the guidelines for Gender Pay Gap reporting there are no payments within the “bonus” categorisation.
- 2.8 No bonuses were paid in Rushmoor Borough Council during this period, so there is no pay gap to report in relation to bonus payments.

3. CONCLUSION

- 3.1 At Rushmoor Borough Council the average difference (or ‘gap’) in pay rates between male and female salaries has decreased from 13.8% to 12.69%. The number of female employees has increased in Quartile 4 which is the highest pay quartile. As last year both the median female hourly rate and the median male hourly rate has increased and the median gap has again decreased slightly from 10.9% to 9.52%.

How we are continuing to reduce the gender pay gap

- 3.2 The Council’s People Strategy sets out a range of actions that supports the ongoing reduction of the gap. This includes promoting secondments, cross council project working and the development of employees with the potential to progress into senior roles. The Council will continue to actively promote learning and development opportunities, including working with external partners, to encourage knowledge sharing and personal development. All staff have access to virtual, live and interactive learning and development modules. The Council will continue to actively support work/life balance including part time working, hybrid working, working compressed hours and job shares and there is the opportunity to purchase additional annual leave.

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**CORPORATE GOVERNANCE, AUDIT
AND STANDARDS COMMITTEE****EXECUTIVE DIRECTOR
REPORT NO. ED2401****31 JANUARY 2024****RUSHMOOR DEVELOPMENT PARTNERSHIP
PROGRESS REVIEW****SUMMARY:**

This is the Executive Director's report as Council Shareholder on the progress review received from the Rushmoor Development Partnership (RDP) on its business plan. It provides some commentary on the progress and delivery through the partnership during 2022 and 2023 on the key regeneration sites agreed as part of the initial RDP Business Plan.

RECOMMENDATION:

The Committee are requested to note the progress set out in the report from the RDP and the next steps for the partnership.

1. Introduction

- 1.1 The Rushmoor Development Partnership was established in 2018 as a joint venture with Hill Partnerships Ltd to provide expertise and capacity to support delivery of the Council's regeneration aspirations. As Shareholder, the Council's Executive Director and Monitoring Officer receives the RDP's annual report and any interim reviews and, as he feels appropriate, reports matters to this committee as part of the agreed governance arrangements.
- 1.2 This is the third time the Committee has been presented with a report a report. The last report (ED 2201) was reviewed at the CGAS meeting on 24th January 2022. Whilst no specific progress report was received in 2023, reports on the regeneration projects were provided within the capital programme updates to Cabinet and to members by way of informal update briefings on a regular basis. This report takes account of the last two consolidated years of company activity and future years reports will revert to the agreed annual governance arrangements. The RDP's financial position is reviewed by the Council's finance service and annual accounts were approved during 2023 and are included as confidential appendices to the report attached.

2. Shareholder commentary

- 2.1 The Progress Review is set out as at Appendix 1 to this report. Overall, there has been good progress over the course of the reporting period on all three of the RDP sites including the Civic Quarter, Farnborough where the RDP

secured an outline planning consent for the site.

- 2.2 Following the development of the Union Yard scheme through feasibility and planning by the RDP, the Council opted to pursue a direct delivery option and entered into the main build contract with Hill Partnerships in November 2021. The scheme is targeting practical completion in July 2024.
- 2.3 The development of Parsons Barracks as a care home has also progressed well following the disposal of the site through the RDP with the construction of the scheme now complete and the care home operating successfully.
- 2.4 Members should note the current 'on hold' status of the company's business activity given the economic situation and the negative viability of planned schemes. Over the coming months alongside the Council's consideration of its own Capital Programme, the RDP will consider the future role the RDP could have to the delivery of plots on the Civic Quarter and other sites in the Council's ownership.

3. Conclusion

- 3.1 The partnership where Council and Hill staff work together has enabled a commercial approach to be taken to bringing forward sites alongside the translation into planning of the Council and community's ambitions for both town centres and the delivery of 2 developments in Aldershot.
- 3.2 Overall, the RDP has made a positive contribution to moving forward the Council's regeneration objectives over the period of the report. The Committee are invited to note the progress achieved and that a future report of the role of the company or new project plans will come forward in due course.

Ian Harrison
Executive Director

Appendices

Appendix 1: Rushmoor Development Partnership LLP Shareholder Report for January 2022 to December 2023

Exempt Appendix 2: Rushmoor Development Partnership Management Accounts for the period ending March 2023

Background Papers

- a) Rushmoor Development Partnership Business Plan – Council 25 July 2019
- b) CGAS REPORT NO. CEX2101: Rushmoor Development Partnership Progress Review



Rushmoor Development Partnership LLP

Progress Review covering period January 2022 – December 2023



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1. Progress Summary

Site	Feasibility	Planning	Construction
Parsons Barracks	Complete	Complete (22/07/2021)	Complete (Harlow Hall, run by Hartford Care opened May 2023)
Civic Quarter	Complete (High level associated with outline proposals)	Complete (Granted DMC approval on 22/02/2023 -subject to resolution of S106.	Not commenced
Union Yard	Complete	Complete (12/01/2021)	In Progress (Practical Completion 22/07/24)

2. Background

- 2.1 The Rushmoor Development Partnership (RDP) brings together Rushmoor Borough Council and development partner, Hill Investment Partnerships Ltd, to deliver major regeneration schemes across the borough.
- 2.2 Formed in October 2018, the RDP's aim is to support delivery of the Council's ambitious borough-wide regeneration programme, 'Regenerating Rushmoor'.
- 2.3 The RDP was established to support the Council's ambitious regeneration plans, which seeks to build on existing assets and create distinctive, mixed-use town centres with a high-quality retail, leisure, cultural, employment and housing offer. The RDP is also able to identify opportunities to develop long term income generating assets for the Council.
- 2.4 As part of the governance and reporting arrangements, the RDP is required to report to the Council Shareholder, currently Ian Harrison, Executive Director, who will enable consideration of an appropriate report by the Corporate Governance, Audit and Standards Committee.
- 2.5 The initial Business Plan of the RDP was presented to and approved by Full Council on 25th July 2019, subsequent update reports have been considered by the Council's Corporate Governance, Audit and Standards Committee (CGAS). This update report provides an update on work of the company for the period January 2022 to December 2023.
- 2.6 With the exception of concluding the planning consent for the Civic Quarter Masterplan the RDP currently has no live projects and the business plan will be reviewed by the Board during the next reporting period.

3. Progress Review

3.1 The sites identified within the agreed Business Plan are:

- Parsons Barracks Car Park, Aldershot – now complete with the finished care home opening in May 2023
- Union Street East (now Union Yard), Aldershot
- The Civic Quarter, Farnborough

3.2 An update on the progress of the sites over the review period is outlined below.

Parsons Barracks Car Park, Aldershot

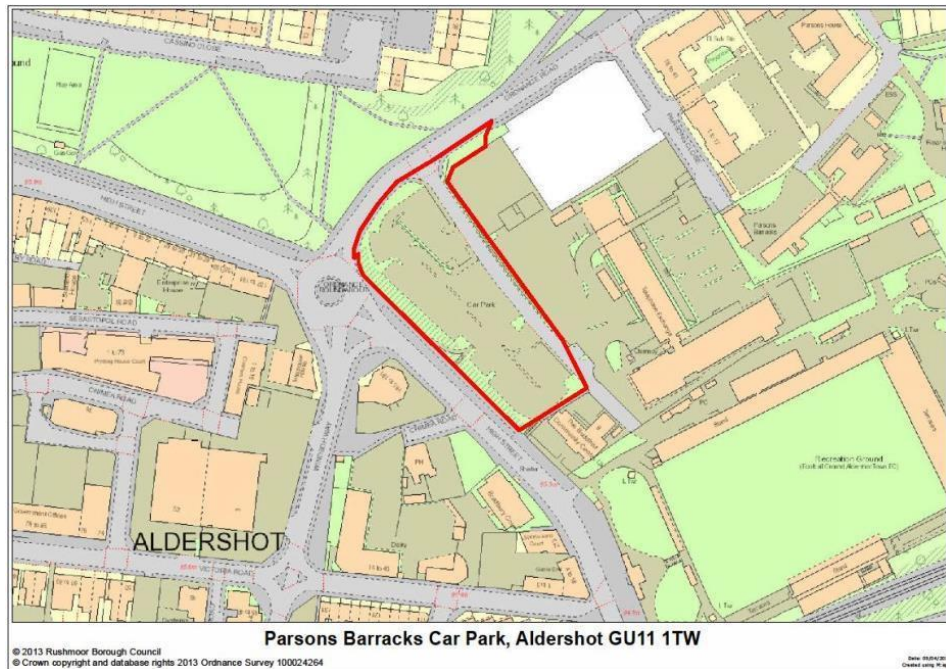


Figure 1 Parsons Barracks red line site boundary

3.3 A planning application was submitted by LNT Care Developments in April 2021 for a three storey, 66-bed care home for general residential and dementia elderly people, with associated car parking, access and landscaping. Planning permission was granted by the Local Planning Authority on 22nd July 2021.

3.4 Disposal of the site to LNT was achieved on the 21st October 2021, securing a capital receipt for the RDP.

3.5 Subsequently LNT have progressed the construction of the scheme during this reporting period, with the new care home, Harlow Hall owned and operated by Hartford Care, successfully opening in May 2023. The care home is now in operation and plays an important role in facilitating the delivery of care accommodation within the borough, helping to meet the needs of local people at present but also into the future.

3.6 The Council now operates the residual 15 space car park adjacent to the care home.

Union Yard (formerly Union Street East), Aldershot



Figure 2 CGI of consented Union Yard development

- 3.7 Union Yard will see the comprehensive redevelopment of a key area of Aldershot town centre and will create a new, revitalised and vibrant space. It will provide flexible retail, new homes and public space in the heart of the town as well as much needed accommodation for students.
- 3.8 Once complete, the scheme will deliver:
- 128 student units, students' study and breakout space (Block S)
 - 82 one and two-bedroom apartments (Blocks C and D)
 - 18 affordable homes (Block E)
 - 12 flexible commercial and retail units on the ground floor of Blocks C, D and E
 - Makers' yard offering smaller creative workshop spaces for small and independent businesses
 - New public square linking the High Street and Union Street
- 3.9 Outside of the RDP delivery vehicle, the Council entered into the main build contract with Hill Partnerships in November 2021 with the scheme targeting practical completion in Spring 2024. Despite not now being delivered through the RDP it was still considered useful to include information as to the delivery of the development.
- 3.10 Over the reporting period construction of the scheme has progressed well with the development on programme and due to complete to a revised practical completion date of July 2024. The delay in programme takes account of matters relating to a party wall that impacted on the early phases of the programme relating to site clearance.
- 3.11 Two current timelapse images of the scheme have been included for information and provide a useful indication of progress made to date.



Figure 3 View towards the High Street elevation



Figure 4 View into the Union Yard



Figure 5 Illustrative visual of Civic Quarter scheme

- 3.12 During the reporting period the RDP submitted (February 2022) and successfully obtained consent (22nd February 2023 subject to s106 legal agreement) for its outline masterplan application for the Civic Quarter site, which seeks to deliver a transformational redevelopment of a large-scale, mixed-use town centre scheme and create a development within Farnborough, for people of all ages to come together, and drive the future prosperity and long-term sustainability of the town.
- 3.13 In the period between submission and determination, much of the RDP focus was on dealing with clarifications/amendments arising from both stakeholder and public feedback. A key focus related to highway matters and providing Hampshire County Council with the evidence they required to approve the principal changes proposed to the highway network. There was also public concern raised in respect of the potential loss of established trees across the site and intended heights of buildings. A statement of clarification was issued by the RDP in respect of tree loss with a commitment to replanting alongside off-site planting addressing the concerns of the Local Planning Authority. The RDP also opted to revise some of the maximum heights down in certain locations across the masterplan area in order to address concerns from immediate neighbours.
- 3.14 The ambitious regeneration masterplan includes proposals for the development of:
- A new leisure centre and cultural hub, including a library and community space
 - Up to 960 new energy-efficient homes
 - A new hotel
 - Space for shopping and commercial development
 - A replacement skatepark
 - More than 1.93 hectares of green open space, including a high-quality central park
 - Two mobility hubs, including a multi-storey car park, electric car charging points and cycle hire
- 3.15 Aside from planning matters, over the reporting period the RDP has undertaken an assessment of market appetite for a wide range of commercial uses and forms of residential, as well as options for private sale across the site. Discussions with a variety of commercial operators initially confirmed strong interest, however external factors such as rising interest rates on borrowing, build cost inflation and political uncertainty at a national level have impacted on scheme viability and have resulted in those opportunities

being placed on hold. Given current appraisals and low land values and profit expectations the RDP is not currently involved in progressing any plots on the Civic Quarter.

4. Company Governance and Financial position

4.1 The RDP governance and delivery arrangements were set out in the original report establishing the RDP. The company operates through a Board and operation group known as the Investment Team. The current Board Members are as follows:

Andy Hill – Chief Executive, Hill Group (replaced Greg Hill during the reporting period)
Ernie Batty – Hill Investment Partnership
Rob Jessett – Deputy Group Finance Director, Hill Group (replaced Neil Williams)
Martin Tennant – Major Projects and Property Portfolio Holder
Paul Shackley – Chief Executive, Rushmoor Borough Council
Karen Edwards - Executive Director, Rushmoor Borough Council

4.2 The Investment Team is as follows:

Terry Gamble – Regional Head of Development, Hill Group
Oliver Mealey – Development Manager, Hill Group
Pram Nayak – Consultant, Hill Group
Mary Shaw – Investment Manager, Hill Group
Joe Boyton – Trainee Development Surveyor

Nick Irvine – Head of Regeneration and Development
Vicky Western – Development Manager
Charlie Heavens – Assistant Development Manager

4.3 Annual financial reports are produced by the RDP to align with the financial year. Within the reporting period, it was agreed as per minute 255.3 of the 14th July 2022 Board Meeting that no further staff recharging was to take place going forward. It was agreed that staff time on the Civic Quarter would also not be recharged to ensure further debt is not being accrued by the RDP. As such, the RDP accounts cover payments for consultant support and other costs incurred for the submission of the outline planning application alongside work in progress associated with a potential scheme for Plot J (the current Council Office site). The budget also includes director and officer liability insurance (D&O liability), audit services and bank charges. The audited accounts as at 31 March 2022 and 2023 are attached as an exempt appendix to this report.

5. Communications and Profile of Partnership

5.1 The RDP currently hosts a website (www.rushmoordevelopmentpartnership.co.uk) and a social media presence on both Twitter and Facebook. These mediums have been used to host site-related materials and to promote engagement events / gauge public opinion, particularly in relation to the Civic Quarter during this reporting period.

5.2 Depending on the outcome of the discussions of the Board the future ownership and management of the on-line RDP presence will need to be considered.

January 2024

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

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31 JANUARY 2024

ANNUAL CAPITAL STRATEGY 2024/25**SUMMARY AND RECOMMENDATIONS:****SUMMARY:**

The Council is required to approve a Capital Strategy for 2024/25 before 1 April 2024.

The Capital Strategy 2024/25 (Appendix 1) is in accordance with CIPFA's "Prudential Code" and the "Treasury Management Code of Practice" 2021, and the Department for Levelling Up, Housing and Communities (DLUHC) guidance on Local Government Investment.

RECOMMENDATION:

Members are requested to recommend to Council:

- (i) Approval of the Capital Strategy for 2024/25 to 2026/27 and Prudential Indicators for 2024/25.

1 INTRODUCTION

- 1.1 This report sets out the proposed Capital Strategy for the year 2024/25 to 2026/27, including the Prudential indicators for capital finance for 2025/26.
- 1.2 This capital strategy report gives a high-level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of local public services along with an overview of how associated risk is managed and the implications for future financial sustainability.
- 1.3 Decisions made this year on capital and treasury management will have financial consequences for the Authority for many years into the future. They are therefore subject to both a national regulatory framework and to local policy framework, summarised in this report.
- 1.4 The Council follows best practice by adhering to the Chartered Institute of Public Finance and Accountancy's *Treasury Management in the Public Services: Code of Practice 2021* (the CIPFA Code). Subsequently the

Council approves both a Capital Strategy and the related Treasury Management Strategy and Investment Strategy before the start of each financial year.

2 PURPOSE

- 2.1 The purpose of the Capital Strategy is to give an overview of how capital expenditure; capital financing and treasury management activity contribute to the provision of local public services along with an overview of how associated risk is managed and the implications for future financial sustainability.
- 2.2 The purpose of investment management operations is to ensure that all investment decisions that are made primarily to generate a profit have a suitable level of security and liquidity. Ensuring risks and rewards are monitored regularly.
- 2.3 The second main function of the Capital Strategy is to set the Prudential indicators for affordable, prudent and sustainable capital investment.
- 2.4 Appendix 1 sets out the Capital Strategy for 2024/25 to 2026/27 and fulfil key requirements as follows:
 - The **Capital Strategy** sets out a high-level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of local public services along with an overview of how associated risk is managed and the implications for future financial sustainability. It has been written in accordance with CIPFA's Code of Practice on Treasury Management, the CIPFA Prudential Code and DLUHC guidance on local government investments.

These policies and parameters provide an approved framework within which officers undertake the day-to-day capital, treasury and non- treasury investment activities.

3 SCOPE

- 3.1 This report covers the Council's capital management activities as set out in paragraphs 2.1 to 2.4 above. A summary of treasury management and commercial investments and the Council's borrowing requirements to fund the Capital Strategy are set out. Prudential indicators are identified to set measures for affordability, prudent and sustainable. The funds invested consist of short-term cash available due to timing of income and expenditure, prudential borrowing and the Council's capital receipts.

- 3.2 As at 31st December 2023 the Council has incurred prudential borrowing of £162.0m in relation to its capital expenditure. As this debt is short term it will need to be replaced on an ongoing basis. However, the Council is also expecting to reduce its borrowing need by selling £40m of assets to generate capital receipts over the next three years'. This will reduce the revenue costs associated with borrowing going forward.
- 3.3 In November 2020 the Public Works and Loan Board (PWLB) issued new Lending Terms that were subject to further clarification in August 2021. This makes it a condition of access to the PWLB funding that Local Authorities have no intention to buy investment assets primarily for yield in the current and following two financial years. No expenditure has been incurred on the acquisition of such assets since November 2020 and the Council does not plan to incur expenditure on investment assets primarily for yield within the capital programme. The s151 Officer is required on application to the PWLB to submit strategic capital and financial plans covering a 3-year period.
- 3.4 Careful observation of the “gross debt v capital financing requirement” indicator will need to be undertaken progressively throughout the financial year.
- 3.5 Where a material change occurs to the attached strategies during the year a revised strategy will be presented to full council before the change is implemented.

BACKGROUND DOCUMENTS:

1. *Treasury Management in the Public Services (CIPFA) 2021 Edition*
2. *Treasury Management in the Public Services Guidance Notes for Local Authorities (CIPFA) 2021 Edition*
3. *The Prudential Code for Capital Finance (CIPFA) 2021 Edition*
4. *Guidance Notes for Practitioners: The Prudential Code (CIPFA) 2021 Edition*
5. *DLUHC Statutory Guidance on Local Government Investments (3rd Edition)*
6. *SI 2003/3146 - Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 (as amended)*
7. *Prudential Property Investment (CIPFA) 2019*

CONTACT DETAILS:

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CAPITAL STRATEGY 2024/25

1 INTRODUCTION

- 1.1 This capital strategy is a high-level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of local public services along with an overview of how associated risk is managed, and the implications for future financial sustainability.
- 1.2 Decisions made this year on capital and treasury management will have financial consequences for the Authority for many years into the future. They are therefore subject to both a national regulatory framework and to local policy framework, summarised in this report.

2 CAPITAL EXPENDITURE AND FINANCING

- 2.1 Capital expenditure is where the Authority spends money on assets, such as property or vehicles, that will be used for more than one year. In local government this includes spending on assets owned by other bodies, and loans and grants to other bodies enabling them to buy assets. The Authority has some limited discretion on what counts as capital expenditure, for example assets costing below £20,000 (land and buildings) and £10,000 (plant, vehicles and equipment) are not capitalised and are charged to revenue in year. Expenditure that maintains but does not add to an asset’s potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred.
- 2.2 In 2024/25, the Council is planning capital expenditure of £13.5m as summarised below:

Table 1: Prudential Indicator: Estimate of Capital Expenditure in £ millions

	2022/23 Actual	2023/24 Forecast *	2024/25 Estimate	2025/26 Estimate	2026/27 Estimate
Capital Expenditure	22.6	40.4	13.5	2.2	1.3

** The forecast for 2023/24 is based the revised capital programme for 2023/24 and reflects the estimated out turn on all projects.*

- 2.3 The main capital projects in 2024/25 include the crematorium and regeneration activity at Union Yar (Aldershot).
- 2.4 In November 2020 the Public Works and Loan Board (PWLB) issued new

APPENDIX 1

Lending Terms that were subject to further clarification in August 2021. This makes it a condition of access to the PWLB funding that Local Authorities have no intention to buy investment assets primarily for yield in the current and following two financial years. No expenditure has been incurred on the acquisition of such assets since November 2020 and the Council does not plan to incur expenditure on investment assets primarily for yield within the capital programme.

- 2.5 The Council's capital programme has historically been financed primarily through prudential borrowing. The Council has adopted a strategy to generate capital receipts to as far as possible mitigate the currently high borrowing levels and cost of interest.
- 2.6 The Council will review its entire asset base to identify assets for disposal to generate capital receipts. The key criteria will be to focus initially on non-income generating assets, assets that require significant future capital expenditure (i.e. liability) without a commensurate uplift in income. This list will be presented to the July Council for agreement or earlier to Cabinet if necessary. The Council's Regeneration scheme in Farnborough (Civic Quarter) will require an approach to financing that will bring in capital receipts to provide funding for the infrastructure requirements and to facilitate and cash flow the wider site development.
- 2.8 **Governance:** For service led capital projects Service managers prepare working papers to include projects in the Council's capital programme in line with the budget development timeline. The Finance service calculate the financing cost (which can be nil if the project is fully externally financed) so that the full cost of the project is understood. Larger property and regeneration projects are managed through the Council's regeneration and Property and Major Works programmes. These projects undergo scrutiny and review by the Project Board at different stages (e.g. feasibility, design, planning, due diligence) and costs and financing are reviewed by the finance service. All projects to be recommended for inclusion in the Capital programme appraised by the Executive Team before being included in the draft budget. The final capital programme is then presented to Cabinet early February and to Full Council in late February each year. Variation to capital bids and new capital bids can be received during the year, usually on the basis of a business case or in relation to urgent and unforeseen works.
- 2.9 All capital expenditure must be financed, either from external sources (government grants and other contributions), the Council's own resources (revenue, reserves and capital receipts) or debt (borrowing, leasing and Private Finance Initiative). The planned financing of the above expenditure is as follows:

Table 2: Capital financing in £ millions

	2022/23 Actual	2023/24 Forecast	2024/25 Estimate	2025/26 Estimate	2026/27 Estimate
External sources	1.2	11.9	2.3	1.1	1.1
Capital Receipts	-	-	2.5	-	-
Debt	21.4	28.5	8.7	1.1	0.2
TOTAL	22.6	40.4	13.5	2.2	1.3

- 2.10 Debt is only a temporary source of finance, since loans and leases must be repaid, and this is therefore replaced over time by other financing, usually from revenue, which is known as Minimum Revenue Provision (MRP). Alternatively, proceeds from selling capital assets (known as capital receipts) may be used to replace debt finance. Planned MRP and use of capital receipts are as follows:

Table 3: Replacement of debt finance in £ millions

	2022/23 Actual	2023/24 Forecast	2024/25 Estimate	2025/26 Estimate	2026/27 Estimate
MRP	2.1	1.6	1.8	2.2	2.2
Capital receipts	-	-	5.0	25.0	10.0

- 2.11 The Council's cumulative outstanding amount of debt finance is measured by the capital financing requirement (CFR). This increases with new debt-financed capital expenditure and reduces with MRP and capital receipts used to replace debt. The CFR is expected to increase to £166.3m during 2023/24. Based on the above figures for expenditure and financing, the Council's estimated CFR is as follows:

Table 4: Prudential Indicator: Estimates of Capital Financing Requirement in £ millions

	2022/23 Actual	2023/24 Forecast	2024/25 Estimate	2025/26 Estimate	2026/27 Estimate
CFR	139.7	166.3	167.9	141.4	129.1

- 2.12 **Asset management:** The Council uses experienced asset managers (currently Lambert Smith Hampton Investment Management (LSHIM)) to provide services to support the Council's property portfolio.

- 2.13 **Asset disposals:** When a capital asset is no longer needed, it may be sold so that the proceeds, known as capital receipts, can be spent on new assets or to repay debt. The Council is currently also permitted to spend capital receipts on service transformation projects for a further year until 31st March 2025. Repayments of capital grants, loans and investments also generate capital receipts. The Council is forecasting to receive the following capital receipts over the medium term.

Table 5: Capital receipts in £ millions

	2022/23 Actual	2023/24 Forecast	2024/25 Estimate	2025/26 Estimate	2026/27 Estimate
Capital Receipts	-	-	5.0	25.0	10.0

3 TREASURY MANAGEMENT

- 3.1 Treasury management is concerned with keeping sufficient but not excessive cash available to meet the Council's spending needs, while managing the risks involved. Surplus cash is invested until required, while a shortage of cash will be met by borrowing, to avoid excessive credit balances or overdrafts in the bank current account. Where possible cash surpluses are offset against capital cash shortfalls to reduce overall borrowing.
- 3.2 Due to decisions taken in the past, at 31st December 2023 the Council had £162.0m borrowing at an average interest rate of 4.7% and £39.7m treasury investments at an average rate of 6.0%.
- 3.3 **Borrowing strategy:** The Council has to date adopted an approach of borrowing on a short-term basis to take advantage of historically low short-term interest rates. Since late 2021 however interest rates, and corresponding the Council's cost of borrowing, have risen dramatically. Bank of England Base Rate was 0.1% in December 2021 and is now 5.25%.
- 3.4 In the medium term the Council aims to have a higher proportion of debt in longer-term loans, enabling greater long-term certainty in costs. As current interest rates are expected to fall the intention is to wait until rates are lower before beginning this process. The situation is kept under constant review.
- 3.5 Projected levels of the Council's total outstanding debt (which comprises borrowing and leases) are shown below, compared with the capital financing requirement (table 6).

Table 6: Prudential Indicator: Gross Debt and the Capital Financing Requirement in £ millions

	2022/23 Actual	2023/24 Forecast	2024/25 Estimate	2025/26 Estimate	2026/27 Estimate
Debt (incl. leases)	121.4	165.1	5.8	0.5	0.1
Capital Financing Requirement	139.7	166.3	167.9	141.4	129.1

- 3.6 Statutory guidance is that debt should remain below the capital financing requirement, except in the short-term. As can be seen from table 6, the Council expects to comply with this in the medium term.
- 3.7 **Liability benchmark:** To compare the Council’s actual borrowing against an alternative strategy, a liability benchmark has been calculated showing the lowest risk level of borrowing. It is desirable that investment balances are kept to a minimum of £25m. This incorporates the Council’s strategic pooled funds of approximately £20m and a further liquidity buffer of £5m. This investment balance also meets the minimum £10m that is required to maintain a desired professional status under the Markets in Financial Instruments Directive II (MiFID II).
- 3.8 The liability benchmark is currently £124.6m and is forecast to rise to £136.7m over the next three years.

Table 7: Borrowing and Liability Benchmark in £ millions.

	2022/23 Actual	2023/24 Forecast	2024/25 Estimate	2025/26 Estimate	2026/27 Estimate
Forecast borrowing	120.0	164.0	165.4	143.9	136.7
Liability benchmark	124.6	158.1	165.4	143.9	136.7

- 3.9 The Council expect to have borrowed around £6m more than the liability benchmark by the 31st March 2024: this figure is not excessive and borrowing at a slightly different level to the liability benchmark is common as a result of day to day cashflow variations. As the table shows in future the Council expect borrowing to be at the liability benchmark.
- 3.10 **Affordable borrowing limit:** The Council is legally obliged to set an affordable borrowing limit (also termed the authorised limit for external debt) each year. In line with statutory guidance, a lower “operational boundary” is also set as a warning level should debt approach the limit.

Table 8: Prudential Indicators: Authorised limit and Operational Boundary for External Debt in £ millions

	2022/23 limit	2023/24 limit	2024/25 limit	2025/26 limit	2026/27 limit
Authorised limit – borrowing	141.2	200.0	200.0	200.0	200.0
Authorised limit – leases	2.0	2.0	2.0	2.0	2.0
Authorised limit – total external debt	143.2	202.0	202.0	202.0	202.0
Operational boundary – borrowing	136.4	170.0	170.0	170.0	170.0
Operational boundary – leases	1.8	1.8	1.8	1.8	1.8
Operational boundary – total external debt	138.2	171.8	171.8	171.8	171.8

- 3.11 **Treasury Management Investment Strategy:** Treasury investments arise from receiving cash before it is paid out again. Investments made for service reasons or for pure financial gain are not generally considered to be part of treasury management.
- 3.12 The Council's policy on treasury investments is to prioritise security and liquidity over yield, that is to focus on minimising risk rather than maximising returns. Cash that is likely to be spent in the near term is invested securely, for example with the government, other local authorities or selected high-quality banks, to minimise the risk of loss. Money that will be held for longer terms is invested more widely, including in bonds, shares and property, to balance the risk of loss against the risk of receiving returns below inflation. Both near-term and longer-term investments may be held in pooled funds, where an external fund manager makes decisions on which particular investments to buy and the Council may request its money back at short notice.
- 3.13 The table below estimated future levels of investments for the Council. The £20.0m in long term investments represents the estimated value of strategic pooled funds. The £5.0m represents a suitable liquidity buffer to be held in shorter-term investment products.

Table 9: Treasury Management Investments in £ millions

	2022/23 Actual	2023/24 Forecast	2024/25 Estimate	2025/26 Estimate	2026/27 Estimate
Near-term investments	1.1	11.6	5.0	5.0	5.0
Longer-term investments	19.3	19.3	20.0	20.0	20.0
TOTAL	20.4	30.9	25.0	25.0	25.0

3.14 **Risk management:** The effective management and control of risk are prime objectives of the Council’s treasury management activities. The treasury management strategy therefore sets out various indicators and limits to constrain the risk of unexpected losses.

3.15 **Governance:** Decisions on treasury management investment and borrowing are made daily and are therefore delegated to the Executive Head of Finance and staff, who must act in line with the treasury management strategy approved by full council. From 2024/25 quarterly reports on treasury management activity will be presented to Corporate Governance, Audit and Standards Committee. CGAS committee is responsible for scrutinising treasury management decisions.

4 NON-TREASURY INVESTMENTS FOR SERVICE PURPOSES

4.1 The Council makes investments to assist local public services, including making loans to local businesses to promote economic growth, the Council’s subsidiaries that provide services. Considering the public service objective, the Council is willing to take more risk than with treasury investments, however it still plans for such investments to break-even / generate a profit after all costs.

4.2 **Governance:** Decisions on service investments are made by the relevant service manager in consultation with the Executive Head of Finance and must meet the criteria and limits laid down in the investment strategy. Most loans and shares are capital expenditure and purchases will therefore also be approved as part of the capital programme.

5 COMMERCIAL ACTIVITIES

5.1 Between 2016 and 2021 in the context of central government financial support for local public services declining, the Council undertook some investment in commercial properties purely or mainly for financial gain. These investments were acquired and managed in line with the Council’s

Commercial Property Strategy. Total commercial investments for 2024/25 are forecast to be £128.7m, the portfolio providing a net return after all costs of 6.8%.

- 5.2 With financial return being the main objective, the Council accepts higher risk on commercial investment than with treasury investments. The principal risk exposures for commercial investments include level of competition, barriers to entry/exit, and future market prospects. For commercial properties, risks include quality and financial security of tenants, building quality and relevance.

For the existing portfolio of investments these risks are managed by:

- Assessment of the relevant market sector(s) including the level of competition, barriers to entry/exit, future market prospects
 - Assessment of exposure to particular market segments to ensure adequate diversification
 - Appointment of external advisor to manage designated commercial property investments
 - Use of further external advisors if considered appropriate by the Executive Head of Finance
 - Continual monitoring of risk across the whole portfolio and specific assets
- 5.3 With the introduction of revised PWLB lending terms the Council can confirm it has no intention to acquire investment assets primarily for yield in the current and following two financial years.
- 5.4 The Council will have due regard to the potential sale of commercial investments where this would be an appropriate option. This will be done as part of an ongoing process assessing the relative risks of and return from these investments to the Council.
- 5.5 **Governance:** Decisions on the day-to-day management of commercial investments are made by the Head of Service responsible for the Council's Property and Estates functions in line with the criteria and limits as set out in the Council's constitution.

Table 10: Prudential Indicator: Net Income from Commercial and Service Investments to Net Revenue Stream

	2022/23 Actual	2023/24 Forecast	2024/25 Estimate	2025/26 Estimate	2026/27 Estimate
Total Net Income from Service and Commercial Investments	8.3	8.3	8.7	9.5	9.5
Proportion of Revenue Stream	66.5%	66.9%	65.9%	69.9%	65.5%

6 OTHER LIABILITIES

- 6.1 In addition to debt detailed above, the Council also set aside funds to cover risks of Business Rate Appeals.
- 6.2 **Governance:** Decisions on incurring new discretionary liabilities are taken by service managers in consultation with the Executive Head of Finance. The risk of liabilities crystallising and requiring payment is monitored by Finance and reported quarterly to committee. New liabilities exceeding £2m are reported to full council for approval/notification as appropriate.

7 REVENUE BUDGET IMPLICATIONS

- 7.1 Although capital expenditure is not charged directly to the revenue budget, interest payable on loans and MRP are charged to revenue, offset by any investment income receivable. The net annual charge is known as financing costs; this is compared to the net revenue stream i.e., the amount funded from Council Tax, Business Rates and general government grants.

Table 11: Prudential Indicator: Proportion of Financing Costs to Net Core Revenue Stream in £ million.

	2022/23 Actual	2023/24 Forecast	2024/25 Estimate	2025/26 Estimate	2026/27 Estimate
Financing Costs	3.3	5.8	8.2	7.6	6.1

APPENDIX 1

Proportion of Net Core Revenue Stream	27.5%	46.8%	62.1%	55.9%	42.1%
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Note: The indicator above shows that the proportion of financing costs to the net core revenue stream increases significantly from 2022/23. This is due to increase borrowing levels and higher interest rates. The sale of assets will reduce debts and therefore costs from 2025/26.

- 7.2 **Sustainability:** The current high levels of borrowing are not considered to be affordable on a long term, sustainable basis. For this reason, asset sales of £40m in over the next three years are expected to reduce borrowing to a more affordable level. Future capital expenditure and borrowing decision will consider their long-term sustainability and affordability and will be reviewed considering the Council's risk appetite and tolerances.

8 KNOWLEDGE AND SKILLS

- 8.1 The Council employs professionally qualified and experienced staff in senior positions with responsibility for making capital expenditure, borrowing and investment decisions. For example, the Executive Head of Finance is a qualified accountant (Institute of Chartered Accountants England and Wales) with 23 years' experience of local government finance, the Property and Estates Service and Regeneration teams include permanent and contract resources who are appropriately qualified and including and number of Chartered Surveyors). The Council pays for staff to study towards relevant professional qualifications including CIPFA, ACT (treasury) and RICS.
- 8.2 Where Council staff do not have the knowledge and skills required, use is made of external advisers and consultants that are specialists in their field. The Council currently employs Arlingclose Limited as treasury management advisers and Lambert Smith Hampton Investment Management Ltd (LSHIM) as commercial property consultants as required depending on the nature of the professional advice sought. This approach is more cost effective than employing such staff directly and ensures that the Council has access to knowledge and skills commensurate with its risk appetite.

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31 JANUARY 2024

**ANNUAL TREASURY MANAGEMENT STRATEGY AND ANNUAL NON-
TREASURY INVESTMENT STRATEGY 2024-25****SUMMARY AND RECOMMENDATIONS:****SUMMARY:**

The Council is required to approve a Treasury Management Strategy and Non-Treasury Investment Strategy (Investment Strategy) for 2024-25 before 1 April 2024.

The attached Treasury Management Strategy Statement (TMSS) for 2024-25 (Appendix 1) and Non-Treasury Investment Strategy (Appendix 2) is prepared in accordance with the "Prudential Code" and the "Treasury Management Code of Practice" in 2017, and the Ministry of Housing, Communities and Local Government (MHCLG) revised guidance on Local Government Investment.

RECOMMENDATION:

Members are requested to recommend to Council:

- (i) Approval of the Treasury Management Strategy 2024-25, Annual Borrowing Strategy 2024-25 attached at Appendix 1, and
- (ii) Approve Annual Non-Treasury Investment Strategy 2024-25 attached at Appendix 2; and
- (iii) Approval of the Minimum Revenue Provision (MRP) Statement set out in Appendix 3.

1 INTRODUCTION

- 1.1 This report sets out the proposed Treasury Management Strategy and Non-Treasury Investment Strategy for the year 2024-25, including the borrowing and investment strategies and treasury management indicators for capital finance for 2024-25 and the Minimum Revenue Provision Statement.
- 1.2 Treasury risk management at the Council is conducted within the framework of the Chartered Institute of Public Finance and Accountancy's Treasury Management in the Public Services: Code of

Practice 2021 Edition (the CIPFA Code) which requires approval of a treasury management strategy before the start of each financial year. This report fulfils the Council's legal obligation under the Local Government Act 2003 to have regard to the CIPFA Code.

- 1.3 The CIPFA Treasury Management Code of Practice 2021 Edition, requires the Authority to have a separate Non-Treasury Investment Strategy (Appendix 2) which must be approved before April 2024.
- 1.4 Local authorities are also required by regulation to 'have regard to' the provisions of the Prudential Code for Capital Finance in Local Authorities (Prudential Code) 2021.

2 PURPOSE

- 2.1 The primary purpose of the treasury management operation is to ensure that cash flow is adequately planned, with cash being available when it is needed. Surplus monies are invested in counterparties or instruments commensurate with the Council's low risk approach, pursuing optimum performance while ensuring that security of the investment is considered ahead of investment return. The Council is required to operate a balanced budget, which broadly means that cash raised during the year will meet cash expenditure.
- 2.2 The secondary function of the treasury management operation is the funding of the Council's capital plans. These capital plans provide a guide to the borrowing need of the Council, essentially the longer-term cash flow planning, to ensure the Council can meet its capital spending obligations. The management of longer-term cash may involve the arrangement of long and/or short-term loans (external borrowing) or may use longer term cash flow surpluses in lieu of external borrowing (internal borrowing).
- 2.3 Accordingly, the Chartered Institute of Public Finance and Accountancy (CIPFA) defines treasury management as: *"The management of the Council's borrowing, investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks"*.
- 2.4 The primary purpose of non-treasury investment management operations is to ensure that all investments made primarily for service reasons or primarily to generate a profit have a suitable level of security and liquidity. This strategy also ensures that the risks and rewards of these investments are monitored regularly.

- 2.5 The secondary function of investment management is to generate returns. These returns are monitored on a regular basis.
- 2.6 The purpose of the indicators is to set a framework for affordable, prudent and sustainable capital investment.
- 2.7 The appendices (1 to 3) set out the Treasury Management Strategy, Investment Strategy and Minimal Revenue Provision Statement for 2024-25 and fulfil key legislative requirements as follows:

Appendix 1

- The **Treasury Management Strategy** which sets out how the Council's treasury operation will support capital decisions taken during the period, the day-to-day treasury management and the limitations on activity through treasury prudential indicators, in accordance with CIPFA's Code of Practice on Treasury Management and Prudential Code;
- The **Annual Borrowing Strategy** which sets out the Council's objectives for borrowing together with the approved sources of long and short-term borrowing and;
- **Annual Treasury Management Investment Strategy** which sets out the Council's criteria for choosing investment counterparties and limiting exposure to the risk of loss, in accordance with CIPFA's Code of Practice on Treasury Management.

Appendix 2

- The **Non-Treasury Investment Strategy** sets out the Council's investment decisions taken during the period and monitors performance and security, in accordance with DLUHC (Department for Levelling Up, Housing and Communities) Investment Guidance.

Appendix 3

- The Council's **Minimum Revenue Provision (MRP) Statement**, which sets out how the Council will pay for capital assets through revenue each year, as required by the Local Government Act 2003 (Regulations 27 and 28 in the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003).
- 2.8 These policies and parameters provide an approved framework within which officers undertake the day-to-day capital, treasury and non-treasury investment activities.

3 SCOPE

- 3.1 This report covers the Council's treasury management and investment activities as set out in paragraphs 2.1 to 2.8 above. The funds invested consist of short-term cash available due to timing of income and expenditure, prudential borrowing and the Council's capital receipts.
- 3.2 The Council's treasury management advisors Arlingclose continue to advise diversification in investments (spreading small amounts over a few counterparties) wherever possible.
- 3.3 Prudential borrowing of £120.0m was incurred by 31st March 2023 in relation to capital expenditure. As this was all borrowed on a short-term basis a proportion of it will need to be refinanced on an ongoing basis as it matures. The Council also plan to reduce this borrowing need by generating approximately £40m in asset sales over the next three years.
- 3.4 Careful observation of the "gross debt v capital financing requirement" indicator will need to be undertaken progressively throughout the financial year.
- 3.5 Where a material change to the attached strategies occurs during the year a revised strategy will be presented to Full Council before the change is implemented.

TREASURY MANAGEMENT STRATEGY 2024-25

1 INTRODUCTION

- 1.1 Treasury management is the management of the Council's cash flows, borrowing and investments, and the associated risks. The Council has borrowed and invested substantial sums of money and is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of financial risk are therefore central to the Council's prudent financial management.
- 1.2 Treasury risk management at the Council is conducted within the framework of the Chartered Institute of Public Finance and Accountancy's *Treasury Management in the Public Services: Code of Practice 2021 Edition* (the CIPFA Code) which requires the Council to approve a treasury management strategy before the start of each financial year. This report fulfils the Council's legal obligation under the *Local Government Act 2003* to have regard to the CIPFA Code. The Corporate Governance Audit and Strategy Committee is the nominated Committee responsible for the effective scrutiny of the Treasury Management Strategy and policies.
- 1.3 Investments held for service purposes or for commercial profit are considered in a separate part of this report, the Investment Strategy at Appendix 2.
- 1.4 This Strategy covers:
- External Context
 - Local Context
 - Annual Borrowing Strategy
 - Annual Investment Strategy
 - Treasury Management Prudential Indicators
 - Related Matters

2 EXTERNAL CONTEXT

Economic background (January 2024):

- 2.1 Economic background: The impact on the UK from higher interest rates and inflation, a weakening economic outlook, an uncertain political climate due to an upcoming general election, together with war in

APPENDIX 1

Ukraine and the Middle East, will be major influences on the Authority's treasury management strategy for 2024/25.

- 2.2 The Bank of England (BoE) increased Bank Rate to 5.25% in August 2023, before maintaining this level for the rest of 2023. In December 2023, members of the BoE's Monetary Policy Committee voted 6-3 in favour of keeping Bank Rate at 5.25%. The three dissenters wanted to increase rates by another 0.25%.
- 2.3 The November quarterly Monetary Policy Report (MPR) forecast a prolonged period of weak Gross Domestic Product (GDP) growth with the potential for a mild contraction due to ongoing weak economic activity. The outlook for CPI inflation was deemed to be highly uncertain, with upside risks to CPI falling to the 2% target coming from potential energy price increases, strong domestic wage growth and persistence in price-setting.
- 2.4 Office for National Statistics (ONS) figures showed CPI inflation was 3.9% in November 2023, down from a 4.6% rate in the previous month and, in line with the recent trend, lower than expected. The core CPI inflation rate declined to 5.1% from the previous month's 5.7%, again lower than predictions. Looking ahead, using the interest rate path implied by financial markets the BoE expects CPI inflation to continue falling slowly, but taking until early 2025 to reach the 2% target before dropping below target during the second half 2025 and into 2026.
- 2.5 ONS figures showed the UK economy contracted by 0.1% between July and September 2023. The BoE forecasts GDP will likely stagnate through 2024. The BoE forecasts that higher interest rates will constrain GDP growth, which will remain weak over the entire forecast horizon.
- 2.6 The labour market appears to be loosening, but only very slowly. The unemployment rate rose slightly to 4.2% between June and August 2023, from 4.0% in the previous 3-month period, but the lack of consistency in the data between the two periods made comparisons difficult. Earnings growth has remained strong but has showed some signs of easing; regular pay (excluding bonuses) was up 7.3% over the period and total pay (including bonuses) up 7.2%. Adjusted for inflation, regular pay was 1.4% and total pay 1.3%. Looking forward, the MPR showed the unemployment rate is expected to be around 4.25% in the second half of calendar 2023, but then rising steadily over the forecast horizon to around 5% in late 2025/early 2026.
- 2.7 Having increased its key interest rate to a target range of 5.25-5.50%

in August 2023, the US Federal Reserve appears now to have concluded the hiking cycle. It is likely this level represents the peak in US rates following a more dovish meeting outcome in December 2023. US GDP grew at an annualised rate of 4.9% between July and September 2023, ahead of expectations for a 4.3% expansion and the 2.1% reading for Q2. But the impact from higher rates has started to feed into economic activity and growth will weaken in 2024. Annual CPI inflation was 3.1% in November.

- 2.8 Eurozone inflation has declined steadily since the start of 2023, falling to an annual rate of 2.4% in November 2023. Economic growth has been weak, and GDP contracted by 0.1% in the three months to September 2023. In line with other central banks, the European Central Bank has increased rates, taking its deposit facility, fixed rate tender, and marginal lending rates to 3.75%, 4.25% and 4.50% respectively.

Credit Outlook:

- 2.9 Credit Default Swap (CDS) prices were volatile during 2023, spiking in March on the back of banking sector contagion concerns following the major events of Silicon Valley Bank becoming insolvent and the takeover of Credit Suisse by UBS. After then falling back in Q2 of calendar 2023, in the second half of the year, higher interest rates and inflation, the ongoing war in Ukraine, and now the Middle East, have led to CDS prices increasing steadily.
- 2.10 On an annual basis, CDS price volatility has so far been lower in 2023 compared to 2022, but this year has seen more of a divergence in prices between ringfenced (retail) and non-ringfenced (investment) banking entities once again. CDS prices are an indicator of the market's perception of how likely a counterparty is to default, they are monitored as part of treasury risk management.
- 2.11 Moody's revised its outlook on the UK sovereign to stable from negative to reflect its view of restored political predictability following the volatility after the 2022 mini-budget. Moody's also affirmed the Aa3 rating in recognition of the UK's economic resilience and strong institutional framework.
- 2.12 Following its rating action on the UK sovereign, Moody's revised the outlook on five UK banks to stable from negative and then followed this by the same action on five rated local authorities. However, within the same update the long-term ratings of those five local authorities were downgraded.

- 2.13 There remain competing tensions in the banking sector, on one side from higher interest rates boosting net income and profitability against another of a weakening economic outlook and likely recessions that increase the possibility of a deterioration in the quality of banks' assets.
- 2.14 However, the institutions on our adviser (Arlingclose's) counterparty list remain well-capitalised and their counterparty advice on both recommended institutions and maximum duration remain under constant review and will continue to reflect economic conditions and the credit outlook.

Interest Rate Forecast (December 2023):

- 2.15 Although UK inflation and wage growth remain elevated, the Council's treasury management adviser Arlingclose forecasts that Bank Rate has peaked at 5.25%. The Bank of England's Monetary Policy Committee will start reducing rates in 2024 to stimulate the UK economy but will be reluctant to do so until it is sure there will be no lingering second-round effects. Arlingclose sees rate cuts from Q3 2024 to a low of around 3% by early-mid 2026.
- 2.16 Arlingclose expects long-term gilt yields to be broadly stable at current levels (amid continued volatility), following the decline in yields towards the end of 2023, which reflects the expected lower medium-term path for Bank Rate. Yields will remain relatively higher than in the past, due to quantitative tightening and significant bond supply. As ever, there will undoubtedly be short-term volatility due to economic and political uncertainty and events.
- 2.17 A more detailed economic and interest rate forecast provided by Arlingclose is in Appendix A.

3 LOCAL CONTEXT

- 3.1 On 31 December 2023, the Council held £162.0m of short-term borrowing and £39.7m of investments. This is set out in further detail in Appendix B. Forecast changes in these sums are shown in the balance sheet analysis in table 1 below. To date the Council has relied upon its own cashflow (internal borrowing) to fund capital expenditure, supplemented by short-term external borrowing to provide liquidity. A significant element of the external borrowing will be replaced during the

APPENDIX 1

year with renewed short-term borrowing based upon the Councils projected cashflow requirements. The objective is to minimise the need for external borrowing and enable the CFR to be reduced by replacing capital receipts from asset sales as these are achieved.

Table 1: Balance Sheet Summary and Forecast in £ millions.

	2022-23 Actual	2023-24 Forecast	2024-25 Estimate	2025-26 Estimate	2026-27 Estimate
Capital Financing Requirement	139.7	166.3	167.9	141.4	129.1
Less: Other Debt Liabilities	1.4	1.1	0.8	0.4	0.1
Loans CFR	139.7	166.3	167.1	141.0	129.0
Less: External Borrowing	120.0	164.0	5.0	-	-
Internal Borrowing	18.2	1.2	162.1	141.0	129.0
Less: Balance Sheet Resources	38.6	32.0	26.7	22.1	17.3
Treasury Investments / (New Borrowing)	20.4	30.9	(135.4)	(118.9)	(111.7)

- 3.2 The underlying need to borrow for capital purposes is measured by the Capital Financing Requirement (CFR), while usable reserves and working capital are the underlying resources available for investment. The Council's current strategy is to maintain borrowing and investments below their underlying levels, sometimes known as internal borrowing. The Council will not have sufficient working capital to fund the required level of borrowing and will borrow funds from other local authorities' short term to provide liquidity and manage cash requirement during year.
- 3.3 The Council's CFR is projected to increase to £167.1m in 2024/25 before reducing. The majority of currently held loans are due to mature within the next year and will need to be replaced, meaning the Council can expect to have an ongoing borrowing need in future. Over the forecast period above it is expected that £111.7m of borrowing will be needed by 2026/27, this is lower than the £162.0m of loans held at 31st December 2023.

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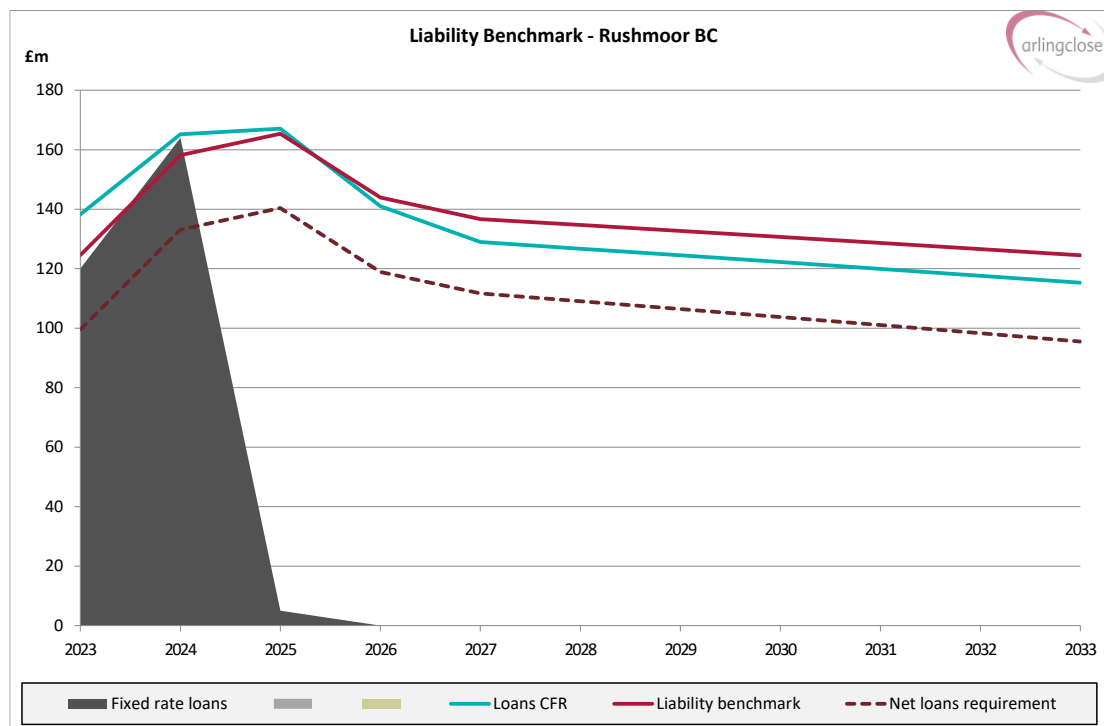
- 3.4 CIPFA's *Prudential Code for Capital Finance in Local Authorities* recommends that the Council's total debt should be lower than its highest forecast CFR over the next three years. The table above shows that the Council expects to comply with this recommendation during 2024-25 and following two financial years.
- 3.5 **Liability benchmark:** To compare the Council's actual borrowing against an alternative strategy, a liability benchmark has been calculated showing the lowest risk level of borrowing. This assumes the same forecasts as in the table above, but that cash and investment balances are kept to a minimum level of £25m at each year-end. This incorporates £20m invested in strategic pooled funds that cannot be sold at short notice and an additional £5m liquidity buffer to manage short-term cashflow requirements.
- 3.6 The liability benchmark is an important tool to help establish whether the Council is likely to be a long-term borrower or long-term investor in the future, and so shape its strategic focus and decision making. The liability benchmark itself represents an estimate of the cumulative amount of external borrowing the Council must hold to fund its current capital and revenue plans while keeping treasury investments at the minimum level required to manage day-to-day cash flow.

Table 2: Prudential Indicator: Liability Benchmark in £ millions

	2022-23 Actual	2023-24 Forecast	2024-25 Estimate	2025-26 Estimate	2026-27 Estimate
Loans CFR	139.7	166.3	167.1	141.0	129.0
Less: Balance Sheet Resources	38.6	32.0	26.7	22.1	17.3
Net Loans Requirement	99.6	133.1	140.4	118.9	111.7
Plus: Liquidity Allowance	25.0	25.0	25.0	25.0	25.0
Liability Benchmark	124.6	158.1	165.4	143.9	136.7

- 3.7 Following on from the medium-term forecast in table 2 above, the 10-year liability benchmark assumes no capital expenditure funded by borrowing

after 2025/26 and that reserves increase with inflation of 2.5%. This is shown below together with the maturity profile of the Council's existing borrowing:



3.8 This shows that the Council has a significant borrowing need for a number of years into the future as the CFR and liability benchmark remain high. The majority of the need to borrow is to replace existing short-term loans that will mature.

4 ANNUAL BORROWING STRATEGY 2024-25

4.1 The Council held 162.0m in loans at 31st December 2023 as part of its previous strategy for funding prior years' capital programmes. This presents an increase in borrowing from the previous year. The majority of current debt is due to mature with in next 12 months.

4.2 The balance sheet forecast in table 1 (above) shows that the Council expects to need to borrow £135.4m by the end of 2024/25. This is to replace existing short-term loans as they mature.

4.4 **Objectives:** The Council's chief objective when borrowing money will be to strike an appropriately low risk balance between securing low interest costs and achieving cost certainty over the period for which funds are required. The flexibility to renegotiate loans should the Council's long-term plans change is a secondary objective.

4.5 **Strategy:** The Council has to date adopted an approach of borrowing on a short-term basis to take advantage of historically low short-term

interest rates. Since late 2021 however interest rates, and correspondingly the Council's cost of borrowing, have risen dramatically. Bank of England Base Rate was 0.1% in December 2021 and is now 5.25%.

- 4.6 In the medium term the Council aims to have a higher proportion of debt in longer-term loans, enabling greater long-term certainty in costs. As current interest rates are expected to fall the intention is to wait until rates are lower before beginning this process. The situation is kept under constant review.
- 4.7 Alternatively, the Council may arrange forward starting loans, where the interest rate is fixed in advance, but the cash is received in later years. This would enable certainty of cost to be achieved without suffering a cost of carry in the intervening period.
- 4.8 PWLB loans are no longer available to local authorities planning to buy investment assets primarily for yield; the Council intends to avoid this activity to retain its access to PWLB loans.
- 4.9 In addition, the Council may borrow further short-term loans to cover unplanned cash flow shortages.
- 4.10 **Sources of borrowing:** The approved sources of long-term and short-term borrowing are summarised below:
- HM Treasury's PWLB lending facility (formerly the Public Works Loan Board)
 - UK Infrastructure Bank Ltd
 - Any institution approved for investments
 - Money market loans (long term & temporary)
 - Any other bank or building society authorised to operate in the UK
 - UK Local Authorities
 - UK public and private sector pension funds (except the Local Government Pension Scheme administered by Hampshire County Council)
 - Capital market bond investors
 - UK Municipal Bond Agency plc and other special purpose companies created to enable local authority bond issues.
 - Lottery monies
- 4.11 **Other sources of debt finance:** In addition, capital finance may be raised by the following methods that are not borrowing, but may be classed as other debt liabilities:

- Leasing
- Hire purchase
- Private Finance Initiative
- Sale and leaseback
- Similar asset based finance

4.12 The Council has previously raised all of its borrowing on a short-term basis from Local Authorities. In future the Council expects to continue to utilise this source and is also likely to utilise the PWLB for longer-term loans as appropriate. The Council continues to investigate other sources of finance, that may be available at more favourable rates.

4.13 **Municipal Bonds Agency:** UK Municipal Bonds Agency plc was established in 2014 by the Local Government Association as an alternative to the PWLB. It issues bonds on the capital markets and lends the proceeds to local authorities. This is a more complicated source of finance than the PWLB for two reasons: borrowing authorities will be required to provide bond investors with a guarantee to refund their investment if the agency is unable to for any reason; and there will be a lead time of several months between committing to borrow and knowing the interest rate payable. Any decision to borrow from the Agency will therefore be the subject of a separate report to Council.

5 ANNUAL TREASURY MANAGEMENT INVESTMENT STRATEGY 2024-25

5.1 The Guidance on Local Government Investments in England gives priority to security and liquidity, and the Council's aim has been to achieve a yield commensurate with these principles.

5.2 The Council holds significant invested funds, representing income received in advance of expenditure plus balances and reserves held. As at 31 December 2023 the Council's investment balance stood at £39.7m. In future years the Council expects to hold a minimum of £25m in investments. Further detail on current investments is given in Appendix 2.

5.3 During 2023 the Council has generated returns from existing long-term pooled fund investments together with diversification within the Council's investment portfolio. The Council held the following investments on 31 December 2023:

- £19.3m in pooled funds (providing a balance across a range of 6 different types of funds).
- £24.7m deposited with other local authorities
- £15.0m held in money market funds with next day access

- 5.4 **Objectives:** The CIPFA Code requires the Authority to invest its treasury funds prudently, and to have regard to the security and liquidity of its investments before seeking the highest rate of return, or yield. The Council's objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income. Where balances are expected to be invested for more than one year, the Council will aim to achieve a total return that is equal or higher than the prevailing rate of inflation, to maintain the spending power of the sum invested. The Council aims to be a responsible investor and will consider environmental, social and governance (ESG) issues when investing.
- 5.5 **Strategy:** The Council's policy on treasury investments is to prioritise security and liquidity over yield, that is to focus on minimising risk rather than maximising returns. Cash that is likely to be spent in the near term is invested securely, for example with the government, other local authorities or selected high-quality banks, to minimise the risk of loss. Money that will be held for longer terms is invested more widely, including in bonds, shares and property, to balance the risk of loss against the risk of receiving returns below inflation. Both near-term and longer-term investments may be held in pooled funds, where an external fund manager makes decisions on which particular investments to buy and the Council may request its money back at short notice.
- 5.6 The CIPFA Code does not permit local authorities to borrow to invest purely of financial gain. Borrowing and investing for day-to-day treasury management is permitted.
- 5.7 Long-term investments are also permitted for treasury management purposes. Investments in strategic pooled funds which invest in products such as bonds, property and equity will in the longer term produce higher returns than cash investments. In the long term they are much more likely to protect the value of investments by gaining a return greater than inflation. This is the reason for the Council's current portfolio of strategic pooled funds.
- 5.8 The Council will give due consideration to the potential sale of strategic pooled funds in future as part of an ongoing review of their risk and return to the Council. A sale at the present time is not a suitable option as due to the current economic climate this would be realising a loss in these

investments. The funds are considered long-term products that are unsuitable for sale at short notice.

- 5.9 **ESG policy:** Environmental, social and governance (ESG) considerations are increasingly a factor in global investors' decision making, but the framework for evaluating investment opportunities is still developing and therefore the Council's ESG policy does not currently include ESG scoring or other real-time ESG criteria at an individual investment level. When investing in banks and funds, the Council will prioritise banks that are signatories to the UN Principles for Responsible Banking and funds operated by managers that are signatories to the UN Principles for Responsible Investment, the Net Zero Asset Managers Alliance and/or the UK Stewardship Code.
- 5.10 **Business models:** Under the IFRS 9 standard on financial instruments, the accounting for certain investments depends on the Council's "business model" for managing them. The Council aims to achieve value from its internally managed treasury investments by a business model of collecting the contractual cash flows and therefore, where other criteria are also met, these investments will continue to be accounted for at amortised cost.
- 5.11 **Approved counterparties:** The Council may invest its surplus funds with any of the counterparty types in the table below, subject to the cash limits (per counterparty) and the time limits shown. The schedule of approved counterparties is underpinned by a detailed list of named counterparties. This list is maintained within Financial Services for treasury management operational purposes.

Table 3: Treasury Management Investment Counterparties and Limits

Sector	Time Limit	Counterparty Limit (£m)	Sector Limit (£m)
The UK Government	50 years	Unlimited	N/A
Local authorities and other government agencies	25 years	6	Unlimited
Money market funds*	N/A	6	Unlimited
Secured investments*	25 years	6	Unlimited
Banks (unsecured) *	13 months	3	30
Building societies (unsecured) *	13 months	3	6
Strategic pooled funds	N/A	6	30

* **Minimum credit rating:** Treasury investments in the sectors marked with an asterisk will only be made with entities whose lowest published long-term credit rating is no lower than A-. Where available, the credit rating relevant to the specific investment or class of investment is used, otherwise, the counterparty credit rating is used. However, investment decisions are never made solely based on credit ratings, and all other relevant factors including external advice will be considered.

5.12 **Government:** Loans to, and bonds and bills issued or guaranteed by, national governments, regional and local authorities and multilateral development banks. These investments are not subject to bail-in, and there is generally a lower risk of insolvency, although they are not zero risk. Investments with the UK Government are deemed to be zero credit risk due to its ability to create additional currency and therefore may be made in unlimited amounts for up to 50 years.

5.13 **Secured investments:** Investments secured on the borrower's assets, which limits the potential losses in the event of insolvency. The amount and quality of the security will be a key factor in the investment decision. Covered bonds and reverse repurchase agreements with banks and building societies are exempt from bail-in. Where there is no investment specific credit rating, but the collateral upon which the investment is secured has a credit rating, the higher of the collateral credit rating and the counterparty credit rating will be used. The combined secured and unsecured investments with any one counterparty will not exceed the

cash limit for secured investments.

- 5.14 **Money market funds:** Pooled funds that offer same-day or short notice liquidity and very low or no price volatility by investing in short-term money markets. They have the advantage over bank accounts of providing wide diversification of investment risks, coupled with the services of a professional fund manager in return for a small fee. Although no sector limit applies to money market funds, the Council will take care to diversify its liquid investments over a variety of providers to ensure access to cash at all times.
- 5.15 **Banks and building societies (unsecured):** Accounts, deposits, certificates of deposit and senior unsecured bonds with banks and building societies, other than multilateral development banks. These investments are subject to the risk of credit loss via a bail-in should the regulator determine that the bank is failing or likely to fail. See below for arrangements relating to operational bank accounts.
- 5.16 **Strategic pooled funds:** Bond, equity and property funds that offer enhanced returns over the longer term but are more volatile in the short term. These allow the Council to diversify into asset classes other than cash without the need to own and manage the underlying investments. Because these funds have no defined maturity date, but are available for withdrawal after a notice period, their performance and continued suitability in meeting the Council's investment objectives will be monitored regularly.
- 5.17 **Operational bank accounts:** The may incur operational exposures, for example through current accounts, collection accounts and merchant acquiring services, to any UK bank with credit ratings no lower than BBB- and with assets greater than £25 billion. These are not classed as investments but are still subject to the risk of a bank bail-in, and balances will therefore be kept below £2m per bank. The Bank of England has stated that in the event of failure, banks with assets greater than £25 billion are more likely to be bailed-in than made insolvent, increasing the chance of the Council maintaining operational continuity.
- 5.18 Investments may be made with banks or any public or private sector organisations that meet the above credit rating criteria. The Council may also invest with organisations and pooled funds without credit ratings, following an external credit assessment and advice from the Council's treasury management adviser.
- 5.19 **Credit rating:** Investment limits are set by reference to the lowest

published long-term credit rating from a selection of external rating agencies. Where available, the credit rating relevant to the specific investment or class of investment is used, otherwise the counterparty credit rating is used. However, investment decisions are never made solely based on credit ratings, and all other relevant factors including external advice will be considered.

5.20 Risk Assessment and Credit Ratings: Credit ratings are obtained and monitored by the Council's treasury advisers, who will notify the Council of changes in ratings as they occur. Where an entity has its credit rating downgraded so that it fails to meet the approved investment criteria then:

- no new investments will be made with that entity
- any existing investments that can be recalled or sold at no cost will be, and
- full consideration will be given to the recall or sale of all other existing investments with the affected counterparty.

5.21 Where a credit rating agency announces that a credit rating is on review for possible downgrade (also known as "rating watch negative" or "credit watch negative") so that it may fall below the approved rating criteria, then only investments that can be withdrawn on the next working day will be made with that organisation until the outcome of the review is announced. This policy will not apply to negative outlooks, which indicate a long-term direction of travel rather than an imminent change of rating.

5.22 Other Information on the Security of Investments: The Council understands that credit ratings are good, but not perfect, predictors of investment default. Full regard will therefore be given to other available information on the credit quality of the organisations in which it invests, including credit default swap prices, financial statements, information on potential government support, reports in the quality financial press and analysis and advice from the Council's treasury management adviser. No investments will be made with an organisation if there are substantive doubts about its credit quality, even though it may otherwise meet the above criteria.

5.23 Reputational aspects: The Authority is aware that investment with certain counterparties, while considered secure from a purely financial perspective, may leave it open to criticism, valid or otherwise, that may affect its public reputation, and this risk will therefore be considered when making investment decisions.

5.24 When deteriorating financial market conditions affect the creditworthiness of all organisations, as happened in 2008, 2020 and 2022, this is not reflected in general credit-ratings. In these circumstances, where the Council feels the whole market has been affected, it will restrict its investments to those organisations of higher credit quality and reduce the maximum duration of its investments to maintain the required level of security. If these restrictions mean that insufficient commercial organisations of high credit quality are available to invest the Council’s cash balances, then the surplus will be deposited with the UK Government, or with other local authorities. This will cause investment returns to fall but will protect the principal sum invested.

5.25 **Investment limits:** The Council’s revenue reserves available to cover investment losses are forecast to be £12.5 million on 31 March 2024. In order that no more than half of available reserves will be put at risk in the case of a single default, the maximum that will be lent to any one organisation (other than the UK Government) will be £6 million. A group of banks under the same ownership will be treated as a single organisation for limit purposes. Limits will also be placed on fund managers, investments in brokers’ nominee accounts, foreign countries, and industry sectors as below. Investments in pooled funds and multilateral development banks do not count against the limit for any single foreign country since the risk is diversified over many countries. Detail of investment limits are given in table 4 below.

Table 4: Prudential Indicator: Liability Benchmark in £ millions

	Cash Limit
Any group of pooled fund under the same management	15
Negotiable instruments held in a broker’s nominee account	15
Foreign countries	6

5.26 **Liquidity management:** The Council reviews cash flow daily to determine the maximum period for which funds may prudently be committed. The forecast is compiled on a prudent basis to minimise the risk of the Council being forced to borrow on unfavourable terms to meet

its financial commitments. Limits on long-term investments are set by reference to the Council’s medium-term financial plan and cash flow forecast. The Council will spread its liquid cash over at least four providers (e.g. bank accounts and money market funds) to ensure that access to cash is maintained in the event of operational difficulties at any one provider.

6 TREASURY MANAGEMENT PRUDENTIAL INDICATORS

6.1 The Treasury Management Code requires that local authorities set several indicators for treasury management performance, which have been set as below. A voluntary measure for credit risk as set out in paragraph 7.2.

6.2 **Credit Risk (Credit Score Analysis):** The Council has adopted a voluntary measure of its exposure to credit risk by monitoring the value-weighted average credit rating / credit score of its investment portfolio. This is calculated by applying a score to each investment (AAA=1, AA+=2, etc.) and taking the arithmetic average, weighted by the size of each investment. Unrated investments are assigned a score based on their perceived risk.

The advice from Arlingclose is to aim for an average A+, or higher, average credit rating, with an average score of 5 or lower. The scores are weighted according to the size of our deposits (value-weighted average) and the maturity of the deposits (time-weighted average).

Credit risk indicator	Target
Portfolio average credit rating	A+
Portfolio average credit score	5.0

6.3 **Liquidity:** The Council has adopted a voluntary measure of its exposure to liquidity risk by monitoring the amount cash available within a rolling three-month period, without additional borrowing.

Liquidity risk indicator	Target
Total cash available within 3 months	£5m

6.4 **Interest Rate Exposures:** This indicator is set to control the Council's exposure to interest rate risk. The upper limits on the one-year revenue impact of a 1% rise or fall in interest rates will be:

Interest rate risk indicator	Limit
Upper limit on one-year revenue impact of a 1% <u>rise</u> in interest rates	£2.0m
Upper limit on one-year revenue impact of a 1% <u>fall</u> in interest rates	£2.0m

The impact of a change in interest rates is calculated on the assumption that maturing loans and investments will be replaced at current rates.

6.5 **Maturity Structure of Borrowing:** This indicator is set to control the Council's exposure to refinancing risk. The upper and lower limits on the maturity structure of borrowing will be:

Maturity Structure	Upper	Lower
Under 12 months	100%	0%
12 months and within 24 months	100%	0%
24 months and within 5 years	100%	0%
5 years and within 10 years	100%	0%
10 years and above	100%	0%

Time periods start on the first day of each financial year. The maturity date of borrowing is the earliest date on which the lender can demand repayment.

The Council has set these limits at a broad level to avoid overly onerous restrictions on future borrowing decisions. At the present time 91% of the

APPENDIX 1

Councils loans mature in under 12 months. The Council plans to further diversify the maturity of its debt as interest rates are expected to fall further reducing the cost of long-term debt. The Council wishes to have the full flexibility as to when this debt will mature. This indicator will continue to be reviewed in future.

- 6.6 **Principal Sums Invested for Periods Longer than a Year:** The purpose of this indicator is to control the Council's exposure to the risk of incurring losses by seeking early repayment of its investments. The limits on the long-term principal sum invested to final maturities beyond the period end will be:

Principal Sums Invested	2023-24	2024-25	2025-26
Limit on principal invested beyond year end at any one time	£40m	£40m	£30m

7 RELATED MATTERS

- 7.1 The CIPFA Code requires the Council to include the following in its treasury management strategy.
- 7.2 **Policy on Use of Financial Derivatives:** Local authorities have previously made use of financial derivatives embedded into loans and investments both to reduce interest rate risk, and to reduce costs or increase income at the expense of greater risk. The general power of competence in Section 1 of the Localism Act 2011 removes much of the uncertainty over local authorities' use of standalone financial derivatives (i.e., those that are not embedded into a loan or investment).

The Council will only use standalone financial derivatives (such as swaps, forwards, futures, and options) where they can be clearly demonstrated to reduce the overall level of the financial risks that the Council is exposed to. Additional risks presented, such as credit exposure to derivative counterparties, will be considered when determining the overall level of risk. Embedded derivatives, including those present in pooled funds, will not be subject to this policy, although the risks they present will be managed in line with the overall treasury risk management strategy.

Financial derivative transactions may be arranged with any organisation that meets the approved investment criteria, assessed using the

appropriate credit rating for derivative exposures. An allowance for credit risk calculated using the methodology in the Treasury Management Practices document will count against the counterparty credit limit and the relevant foreign country limit.

In line with the CIPFA Code, the Council will seek external advice and will consider that advice before entering into financial derivatives to ensure that it fully understands the implications.

7.3 Markets in Financial Instruments Directive: The Council has opted up to professional client status with its providers of financial services, including advisers, banks, brokers, and fund managers, allowing it access to a greater range of services but with the greater regulatory protections afforded to individuals and small companies. Given the size and range of the Council's treasury management activities, the Executive Head of Finance believes this to be the most appropriate status.

7.4 Investment Training: The investment training needs of the Council's treasury management staff are assessed on a continuous basis, discussed as part of the staff development reviews, and reviewed as the responsibilities of individual members of staff change.

Staff regularly attend training courses, seminars and conferences provided by Arlingclose and CIPFA.

7.5 Financial Implications - Investments: The budget for investment income in 2024-25 is £2.35m, based on an average investment portfolio of £30m at an average interest rate of 4.8%. Performance of investments against budget will be reviewed on an ongoing basis and as part of our quarterly budget monitoring process.

7.6 Financial Implications - Borrowing: The budget for interest costs in relation to borrowing in 2024-25 is £8.68m (not including IFRIC 4 lease accounting interest). This is determined by taking the expected borrowing for the year multiplied by the expected interest rate for short-term borrowing for the same period.

7.7 Other Options Considered: The CIPFA Code does not prescribe any particular treasury management strategy for local authorities to adopt. The Executive Head of Finance continues to believe that the above strategy represents an appropriate balance between risk management and cost effectiveness. Some alternative strategies, with their financial and risk management implications, are listed below.

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Alternative	2023-24	2024-25
Invest in a narrower range of counterparties and/or for shorter times	Interest income will be lower	Lower chance of losses from credit related defaults, but any such losses may be greater
Invest in a wider range of counterparties and/or for longer times	Invest in a wider range of counterparties and/or for longer times	Increased risk of losses from credit related defaults, but any such losses may be smaller
Borrow additional sums at long-term fixed interest rates	Debt interest costs will rise; this is may not be offset by higher investment income	Higher investment balance leading to a higher impact in the event of a default; however long-term interest costs may be more certain
Borrow short-term or variable loans instead of long-term fixed rates	Debt interest costs will initially be lower	Increases in debt interest costs will be broadly offset by rising investment income in the medium term, but long-term costs may be less certain
Reduce level of borrowing	Saving on debt interest is likely to exceed lost investment income	Reduced investment balance leading to a lower impact in the event of a default; however long-term interest costs may be less certain

Appendix A: Arlingclose Economic and Interest Rate Forecast – November 2023

Underlying assumptions:

- UK inflation and wage growth remain elevated but have eased over the past two months fuelling rate cuts expectations. Near-term rate cuts remain unlikely, although downside risks will increase as the UK economy likely slides into recession.
- The MPC's message remains unchanged as the Committee seeks to maintain tighter financial conditions. Monetary policy will remain tight as inflation is expected to moderate to target slowly, although some wage and inflation measures are below the Bank's last forecasts.
- Despite some deterioration in activity data, the UK economy remains resilient in the face of tighter monetary policy. Recent data has been soft but mixed; the timelier PMI figures suggest that the services sector is recovering from a weak Q3. Tighter policy will however bear down on domestic and external activity as interest rates bite.
- Employment demand is easing. Anecdotal evidence suggests slowing recruitment and pay growth, and we expect unemployment to rise further. As unemployment rises and interest rates remain high, consumer sentiment will deteriorate. Household and business spending will therefore be weak.
- Inflation will fall over the next 12 months. The path to the target will not be smooth, with higher energy prices and base effects interrupting the downtrend at times. The MPC's attention will remain on underlying inflation measures and wage data. We believe policy rates will remain at the peak for another 10 months, or until the MPC is comfortable the risk of further 'second-round' effects have diminished.
- Maintaining monetary policy in restrictive territory for so long, when the economy is already struggling, will require significant loosening in the future to boost activity.
- Global bond yields will remain volatile. Markets are currently running with expectations of near-term US rate cuts, fuelled somewhat unexpectedly by US policymakers themselves. Term premia and bond yields have experienced a marked decline. It would not be a surprise to see a reversal if data points do not support the narrative, but the current 10-year yield appears broadly reflective of a lower medium-term level for Bank Rate.
- There is a heightened risk of fiscal policy and/or geo-political events causing substantial volatility in yields.

Forecast:

- The MPC held Bank Rate at 5.25% in November. We believe this is the peak for Bank Rate.
- The MPC will cut rates in the medium term to stimulate the UK economy but will be reluctant to do so until it is sure there will be no lingering second-round effects. We see rate cuts from Q3 2024 to a low of around 3% by early-mid 2026.
- The immediate risks around Bank Rate have become more balanced, due to the weakening UK economy and dampening effects on inflation. This shifts to the downside in the short term as the economy weakens.
- Long-term gilt yields are now substantially lower. Arlingclose expects yields to be flat from here over the short-term reflecting medium term Bank Rate forecasts. Periodic volatility is likely.

	Current	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26	Sep-26
Official Bank Rate													
Upside risk	0.00	0.00	0.25	0.25	0.50	0.50	0.50	0.50	0.50	0.75	0.75	1.00	1.00
Central Case	5.25	5.25	5.25	5.25	5.00	4.75	4.25	4.00	3.75	3.50	3.25	3.00	3.00
Downside risk	0.00	0.00	-0.25	-0.50	-0.75	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00
3-month money market rate													
Upside risk	0.00	0.00	0.25	0.25	0.50	0.50	0.50	0.50	0.50	0.75	0.75	1.00	1.00
Central Case	5.40	5.40	5.40	5.30	5.15	4.80	4.30	4.10	3.80	3.50	3.25	3.05	3.05
Downside risk	0.00	0.00	-0.25	-0.50	-0.75	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00
5yr gilt yield													
Upside risk	0.00	0.25	0.75	0.85	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Central Case	3.77	3.75	3.75	3.75	3.70	3.60	3.50	3.50	3.40	3.30	3.30	3.30	3.35
Downside risk	0.00	-0.25	-0.75	-0.85	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00
10yr gilt yield													
Upside risk	0.00	0.25	0.75	0.85	0.85	0.90	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Central Case	3.72	3.75	3.80	3.80	3.80	3.80	3.80	3.80	3.75	3.65	3.60	3.65	3.70
Downside risk	0.00	-0.25	-0.75	-0.85	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00
20yr gilt yield													
Upside risk	0.00	0.25	0.75	0.85	0.85	0.90	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Central Case	4.16	4.20	4.20	4.20	4.20	4.20	4.20	4.20	4.20	4.20	4.20	4.20	4.25
Downside risk	0.00	-0.25	-0.75	-0.85	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00
50yr gilt yield													
Upside risk	0.00	0.25	0.75	0.85	0.85	0.90	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Central Case	3.76	3.80	3.85	3.90	3.90	3.90	3.90	3.90	3.90	3.90	3.95	3.95	3.95
Downside risk	0.00	-0.25	-0.75	-0.85	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00

PWLB Standard Rate = Gilt yield + 1.00%

PWLB Certainty Rate = Gilt yield + 0.80%

PWLB HRA Rate = Gilt yield + 0.40%

UK Infrastructure Bank Rate = Gilt yield + 0.40%

Appendix B: Existing Investment and Debt Position – December 2023

	31/12/2023 Actual Portfolio £m	31/12/2023 Average Rate
External borrowing:		
Local authorities	162.0	4.7%
Other long-term liabilities:	1.4	1.0%
Total gross external debt:	163.4	4.7%
Treasury investments:		
Local authorities	24.7	5.30%
Money market funds	15.0	5.75%
Strategic pooled funds	19.3	7.13%
Total treasury investments	39.7	6.02%
Net debt	123.7	4.3%

ANNUAL NON-TREASURY INVESTMENT STRATEGY 2024-25

1 INTRODUCTION

- 1.1 The Council invests its money for three broad purposes:
- because it has surplus cash because of its day-to-day activities, for example when income is received in advance of expenditure (known as **treasury management investments**),
 - to support local public services by lending to or buying shares in other organisations (**service investments**), and
 - to earn investment income (known as **commercial investments** where this is the main purpose).
- 1.2 This investment strategy meets the requirements of statutory guidance issued by the government in January 2018 and focuses on the second and third of these categories.
- 1.3 The statutory guidance defines investments as “all of the financial assets of a local authority as well as other non-financial assets that the organisation holds primarily or partially to generate a profit; for example, investment property portfolios.” The Council interprets this to exclude (a) trade receivables which meet the accounting definition of financial assets but are not investments in the everyday sense of the word and (b) property held partially to generate a profit but primarily for the provision of local public services. This aligns the Council’s definition of an investment with that in the 2021 edition of the CIPFA Prudential Code, a more recent piece of statutory guidance.

2 TREASURY MANAGEMENT INVESTMENTS

- 2.1 The Council typically receives its income in cash (e.g., from taxes and grants) before it pays for its expenditure in cash (e.g., through payroll and invoices). It also holds reserves for future expenditure and collects local taxes on behalf of other local authorities and central government. These activities, plus the timing of borrowing decisions, lead to a cash surplus which is invested in accordance with guidance from the Chartered Institute of Public Finance and Accountancy. The balance of treasury management investments is expected to fluctuate between £20m and £60m during the 2024/25 financial year.
- 2.2 **Contribution:** The contribution that these investments make to the objectives of the Council is to support effective treasury management activities.

3 SERVICE IMPROVEMENTS: LOANS

- 3.1 **Contribution:** The Council lends money to its subsidiary (Rushmoor Homes Limited), local businesses, and its employees to support local public services and stimulate local economic growth. The Council is a funding partner of Farnborough International Limited. The loans have enabled the development of the Farnborough International exhibition and conference centre. Expanding the exhibition and conferencing capabilities in Farnborough brings increased economic capacity to the Borough and is a reinvestment in local business. The Council established a Wholly Owned Company (WOC) subsidiary, Rushmoor Homes Limited (RHL), in April 2020. The Council will lend to RHL at a commercial rate to enable procurement of property.
- 3.2 **Security:** The main risk when making service loans is that the borrower will be unable to repay the principal lent and/or the interest due. To limit this risk, and ensure that total exposure to service loans remains proportionate to the size of the Council, upper limits on the outstanding loans to each category of borrower have been set as follows:

Loans for service purposes

Category of Borrower	2022-23 Actual £m	2023-24 Forecast £m	2024-25 Estimate £m
Local businesses	6.7	6.7	6.7
Subsidiaries & partnerships	0.7	1.2	3.0
Employees	0.1	0.1	0.1
Total	7.5	8.0	9.8

- 3.3 Accounting standards require the Council to set aside loss allowance for loans, reflecting the likelihood of non-payment. The figures for loans in the Council’s statement of accounts are shown net of this loss allowance. However, the Council makes every reasonable effort to collect the full sum lent and has appropriate credit control arrangements in place to recover overdue repayments.
- 3.4 **Risk assessment:** The Council assesses the risk of loss before entering into lending agreements and whilst holding service loans by assessing the counterparty’s resilience, the service users’ needs that the loan is designed to help meet and how these will evolve over-time. During the life of the loan any change in original assumptions will be monitored. The Council will use external advisors if felt appropriate by the Executive Head of Finance. All loans will be subject to contract agreed by the Corporate Manager – Legal

Services. All loans must be approved by Full Council and will be monitored by the Executive Head of Finance.

- 3.5 **FIL loan interest deferral:** The Council has two loan agreements with FIL. As reported to members in the Revenue Budget Monitoring Report for P1 (FIN2115) the Council and the other funding consortium funding partners as part of the original FIL loan agreed to defer interest payments to provide cashflow support to Farnborough International Limited (FIL) following the cancellation of the 2020 Airshow. A revised Intercreditor Agreement was signed during 2021 that includes the capitalisation of interest and deferral of repayments to the public sector funding partners by 2 years. The first loan repayments will now be due in June 2026 with a further payment in June 2028. Therefore, the Council will not receive the full payment of interest covering the period from March 2020 to March 2022 until March 2024 subject to the covenant agreements within the agreement being met.

4 **COMERCIAL INVESTMENTS: PROPERTY**

- 4.1 **Contribution:** The Council has investments in local and regional commercial and residential property with the intention of making a profit that will be spent on local public services.
- 4.2 In November 2020 the Public Works and Loan Board (PWLB) issued new lending terms (subsequently clarified in August 2021) making it conditional that Local Authorities have no intention to buy investment assets primarily for yield in the current and follow two financial years. To access this facility the Council revised its capital programme and will not be acquiring any further investment assets primarily for yield.

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Property held for investment purposes.

Property by Type	31-Mar-23 Actual		
	Purchase Cost £m	Gains / (Losses) £m	Value in Accounts £m
Industrial units	51.8	9.3	61.1
Offices	36.6	(3.9)	32.7
Retail	31.6	(4.4)	27.2
Caravan Park	0.3	3.1	3.5
Petrol Stations	2.3	0.3	2.5
Waste Recycling	1.0	0.2	1.1
Mixed Use	0.2	0.1	0.3
Other	0.2	(0.0)	0.2
Total	123.9	4.8	128.7

Property by Type	31-Mar-24 Expected		
	Purchase Cost £m	Gains / (Losses) £m	Value in Accounts £m
Industrial units	51.8	-	59.3
Offices	36.6	-	32.7
Retail	31.6	-	27.2
Caravan Park	0.3	-	3.5
Petrol Stations	2.3	-	2.5
Waste Recycling	1.0	-	1.1
Mixed Use	0.2	-	0.3
Other	0.2	-	0.2
Total	123.9	-	128.7

- 4.3 **Security:** In accordance with government guidance, the Council considers a property investment to be secure if its accounting valuation is at or higher than its purchase cost including taxes and transaction costs.
- 4.4 Where value in accounts is at or above purchase cost: A fair value assessment of the Council's investment property portfolio has been made within the past twelve months, and the underlying assets provide security for capital investment.

APPENDIX 2

- 4.5 Should the 2023/24 and 2024/25 year-end accounts preparation and audit process value these properties below their purchase cost, then an updated investment strategy will be presented to Full Council detailing the impact of the loss on the security of investments and any revenue consequences arising therefrom.
- 4.6 Where value in accounts is below purchase cost: The fair value of the Council's investment property portfolio is no longer sufficient to provide security against loss, and the Council will therefore take mitigating actions to protect the capital invested. These actions include:
- Quarterly review of the portfolio
 - Consideration of advice from the Council's commercial property advisers by the Council's Property Investment Advisory Group (PIAG). Currently is agreed that the best course of action is to hold the majority of the assets as values will increase over the long term and most assets within the portfolio are considered sound with strong covenants/dependable income streams. Assets identified for disposal will be taken forward to market.
- 4.7 **Risk assessment:** The Council assesses the risk of loss before entering and whilst holding property investments by:
- Assessment of the relevant market sector(s) including the level of competition, barriers to entry/exit, future market prospects
 - Assessment of exposure to particular market segments to ensure adequate diversification
 - Use of external advisors if considered appropriate by the Executive Head of Finance
 - Continual monitoring of risk across the whole portfolio and specific assets
- 4.8 **Liquidity:** Compared with other investment types, property is relatively difficult to sell and convert into liquid asset at short notice and will be subject to market conditions in terms of timescales involved. However, to ensure that invested sums could be accessed when they are needed the portfolio will be regularly reviewed and prioritised to ensure that commercial property could be sold as a going concern as soon as possible.

5 LOAN COMMITMENTS AND FINANCIAL GUARANTEES

- 5.1 Although not strictly counted as investments, since no money has exchanged hands yet, loan commitments and financial guarantees carry similar risks to the Council and are included here for completeness.
- 5.2 The Council has contractually committed £0.167m of loans to RHL for

2023-24 and £0m for 2024/25.

5.3 The Council has no financial guarantees.

6 PROPORTIONALITY

6.1 The Council has become increasingly dependent on profit generating investment activity to achieve a balanced revenue budget. Table below shows the extent to which the expenditure planned to meet the service delivery objectives and/or place making role of the Council is dependent on achieving the expected net profit from investments over the lifecycle of the Medium Term Financial Strategy. The Head of Service responsible for the Council’s property and estates functions would review the cause of any shortfall and identify any actions needed to ensure the income shortfall is mitigated or remedied.

6.2 With the introduction the revised PWLB lending terms, the Council has no intention to purchase investment assets primarily for yield in the current and following two financial years. With no further expenditure planned on investment assets primarily for yield the proportion of investment to Gross service expenditure will fluctuate because of changes in investment income from existing holdings and changes in Gross service expenditure.

Proportionality of Investments

	2023-24 Budget	2023-24 Forecast	2024-2025 Budget	2025-2026 Budget	2026-2027 Budget
Investment income	8.3	7.9	8.7	9.5	9.5
Gross service expenditure	30.9	31.3	32.7	33.5	34.6
Proportion	26.7%	25.1%	26.6%	28.4%	27.5%

7 BORROWING IN ADVANCE OF NEED

7.1 Government guidance is that local authorities must not borrow more than or in advance of their needs purely in order to profit from the investment of the extra sums borrowed.

7.2 The Council may, in supporting the delivery of the Council’s Capital Programme, borrow in advance of need where it is expected to demonstrate the best longer-term value for money position. Any decision to borrow in advance will be within forward approved Capital Financing Requirement estimates, and will be considered carefully to ensure that value for money can be demonstrated (ie: the cost of holding does not outweigh the benefits of early borrowing) and that the Council can ensure the security of such funds.

- 7.3 The Council is aware that it will be exposed to the risk of loss of the borrowed sums, and potential interest rate changes. These risks will be managed as part of the Council's overall management of its treasury risks and will be reported through the standard reporting method.

8 CAPACITY, SKILLS AND CULTURE

- 8.1 **Elected members and statutory officers:** The Council recognises that those elected Members and statutory officers involved in the investment decision making process must have appropriate capacity, skills and information to enable them to:

- take informed decisions as to whether to enter into a specific investment;
- to assess individual investments in the context of the strategic objectives and risk profile of the Council; and
- to enable them to understand how new decisions have changed the overall risk exposure of the Council.

The Council will ensure that the relevant officers and the Members of Cabinet have appropriate skills, providing training and advisor support where there is a skills gap.

- 8.2 **Agents:** Lambert Smith Hampton Investment Management (LSHIM) were appointed as the Council's external investment advisor during 2019/20. LSHIM manage property investment portfolios for institutions, local authorities, and private family offices. The LSHIM investment team are all RICS qualified and have significant combined commercial experience. The assigned investment team can call on the wider expertise and resource of the parent company (Lambert Smith Hampton-LSH) that have offices throughout the UK.
- 8.3 **Commercial deals:** The Council will ensure that the Cabinet, officers and agents negotiating commercial deals are aware of the core principles of the prudential framework and of the regulatory regime within which local authorities operate.
- 8.4 **Corporate governance:** Any investment decisions will be scrutinised by Executive Leadership Team, Property Investment Activity Group (PIAG) and Cabinet before final approval. The Overview and Scrutiny committee review all decisions made by the Cabinet. Although after the event the Committee can make any recommendations to the Council if it sees fit.

9 INVESTMENT INDICATORS

- 9.1 The Council has set the following quantitative indicators to allow elected

APPENDIX 2

members and the public to assess the Council's total risk exposure as a result of its investment decisions.

- 9.2 **Total risk exposure:** The first indicator shows the Council's total exposure to potential investment losses. This includes amounts the Council is contractually committed to lend but have yet to be drawn down and guarantees the Council has issued over third-party loans.

Total Investment Exposure £m	31-Mar-23 Actual	31-Mar-24 Forecast	31-Mar-25 Forecast
Treasury Management Investments	20.4	30.9	25.0
Service Improvement: Loans	7.5	8.0	9.8
Commercial Investments: Property	128.7	123.9	123.9
Total	152.1	159.7	159.7
Commitments to lend	-	0.167	-
Guarantees issued on loans	-	-	-
Total exposure	152.1	159.7	159.7

- 9.3 **How investments are funded:** Government guidance is that these indicators should include how investments are funded. Since the Council does not normally associate assets with liabilities, this guidance is difficult to comply with. However, the following investments could be described as funded by borrowing. The remainder of the Council's investments are funded by usable reserves and income received in advance of expenditure.

Investments funded by borrowing £m	31-Mar-23 Actual	31-Mar-24 Forecast	31-Mar-25 Forecast
Treasury Management Investments	-	-	-
Service Improvement: Loans	7.8	27.8	27.8
Service Improvement: Shares	-	-	-
Commercial Investments: Property	92.2	92.2	92.2
Total	100.0	120.0	120.0

- 9.4 **Rate of return received:** This indicator shows the investment income

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received less the associated costs, including the cost of borrowing where appropriate, as a proportion of the sum initially invested. Note that due to the complex local government accounting framework, not all recorded gains and losses affect the revenue account in the year they are incurred.

Investments net rate of return	31-Mar-23 Actual	31-Mar-24 Forecast	31-Mar-25 Forecast
Treasury Management Investments	-6.69%	4.35%	4.35%
Service Improvement: Loans	0%	0%	0%
Commercial Investments: Property	5.2%	5.2%	5.2%
All Investments	4.63%	5.1%	5.1%

- 9.5 Treasury management returns are forecast to recover in 2024-25 predominantly due to an improved performance of the capital value of shares owned in strategic pooled funds. Interest rates for cash investments have also been higher this year. Service investment loan returns are forecast to remain low during 2023-24 due to the interest deferral on Farnborough International Limited loan, which the Council entered into as part of a funding consortium.

MINIMUM REVENUE PROVISION STATEMENT 2024-25

1. Where the Council finances capital expenditure by debt, it must put aside resources to repay that debt in later years. The amount charged to the revenue budget for the repayment of debt is known as Minimum Revenue Provision (MRP), although there has been no statutory minimum since 2008. The Local Government Act 2003 requires the Council to have regard to the former Ministry of Housing, Communities and Local Government's Guidance on Minimum Revenue Provision (the MHCLG Guidance) most recently issued in 2018.
2. The broad aim of the MHCLG Guidance is to ensure that debt is repaid over a period that is either reasonably commensurate with that over which the capital expenditure provides benefits.
3. The MHCLG Guidance requires the Council to approve an Annual MRP Statement each year for calculating a prudent amount of MRP. The guidance recommends charging MRP over the expected useful life of the assets created by the capital expenditure and gives two calculation options. The Council currently uses the straight-line method, where equal annual charges for MRP are made over the asset life.
4. The alternative in the guidance is to use the annuity method, where MRP is calculated as the principal repayment on an annuity loan, like a repayment mortgage. This sees the MRP charge increase each year over the asset life but remains a prudent option since the interest cost associated with the outstanding CFR reduces as the balance reduces, leading to a flat total cost of MRP plus interest, as with a fixed-rate repayment mortgage.
5. The Council will now use the annuity basis and an annuity rate equal to the average PWLB certainty rate for annuity loans in the year of expenditure, for a loan term equal to the asset life, and forecast rates for future years, starting in the year after the asset becomes operational or in the year following expenditure was incurred up to a maximum of 50 years.
7. For assets acquired by finance lease or private finance initiative, MRP will be determined as being equal to the element of the rent or charge that goes to write down the balance sheet liability.
8. Where former operating leases have been brought onto the balance sheet on 1st April 2022 due to the adoption of the IFRS 16 Leases accounting standard, and the asset values have been adjusted for accruals, prepayments, premiums and/or discounts, then the annual MRP charges will be adjusted so that the total charge to revenue remains unaffected by the new standard.
9. Where loans are made to other bodies and designated as capital expenditure, no MRP will be charged. However, the capital receipts

generated by the repayments on those loans will be set aside to repay debt instead.



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January 2024

Dear Clive

Thank you for your considered report on *Financial Reporting and Audit in Local Authorities*, published by the Levelling Up, Housing and Communities Committee on 24 November 2023.

The Government recognises the vital role played by our systems of local authority financial reporting and audit. Accurate and independently audited financial information, delivered on time, enables local bodies to effectively plan, make informed decisions and manage their services. This aids transparent and accountable local democracy which engenders public confidence and trust.

In July my predecessor, Lee Rowley MP, wrote to you providing a cross-system statement on proposals to clear the backlog of local audits. He set out that there exists a shared resolve and commitment amongst the organisations which comprise the local audit system to take action to tackle the exceptional circumstances of the current backlog and ensure a return to timely delivery of high-quality financial reporting and external audit in local bodies. This resolve remains strong and considerable. Detailed development of the proposals, alongside engagement with stakeholders across the sector, has taken place since the Summer. I am pleased that the Committee have acknowledged that "*a resetting of the system through a limited series of statutory deadlines... represents a necessary first step...*".

I can now confirm that the Department, supported by the FRC, alongside the National Audit Office, will launch consultations on these proposals soon. Our proposals will include an initial backstop date for local authorities and auditors of 30 September 2024 for all outstanding local audits in England up to and including the financial year 2022-23. Subject to the outcome of the consultations on necessary legislative changes as well as changes to the Code of Audit Practice, we intend to bring forward legislation to implement the backstop proposals. While these consultations take place, preparers and auditors should continue undertaking existing work to produce and audit local authority financial statements to ensure the system is in the best place possible to implement any final package of measures.

The Government is carefully considering the Committee's report, and its content is helping to inform our work with key system partners to develop solutions to the challenges in the local authority financial reporting and audit system. The Committee's report makes a wide range of recommendations for both the backlog and the future of local financial reporting and audit and I agree that important questions concerning systemic challenges must be addressed.

SIMON HOARE MP
Minister for Local Government

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**CORPORATE GOVERNANCE
AUDIT AND STANDARDS COMMITTEE**

**AUDIT MANAGER
REPORT NO. AUD 24/01**

31st JANUARY 2024

INTERNAL AUDIT – AUDIT UPDATE

SUMMARY:

This report describes:

- A progress update on the 2023/24 Audit Plan.

RECOMMENDATION:

Members are requested to:

- i. Note the audit work completed.
- ii. Note the update to the deliverables for Quarters 4.

1 Introduction

1.1 This report is to provide Members with:

- An overview of the work completed towards the 2023/24 audit plan;
- A progress update on the 2023/24 Audit Plan; and
- A schedule of work to be delivered in Q4.

2 Audit Work Completed

2.1 As previously reported to this committee in September 2023, there has been difficulty with recruiting to the Audit and Investigation officer posts. Contractors have been sourced to assist with delivering the remaining audits from the 2023/24 audit plan.

2.2 Due to the difficulty with recruitment, Senior Management have agreed that the internal audit and investigations service for future years will be provided through a structured partnership with contractors with oversight by the Service Manager – Audit. This will ensure stability and resilience for the effective delivery of the internal audit plan.

2.3 An external assessment on the internal audit service has been carried out by the Chief Audit Executive at Basingstoke BC. The assessment concluded,

‘I have completed an external review of your internal assessment against the Public Sector Internal Audit Standards (PSIAS) and based on the information provided, I can confirm that Rushmoor Borough Council conforms with the PSAIS requirements.’

A few minor improvement points have been recommended to further enhance the service.

2.4 The table below provides an overview of the assurance opinion, given to the completed audit since the last update:

Audit Title	Assurance Opinion	Recommendations by Priority		
		High	Medium	Low
2023/24 Internal Audit Plan				
Cyber Security in the Supply Chain	Limited	2	5	3
Procurement Cards	Limited	4	5	0
Insurance Follow up	Limited	3	6	0
Purchase Ledger	Reasonable	2	6	1
Estates Management follow up	Substantial	0	2	0

2.5 Below is a summary of the key findings from the audits/ follow up's.

Cyber Security in the supply chain

The Council's arrangements for procurement/contract management are transitional, with changes at a senior and operational level. The Council's current focus is primarily on enhancing its 'core' procurement/contract management approach to better align with good practice. This process is supported by a Service Level Agreement (SLA) with Portsmouth City Council (PCC).

The current SLA with PCC does not include specific cyber risk in the supply chain support, although this could potentially be provided in future.

The Council does not currently have any defined arrangements to assess procurements for the risk they pose and put arrangements in place to manage the risk, appropriate to the scale of individual procurements, nor has any action been taken to review the existing contract portfolio for related risk and implement any enhancements necessary.

The IT Team has developed a set of questions (based on National Cyber Security (NCSC) guidance and supported by PCC), which are being used to ensure appropriate arrangements are in place for 'new' procurements. A 'live' procurement was reviewed by Internal Audit, confirming that this process is being followed appropriately.

The next and more substantial phase of work will be to review the existing portfolio of IT contracts and put any enhancements necessary in place. This phase has not yet started.

A cyber issue was previously investigated, and various recommendations made. A follow up was carried out as part of this audit. Since the investigation staff changes have occurred specifically the Purchase Ledger Manager and the Information Governance Officer. While the Purchase Ledger Manager has implemented some enhancements since coming into post, for example more robust challenging of the authenticity of requests for changes in payment details, this audit's conclusion is that the specific recommendations made have not been progressed.

Procurement Cards

Procurement Cards are used for low value, one off payments as an easy and cost-effective purchasing solution. The Procurement Card scheme was set up as a trial in 2009 and has not since been through official approval. As a result, the Council's Procurement Card Policy has not been finalised, or reviewed since 2009. The supporting Procurement Card User Agreement document was sighted however it was confirmed that there is no evidence that any Procurement Card holders have read and agreed to the document.

Restrictions on card use are detailed within the Procurement Card Policy. It was identified that 1.5% of the total transactions sampled were confirmed as not permitted by the policy.

The current monthly authorisation process does not have effective controls in place to ensure separation of duties between the cardholder and approver.

VAT receipts are not being provided for all transactions.

Request and approval documentation has not been recorded for any of the 26 individuals currently holding Procurement Cards. Additionally, evidence to support transaction limit approval is not available. One cardholder was highlighted as incorrectly holding a card with a transaction limit of £30,000.

There is currently no effective system to analyse Procurement Card Spend.

Insurance follow up

The Insurance audit was carried out in 20/21 and provided a limited assurance level.

Whilst changes to the insurance process have been made, key controls have still not been established. With the recent departure of the Finance Manager an appropriate handover of the knowledge of the insurance process has not been carried out, resulting in the risk, associated with only one person having knowledge and no procedure notes in place, materialising.

Clear documentation has not been maintained, therefore assurance cannot be provided that adequate insurance is in place for the Council. However, it should be noted that work is currently underway for re-tendering for insurance in which the recommendations from this report are being actioned. A further review will be carried

out to ensure that the recommendations have been implemented following the re-tender process.

Purchase Ledger

Purchases and expenses, excluding those made via procurement cards, are recorded within the Purchase Ledger. The Finance Team are responsible for monitoring and checking the invoices to ensure their accuracy and prompt payment. Part 4 of the Financial Regulation in the Councils Constitution - Finance Procedure Rules (FPR) - outline the standards the function should follow.

Non-compliance with FPR has been highlighted with regards to timeliness of payments, pre-payment requirements and the use of purchase orders.

Issues surrounding the use of Purchase Orders has been raised within the current and previous audits with a small percentage of qualifying purchased being raised via purchase orders.

A review of the Finance Procedure Rules is outstanding as it was recommended within the 2020/21 audit, to confirm exemptions to the use of purchase orders are accurate.

Not all supporting documentation is being recorded to support changes to supplier master data.

Estates Management follow up

The Property team has substantially developed since the last audit was carried out and provided a limited assurance level.

A property system is now in place which stores more effectively the information relating to properties owned by the Council. This system allows for better management of the properties and analysis. There is also greater communication between key services, namely Finance and Property.

Regular reviews of rental income are carried out and this is reported to the Capital Project & Property Advisory Group (CPPAG).

3 Progress towards the 2023/24 Audit Plan

3.1 Since the Committee approved the 2023/24 audit plan in March 2023, there has been no changes to the audits due to be completed. One audit has been carried forward from the 2022/23 audit plan.

3.2 The table below provides a summary of progress to date (17/01/24):

Audit/ Audit follow up status	Number of reviews	%
Finalised	3	19
Draft report	3	19

In progress	9	56
	15	94
Audits to be started	1	6
Total	16	100

NB: The figures within the table include 1 audit carried forward from the 2022/23 audit plan.

4. Expected Deliverables for Q4 2023/24

4.1 The work expected to be delivered in quarter 4 is detailed within the table below. These audits can be subject to change due to the evolving auditing environment. Updates on these will be provide at the next committee meeting:

Service	Audit/ follow up/descriptor
ELT	CREP – C/f from 2022/23
Property & Growth	H&S of Council Buildings - Review the process for H&S checks and related maintenance of Council buildings, including commercial assets.
IT	Intune mobile device management - To ensure that the implementation of the Council's new mobile device management is appropriate.
Finance	CIPFA financial code - To review the Council's compliance towards the CIPFA financial code.
ELT	Rushmoor Homes Limited - Review the processes in place for RBC involvement with RHL including the process for drawing down funding.
Operations	Serco Contract Management - A review of the Serco contract to ensure SLAs and additional costs are in line with the contract.
Democracy	Elections - Review of process and system changes and data security.
IT	Cloud CRM - A review of the implementation of the Council's cloud-based CRM system.
IT	Intune mobile device management - To ensure that the implementation of the Council's new mobile device management is appropriate.
Operations	Parking – Post transfer review of processes
People	Payroll - Key financial system reviewed on a 3-year cycle.
Regenerations/ Property & Growth	Capital Programme – Meads - A review of the acquisition of the Meads.
ACE	Homes for Ukraine fund - A review of the processes for the Homes for Ukraine funding.

Service	Audit/ follow up/descriptor
ACE	Financial Assistance to Organisations - Review of the ongoing grants given to organisations and the performance measures in place.

5. Update on outstanding recommendations

- 5.1 Progress has been made towards reducing the outstanding audit recommendations. A detailed update will be provided to this committee in March 2024.

6. Recommendation

- 6.1 Members are requested to note the information provided within the report in relation to the progress of Audit work to date towards the 2023/24 audit plan, and the expected deliverables for Q4.

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HEAD OF SERVICE: Peter Vickers, Executive Head of Financial Services and S151 Officer

References: *Internal Audit – Audit Plan 2023/24*, presented to the Committee on 27 March 2023.

[Agenda for Corporate Governance, Audit and Standards Committee on Monday, 27th March, 2023, 7.00 pm - Rushmoor Borough Council](#)

**CORPORATE GOVERNANCE,
AUDIT AND STANDARDS
COMMITTEE****CHIEF EXECUTIVE****31ST JANUARY, 2024****REPORT NO. DEM2402****SELECTION OF MAYOR AND DEPUTY MAYOR 2024/25****1. INTRODUCTION**

- 1.1 This Report sets out the current position on the selection process for the Mayor and Deputy Mayor 2024/25.

2. BACKGROUND

- 2.1 The Council has established a process and criteria for selecting the Mayor and Deputy Mayor which is adopted as part of the Council's Constitution. A copy of the criteria is attached at **Appendix 1**.
- 2.2 In accordance with the procedure, the Chief Executive wrote to all councillors in December 2023 to invite expressions of interest in the role of Deputy Mayor for 2024/25, progressing to the position of Mayor in 2025/26.

3. PROPOSALS FOR NOMINATIONS

- 3.1 Cllr Mara Makunura, who is currently the Deputy Mayor, has confirmed her wish to proceed through normal progression to the position of Mayor for 2024/25.
- 3.2 For the position of Deputy Mayor, it has not yet been possible to secure a nomination for recommendation to the Committee that meets all the requirements of the selection criteria. An update will be provided at the meeting - however, it may be necessary to report back on a nomination at a later date.

4. RECOMMENDATIONS

- (i) The Committee recommends to Council that Cllr Mara Makunura be appointed as Mayor-Elect for the 2024/25 Municipal Year.
- (ii) The Committee to note that the process for seeking a nomination for Deputy Mayor 2024/25 is underway with a view to securing a nomination in due course.

PAUL SHACKLEY
CHIEF EXECUTIVE

Contact: Jill.shuttleworth@rushmoor.gov.uk Corporate Manger - Democracy

5. SELECTION OF THE MAYOR AND DEPUTY MAYOR

The Council has established criteria for selecting the Mayor and Deputy Mayor. The Corporate Governance, Audit and Standards Committee keeps the criteria under regular review. The arrangements are as follows:

Each year, the Chief Executive will invite all Members to advise if they are interested to take the role of Deputy Mayor beginning the next municipal year, progressing through to the position of Mayor the following year. The Chief Executive shall also check that the Deputy Mayor wishes to progress through to Mayor. This will usually be in early December and with a deadline for Members to advise their interest by early January.

The following criteria will then be applied to determine the position from the interested Members:

- 1) The position of the Mayor and Deputy Mayor of the Borough will be determined by order of seniority from amongst all interested Members of the Council as notified to the Chief Executive and will be calculated in accordance with the procedure adopted by the Council on 20th May 1976 as follows:

“The order of seniority of Members of the Council shall be determined by the length of previous local government service with the Council, including past service with the former Aldershot Borough Council and Farnborough Urban District Council. In the case where two or more Members have the same length of service, then priority between such Members shall be determined by the number of votes received by each Member expressed as a percentage of the total number of ballot papers issued at the most recent election held in their respective Wards.”
- 2) The normal progression through the Mayoralty will be by the holding of the position of Deputy Mayor and then progressing to the position of Mayor the following year.
- 3) A Member will not be eligible for selection until that Member has served a full four-year term.
- 4) Where a Member has not been Mayor before, that Member shall be given priority in the selection process.
- 5) Past Mayors will not normally be considered for the position of Mayor or Deputy Mayor until eight years after the completion of the end of their Mayoral Year.
- 6) A Member may be selected as Deputy Mayor when they are seeking re-election at that year's Borough Council Election. The position would be contingent on a successful re-election. However, a Member will not normally be selected when they are seeking re-election which would fall between their year as Deputy Mayor and Mayor.
- 7) The Offices of Mayor and Deputy Mayor must at all times be apolitical and should not be used for political advantage.

- 8) A Member should recognise the time required in carrying out the duties and responsibilities of the Mayor and be able to allocate that time during their year of office.
- 9) Those considered for appointment:
 - must demonstrate a broad base of support amongst Members of the Council and all Members will be contacted in writing by the Chief Executive for their views on the proposed candidate.
 - should be able to demonstrate some experience of chairing meetings
- 10) The Mayor-Elect and Deputy Mayor-Elect will be selected at the Corporate Governance, Audit and Standards Committee on the basis of the selections being submitted to Council by the end of March.
- 11) The Mayor must sign their acceptance of the Mayoral Protocol before beginning their term of office